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EYE ON MONEY

MAY
JUN
2019

RETIREMENT PLANNING BASICS

WHAT EVERYONE
SHOULD KNOW
ABOUT SAVING
FOR RETIREMENT

plus

SHOULD
YOU CONVERT
TO A ROTH
ACCOUNT?

TAX TIPS
FOR NEW
COLLEGE
GRADS



INSURANCE

THREE THINGS YOU MAY NOT KNOW LIFE INSURANCE CAN DO

- 1 Pay long-term care expenses.** Some insurance companies offer the option to add a long-term care rider to a life insurance policy so that you can use part of the death benefit during your lifetime to help pay for long-term care.
- 2 Help cover expenses during your lifetime.** Permanent life insurance generally accumulates a cash value that you can draw on for any reason.
- 3 Equalize inheritances.** If you plan to leave a sizable asset, such as a business, to one of your heirs, the proceeds from a life insurance policy can provide a comparable cash inheritance to your other heirs. ■

Please consult your financial advisor.

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Financial Tips **for Homeowners**

Create a home inventory for insurance purposes. You'll be glad you did if you ever need to file an insurance claim for theft or damage to your home. Consider using a home inventory app or a written list combined with photos, videos, and receipts to inventory your possessions. Be sure to store your inventory offsite in a safe location.

Pack a financial 'go bag' that you can grab quickly if you ever need to leave your home in a hurry. Include in it copies of your insurance policies (homeowners, flood, and auto), contact information for your insurance companies, some cash in case ATMs are not working, and the key to your safe deposit box.

Save your home improvement receipts. If you replace your windows, remodel your kitchen, build a new deck, or make other home improvements, save your receipts. They may help you avoid or reduce taxes when you sell your home. That's because amounts you spend on home improvements increase your home's basis. For example, if you purchase a home for \$1 million and spend \$500,000 on improvements, your home's adjusted basis would be about \$1.5 million. Let's say you sell your home for \$1.7 million, resulting in a net gain of \$200,000. Because individuals can generally exclude up to \$250,000 (\$500,000 for joint filers) of the gain from the sale of a main home, none of the gain in this example would be taxable. But if you do not keep track of your home improvement

expenses and you do not adjust your home's basis, your net gain would be \$700,000 and some of it would be taxable.

Claim a deduction for your home office.

If you use part of your home regularly and exclusively for business purposes, you may be able to claim a deduction for a home office. Calculating the deduction can be as easy as multiplying your workspace's square footage (up to 300 square feet) by \$5 or you can track the actual expenses related to your workspace.

Use a tax credit to cover part of the cost of going green.

The federal government currently offers a 30% tax credit for adding qualified solar, geothermal, wind, and fuel cell equipment to your home. However, the credit will decrease in value after 2019 so if you have been thinking about adding alternative energy equipment to your home, this may be the year to do it!

Consider buying umbrella insurance.

The more you own and earn, the more you have at risk from a lawsuit if someone is injured on your property. Homeowners insurance typically provides some liability coverage, but it may not be enough in your situation. You can expand your coverage and help protect your assets in a major lawsuit with personal umbrella insurance, a type of policy that provides additional liability coverage beyond the limits of your primary insurance policies. Your insurance agent can tell you more about it. ■



For more info,
please consult
your tax advisor or
insurance agent.



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Test Your Investing Knowledge

Here's a chance to test how much you know about these basic investing terms and concepts.

- 1. A fund that uses a manager to pick the securities in its portfolio is said to be:**
 - A. Passively managed
 - B. Actively managed
- 2. A fund that includes both growth and value stocks, but no bonds, is sometimes called a:**
 - A. Blend fund
 - B. Balanced fund
- 3. The price of this type of fund changes continually throughout the trading day:**
 - A. Mutual fund
 - B. Exchange-traded fund (ETF)
- 4. When you buy a company's stock:**
 - A. You own part of the company
 - B. You lend money to the company
- 5. Which index is used to gauge the performance of the overall U.S. stock market, but only tracks 30 U.S. stocks?**
 - A. S&P 500
 - B. Dow Jones Industrial Average
- 6. Which type of order is used to buy or sell a security at a specified price or better?**
 - A. Market order
 - B. Limit order
- 7. Which type of bond pays interest that may be completely tax-free?**
 - A. Corporate bonds
 - B. Municipal bonds issued in your home state
- 8. U.S. Treasury securities pay interest that is exempt from:**
 - A. State and local taxes
 - B. Federal taxes
- 9. If you sell an investment at a profit, the difference between the price you paid for it and the price you received for it is called a:**
 - A. Dividend
 - B. Capital gain
- 10. Returning your portfolio to its original percentages of stocks, bonds, and cash is known as:**
 - A. Rebalancing
 - B. Dollar-cost averaging

ANSWERS: 1-B, 2-A, 3-B, 4-A, 5-B, 6-B, 7-B, 8-A, 9-B, 10-A

PLEASE NOTE: All investing involves risk, including the possible loss of principal. 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. 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. A portion of a municipal bond's income may be subject to state tax, local tax, and the federal alternative minimum tax. Capital gains from a municipal bond are not exempt from taxation. Asset allocation does not ensure a profit or protect against loss in declining markets.

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

Getting Your Financial Ducks in a Row in the Year Before College

There is a lot to consider in the year before a student heads off to college. How much will it cost? Should we bother applying for financial aid? Where do we look for scholarships? These tips may help.



How much will college actually cost?

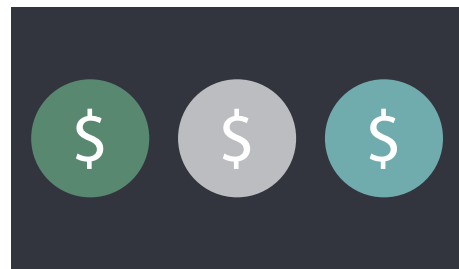
For a rough idea, check out the net price calculator on the college's website.

Simply enter some information about your family, income, and assets, and the net price calculator will tell you what students in circumstances similar to yours paid last year at that college after grants and scholarships were taken into account.

You won't learn the exact price until the college provides the student with a financial aid award letter.

Where to look for scholarships

- ▶ Check your high school's guidance office or website to find out what's available locally.
- ▶ Find out whether businesses and organizations you are affiliated with offer scholarships.
- ▶ Search online. Several companies in the education field offer free scholarship search tools.



FINANCIAL AID

SHOULD THE STUDENT APPLY FOR AID?

The answer to this question is usually yes, even if the student is from a high-income family. Completing the Free Application for Federal Student Aid (FAFSA), for example, will provide access to low-interest student loans. And according to the U.S. Department of Education, some schools won't even consider the student for an academic scholarship until a FAFSA has been submitted.

WHEN TO APPLY FOR AID

October 1, 2019 is the first day that the two main aid applications, the FAFSA and the CSS Profile, will be available to be completed for the 2020-21 year.

Check with your schools for their deadlines. If you will be applying Early Action, your aid applications may be due as early as November 1.

WHERE TO APPLY FOR AID

FAFSA ▶ fafsa.gov

CSS Profile ▶ cssprofile.org

Please consult your financial advisor for advice about planning for college.

Retirement Planning Basics:

What Everyone Should Know About Saving for Retirement

HOW MUCH MONEY WILL I NEED

Estimate the savings you may need for retirement. When planning for retirement, it is a good idea to estimate the amount you may need in savings for a comfortable, financially secure retirement and the amount you may need to save each year to potentially reach that goal.

How much you may need in savings will depend in part on your retirement lifestyle. Some experts suggest that you may need around 80% of your pre-retirement income to maintain your current lifestyle in retirement. For example, someone with a pre-retirement income of \$100,000 may need an annual retirement income of \$80,000. Why not \$100,000, or 100%? The 80% income replacement rate assumes that individuals will need less income in retirement because they will no longer be paying Social Security tax or contributing to a retirement plan. Keep in mind, however, that 80% is just a general rule of thumb and the income replacement rate that is appropriate for you may be higher or lower than 80%.

How much you may need in savings will also depend on how much income you expect to receive annually from sources other than your savings, such as Social Security and pensions. Typically, any gap between the income from these sources and the amount you expect to spend annually will need to be filled by your savings.

Retirement planning calculators on the Internet can provide a rough estimate

of the savings you may need. However, a better option is to consult your financial advisor. A financial advisor will generally conduct a more detailed analysis of your finances, which may provide you with a better idea of the amount you may need in savings and the amount you may need to save each year to potentially reach your savings goal.

WHERE TO SAVE

Take advantage of the retirement plan at work. If your employer offers a retirement plan, such as a 401(k) or 403(b) plan, it is usually the first type of account you should use for your retirement savings. Here are a few reasons why.

- ▶ *Convenience.* Your employer takes care of deducting your retirement plan contributions from your pay and depositing them in your retirement account.
- ▶ *Employer match.* Your employer may match a portion of the money that you contribute to your retirement account.
- ▶ *Investment earnings are not taxed while in the account.* This can help your savings grow faster than in a taxable account where earnings are taxed every year.
- ▶ *Contributions are typically made with pre-tax money,* which reduces your current income taxes. (With a tax-deferred retirement account, your pre-tax contributions and investment earnings

will be subject to income tax when they are withdrawn from the account.)

IRAs are the next option most retirement savers should consider.

IRAs offer similar tax benefits to workplace retirement plans, making them a good choice for individuals who do not have access to a retirement plan at work or who have reached the annual limit on contributions to a workplace plan and want to save additional amounts.

There are two main types of IRAs—the traditional IRA and the Roth IRA. The main difference between the two is when you receive the tax benefit.

With a traditional IRA, the tax benefit is up front. Contributions you make to a traditional IRA may be tax deductible and investment earnings are not taxed while in the account. Deductible contributions and investment earnings will eventually be subject to income tax, but not until they are withdrawn from the account. To contribute to a traditional IRA, you must be under age 70½ at the end of the year.

With a Roth IRA, the tax benefit comes later on in the form of tax-free withdrawals. Contributions are made with money that has already been taxed, and they are not tax deductible. Investment earnings grow tax-free and can be withdrawn tax-free in retirement as long as the rules for Roth IRAs are followed. Your contributions can be withdrawn tax-free and penalty-free at any time.



How much can I contribute to a retirement account?

Maximum Contribution Limits for 2019

401(k), 403(b), and most 457 Plans
\$19,000 regular
Plus \$6,000 if age 50 or older

SIMPLE IRA and SIMPLE 401(k) Plans
\$13,000 regular
Plus \$3,000 if age 50 or older

Traditional and Roth IRAs
\$6,000 regular
Plus \$1,000 if age 50 or older

Not all workplace retirement plans permit people age 50 or older to contribute additional amounts. Some retirement plans may permit special contributions not shown here. Other limitations may also apply.



What are my retirement plan options if I own a business?

SIMPLE IRA—This plan is an option for businesses with 100 or fewer employees that want to allow their employees to contribute to their own accounts.

SEP IRA—The SEP IRA is funded solely by employer contributions, making it a good fit for self-employed individuals and owner-only businesses that want to make substantial contributions to their own retirement accounts.

INDIVIDUAL 401(K)—This plan offers generous contribution limits and is an option for self-employed individuals and owners of businesses without employees, other than a spouse.

To contribute to a Roth IRA for 2019, your modified adjusted gross income must be less than \$137,000 if you are single or \$203,000 if you are married and file a joint tax return. If your income is within a few thousand dollars of those amounts, the maximum amount you can contribute will be reduced.

If your income is too high to contribute directly to a Roth IRA, you might consider funding a nondeductible traditional IRA first and then converting those funds to a Roth IRA. You can convert to a Roth IRA no matter how high your income.

Your IRA contributions cannot exceed your taxable compensation, which is generally the amount you earn from working. However, you may still be able to contribute to an IRA even if you are

not employed, as long as you are married, you and your spouse file a joint tax return, and your spouse's taxable compensation is sufficient to cover the contributions made to both of your IRAs.

Self-employed? You have more options.

If you are self-employed or own a business, you may want to consider starting your own retirement plan. Small business retirement plans offer tax benefits, are usually easy to set up and operate, and may allow you to contribute far more each year than you can to a traditional or Roth IRA. For example, you may be able to sock away as much as \$50,000 more per year to a SEP IRA or an individual 401(k) plan than you can to a traditional or Roth IRA. Ask your financial advisor

whether starting a retirement plan is a good choice for you.

Avoid tax penalties on your retirement savings. Money that you withdraw from a retirement plan or IRA prior to age 59½ is generally subject to a 10% tax penalty for an early distribution. The penalty is the federal government's way of discouraging you from withdrawing your money for anything other than retirement. There are exceptions to what is known as the "age 59½ rule" that may allow you to access your savings earlier without penalty.

Use regular investment and savings accounts to save even more. Although retirement plans and IRAs offer tax

benefits, they have their limits—specifically, they limit how much you can contribute to them each year. If you want to contribute more to your retirement savings than allowed by retirement plans and IRAs, turn to regular investment and savings accounts.

Regular accounts are taxable, meaning that you won't get a tax break for contributing to them and you'll pay tax on your investment earnings each year, but regular accounts offer more flexibility than retirement accounts. For example, you can make withdrawals from a regular account at any age without incurring a federal tax penalty. And you can leave your money in a regular account for as long as you want because minimum distributions are not required at any age as they are from tax-deferred retirement accounts beginning at age 70½.

Consider funding a health savings account. Individuals with high-deductible health plans (HDHPs) can save for their medical expenses in retirement using a health savings account (HSA). This type of account offers three tax benefits: (1) your contributions are tax-free, (2) your interest or investment earnings are tax-free, and (3) withdrawals for qualified medical expenses are tax-free. That's one more tax benefit than any retirement plan or IRA offers, and those tax benefits can help pump up the amount of savings available to you in retirement.

Qualified medical expenses include Medicare premiums, deductibles, copayments, prescription drugs, dental and vision care, and a wide range of medical services, equipment, and supplies. Withdrawals that are not used for qualified medical expenses are subject to income tax and, if made before age 65, generally a 20% federal tax penalty.

INVESTING FOR RETIREMENT

Your asset allocation matters. How you divide your portfolio among stocks, bonds, cash, and other types of assets can have a big impact on your returns. That's because investment risk and returns vary among the different types of investments. Generally speaking, the higher an investment's risk, the higher its potential return.

- ▶ Stocks carry the most risk and have historically provided the highest returns over the long term.
- ▶ Bonds have less volatility and less chance of losing the amount invested and have historically provided lower returns than stocks over the long term.
- ▶ Cash investments have the least degree of risk and have historically provided lower returns than stocks or bonds.

The mix of assets that is right for you will depend on your tolerance for risk, your investments objectives, and how much time remains until you will need your money. Your financial advisor can help you determine the percentage of stocks, bonds, and cash you should hold.

Please note that asset allocation does not ensure a profit or protect against loss in declining markets.

Younger investors can generally afford to be more aggressive. The younger you are, the more stocks you may want to hold. Why is that? Stocks offer greater growth potential over the long term than bonds or cash investments. And while it is true that stocks are also more volatile, meaning that their prices tend to move up and down more dramatically, younger investors may have the time to ride out

How much can I contribute to a health savings account?



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For 2019, the maximum amount that can be contributed to a health savings account (HSA) is \$3,500 for someone with self-only HDHP coverage or \$7,000 for someone with family HDHP coverage. Individuals age 55 or older can generally contribute an extra \$1,000 per year.

When should I begin to save for retirement?

Ideally, you should begin saving for retirement as soon as you begin working so that the money you save and invest has the maximum amount of time to potentially compound.

But if you didn't begin saving when you first started working, generally the next best thing to do is to begin as soon as possible.

market downturns and benefit from stocks' growth potential over the long term.

Please note that all investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

Investors generally reduce risk as retirement approaches. As you draw closer to the time when you will need your retirement savings, you may want to consider reducing your allocation to stocks, which are more volatile, and increasing your allocation to bonds and cash investments. But rather than pulling all the way out of stocks, consider keeping a portion of your portfolio in stocks because you may need their greater growth potential to help your portfolio last for 30 years or more in retirement.

Rebalancing can help keep your retirement savings on track. Over time, the percentages of stocks, bonds, and cash investments in your portfolio can change due to differences in market performance among the asset types. When this happens, your portfolio either has more risk or less potential for growth than you intended. Rebalancing your portfolio—that is restoring it to your chosen asset allocation—can help keep your investment plan on track, manage risk, and take the emotion out of selling investments that are performing well.

Your financial advisor can help you determine when and how to rebalance your portfolio.

Check your progress periodically. It's a good idea to check your progress to your retirement goal every year or so. This way, you'll have time to adjust your financial plans if needed.

BEST PRACTICES

Start saving early. The earlier you start, the more time your savings have to potentially compound and the less money you may need to contribute to reach your goal.

For example, let's say you contribute \$12,000 per year beginning at age 25. By age 65, you'd have about \$1,450,000 if your savings earn 5% annually. You contributed \$480,000 and the remaining \$970,000 is the result of your savings compounding over the 40-year period.

But what if you start saving at age 35 and contribute \$16,000 per year? You'd still contribute the same amount (\$480,000) by age 65. However, your savings would only total about \$1,063,000 (\$387,000 less than in the first example) because they had 10 fewer years to compound. To match the savings in the first example, you'd need to contribute about \$21,900 per year, which works out to \$657,000 overall.

Of course, this is a hypothetical example for illustrative purposes only, and your actual results will vary. But the point remains that the sooner you begin to invest for retirement, the less money you may need to contribute to reach your retirement savings goal.

Be smart about your retirement savings when changing jobs. If you have savings in a workplace retirement plan, you will generally have four choices about how to handle those savings when you leave that employer. (1) You may be able to leave the money where it is. (2) You may be able to move it to your new employer's retirement plan. (3) You can transfer it to an IRA. (4) You can cash it out. The last option is rarely the best choice. If you cash out the account, you will immediately owe



income tax on the taxable portion of the withdrawal and generally a 10% tax penalty if you are under age 59½. Choosing option (1), (2), or (3) avoids current taxation and penalties and preserves the tax benefits associated with your account: your tax-deferred accounts can continue to grow tax-deferred and your Roth accounts can continue to grow tax-free.

Before making a move, consider discussing your options with your financial advisor, who can point out the pros and cons of each of your options.

Use other funds for emergencies. It is important to have additional savings outside of your retirement accounts that you can draw on if you lose a job or a major expense pops up unexpectedly. Having a separate account or sum designated for emergencies can help prevent you from prematurely dipping into your retirement accounts, which can help keep your retirement savings on track.

Save your pay increases. If your income increases, consider taking advantage of the additional income to increase the amount you save for retirement every year. If you are not on track to meet your savings goal, saving an additional amount each pay period can help you move closer to your goal. And if you were managing well before the pay increase, you may not even miss the extra amount you divert to your savings.

Seek professional advice. Planning for a retirement that may stretch 30 or more years is not an easy task. Fortunately, help is available. Your financial advisor can help you design a plan for saving for retirement, as well as provide advice regarding the many financial decisions you will face as you transition into retirement. If you already have a plan in place, be sure to review it regularly with your advisor to determine whether any adjustments are needed. ■



Please consult your
financial advisor
about planning for
your retirement.

5 Tax Tips for New College Grads

If you've recently graduated from college and begun working, income taxes may be a bigger factor in your finances than ever before. Here are a few tips that may help minimize your federal taxes.

1 Deduct the student loan interest that you pay.

Claiming a federal tax deduction for the student loan interest you pay can help take some of the sting out of repaying your student loans.

If you are eligible for the deduction, you may be able to deduct up to \$2,500 of the interest you pay during the year on your qualified student loans. To be eligible:

- ▶ Your tax filing status cannot be married filing separately.
- ▶ You, or your spouse if you are filing a joint tax return, must not be claimed as a dependent on someone else's tax return, such as your parent's return.
- ▶ Your modified adjusted gross income must be under certain limits.

For 2019, the income limits are \$85,000 if you are single or \$170,000 if you are married and file a joint tax return. However, this deduction is subject to a phase out, meaning that the amount of your deduction will be reduced if your modified adjusted gross income is between \$70,000 and \$85,000 (single taxpayers) or \$140,000 and \$170,000 (married filing jointly taxpayers).

2 Deduct the student loan interest that you parents pay.

As long as you are the person legally obligated to repay the loan and you are eligible to deduct student loan interest, you can deduct interest payments made on your behalf by other people, such as your parents.

3 Get your tax withholding right if you begin work late in the year.

When you begin a new job, your employer will ask you to fill out Form W-4. The number of allowances you enter on this form determines how much income tax will be withheld from your paychecks. The more allowances you claim, the less tax will be withheld.

If you begin working at the start of the year, completing the worksheets for Form W-4 will provide the proper number of allowances in most situations. But if you begin working later in the year, such as in September, entering the number of allowances from the worksheets may result in too much income tax being withheld for the partial year. Any excess tax that is withheld will eventually be refunded to you after you file your tax return, but there are things you can do to help avoid having too much tax withheld in the first place.

One thing you can do is to use the withholding calculator on the IRS's website (irs.gov/W4App) to determine your number of allowances for the partial year. The calculator lets you enter the start date for your job and bases the number of allowances on that start date rather than January 1. Just remember to use the calculator again at the start of next year to determine the proper number of allowances for a full year of work. You'll also need to submit a new Form W-4 at the start of next year if your number of allowances changes.

Another option is to ask your employer to use the part-year withholding

method when calculating how much tax to withhold from your pay. To be eligible for this method, you must not expect to be employed for more than 245 days this year.

4 Get a tax break for contributing to a retirement plan at work.

Contributing to a retirement plan not only has the potential to benefit you in retirement, it can also benefit your current tax situation. Here's how.

When you contribute to a tax-deferred retirement plan, your contributions are not subject to income tax before they enter your account, which lowers your current taxes. For example, if you contribute \$1,000 of your income to your retirement account this year, you will not pay income tax on that \$1,000 this year. You will eventually pay income tax on your savings, but not until they are withdrawn from your retirement account, which may be decades from now.

Some workplace retirement plans offer the option to contribute to a Roth account instead of a tax-deferred account. Although a Roth account does not offer a tax benefit for your contributions (contributions are made from income that has already been taxed), investment earnings grow tax-free and your savings can be withdrawn tax-free in retirement, provided you follow certain rules. This type of arrangement tends to benefit individuals who expect to be taxed at a higher rate in retirement and who have decades to go before retirement during

which their earnings can potentially be compounding tax-free.

5 Get a tax break on the medical expenses you pay.

Once you begin working, find out whether your employer offers flexible spending accounts (FSAs) or whether you are eligible to contribute to a health savings account (HSA). These types of accounts allow you to save for your medical expenses while saving on your taxes. Your contributions are either pre-tax or tax-deductible and withdrawals for qualified expenses are tax-free.

The maximum amount that can be contributed to an FSA for 2019 is \$2,700, but be sure to carefully estimate your medical expenses before deciding how much to contribute. An FSA is a “use it or lose it” type of plan, meaning that you’ll forfeit any unused money remaining in your account at the end of the plan year. (Some FSA plans may grant you a few extra months to use your unused amount or allow you to carry over \$500 of the unused amount to next year.)

Unlike an FSA, an HSA lets you carry over all of your unused savings from one year to the next. However, you must be covered by a high-deductible health plan (HDHP) and meet a few other requirements to be eligible to contribute to an HSA. If you meet the requirements, great! The maximum contribution for 2019 is \$3,500 for someone with self-only HDHP coverage or \$7,000 for someone with family HDHP coverage. ■

Please note that retirement plan withdrawals before age 59½ are generally subject to a 10% early withdrawal penalty, unless an exception to the penalty applies. Withdrawals from a health savings account that are not used for qualified medical expenses are subject to income tax and perhaps a tax penalty.



**Please consult your
tax advisor for advice.**

Should you convert to a Roth account?

With lower federal income tax rates currently in place, the tax cost to convert your tax-deferred retirement savings to tax-free Roth savings may be lower now than in the future. Should you do it?

If you like the idea of paying tax now on your retirement savings so that future growth and withdrawals in retirement are tax-free, you may want to consider converting a tax-deferred account to a Roth account. Given the right circumstances, you may pay less tax by converting now while federal tax rates are relatively low than you might later on in retirement.

Before making the decision to convert, it is important to understand the differences between tax-deferred accounts and Roth accounts.

With a tax-deferred account, such as a traditional IRA or a regular 401(k) account, income tax is deferred on your investment earnings, and perhaps on your contributions, while they are in the account. Any money that was not taxed previously will be subject to income tax when withdrawn from the account.

With a Roth account, contributions are made with money that has already been taxed. So to convert a tax-deferred account to a Roth account, you must first pay ordinary income tax on the amount you convert that was not taxed previously. But from that point on, you will generally not owe any tax on the money in your Roth account. All future growth and retirement withdrawals will be tax-free, provided you follow the rules for Roth accounts.

TYPES OF ROTH ACCOUNTS

The type of Roth account available to you will depend on where your money currently resides.

Money that you have in a traditional IRA, SEP IRA, or SIMPLE IRA can be converted to a Roth IRA, although a

SIMPLE IRA must be open for at least two years before it can be converted.

Money that you have in a 401(k), 403(b), or 457(b) plan with a former employer can be converted to a Roth IRA.

Money that you have in a 401(k), 403(b), or 457(b) plan with your current employer generally cannot be moved out of the plan, but you may be able to do an in-plan conversion if the plan offers Roth accounts and permits conversions.

One key difference between a Roth IRA and a Roth account in a workplace retirement plan is that Roth IRA owners are not required to take minimum distributions and can leave their savings in their accounts for as long as they'd like. Owners of Roth accounts in a workplace retirement plan generally must begin taking annual minimum distributions at age 70½, but they can get around this requirement by moving their savings to a Roth IRA when they stop working.

SHOULD YOU CONVERT?

While a Roth conversion can be a smart move for some people, it is not the right move for everyone. Here are a few things to consider.

What will your tax rate be in retirement? If you think you will be taxed at a higher rate in retirement than you are now, you may pay less tax by converting and taking the tax hit now while your marginal income tax rate is relatively low. Of course, no one knows what tax rates will be in the future. Because of this uncertainty, some people divide their savings between tax-deferred accounts and

tax-free Roth accounts. Using both types of accounts may provide you with greater flexibility in managing your taxable income in retirement than if all of your savings are in tax-deferred accounts.

Can you afford to pay the tax on the conversion from other funds? Ideally, the tax should be paid from funds outside of your retirement accounts so that the amount of your retirement savings is not reduced. If you withdraw money from your tax-deferred account to pay the tax, you'll have to pay income tax and perhaps a 10% early distribution penalty on the withdrawal.

Will you need your money in the next five years? Converted amounts withdrawn within five years of a conversion are subject to a 10% tax penalty, unless you are age 59½ or older or another exception to the penalty applies. (Please consult your tax advisor regarding how to avoid tax and penalties on a Roth conversion.)

What are your ultimate plans for the money? If you do not think that you will need the money during your lifetime, a Roth IRA offers the option to leave your money in the account where it can continue to compound tax-free for as long as you live. Your heirs will need to take minimum distributions when they inherit the account, but they will not owe a cent in income tax on it, assuming the rules for Roth accounts do not change in the future. ■

To determine whether converting to a Roth account may be a good move for you, please consult your tax and financial advisors.

TAX-DEFERRED RETIREMENT ACCOUNT

- Investment earnings grow tax-deferred.
- Withdrawals of pre-tax contributions and investment earnings are subject to income tax.
- Annual minimum distributions are required beginning at age 70½.

When you convert to a Roth account, you'll pay income tax on any pre-tax amounts you convert. After that...

TAX-FREE ROTH RETIREMENT ACCOUNT

- Investment earnings grow tax-free.
- Withdrawals are tax-free in retirement.*
- Annual minimum distributions are not required from a Roth IRA by the original account owner. They are required from Roth accounts in workplace retirement plans beginning at age 70½.

** Please consult your tax advisor to learn when withdrawals from your Roth conversion will be tax-free and penalty-free.*



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A PIECE OF NICE | Nice, France

BY BRIAN JOHNSTON

The capital of the French Riviera has one of the best settings of any Mediterranean port, coupled with elegant sophistication, good museums, and sunny relaxation.

FROM ITS GLIMMERING PEACOCK-BLUE bay, Nice has one of the loveliest aspects in the Mediterranean. It's a city designed to be approached from the sea: on a trading vessel, a cruise ship, or (if you dare to dream) a millionaire's motor yacht. The bay is wide and generous, backed by the purple mountains of Provence. A ruined castle tops a crag, from which you can admire the coast as far as Cap d'Antibes. Grand hotels and Victorian-era apartments form a graceful curve below, and jaunty palm trees are exclamation marks along sea-gazing promenades.

The setting is joyful, as is the seemingly perennial sunshine. But the chief city of the French Riviera has much more besides, including a wealth of history.

In fact, it's one of the Mediterranean's oldest settlements, founded in the fourth century BC by ancient Greeks. It was a significant port all through the Roman period and Middle Ages, and its seductive blend of Italian and French architecture, cuisine, and culture reflects its main trading markets over the centuries.

Nice belonged to the kingdoms of Savoy and then Sardinia and only in 1860 became part of France. Today it's the country's most-visited destination beyond Paris partly thanks to its own attractions and partly because it sits square on one of Europe's most famous coastlines, happily wedged between the neighboring day-trip delights of Cap Ferrat and Monaco to the east, Antibes and Cannes to the west.

Given its long relationship with the sea, the famous Promenade des Anglais is a good place to begin an exploration of Nice. The 'English Promenade' was constructed in 1822 when the region's orange crops failed and the town's philanthropic British visitors joined together to employ local workers. A backing of stately Belle Époque mansions and hotels is a reminder of Nice's earlier heyday as the beach-side playground of nineteenth-century British—and later Russian—aristocrats.

Today it's the superyachts of Russian billionaires that anchor offshore, their windows and brass railings winking in the sun. Those might be off limits, but not so St Nicholas, the town's gorgeous Russian Orthodox cathedral, where

Built in the 1840s and located just a few blocks from the Mediterranean Sea, Place Masséna (left) is Nice's main square. The Promenade des Anglais (below) stretches for nearly four miles, much of it along Nice's beachfront.

aristocrats once prayed. The exterior is a gingerbread fantasy of colored cupolas and spires, while the inside gleams with gold and precious stones and hundreds of icons of sad-looking, sloe-eyed saints.

To get a flavor of Nice in its glamorous heyday, head to Palais Masséna, an old mansion turned museum that recounts the story of the town from Napoleon's reign onwards in a romp through the excesses and sumptuous lifestyles of Europe's aristocracy. Monogrammed gates set the tone for the chandelier-laden, bling-covered interior, which displays thousands of artworks and period furnishings.

These days, you have to travel beyond the city to see the hideaways of the wealthy. An open-top tourist bus will trundle you past the posh villas of Mont Boron, the grandest of which belongs to Elton John.

It was Queen Victoria who cemented Nice's reputation by spending five winters here and making excursions along the coast in a modest donkey cart—though she arrived in town on a private train. A statue of the diminutive queen stands outside Hotel Regina-Excelsior in Cimiez district where she used to stay. Cimiez's other notable resident was painter Henri Matisse. He's buried in a cemetery behind the excellent (and free entry) Matisse Museum, which exhibits the Fauve master's lovely, colorful paintings and cut-outs.

Back on the Promenade des Anglais, you can stroll for nearly four miles, keeping an eye out for lurching joggers and zooming rollerbladers as you go. Cafés provide sustenance with a sea view, while at the eastern end you'll find good seafood restaurants serving grilled fish and octopus and glorious fresh sardines. Just beyond, a slight rise is topped by a large 'I Love Nice' logo from which a sweeping view sets

the city against its hilly backdrop. Pant up to the crag-clinging castle ruins, surrounded by a pine-scented public park and wonderfully ornate cemetery, and you're rewarded with an even more fulfilling panorama.

It was on this hilltop in 350 BC that the Greeks founded the city and the



Romans added to it. The Romans settled in for six centuries, a story recounted in the sculpture, pottery fragments, and jewelry of the Archaeological Museum, in whose grounds are the remnants of a bathhouse and amphitheater. This long history supplies Nice with gravitas amid the glamorous beach resorts and jumped-up fishing villages of the Riviera. This is an old, lived-in town with quite a cultural pedigree, including an opera house with an impressive concert season and wide range of operas.

Nice also has more important museums than any French city outside Paris. The exceptional Museum of Modern Art (MAMAC) offers challenging European and American avant-garde works from the 1960s onwards, after which you can recover on a sculpture-studded rooftop terrace with a wonderful bay view. Alternatively, the Musée des Beaux-Arts features nineteenth- and early-twentieth-century paintings. There's also a national museum devoted to Russian-French early modernist artist Marc Chagall.

Away from the glitz and glamour of Monte-Carlo or Saint Tropez, Nice also provides an historic, residential core with a surprising—though rather agreeable—sense of ordinary life. Sure, you can buy expensive olive oil and souvenir lavender sachets, but drying pants hang across alleys where tourists sit at café tables, and corner shops still sell cigarettes and lottery tickets. At lunchtime, you can hear high-pitched children's voices and the clink of cutlery through open windows. The architecture is a reminder of Nice's Italian leanings, with pastel-painted houses interrupted by the odd baroque chapel bursting with marble putti.

Towards the waterfront but not quite on it, an early morning market fills Cours Saleya with bric-a-brac, vegetables, and buckets of cut flowers in a Matisse riot of color. Monday mornings features an antiques market. Later the elongated square is taken over by café tables, and later still small bars hum with live music. You could pass an hour or two the French way, over a coffee or glass of wine as you swivel your head at passers-by and grumble about politics.

On its western side, the dim yellow and orange canyons of Nice's old town alleys dissolve into Place Masséna, which is surrounded by pretty pink buildings and splashed with fountains. This is later, 1840s Nice but still rather Italian, with its checkered flagstones and palm trees and arched arcades. Fountains splash and, in summer, festivals unfold. Sashay onwards and you're on Rue Paradis, where every great French fashion label has a boutique. The long Avenue Jean Médecin, in contrast, leads you to the department stores of modern Nice. Yet you can still smell the sea, which winks just a few blocks away, Mediterranean-seductive and sunny. ■



What's on at the museums?

Prehistoric fossils, Impressionist paintings, da Vinci genius, and superlative examples of contemporary glass art await you at the following special exhibitions and grand opening.

ATLANTA European Masterworks: The Phillips Collection

High Museum of Art • April 6–July 14, 2019

A selection of iconic paintings and sculptures from The Phillips Collection, America's first museum of modern art, are on display at the High Museum of Art through July 14. The exhibition includes works by Courbet, Daumier, Ingres, Manet, Cézanne, Degas, Monet, Rodin, Sisley, and van Gogh.

BENTONVILLE, AR

Nature's Nation: American Art and Environment

Crystal Bridges Museum of American Art • May 25–Sept. 9, 2019

Encompassing three centuries of American Art, this new exhibition of 100 works traces 300 years of evolving ideas about the natural world and our place in it.

CORNING, NY New Glass Now

The Corning Museum of Glass • May 12, 2019–January 5, 2020

Visitors to The Corning Museum of Glass are in for a treat as the museum presents a global survey of contemporary glass featuring the works of 100 artists from 25 countries. This is the first exhibition of its kind organized by the museum in 40 years and will include works ranging from large-scale installations to delicate miniatures.

DENVER Leonardo da Vinci: 500 Years of Genius

Denver Museum of Nature and Science • March 1–Aug. 25, 2019

Experience the genius of Leonardo da Vinci—artist, visionary, inventor, and engineer—whose fundamental scientific and artistic principles continue to impact the world today, 500 years after his death. This exhibition features replicas of da Vinci's notes, sketches, and inventions.

HOUSTON Vincent van Gogh: His Life in Art

Museum of Fine Arts, Houston • March 10–June 27, 2019

A special exhibition of more than 50 portraits, landscapes, and still lifes by Vincent van Gogh will be on view at the Museum of Fine Arts, Houston through June 27. The works in the exhibition span the artist's life, from his earliest sketches to his final paintings, and are drawn from museums and private collections in the U.S. and Europe.

SAN FRANCISCO & FORT WORTH Monet: The Late Years

de Young museum • February 16–May 27, 2019

Kimbell Art Museum • June 16–September 15, 2019

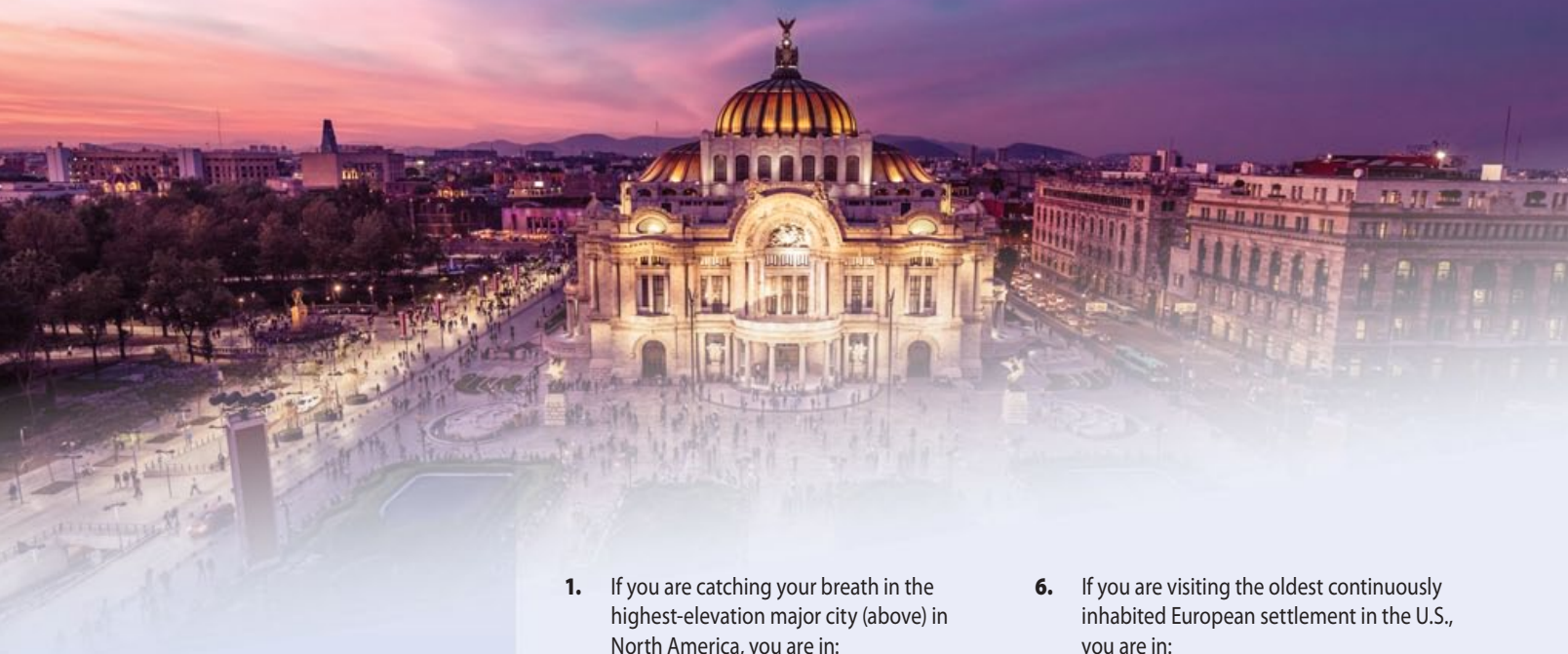
An exhibition of approximately 60 paintings from the final phase of Monet's career will be on display at the de Young museum in San Francisco and then at the Kimbell Art Museum in Fort Worth. The exhibition includes more than 20 examples of Monet's water lily paintings, as well as many increasingly bold and abstract works produced between 1913 and the artist's death in 1926.

WASHINGTON, D.C. Hall of Fossils—Deep Time

Smithsonian's National Museum of Natural History

Reopens June 8, 2019

After a five-year renovation, the Hall of Fossils reopens to the public on June 8. The new exhibit will feature the nation's Tyrannosaurus Rex skeleton and more than 700 specimens of dinosaurs, plants, animals, and insects that represent a journey through more than 3.7 billion years of life on Earth. The new fossil hall is the largest renovation in the museum's history—and not only the building has changed: several dinosaur fossils underwent conservation and have been repositioned in dramatic, new, more scientifically accurate poses. ■



QUIZ

Going to Extremes



1. If you are catching your breath in the highest-elevation major city (above) in North America, you are in:
A. Mexico City
B. Denver
2. If you are driving on the sand of the longest stretch of undeveloped barrier island in the world, you are in:
A. Texas
B. South Carolina
3. If you are sightseeing in the U.S. city with the largest population, you are in:
A. Los Angeles
B. New York City
4. If you are exploring the world's largest cave system (285 miles), you are in:
A. Mammoth Cave, Kentucky
B. Wind Cave, South Dakota
5. If you are standing atop the highest peak in the U.S. (left), you have just climbed:
A. Denali
B. Mount Washington
6. If you are visiting the oldest continuously inhabited European settlement in the U.S., you are in:
A. Boston
B. St. Augustine
7. If you are getting wet from the mist from the tallest waterfall in the U.S., you are next to:
A. Niagara Falls
B. Yosemite Falls
8. If you are crossing the longest bridge in the U.S., you are on the:
A. Lake Pontchartrain Causeway
B. Chesapeake Bay Bridge-Tunnel
9. If you are admiring the view from the observatory at the top of the tallest building in New York City, you are in:
A. The Empire State Building
B. One World Trade Center
10. If you are watching the sunset over our nation's largest lake (below), you are by:
A. Lake Erie
B. Lake Superior





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