

Six Steps To Protect Yourself After Data Breach

Data breaches seem to always be in the news these days. Everyone likely knows at least one, if not many, people that have been impacted by a data breach – whether it be from a personal data breach, or a company that has your data – and it is on the forefront of many people's minds these days.

Taking preventative steps to avoid a data breach is paramount and should be done by everyone. However, it is also important to understand what to do *if* there is a breach of your personal data. Whether you believe your information was exposed or not, there are several steps you can take in the aftermath of a breach to protect

your financial affairs. The Federal Trade Commission (FTC) has recommended the following actions:

1. Check your credit reports from the big three credit reporting agencies (Equifax, Experian, TransUnion) by visiting AnnualCreditReport.com. Accounts or activity that you don't recognize may indicate identity theft. Another link provided at IdentityTheft.gov tells you what to do if you think there's a problem.

2. Consider a "freeze" on your credit files. With a freeze, it's hard for a criminal to open a new account in your name. However, a credit freeze won't prevent someone from making charges to your

Tax Planning In 2021

You've heard it from us before: Tax planning is hugely important. That hits home even more right now, with probable tax increases on the horizon, especially for payers in the higher brackets.

While a lot is unknown about which tax rates will change and when, President Biden's ambitious program makes it more likely than not that we'll see some significant hikes. But you can take an active approach by planning strategically now. The key, before any tax legislation passes, is to keep us abreast of any changes in your situation that may affect your taxes. On our part, we're considering a range of potential strategies for helping minimize our clients' tax bills. With both you and us alert to the likelihood of higher taxes soon, we can help you optimize your tax profile.

For example, maybe this is a good time for many taxpayers to convert traditional IRAs into Roths. Or maybe it will make sense to "pull forward" itemized deductions from future years to this year—perhaps even "pull forward" income. We can't know yet which strategies will be best, but we want to be ready with the appropriate arsenal when the time is right.

Of course, every tax situation is different, so we'll be customizing plans for each of our clients. For the moment, we recommend that our clients reach out to us so that we can be proactive in planning ahead. As always, we are available year-round for all tax planning needs and discussions.

Warm regards,
The Gerstein's Brooklyn Tax Service Team

(Continued on page 4)



Tax Alert For High Income And High Net Worth Individuals

The political uncertainties in Washington, D.C., has complicated tax planning enormously. No one knows exactly how it will shake out, but what we do know is that there are four possibilities to be prepared for.

1. The estate tax exemption could be lowered from the current amount of \$11.6 million to an amount closer to \$3.5 million. In addition, the estate tax rate could be stiffened.

2. Capital gains tax could be hiked in a couple of ways. The current

favorable capital gains tax rate of 20% could be eliminated if your taxable income is more than \$1 million. In addition, the “step-up” in basis accorded capital gains on inherited investments may be eliminated on gains of more than \$1 million. If your current estate plan hinges on leaving highly appreciated assets, like stocks, real estate, and other investments, this would slash what your heirs inherit after paying taxes.

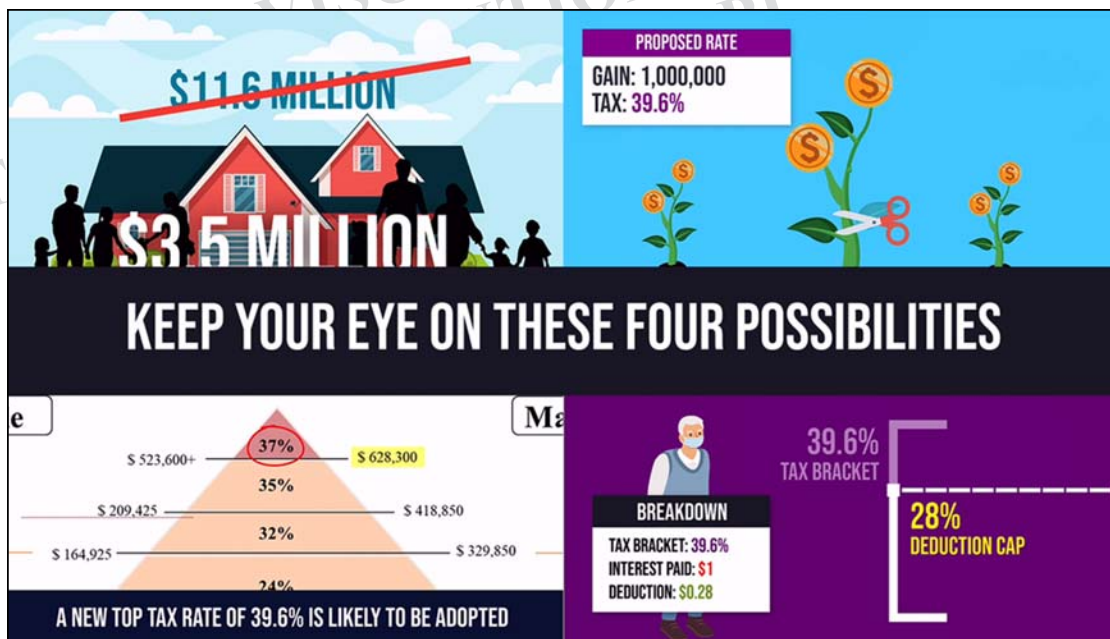
3. President Biden has proposed raising the top tax rate. In 2021, the

top tax rate is 37% and that applies to income of more than \$628,300 for joint filers. A new 39.6% income tax bracket could be adopted. Not only would the top tax rate rise to 39.6%, but the 35% tax bracket could be eliminated, which would greatly expand the number of taxpayers subject to the 39.6%.

4. The value of itemized deductions could be capped at 28% for those in the new top tax bracket. To be clear, a high-income professional or business owner in the proposed 39.6%

tax bracket, who deducts mortgage interest, would be entitled to a deduction of only 28 cents for each dollar paid in mortgage interest, instead of 39.6 cents on the dollar. Itemized deductions would lose 30% of their power in lowering your tax bill annually.

The matrix of variables is complex, but keeping these four possible changes top of mind could significantly help minimize your federal income and estate taxes as tax-hike possibilities are adopted into law. ●



John Oliver’s Economic Analysis Is No Joke

Comedian John Oliver’s analysis of the impact of the mushrooming federal debt is no joke.

Mr. Oliver, a pioneer of the satirical TV news genre, was senior British correspondent at “The Daily Show” from 2006 to 2013. Since 2014, his Sunday, 11 p.m HBO show, “Last Week Tonight With John Oliver,” has won 13 Emmy Awards.



Moreover, the Peabody Awards, which recognizes distinguished achievement and meritorious public service in mass media, was awarded twice to “Last Week Tonight” in the past six years. That’s serious!

Mr. Oliver has taken satirical news to a sublime level. In keeping with today’s confusing times, he’s making fake news really serious but funny.

Six Key Documents In An Estate Plan

Everyone's estate plan is unique, but these six documents are key in ensuring your final wishes are carried out:

1. Financial power of attorney. This document authorizes an "attorney-in-fact" to act on your behalf in financial matters. The most common power of attorney, a "durable" one, remains in effect if you're incapacitated. Another variation, which is known as a "springing" power of attorney, transfers control to the designated person only if you're incapacitated.

The attorney-in-fact may have broad powers. They may be enabled to buy or sell personal property, for example, or the role may be limited to specified tasks. This power of attorney expires when you die.

2. Health-care power of attorney. This also authorizes another person to make decisions on your behalf if you're unable to do so—in this case, involving medical care, carrying out your end-of-life wishes, and related matters. Here, the attorney-in-fact is typically your spouse, a child, or a sibling. Like a financial power of attorney, it may be broad or limited and expires at your death.

3. Living Will. While a health-care power of attorney may authorize someone to help with end-of-life

decisions, establishing what will happen when you're dying is the sole purpose of a living will. Depending on the laws of your state, you may be able to use a living will to say whether or not you want life-sustaining treatment if you are terminally ill or grievously injured.

Also depending on state law, a health-care power of attorney and a living will may be combined into one document. In other states, a living will may supplement a health-care power of attorney, and both documents can be coordinated with other medical directives or proxies.



4. Trusts. There are many reasons for creating and funding trusts. A trust could be used to prevent family squabbles or impose restraints on spendthrift family members. One variation, a living trust,

often supplements a will. Because assets in a living trust don't go through probate court proceedings, it keeps the disposition of your final affairs private, and asset transfers through a trust are harder to contest than assets that go through the public probate process. The probate process can also be lengthy.

Though there are a myriad of variations, all trusts are either revocable or irrevocable. With a revocable trust, you retain control over the assets. While that's not the case with an irrevocable trust, it can protect assets from creditors and remove them from your taxable estate.

5. Final Letter. A final letter can be used for writing a plan for your funeral arrangements; for naming who is to inherit precious family heirlooms, works of art and personal items; and to bestowing final blessings and salutations to people who matter most to you.

6. Will. Your will establishes how your assets will be distributed after you die and who will have custody of

any minor children. You also could use it for other purposes such as making charitable donations and creating trusts.

If you die without a will—"intestate," in legal parlance—the laws of your state will determine who gets your assets and assumes guardianship of young children. As the centerpiece of your estate plan, this is definitely one tool you can't be without.

Drawing up documents is left to legal professionals, but coordinating the drafting of these documents with your attorney to ensure your final objectives in life are met after your death is often the province of a trusted tax professional, as is assuming powers over your financial affairs should you ever become incapacitated and quarterbacking a team of professionals.

If you'd like assistance with thinking about our preparing any of the above documents, please don't hesitate to reach out as we can either assist or connect you with a trusted professional in our network. ●

With more than four million viewers weekly, it is a sign of the times that "fake news" has become a source of real news about economics.

The exploding government debt is not funny. The long-term debt of the United States, in the 12 months after Covid hit, soared from \$21 trillion to \$28 trillion. Larding debt on generations to come is obviously nothing to laugh about, but it's also not so grim, which was Mr. Oliver's main point.

There is some really great news

about the government's soaring debt: the expected cost of servicing the interest on the debt is not growing as fast as the economy overall. According to Secretary of the Treasury Janet Yellen's Congressional testimony on March 24th, when the cost of debt results in growth to the economy, debt is a good investment.

This is incredibly unfunny. The U.S. debt is boring and complicated. Moreover, given the human proclivity for avoiding bad news – and debt is most definitely bad news – Mr. Oliver is no joke. ●

Key Facts On Deducting Medical Expenses

Medical expenses can run up your expenses a lot. For that reason, the new tax law gives people a break by sweetening the long-time tax deduction for health care, at least for a couple of years.

Before the Tax Cuts and Jobs Act (TCJA), you could deduct medical expenses that exceeded 10% of your adjusted gross income (AGI). For the tax years of 2017 and 2018, the TCJA lowered the threshold to 7.5%. AGI is taxable income minus all deductions, IRA contributions and student loan interest. Of course, the medical tax break is available only to people who itemize.

The medical expense threshold of 7.5% was set to expire and revert back to 10% for 2021, but Congress intervened and made the 7.5% threshold permanent for 2021 and the future. Great news for anyone with significant medical expenses.

To illustrate, say your AGI is \$45,000 and you rack up \$5,475 in medical costs. You multiply \$45,000 by 0.075 (7.5 percent) to get your deduction threshold of \$3,375. Only

medical expenses above \$3,375 would be deductible. Result: your medical expense deduction is \$2,100 (\$5,475 minus \$3,375).



Some big-ticket items are deductible medical expenses, like long-term care insurance premiums, nursing home payments and Medicare costs — including Medicare Part B, Medigap policies, Medicare Advantage programs and Part D Prescription plans.

In addition, any health insurance you pay out of pocket can be deducted. But that can't include coverage you pay for with before-tax dollars, which

is often the case with employer-sponsored medical plans.

Another big deductible item is co-payments for prescription drugs — and also out-of-pocket fees for doctors, dentists, physical therapists and other health-care professionals not covered by Medicare or any other health insurance. In addition to all of the above items, prescription eyeglasses, hearing aids and wheelchairs, and transportation costs to and from medical appointments, as well as alcohol and drug treatment programs, are deductible.

Medical expenses are deductible only if they alleviate or prevent a physical or mental defect or illness, including dental and vision. So, you cannot deduct a gym membership if it is to promote your general wellness. However, if a doctor diagnoses you with a specific medical condition, such as obesity or hypertension, then the expense of the prescribed treatment may indeed be tax-deductible, including a gym membership. ●

(Continued from page 1)

existing accounts.

3. Continue to monitor credit card and bank accounts closely for charges you don't recognize. Remember that it may take a while for such charges to surface.

4. If you decide against a credit freeze, you might instead place a "fraud alert" on your files. A fraud alert essentially warns creditors that you may be an identity theft victim and that they should verify that anyone seeking credit in your name really is you.

5. File your tax return early. If you're at risk, it helps to get your



return into the IRS before a scammer has a chance to. Tax ID theft occurs when someone uses your Social Security number to seek a tax refund or a job. Also, be sure to respond immediately to any letters from the IRS.

6. Finally, visit [IdentityTheft.gov/data-breach](https://www.identitytheft.gov/data-breach) to learn more about protecting yourself after a data breach. In addition, your trusted tax advisors can provide you with more guidance. ●