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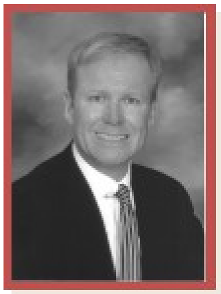

Lee V. Stadler
Private Wealth Advisor
6400 Sheridan Drive – Suite 320
Amherst NY 14221-4825
phone: 716.580.1129
fax: 716.626.9575
cell: 716-913-5231
email: lee.stadler@lfg.com
website: **leestadler.com**

2018 Tax Law Changes Regarding the Deductibility of Fees for Investment Advisory Services

As you are no doubt aware, Congress passed and the President signed into law the Tax Cuts and Jobs Act of 2017 ("TCJA") at the end of last year. The TCJA included some important changes that affect your personal income tax situation, including an overall reduction in individual income tax rates. If you haven't already, you should discuss the impact of these changes with your tax and financial advisors.

I want to make you aware of one specific change under the TCJA because it may have an after-tax impact on the fees that you pay for investment advisory services. Your investment expenses, including advisory fees, are treated as a "miscellaneous itemized deduction" under the Internal Revenue Code. Through the 2017 taxable year, these deductions were generally available as an itemized deduction to the extent that your total miscellaneous itemized deduction amount was greater than 2% of your adjusted gross income.

It's important to note that, in the past, many taxpayers were unable to benefit from the advisory fee deduction because their miscellaneous itemized deductions did not exceed the 2% adjusted gross income floor. In addition, taxpayers subject to the alternative minimum tax would not benefit from the miscellaneous itemized deductions in computing such tax.

As part of the effort to simplify the tax laws and streamline tax preparation, the TCJA suspended your ability to claim miscellaneous itemized deductions subject to the 2% floor for tax years 2018 through 2025. In other words, during those years you will not be able to deduct investment advisory fees as you may have in the past. Notably, if the law does not change before 2026, you will again be able to deduct investment advisory fees beginning in that year.

This change does not only affect your ability to deduct investment advisory fees. In addition to advisory fees, a significant number of other items (treated as miscellaneous itemized deductions subject to the 2% floor) are not currently deductible, including:

- Tax return preparation and planning costs;
- Safe deposit box rental fees;
- Employment-related expenses of an employee (other than those reimbursed under an arrangement that meets special requirements); and
- Hobby expenses (deductible up to the extent of your income from the activity).

Although you will not be able to deduct these expenses for tax years 2018 through 2025, the TCJA has significantly increased the standard deduction to help offset these and other itemized deductions that were reduced or eliminated under the act.

In taxable years prior to 2018, many taxpayers paid IRA fees from sources outside of the IRA and deducted such fees as miscellaneous itemized deductions. With the enactment of the TCJA it may be prudent to pay IRA fees (i.e., solely and directly attributable to the IRA) from the IRA, where the fees may be paid from pre-tax dollars.

Again, you should consult your tax advisor to determine the impact of the changes from the TCJA on your personal income tax situation.

If you have additional questions, please call.

Lee V. Stadler
Registered Representative
Private Wealth Advisor