EYE ON MONEY

NOV DEC 2018

YEAR-END TAX PLANNING

YEAR-END STRATEGIES FOR MINIMIZING YOUR 2018 PERSONAL TAXES

plus

FINANCIAL

THREE THINGS TO UNDERSTAND ABOUT CREDIT REPORTS

1 **Why credit reports matter.** Your credit reports are used to provide information about your credit history to lenders, credit card companies, auto insurance companies, utility companies, and certain other businesses who use the information to determine your creditworthiness and the rates you'll pay for credit and auto insurance.

2 **How to get your credit reports.** You can get a free copy of your credit report from each of the 3 major credit reporting agencies every 12 months by calling 1-877-322-8228 or by going online to www.AnnualCreditReport.com.

3 **Why reviewing your credit reports is important.** A review can help you spot mistakes and signs of fraud that, if not caught, may result in you being denied credit or paying higher rates than necessary for new loans or auto insurance. Look for credit accounts you did not open, inquiries from creditors you do not recognize, and addresses where you never lived. ■

inside

The Taxation of Alimony to Change in 2019— But Not for Everyone

The Tax Cuts and Jobs Act of 2017 changed the federal tax treatment of alimony for divorce and separation instruments executed after 2018. If you currently pay or receive alimony, or are considering a divorce or separation, here's a summary of what you need to know about the change.

THE PRIOR LAW

Under the prior federal law, alimony and separate maintenance payments are tax deductible for the person making the payments and taxable for the person receiving them.

The prior law will continue to apply to divorce or separation instruments executed before 2019. This means that for pre-2019 agreements, the payer will continue to deduct the payments and the recipient will continue to add the payments to his or her taxable income, even after 2018.

The tax rules under the prior law often result in lower federal tax on alimony and separate maintenance payments. That's because the person receiving the payments and paying the income tax on them is frequently in a lower tax bracket than the person making the payments.

For example, let's say John is required to pay $50,000 alimony each year to his ex-spouse Sue. Let's also say that John is in the 35% federal tax bracket and Sue is in the 25% bracket. John deducts $50,000 from his taxable income, which reduces his federal tax by about $17,500. Sue adds $50,000 to her taxable income, which increases her federal tax by $12,500. So by shifting the tax liability to Sue, the federal tax is $5,000 less than if John had to pay it. (This is a hypothetical example for illustrative purposes only.)

THE NEW LAW

The Tax Cuts and Jobs Act of 2017 flips how alimony and separate maintenance payments are taxed for people whose divorce and separation agreements are executed after 2018.

Under the Tax Cuts and Jobs Act, payers cannot claim a tax deduction for the payments they make and recipients do not have to include the payments in their taxable income. In other words, the income used for the payments is taxable to the payer and the payments are tax-free to the recipient.

By shifting the tax liability to the spouse who makes the payments, the federal government expects to pull in an additional $6.9 billion in taxes over the next nine years, according to the Joint Committee on Taxation's analysis of the Tax Cuts and Jobs Act.

The new tax rules only apply to 1) divorce or separation agreements executed after 2018, or 2) earlier agreements that are modified after 2018 and choose to have the new rules apply. ■

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Please consult your tax advisor or divorce attorney for more information about how alimony is taxed.

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Diversification: A Way to Manage Risk

When investing, it's smart to choose a variety of individual investments and types of investments. Here's why.

DIVERSIFICATION—THE PRACTICE OF SPREADING YOUR MONEY among many investments and types of investments—can help reduce risk in your portfolio by lessening the impact of a downturn in a single company or industry on the overall performance of your portfolio.

So rather than investing in just a few hot stocks, consider investing in a variety of stocks from different companies, sectors, market capitalizations, and geographies so that a downturn in one company, industry, market cap, or region of the world has less of an impact on your overall portfolio.

Consider investing in bonds from several issuers, as well as in different types of bonds.

Look for investments and investment types that do not always move in lockstep with one another so that when some are moving down, hopefully others are moving up and can help smooth out your returns.

Mutual funds and exchange-traded funds (ETFs) can be useful in diversifying a portfolio. Funds may hold hundreds or even thousands of individual securities making it possible for you to diversify your portfolio by investing in a few well-chosen funds. Of course, investing in a variety of individual securities is also an option. ■

PLEASE NOTE:

Diversification does not ensure a profit or guarantee against loss in declining markets.

Bonds are subject to interest rate risk. When interest rates rise, bond prices usually fall. The effect is usually more pronounced for longer-term securities. Fixed-income securities also carry inflation risk and credit and default risks for both issuers and counterparties. You may have a gain or loss if you sell a bond prior to its maturity date.

Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.

Please consult your financial advisor for help in developing and implementing an investment plan.

Two Tax-Savvy Ways to Give the Gift of Education

A contribution to a loved one's college savings fund makes a great gift. But before you simply hand them a check earmarked for college, consider contributing to a 529 savings plan or a Coverdell Education Savings Account on their behalf instead.

Both offer the potential for tax-free growth.

Investment earnings grow free of federal tax in 529 savings plans and Coverdell Education Savings Accounts.

Because the earnings are not subject to federal tax while in the account, the student may end up with more savings over time than if your gift had been deposited into a taxable account.

1

529 Savings Plans

- Withdrawals are free from federal tax if used for qualified education expenses (e.g., tuition, fees, books, and generally room and board) at a college or other postsecondary school. Also, up to $10,000 per student per year can be withdrawn free from federal tax for grades K-12 tuition.
- Anyone can contribute.
- No annual contribution limit. Many 529 plans allow more than $300,000 per beneficiary to be saved.
- The beneficiary can be any age.
- Contribute up to $75,000 per beneficiary in one year without incurring the federal gift tax. (See your tax advisor for details.)

2

Coverdell Education Savings Accounts

- Withdrawals are free from federal tax if used for qualified education expenses (e.g., tuition, fees, books, and generally room and board) at an elementary, secondary, or postsecondary school.
- To contribute, your modified adjusted gross income for the year must be under $110,000 ($220,000 if filing a joint return).
- The maximum total amount that can be contributed per beneficiary per year is $2,000.
- No contributions can be made after the beneficiary reaches age 18, unless he or she is a special needs beneficiary.

PLEASE NOTE: *For more complete information about a 529 education savings plan, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial advisor. Some states offer state residents additional benefits, such as a state tax deduction for contributions to the plan, reduced or waived program fees, matching grants, and scholarships to state colleges. Any state-based benefit offered with respect to a particular 529 education savings plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other 529 education savings plan to learn more about the features, benefits, and limitations of that state's 529 education savings plan. A 10% federal penalty on earnings will apply if you receive a non-qualified withdrawal.*

Please consult your financial advisor about how to help a loved one save or pay for college.

Year-End Tax Planning

You may be able to reduce your 2018 taxes if you act soon! Several year-end tax minimization strategies for individuals are presented here. Not all of the strategies may be appropriate for you so please seek specific advice from your tax and financial advisors. This article reflects the laws in place as of September 1, 2018. It is possible that the IRS may provide additional clarification regarding 2017's tax reform or that Congress may make additional changes before the end of 2018.

YOUR FEDERAL TAX SITUATION MAY be different this year, due to the sweeping changes made to the federal tax code by the Tax Cuts and Jobs Act of 2017.

The tax rates on ordinary income are lower this year. The standard deduction has nearly doubled. Personal exemptions have been suspended. A new 20% deduction on pass-through income is available to some business owners. The child tax credit is available to more families, including some upper-income ones. The exemption for the federal gift and estate tax has doubled. These changes and others went into effect on January 1, 2018 and are scheduled to remain in place through 2025.

What can you do in light of these changes to improve your tax situation and potentially reduce your 2018 federal taxes? Plenty.

Check your tax withholding. With so many changes to the federal tax code, the number of withholding allowances you claimed the last time you filled out a Form W-4 or a Form W-4P may no longer be appropriate for you. The IRS is encouraging taxpayers to check whether the amount of tax being withheld from their paychecks, pensions, and annuities is accurate. One way to check is with the IRS's withholding calculator, located online at www.IRS.gov.

You may also want to ask your tax advisor to estimate your 2018 tax liability before the end of the year so that you will know if enough tax has been withheld from your paycheck. If it looks like not enough tax has been withheld, you can avoid a penalty on the underpayment by increasing the amount of tax withheld from your paycheck or bonus to make up the shortfall before the end of the year.

Shift income into the more advantageous year. Do you expect to be in a different tax bracket next year? If you do, shifting some income into the year when you will be in the lower tax bracket may help lower your taxes over the two-year period.

If you expect to be in the same tax bracket next year, it is generally a good idea to defer income and the taxes on it into next year.

Although it may not be possible to control when you receive certain types of income, such as your paycheck, you may be able to time your income somewhat by selling appreciated assets and making withdrawals from your tax-deferred retirement accounts in years that are more advantageous taxwise.

Consider converting your tax-deferred retirement accounts to a Roth IRA. With the current low tax rates, you may pay less tax on a Roth conversion now than you might later on if tax rates are allowed to increase to pre-2018 levels after 2025.

Tax Rates on Ordinary Income

2018 Federal Tax Rates	Single Taxable Income	Married Filing Jointly Taxable Income	Married Filing Separately Taxable Income	Head of Household Taxable Income
10%	$0 - $9,525	$0 - $19,050	$0 - $9,525	$0 - $13,600
12%	$9,526 - $38,700	$19,051 - $77,400	$9,526 - $38,700	$13,601 - $51,800
22%	$38,701 - $82,500	$77,401 - $165,000	$38,701 - $82,500	$51,801 - $82,500
24%	$82,501 - $157,500	$165,001 - $315,000	$82,501 - $157,500	$82,501 - $157,500
32%	$157,501 - $200,000	$315,001 - $400,000	$157,501 - $200,000	$157,501 - $200,000
35%	$200,001 - $500,000	$400,001 - $600,000	$200,001 - $300,000	$200,001 - $500,000
37%	Over $500,000	Over $600,000	Over $300,000	Over $500,000

Ordinary income includes wages, self-employment income, taxable interest, short-term capital gains, non-qualified dividends, and taxable distributions from IRAs and retirement plans. Taxable income is your total income for the year, reduced by your deductions and exemptions.

NEW FOR 2018

The following federal tax changes are temporary and set to expire after 2025.

The income tax rates for individuals are reduced.	Most tax rates are reduced. The top tax rate is now 37% (down from 39.6%) and applies to taxable income over $500,000 if single or $600,000 if married filing jointly.
The standard deduction has nearly doubled.	• $12,000 if single or married filing separately • $18,000 if head of household • $24,000 if married filing jointly • $1,300 additional if blind or age 65 or older and married • $1,600 additional if blind or age 65 or older and single
Personal exemptions are suspended.	Prior to 2018, taxpayers with incomes under certain limits could deduct up to $4,050 from their taxable income for each taxpayer and dependent included on their tax return.
The AMT exemption amounts and their phaseout thresholds are increased.	This means that fewer individuals will pay the AMT. Before making any year-end tax moves, find out if you will be subject to the alternative minimum tax (AMT). Some strategies described in this article may not be appropriate for individuals subject to the AMT.
Several changes are made to tax credits and deductions.	• The child tax credit is increased to $2,000 per qualifying child and expanded so that many upper-income taxpayers can claim it. • The overall limitation on itemized deductions is suspended. • The deduction for state and local taxes is capped at $10,000 ($5,000 for married couples filing separately). • The deduction for home mortgage interest is limited to the interest on $750,000 of home loans ($375,000 for married couples filing separately) for debt incurred on or after 12/15/17. • The interest on home equity loans and lines of credit is no longer deductible unless the loan is used to buy, build, or substantially improve the home that secures the loan. • The deduction for personal casualty losses can only be claimed for losses in a Presidentially-declared disaster.
The exemption for estate, gift, and generation-skipping transfer taxes has doubled.	The new federal exemption amount is $11.18 million.

BUNCH YOUR DEDUCTIONS — 'Bunching deductions' involves paying deductible expenses in one year that you had planned to pay over two years. This strategy can be beneficial if it boosts your total itemized deductions over your standard deduction amount or if it enables you to deduct part of the medical and dental expenses you pay.

Bunching your itemized deductions into one year may result in a larger deduction if it boosts your itemized deduction amount over your standard deduction amount ($12,000 for single filers or married filers who file separately, $18,000 for head of household filers, or $24,000 for joint filers).

For example, let's say you are single and expect to have $10,000 of deductible expenses in 2018. Let's also say that those expenses include $4,000 of charitable contributions, an amount that you normally donate every year. As it stands now, you'd receive a larger deduction if you claim the standard deduction ($12,000) rather than itemizing deductions ($10,000). But let's say you decide to 'bunch' deductions by also making your 2019 charitable contributions ($4,000) before the end of 2018. This would boost 2018's deductible expenses to $14,000, and you'd receive a larger deduction ($14,000) by itemizing deductions. Then in 2019, having already made your charitable contributions in the prior year, your deductible expenses would likely be lower so you'd simply claim the standard deduction ($12,000).

Bunching your medical and dental expenses into one year may also be beneficial. For 2018, you can deduct the portion of your unreimbursed medical and dental expenses that exceed 7.5% of your adjusted gross income. If you are just under the 7.5% threshold, consider prepaying some 2019 expenses this year so that you clear the 7.5% threshold and can deduct the excess amount. The threshold is set to pop back up to 10% in 2019 so you may have an easier time clearing the threshold this year. (Medical and dental expenses can only be deducted if you itemize deductions.)

SHELTER YOUR INCOME FROM TAXES

Contribute to a retirement plan. One surefire way to reduce your income tax this year is to contribute to a tax-deferred retirement plan at work.

Every dollar that you contribute to a tax-deferred 401(k), 403(b), or similar retirement plan is generally one less dollar that you will have to pay income tax on this year. For instance, if you contribute $18,500 to a 401(k) plan in 2018, you will not have to pay income tax on that $18,500 this year. You'll eventually owe income tax on your retirement savings, but not until they are withdrawn from the plan, which may be decades from now.

You may also be able to reduce your current income taxes by contributing to a traditional IRA outside of work. Contributions are tax deductible if you, and your spouse if you are married, are not covered by retirement plans at work. If either of you is covered, your income must be below certain limits for you to be eligible to deduct your traditional IRA contributions. You have until the due date for your 2018 federal tax return (normally April 15) to contribute to an IRA for 2018.

Business owners: Start a retirement plan. If you are self-employed or own a business without a retirement plan, you may want to consider starting a business retirement plan this year.

Not only are business retirement plans a convenient way for business owners and their employees to build wealth for retirement, they also generally allow you to contribute far more of your income each year than allowed by a traditional IRA. And the more income you contribute to a tax-deferred retirement plan, the lower your current taxes.

Some types of retirement plans must be established by December 31, 2018 in order to reap the tax benefits for this year. Please ask your financial advisor about your options.

Contribute to a health savings account. Are you covered by a high-deductible health plan? If so, you can reduce your taxable income by contributing to a health savings account (HSA). You have until the due date for your 2018 federal tax return (normally April 15) to contribute for 2018. The maximum contribution limits are shown below.

Maximum Contribution Limits for 2018

401(k), 403(b), and most 457 Plans
$18,500 regular
Plus $6,000 if age 50 or older

SIMPLE IRA and SIMPLE 401(k) Plans
$12,500 regular
Plus $3,000 if age 50 or older

Traditional and Roth IRAs
$5,500 regular
Plus $1,000 if age 50 or older

Health Savings Accounts
$3,450 for self-only HDHP coverage
$6,900 for family HDHP coverage
Plus $1,000 if age 55 or older

Other limitations may also apply.

GO GREEN IN 2018

Install alternative energy equipment in your home. If you've been thinking about adding alternative energy equipment to your home, get moving! The federal government still offers a 30% tax credit for adding qualified solar, geothermal, wind, and fuel cell equipment to your home—but not for much longer.

The Residential Energy Efficient Property Credit is scheduled to gradually decrease in value after 2019. The credit will be 26% for systems placed in service in 2020 and 22% for systems placed in service in 2021. The credit cannot be claimed for systems placed in service after 2021.

Please note that the credit for fuel cells is limited to $500 per half kilowatt of capacity.

Buy a plug-in vehicle. Purchasing a new all-electric or plug-in hybrid vehicle may reduce your federal taxes by as much as $7,500, thanks to the Qualified Plug-In Electric Drive Motor Vehicle Credit.

The exact amount of the credit will depend on the battery capacity of the vehicle you purchase and how many qualifying vehicles the manufacturer has sold in the United States. Among the 2018 models that are expected to qualify for the maximum $7,500 credit amount are the Cadillac CT6 Plug-in, Ford Focus EV, Honda Clarity Plug-in Hybrid, and Kia Soul Electric. To review a list of qualifying vehicles and their credit amounts, please visit www.fueleconomy.gov.

HARVEST LOSSES BEFORE THE END OF THE YEAR

Tax-loss harvesting involves selling some investments that have dropped in price since you bought them and using the losses to offset your capital gains and ordinary income.

Use investment losses to reduce your taxes. When you sell a stock, mutual fund, or other security in a taxable account for less than you paid for it, the loss can be used on your tax return to reduce the capital gains and ordinary income you must pay taxes on.

For example, let's say you earn a $50,000 profit when you sell Stock A. If Stock B has lost ground since you purchased it and you sell it at a $30,000 loss, you can use the $30,000 loss to reduce your $50,000 capital gain so that you only have to pay tax on $20,000 of it.

Alternatively, if you sell Stock B at a $60,000 loss, the loss will totally offset your $50,000 capital gain so there would be no tax on the gain. Plus, $3,000 of the remaining $10,000 loss can be deducted from your ordinary income for the year, which lowers your taxes even further. The unused portion of the loss, $7,000 in this example, can be carried forward and used in future years to reduce your taxes.

Avoid wash sales. In order to use a loss from the sale of a security to offset your capital gains and ordinary income, you cannot buy a substantially identical security within 30 days before or after the sale.

MINIMIZE TAXES ON YOUR INVESTMENTS

These strategies only apply to investments held in taxable accounts (not retirement accounts).

Hold securities long enough to qualify for lower tax rates. How long you own a stock, mutual fund, or other security affects how your investment income is taxed. For instance, if you sell a security that you have owned for one year or less, any profit is considered a short-term capital gain and is taxed as ordinary income, at rates that currently range up to 37% (40.8% with net investment income tax (NIIT)). You can reduce the tax rate—to 20% (23.8% with NIIT) or less—simply by waiting for longer than one year before selling so that the profit is considered a long-term capital gain and is eligible for a capital gains tax rate.

Give appreciated securities to family members who are eligible for a lower tax rate. Do you normally give cash to family members? If they are eligible for a lower tax rate on capital gains than you are, you may want to give them appreciated securities to sell rather than selling the securities yourself and giving them the cash.

Generally, an individual with taxable income as high as $38,600 if single or $77,200 if married filing jointly can sell securities that you've owned for more than one year and not pay a cent in federal tax on the long-term capital gains.

But be aware of the kiddie tax. If you give appreciated securities to your child to sell and that child is under age 19, or under age 24 if a full-time student, his or her unearned income exceeding $2,100 will be taxed using tax brackets that apply to trusts and estates. The same 0%, 15% and 20% capital gains tax rates that apply to individuals apply to trusts and estates, but the tax brackets for determining which rate is used are more compressed for trusts and estates. For example, the 15% capital gains rate does not apply until income exceeds $38,600 for a single filer using the individual tax brackets. But for a child using the trust and estate tax brackets, the 15% rate applies if taxable income exceeds $2,600 and the 20% rate applies if taxable income exceeds $12,700.

This tax treatment of a child's unearned income is new for 2018. Prior to 2018, a child's unearned income was taxed using the parent's tax rate.

1 YEAR +

To use a capital gains tax rate on the profits from the sale of an investment, you must wait more than one year before selling the security.

61 DAYS

To use a capital gains tax rate on qualified dividends you receive, you generally must hold the security for more than 60 days during the 121-day period that begins 60 days before its ex-dividend date.

Certain preferred stocks must be held more than 90 days during the 181-day period that begins 90 days before their ex-dividend date.

Tax Rates for Long-Term Capital Gains and Qualified Dividends

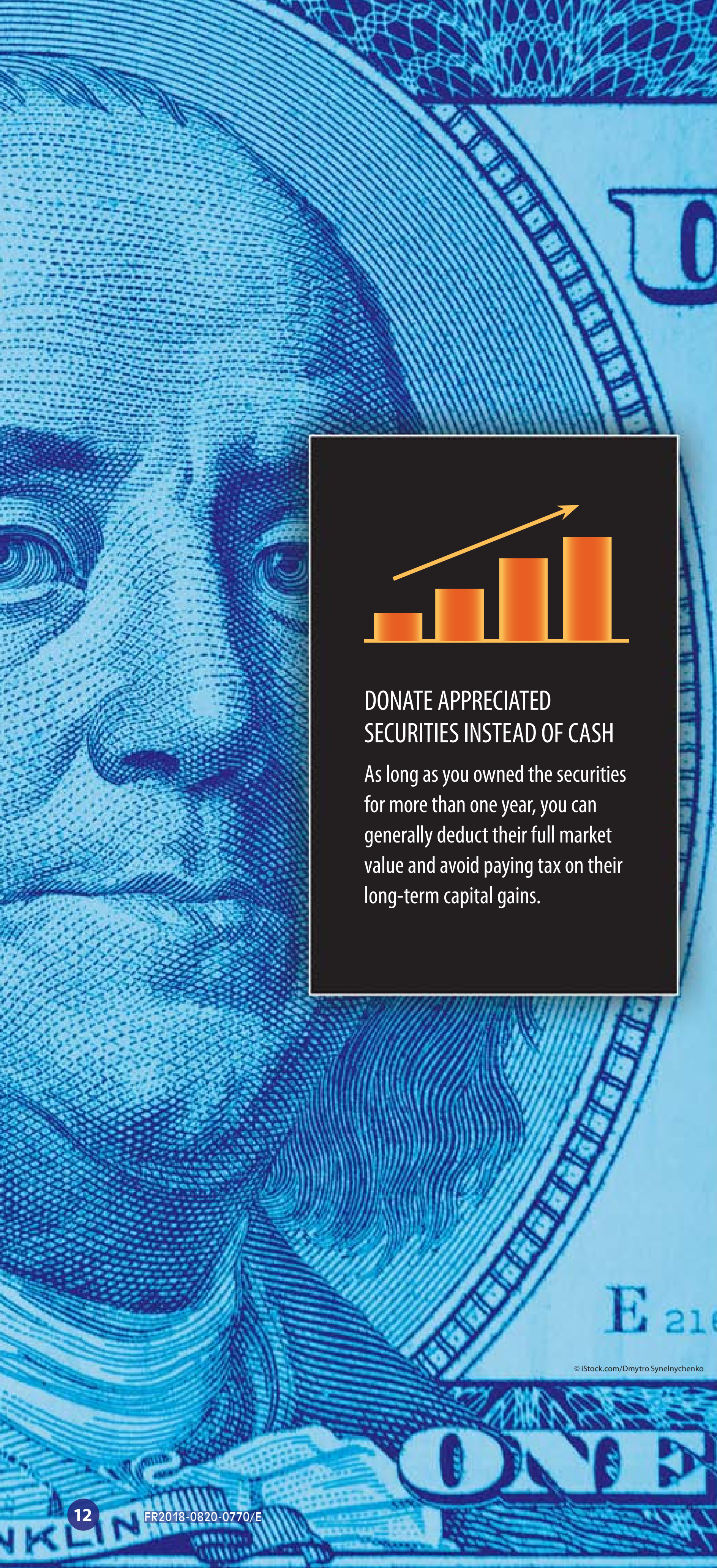
	0% for individuals with taxable income between	15% for individuals with taxable income between	20% for individuals with taxable income over
Single	$0 - $38,600	$38,601 - $425,800	$425,800
Married Filing Jointly	$0 - $77,200	$77,201 - $479,000	$479,000
Married Filing Separately	$0 - $38,600	$77,201 - $239,500	$239,500
Head of Household	$0 - $51,700	$51,701 - $452,400	$452,400

These rates apply to investments held in taxable accounts (not retirement accounts) that meet certain holding period requirements. The 3.8% net investment income tax may also apply.

3.8% Net Investment Income Tax

Tax Filing Status	MAGI Threshold
Single	$200,000
Married filing jointly	$250,000
Married filing separately	$125,000
Head of household	$200,000

This 3.8% surtax affects taxpayers with net investment income and a modified adjusted gross income (MAGI) in excess of the thresholds shown above.



DONATE APPRECIATED SECURITIES INSTEAD OF CASH

As long as you owned the securities for more than one year, you can generally deduct their full market value and avoid paying tax on their long-term capital gains.

MAKE THE MOST OF YOUR GIFTS

Gifts you make to charities can be deducted on your tax return if you itemize deductions. Limits on charitable deductions may reduce the value of your deduction.

Donating appreciated securities rather than cash offers a greater tax benefit. Although donations of cash and securities to charitable organizations both qualify for a charitable tax deduction, donating securities that have gone up in value since you bought them offers you a greater tax benefit.

Here's why. Let's say you want to donate $30,000 to a charity. You could simply write a check for $30,000, or you could donate appreciated securities (stocks, mutual funds, etc.) that you purchased longer than a year ago for, say, $10,000 and that are currently valued at $30,000. Regardless of whether you donate the cash or the securities, you can generally claim a $30,000 charitable deduction for your gift. But if you donate the securities, you can also avoid paying tax on the $20,000 increase in their price.

What if you do not want to part with the securities? You could donate them and buy $30,000 worth of new shares of the same security. And now instead of shares with a $10,000 cost basis, you'll have new shares with a $30,000 cost basis, which will benefit you taxwise when you eventually sell the new shares.

It's important to remember that donating securities only makes sense if the securities have appreciated in value since you bought them. If their value has decreased, you are generally better off selling the securities so that you can use the loss on your tax return to offset the capital gains from the sale of other securities you own.

Time your gifts to charities. Will you be in a different tax bracket next year? If so, keep in mind that you will generally get a larger reduction in your taxes from a charitable deduction if you make the gift in a year when you are in a higher tax bracket. For example, let's say you are in the 24% tax bracket this year and expect to be in the 32% tax bracket next year. A $10,000 donation this year will generally lower your taxes by $2,400, while the same donation next year will reduce your taxes by $3,200.

Consider using donor-advised funds for your charitable giving. Donor-advised funds are a handy tool for charitably-inclined, tax-savvy individuals.

Need a charitable tax deduction to help reduce your taxable income this year? If you haven't chosen your charities yet, consider making an irrevocable donation to a donor-advised fund before the end of the year. As long as you itemize deductions, you can generally deduct the donation on your 2018 tax return even if you do not recommend a single grant from your donor-advised fund account to charity this year.

Want to boost your itemized deductions over your standard deduction amount so you can deduct more than the standard deduction amount this year? Consider donating an amount equal to a few years' worth of charitable gifts to a donor-advised fund before the end of the year if it boosts your total itemized deductions for the year over your standard deduction amount. You can then recommend grants from that pool of money to your favorite charities over the next few years.

Make donations from your IRA. If you are age 70½ or older and plan to claim the standard deduction this year, you may still be able to receive a tax benefit from your charitable gifts even though you are not itemizing deductions.

IRA owners who are age 70½ or older can make tax-free distributions of up to $100,000 per year directly from their IRAs to qualified charities. The distributions count toward their IRA's required minimum distributions (RMDs) for the year, but they are not added to their gross income as RMDs normally are and so they escape taxation.

REDUCE YOUR TAXABLE ESTATE

Make gifts to your family now. If your estate will be subject to estate taxes, consider taking advantage of the annual exclusion for gifts to reduce the size of your taxable estate before the end of the year. The federal exclusion amount for 2018 is $15,000. This means that you can give any number of people up to $15,000 each in 2018 without triggering the federal gift tax or reducing the amount that can be exempted from federal transfer taxes later on.

You may also want to consult your estate planning advisor regarding the large increase in the federal exemption for estate, gift, and generation-skipping transfer taxes. The exemption amount increased from $5.49 million in 2017 to $11.18 million in 2018.

The increase is temporary, however, and applies only to the estates of decedents dying or gifts made after December 31, 2017 and before January 1, 2026. Unless Congress makes further changes, the new exemption amount will decrease to the 2017 level in 2026.

Your advisor can help you determine whether this is a good time to transfer wealth to your family. ■

Please consult your tax and financial advisors about what you can do before the end of the year to help improve your financial situation.

Documenting Your Charitable Gifts

CONTRIBUTIONS YOU MAKE TO YOUR church, alma mater, favorite charity, or any number of other qualified organizations can generally be deducted on your federal tax return if you itemize deductions.

To claim a charitable tax deduction, you must keep records that prove the amount of your contributions. What records will you need? That will depend on the amount of the contribution and whether it is a cash contribution or a noncash contribution (e.g., securities, real estate, household goods, or clothing).

The recordkeeping requirements for cash contributions are very simple. All you need for a cash donation under $250 is a bank record or receipt that shows the date and amount of the contribution and the name of the charitable organization. Donations of $250 or more require a written acknowledgement from the charity.

Noncash contributions require more detailed recordkeeping. For example, you generally need to keep a record of the fair market value of each item you donate and how you figured it.

Some general information about the records you'll need is presented here. Please see your tax advisor or IRS Publication 526 for more complete information.

Also, please consult your tax and financial advisors before making a major gift to charity. Your advisors can help you determine how to make the most of your gift from a tax perspective. ■

RECORDS YOU WILL NEED FOR CASH CONTRIBUTIONS

For a contribution of less than $250

Keep a bank record or a receipt or letter from the qualified organization that shows:

- The date and amount of the contribution
- The name of the organization

The bank record can be:

- A canceled check
- A bank or credit card statement

For a contribution of $250 or more

Get and keep a written acknowledgement from the organization that shows:

- The date and amount of the contribution. (If the acknowledgement does not include the date of the contribution, you must also keep a bank record or receipt that shows the date.)
- Whether you received any goods or services, other than certain token items and membership benefits, from the organization as a result of your contribution. If you did, the acknowledgement must include a description and good faith estimate of their value, unless the only benefit you received was an intangible religious benefit.

RECORDS YOU WILL NEED FOR
NONCASH
CONTRIBUTIONS

For all noncash contributions

You must keep a written record that includes:

- The name and address of the organization.
- The date and location of the contribution.
- A reasonably detailed description of each item you donate. For securities, keep the name of the issuer, the type of security, and whether or not it is publicly traded.
- The fair market value of each item at the time of the contribution and how you figured it.
- The cost or other basis of the property, if you must reduce its fair market value by its appreciation.
- The amount you are claiming as a deduction for the year if you contribute less than your entire interest in the property during the year.
- Any conditions attached to your contribution.

For a deduction of less than $250

All of the preceding items, plus you must get and keep a receipt or other written acknowledgement from the organization that shows:

- The organization's name
- The date and location of the contribution
- A reasonably detailed description of the property you donated

You do not need a receipt if it is impractical to get one, such as if you drop off clothing at a charity's unattended drop box.

For a deduction of $250–$500

All of the preceding items, plus the acknowledgement must include:

- Whether you received any goods or services, other than certain token items and membership benefits, from the organization as a result of your contribution. If you did, the acknowledgement must include a description and good faith estimate of their value, unless the only benefit you received was an intangible religious benefit.

For a deduction of $501–$5,000

All of the preceding items, plus your records generally must include:

- How you got the property (e.g., purchase, gift, or inheritance).
- The approximate date you got the property.
- The cost or other basis of the property.

For a deduction of more than $5,000

All of the preceding items, plus:

- Generally, you must obtain a written appraisal from a qualified appraiser for an item or group of similar items you donate that are valued at more than $5,000.

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LAND OF ICE AND FIRE | Iceland

BY BRIAN JOHNSTON

Iceland is a wild, rugged land of ice and fire, to which its precariously huddled humans have added a millennium of culture and a lively contemporary life.

ICELAND'S COASTLINE IS HEAVILY indented with magnificent fjords and scalloped by glaciers and lava fields. Inland, waterfalls thunder and mud bubbles amid raw and jagged landscapes. You have to marvel that stubborn settlers have lived here for a thousand years. The island-nation's history started with the Vikings. Leif Ericson voyaged on to America in 999 AD, yet somehow it was Iceland's settlements that thrived. Iceland is a great story of human determination, and a great destination for those thrilled by nature's magnificent, beautiful, and sometimes angry power.

Anyone with a bit of seafaring in their soul will find it hard to resist Iceland's history and its coastline, where glaciers carve chunks of ice into vodka-blue oceans, killer whales swim, and islands are studded with cloudberries and gannet nests. The country's ports—which means almost every town—invariably overlook magnificent natural harbors and glacier-carved fjords. Inland, you'll find a scenic collision of volcanoes, waterfalls, and landscapes that sometimes seem to belong to another planet. In winter, eerie northern lights add to the otherworldly feeling.

This is a country for those who love the great outdoors and are willing to whale watch, travel by skidoo, get out on hikes, or plunge down frigid rivers while white-water rafting. A dip in a geothermal pool at day's end will relax the muscles and revive the frost-bitten toes. Some of Iceland's most stupendous must-see landscapes include the volcanic mountains of Askja, the pockmarked majesty of Laki Craters, and the puffin-crowded cliffs of Hornbjarg and Latrabjarg.

You don't have to go far, however, to be reminded that humans cling precariously to an extraordinary landscape here. Just a half-hour drive from central Reykjavík, Thríhnúkagígur volcano might be dormant, but requires a hike across a lava field to reach it. Adrenaline-seeking visitors—harnessed and helmeted—can be lowered into its crater in an open elevator similar to those used by window cleaners. You descend 400 feet and spend 30 minutes inside the volcano's belly, striped with purple, green, and yellow rocks. For bragging rights, this is the only place on the planet where you descend into a magma chamber—at least, if you want to emerge alive.

If this sets your pulse racing and you want to see it all, hit Iceland's Route 1, which circumnavigates the whole island and takes in its most notable towns, as

Visitors who make the trip to Iceland's Geysir hot spring area are rewarded every few minutes with a 50-foot plume of hot water from the Strokkur geyser (left). The Skogafoss (below), one of Iceland's most beautiful waterfalls, plummets 200 feet from cliffs that once formed Iceland's southern coastline.

well as some truly remote regions where the road occasionally reverts to gravel.

You're about as isolated as you can get at Isafjordur in northern Iceland, which sits on a magnificent fjord—a great sail if you approach on a cruise ship. The regional and fishing capital of the resilient Westfjords, Isafjordur sits surrounded by wildflowers against a backdrop of mountains and cliffs where puffins and guillemots roost. Parts of Isafjordur date back to the eighteenth century, and you can learn more about its nautical history at the Westfjords Heritage Museum. You can also join a fishing-boat crew and inspect the canning factory for an authentic Icelandic experience that isn't prettied up for the tourists.

Yet, as you'll find in many Icelandic towns, Isafjordur also offers a surprisingly trendy sophistication, from the laptop-toting students in cafés to fine shops and restaurants and the summer Act Alone Theatre Festival, which presents solo shows by local and international dramatists. You might be traveling through a magnificent northern wilderness but, in Iceland, you seldom have to forego the finer things in life.

The whole Route 1 loop is 800 miles, but the northern section through waterfall-thundering mountains, dramatic coastal rock formations, and past the fjord at Akureyri might be the best. Dettifoss Waterfall is just one of the highlights. More water plunges off these falls than any other in Europe in a churning, sediment-filled spectacle 330 feet wide and 150 feet high.

This isn't a pretty waterfall, but rather one that impresses for its sheer raw power and the wildness of the glacial river that feeds it, also creating spectacular Jökulsárgljúfur Gorge in the process. Dettifoss produces so much erosion that the falls move slightly upriver each year. The eastern riverbank is the most accessible, but the western bank the most dramatic. There are further falls just up and down stream, reached via some rugged hiking.

The biggest nearby town, Akureyri, sits snug at the end of Iceland's longest fjord and is surrounded by trout-filled lakes, waterfalls, and snowy mountains. An active port since the early seventeenth century, today Akureyri is home to Iceland's busiest shipyards and topped by the twin spires of a bold Art Deco church. Despite a population of just 18,000, Akureyri manages a university, fine botanic gardens, several museums, and lively shopping and nightlife streets—not to mention good seafood restaurants featuring cod and haddock straight from its trawlers.

Akureyri has the quirkiness of any remote town, nowhere better showcased than at the nearby Museum of Small Exhibits, where a local carpenter has made artworks out of everyday objects such as hammers and kettles in strange but alluring ways. Have a look too at the contemporary Icelandic art at the Akureyri Art Museum. The town's ten-week Summer Arts Festival features a series of exhibitions, dance, theatre, and music provides plenty of entertainment. The Medieval Festival in the nearby ancient trading port of Gasir is an eccentric celebration highlighting medieval costumes, handicrafts, and sports.

Most visitors, of course, start and end an Iceland visit in Reykjavík. For a small and isolated capital, Reykjavík is stylishly modern, right down to chic restaurants in which amazing décor matches superb seafood. In the long light of summer, locals make the most of the milky-blue thermal pools at Blue Lagoon, surrounded by black lava fields, and evenings in the outdoor bars of the main thoroughfare, Laugavegur.

Reykjavík is also a city rich in culture. You could learn more about Iceland's most prominent twentieth-century artist Erró at the Reykjavik Art Museum's Hafnarhús and its most revered sculptor Einar Jónsson at the Einar Jónsson Museum. Also, a terrific open-air museum at Árbaer features turf-roofed churches and relocated, historic farm buildings that create a walk amid history.

In June, history also comes alive during Reykjavík's International Viking Festival, a vigorous celebration of the exploits of long-bearded warriors. The Festival of the Sea also celebrates the central role of sailors in Icelandic history with plenty of harbor-side entertainment, and the Summer Solstice in mid-June is the occasion for bonfires and more merrymaking, not just in Reykjavík but all over Iceland. You have to make the most of your summer in this chilly land. Darkness will soon close in, an annual reminder that Iceland only grudgingly shares its wild beauty with those of sturdy endurance. ■

This granite sphinx is just one of many treasures on display at the Ashurbanipal exhibition at The British Museum. Granite sphinx of Taharqo, Kawa, Sudan, c. 680 BC © The Trustees of the British Museum

What's On at the Museums

From the treasures of ancient kingdoms to the fabulous fashions of famous designers, a world of wonder, high style, and discovery awaits you at these special exhibitions.

FORT WORTH

Balenciaga in Black

Kimbell Art Museum | October 7, 2018–January 6, 2019

Balenciaga in Black presents more than 100 costumes and accessories, all in black, by the revered fashion designer Cristóbal Balenciaga (1895–1972), whose expertly executed, timeless silhouettes continue to inspire modern fashion.

LONDON

I Am Ashurbanipal: King of the World, King of Assyria

The British Museum | November 8, 2018–February 24, 2019

Discover the world of ancient Assyria through the life and legacy of its last great ruler, King Ashurbanipal, who ruled from Ninevah during the 7th century BC. The exhibition features massive stone sculptures, intricately carved reliefs, and rare wall paintings that evoke the splendors of Assyria's cities and palaces, and carved ivories and gold ornaments that show how the elites lived in splendor.

LONDON & PARIS

Oceania

Royal Academy of Arts | September 29–December 10, 2018
Musée du quai Branly–Jacques Chirac | March 12–July 7, 2019

Marking 250 years since Cook set sail on his first voyage to the Pacific, the exhibition *Oceania* brings together 200 exceptional works of art made by islanders in the Pacific region. The works span over 500 years and include objects collected during Captain James Cook's voyages, as well as contemporary art from artists in the region.

NEW ORLEANS

So Ready for Laughter: The Legacy of Bob Hope

The National WWII Museum | May 25, 2018–February 10, 2019

Through films, photographs, and an interactive display, this exhibition tells the story of entertainer Bob Hope's unique place in WWII history as he helped lift the human spirit during one of the darkest times in American history.

NEW YORK

Delacroix

The Metropolitan Museum of Art | Sept. 17, 2018–Jan. 6, 2019

Drawn from museums and collections across North America and Europe, the 150 paintings, drawings, prints, and manuscripts in this exhibition (many never shown before in the United States) explore the works of French Romantic painter Eugène Delacroix (1798-1863), whose daring subjects, vibrant pallette, and bold brushwork set in motion a cascade of innovations that changed the course of art.

PHILADELPHIA

Fabulous Fashion: From Dior's New Look to Now

Philadelphia Museum of Art | October 16, 2018–March 3, 2019

Explore seven decades of style—from 1947 to today—at this exhibition of haute couture and ready-to-wear garments by reknowned designers, such as Christian Dior, Cristóbal Balenciaga, Geoffrey Beene, John Galliano, Pierre Cardin, Oscar de la Renta, Christian Lacroix, Vera Wang, and others.

PHOENIX

Teotihuacan: City of Water, City of Fire

Phoenix Art Museum | October 6, 2018–January 27, 2019

This exhibition features more than 200 artifacts and artworks from the ancient Mexican city of Teotihuacan, which 1600 years ago was the cultural, political, and religious center of Mesoamerica. On display are mural fragments, monumental and ritual objects from the city's pyramids, as well as ceramics and stone sculptures from the apartment compounds.

SEATTLE

Peacock in the Desert: The Royal Arts of Jodhpur, India

Seattle Art Museum | October 18, 2018–January 21, 2019

Showcasing nearly four centuries of royal treasures, this exhibition presents some 250 paintings, decorative arts, tents, canopies, textiles, jewelry, and weapons from the kingdom of Marwar-Jodhpur in Rajasthan, India. ■

QUIZ

WHERE IN THE WORLD ARE YOU?

1. If you are strolling among towering trees on the Avenue of the Baobabs (above), you are in:

A. Madagascar
B. Costa Rica

2. If you are gliding among icebergs as your expedition ship enters Andvord Bay, you are off the coast of:

A. Antarctica
B. Greenland

3. If you are waltzing to the music of Strauss at the New Year's Eve Ball in the Imperial Palace, you are in:

A. Australia
B. Austria

4. If you are rafting down the Li River among jagged karst peaks (below), you are in:

A. Japan
B. China

5. If you are docking your yacht in Port Hercules, surrounded by grand hotels and casinos, you are in:

A. Montenegro
B. Monaco

6. If you are watching the sun set over a vast sea of massive red dunes in Sossusvlei, you are in:

A. Namibia
B. Norway

7. If you are winding your way through the narrow lanes of the Mutrah Souq in Muscat, you are in:

A. Oman
B. United Arab Emirates

8. If you are sailing amongst this archipelago nation's 17,000 islands, you are in:

A. Indonesia
B. Malaysia

9. If you are drifting down the Atnarko River in the Great Bear Rainforest in hopes of spotting the elusive white Kermode bear, or spirit bear, you are in:

A. The United States
B. Canada

ANSWERS: 1-A, 2-A, 3-B, 4-B, 5-B, 6-A, 7-A, 8-A, 9-B