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We hope you find the information in this newsletter valuable. Please feel free to call us if you have any questions or concerns. We look forward to speaking to you soon.

Jim, Brad, Carolyn, Melanie and Jessica.

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- Substantiating Your Charitable Gifts
- How to Get a Bigger Social Security Retirement Benefit
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Substantiating Your Charitable Gifts



When you claim a federal income tax deduction for charitable contributions, you must substantiate the contributions by maintaining certain records. The records must establish the charity to whom the gift was made, the

amount of cash or the type and value of other property donated to charity, whether anything was received in consideration for the contribution, and certain other requirements. The records needed generally depend on the type and value of the property donated; there may be some overlap in requirements. In general, do not attach the records to your income tax return. Keep the records so that you can provide them to the IRS if requested to do so.

Cash contributions

In order to claim a charitable deduction for any contribution of cash, a check, or other monetary gift, you must maintain a record of such contributions through a bank record (such as a cancelled check, a bank or credit union statement, or a credit card statement) or a written communication (such as a receipt or letter) from the charity showing the name of the charity, the date of the contribution, and the amount of the contribution. If you make charitable contributions through payroll deductions, you generally may substantiate the charitable deduction using the charity's pledge card along with either a pay stub, a Form W-2, or some other employer-furnished document showing the amount withheld and paid to charity. If you make a single contribution of \$250 or more by payroll deduction, the pledge card or a document from the charity must state that no goods or services were provided in return for the payroll deduction.

All contributions of \$250 or more

If you claim a charitable deduction for any contribution of \$250 or more, you must substantiate the contribution with a contemporaneous written acknowledgment of the contribution from the charity. The acknowledgment must contain the name of the charity, the amount of any cash contribution,

and a reasonably detailed description of any non-cash contribution. The acknowledgment must also include either (1) a statement that no goods and services were provided by the charity in return for the contribution, (2) a good-faith estimate of the value of such goods and services (these reduce the amount of the charitable deduction), or (3) a statement that the goods and services were token benefits or consisted entirely of insubstantial membership benefits or intangible religious benefits. The acknowledgment is considered contemporaneous if you receive it by the earlier of the date on which you file your tax return for the year of the contribution or the due date (including extensions) for the return.

Noncash contributions

If you make any noncash contributions, you must generally get a receipt from the charitable organization with the name of the charitable organization, the date and location of the contribution, and a reasonably detailed description of the property. You must also keep a reliable written record showing the name and address of the charitable organization, the date and location of the contribution, a reasonable detailed description of the property, the fair market value of the property (and how it was determined), the adjusted basis of the property, the amount claimed as a deduction, and the terms of any conditions attached to contribution of the property.

If the value of the contribution is \$250 or more, you must also substantiate the contribution with a contemporaneous written acknowledgment of the contribution from the charity as described previously.

If the value of the contribution is over \$500, your records must also include how you got the property (e.g., purchase, gift, inheritance, or exchange), when you got the property, and the cost or other basis of the property (including any adjustments).

If you claim a deduction of over \$5,000 for a noncash charitable contribution of one item or a group of similar items, you must also obtain a qualified written appraisal of the donated property from a qualified appraiser.

How to Get a Bigger Social Security Retirement Benefit



Sign up for a my Social Security account at ssa.gov to view your online Social Security Statement. It contains a detailed record of your earnings, as well as benefit estimates and other information about Social Security.

¹ Social Security Administration, Annual Statistical Supplement, 2015

Many people decide to begin receiving early Social Security retirement benefits. In fact, according to the Social Security Administration, about 72% of retired workers receive benefits prior to their full retirement age.¹ But waiting longer could significantly increase your monthly retirement income, so weigh your options carefully before making a decision.

Timing counts

Your monthly Social Security retirement benefit is based on your lifetime earnings. Your base benefit--the amount you'll receive at full retirement age--is calculated using a formula that takes into account your 35 highest earnings years.

If you file for retirement benefits before reaching full retirement age (66 to 67, depending on your birth year), your benefit will be permanently reduced. For example, at age 62, each benefit check will be 25% to 30% less than it would have been had you waited and claimed your benefit at full retirement age (see table).

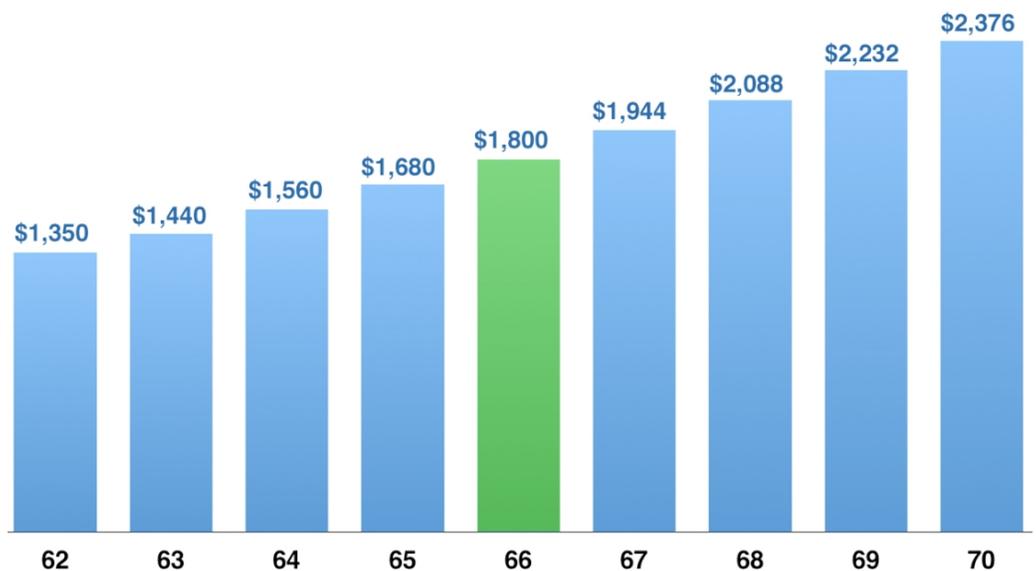
Alternatively, if you postpone filing for benefits past your full retirement age, you'll earn delayed retirement credits for each month you wait, up until age 70. Delayed retirement credits will increase the amount you receive by about 8% per year if you were born in 1943 or later.

The chart below shows how a monthly benefit of \$1,800 at full retirement age (66) would be affected if claimed as early as age 62 or as late as age 70. This is a hypothetical example used for illustrative purposes only; your benefits and results will vary.

Birth year	Full retirement age	Percentage reduction at age 62
1943-1954	66	25%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%
1960 or later	67	30%

Early or late?

Should you begin receiving Social Security benefits early, or wait until full retirement age or even longer? If you absolutely need the money right away, your decision is clear-cut; otherwise, there's no "right" answer. But take time to make an informed, well-reasoned decision. Consider factors such as how much retirement income you'll need, your life expectancy, how your spouse or survivors might be affected, whether you plan to work after you start receiving benefits, and how your income taxes might be affected.



Understanding the Net Investment Income Tax



The 3.8% net investment income tax, sometimes referred to as the Medicare surtax on net investment income, originated in revenue provisions included in the Affordable Care Act of 2010. Unlike payroll tax revenues, funds collected from this surtax are deposited into the general fund of the U.S. Treasury; they are not applied to the Medicare Trust Fund.

It's been around since 2013, but many are still struggling to come to grips with the net investment income tax. The 3.8% tax, which is sometimes referred to as the Medicare surtax on net investment income, affected approximately 3.1 million federal income tax returns for 2013 (the only year for which data is available) to the tune of almost \$11.7 billion.¹ Here's what you need to know.

What is it?

The net investment income tax is a 3.8% "extra" tax that applies to certain investment income in addition to any other income tax due. Whether you're subject to the tax depends on two general factors: the amount of your modified adjusted gross income for the year, and how much net investment income you have.

Note: *Nonresident aliens are not subject to the net investment income tax.*

What income thresholds apply?

Modified adjusted gross income (MAGI) is basically adjusted gross income--the amount that shows up on line 37 of your IRS Form 1040--with certain amounts excluded from income added back in.

The net investment income tax applies only if your modified adjusted gross income exceeds the following thresholds:

Filing Status	MAGI
Married filing jointly or qualifying widow(er)	\$250,000
Married filing separately	\$125,000
Single or head of household	\$200,000

What is net investment income?

Investment income generally includes interest, dividends, capital gains, rental and royalty income, income from nonqualified annuities, and income from passive business activities and businesses engaged in the trade of financial instruments or commodities. Investment income does not include wages, unemployment compensation, Social Security benefits, tax-exempt interest, self-employment income, or distributions from most qualified retirement plans and IRAs.

Note: *Even though items like wages and retirement plan distributions aren't included in net investment income, they are obviously a factor in calculating MAGI. So higher levels of non-investment income can still make a difference in whether the net investment income tax applies.*

Gain from the sale of a personal residence would generally be included in determining investment income. However, investment income does not include any amount of gain that is excluded from gross income for regular income tax purposes. Qualifying individuals are generally able to exclude the first \$250,000--or \$500,000 for married couples filing jointly--of gain on the sale of a principal residence; any of the gain that's excluded for regular income tax purposes would not be included in determining investment income.

To calculate *net* investment income, you reduce your gross investment income by any deductible expenses that can be allocated to the income. So, for example, associated investment interest expense, investment and brokerage fees, expenses associated with rental and royalty income, and state and local income taxes can all be factored in.

How is the tax calculated?

You know your modified adjusted gross income. You know your net investment income. To calculate the net investment income tax, first subtract the threshold figure (shown above) for your filing status from your MAGI. Then compare the result with your net investment income. Multiply the lower of the two figures by 3.8%.

For example, assume you and your spouse file a joint federal income tax return and have \$270,000 in MAGI and \$50,000 in net investment income. Your MAGI is \$20,000 over the \$250,000 threshold for married couples filing jointly. You would owe \$760 (3.8% multiplied by \$20,000), because the tax is based on the lesser of net investment income or MAGI exceeding the threshold.

How is it reported?

If you're subject to the net investment income tax, you must complete IRS Form 8960, Net Investment Income Tax--Individuals, Estates, and Trusts, and attach it to your federal income tax return (you must file IRS Form 1040). The instructions for IRS Form 8960 provide an overview of the rules that apply and can be a good source of additional information. If you think you may be affected by the net investment income tax, though, it's a good idea to consider discussing your individual situation with a tax professional.

¹ IRS Statistics of Income Bulletin, Spring 2015

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How is GDP calculated in the U.S.?

GDP, or gross domestic product, is a measurement of the total value of all goods and services produced in the United States over a given

time period. It is used by economists, government officials, market forecasters and others to gauge the overall health of the U.S. economy.

Although there are several ways of calculating GDP, the *expenditures approach* is the most common. It focuses on final goods and services purchased by four groups: consumers, businesses, governments (federal, state, and local), and foreign users.

The calculation and a description of its components follow:

C+I+G+(X-M)

Consumption (C): Also known as personal consumption, this category measures how much all individual consumers spend in the U.S.

Investment (I): Not to be confused with investments in the stock and bond markets, this is the amount businesses spend on fixed assets (e.g., machines and equipment) and

inventories, as well as the amount spent on residential construction.

Government (G): This category tracks the amount the government spends on everything from bridges and highways to military equipment and office supplies. It does not include "transfer payments"--for example, Social Security and other benefit payments.

Exports (X): This is the value of goods and services produced in the U.S. and purchased in foreign countries.

Imports (M): This is the value of goods and services produced in foreign countries and purchased in the U.S.

Historically, the U.S. has run a "trade deficit," which means imports have outpaced exports.

Once the final GDP values are calculated, the percentage change is calculated from one time frame to the next, generally quarter to quarter or annually. Reported quarterly by the Bureau of Economic Analysis, these percentages can influence both investment markets and policy decisions.



What is the most important component of GDP in the United States?

We often hear in the media that consumer spending is crucial to the overall health of the U.S. economy, but exactly

how important is it? Representing approximately two-thirds of overall GDP, consumption--the almighty consumer--is the largest driver of economic growth in the United States. Of the nearly \$18 trillion in U.S. GDP (2015), American shoppers are responsible for a piece of the pie worth about \$12 trillion.

Consumption is tracked by the Bureau of Economic Analysis, and is reported as Personal Consumption Expenditures (PCE) in its monthly "Personal Income and Outlays" news release. Since the late 1960s, PCE as a percentage of overall GDP has crept up from a low of approximately 58% to nearly 70% today.

PCE is divided into goods and services. The services category typically represents the largest part of PCE, accounting for more than 65% over the past two years. Examples of services include health care, utilities, recreation, and financial services.

Goods are broken down further into durable and nondurable goods. Durable goods are those that have an average life of at least three years. Examples include cars, appliances and furniture. Nondurable goods are those with an average life span of less than three years and include such items as clothing, food, and gasoline.

Durable goods represent approximately 10% of total PCE, while nondurable goods make up about 20%.

So the next time you're out shopping, for anything from a bottle of ketchup to a new car, consider that you're doing your part to fuel our nation's growth.

Sources: World Bank.org, accessed June 2016; Federal Reserve Bank of St. Louis, 2016; Bureau of Economic Analysis, 2016