1Q:2019

The Mosaic Financial Group LLC
Your Wealth Management Partner

New Year's Resolution: Review Your Estate Plan

With the ringing in of another New Year, you may want to take time out of your busy schedule to observe another annual ritual: a review of your estate plan. If you're like most people, you probably stuck your will and other documents in a drawer or a safe deposit box as soon as you had them drawn up—and have rarely thought about them since. But changes in your personal circumstances or other events could mean it's time for an update.

It normally makes sense to review an estate plan at least once a year, just to make sure it's still meeting your main objectives.

Events That Could Spur Changes

What sort of changes might necessitate a change in your plan? Here are events that require alterations in your will or other estate documents.

- The birth or adoption of a child, grandchild, or great-grandchild;
- The death of a spouse or another family member;
- Marriage, divorce, or re-marriage;
- Illness or disability affecting you or another family member;
- A child or grandchild reaching the age of majority;
- A child or grandchild in need of education funding;
- The death of a guardian, executor, or trustee;
- Taking on or paying off a sizeable debt;
- Significant changes in the value of your assets;
- The sale of your residence or a second home;
- A significant promotion at work or a change in jobs;
- Retirement of you or your spouse;
- A large gift or inheritance;
- Sale of a business interest;
- Revisions in federal or state income tax or estate tax laws.

What You May Need To Do

If one or more of these events happens to you, there are several legal documents you may need to revisit.

Your will: As the centerpiece of your estate plan, your will dictates who gets which assets, and it also specifies a guardian for any minor children. Changes in your life since you had the will drafted could require significant alterations. (Note: If a will is kept in a bank safe, it may be sealed upon death. It's better to keep it in another safe.)

Often that will include revisions in the bequests for some of your heirs. For instance, you might expand the list of beneficiaries to include a newborn in the family or reduce it if you've had a falling-out with a relative. A divorce could necessitate a complete overhaul. Also, you might decide to switch

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Spotlight On... Lucas Muriello

The partners at Mosaic would like to ring in the New Year by making a special announcement: we are excited to welcome our newest partner to the firm, Lucas Muriello.

Luke is a CPA who specializes in tax compliance and planning

strategies for individuals, businesses, and executives. He also advises individuals and families on financial planning and estate minimization techniques based on each individual client's unique objectives.

Luke has been an integral part of Mosaic's success, joining the firm in 2005, and we are looking forward to his continued contributions and leadership in the years ahead. He is dedicated to our values and holds our standards of delivering great quality service to our clients.

Wishing everyone a Happy New Year and congratulations to Luke on this major milestone.

Paying Off A Mortgage And The New Tax Code

Among the most prized tax deductions to get trimmed by the Tax Cut And Jobs Act was the monthly mortgage interest. Should you pay off your mortgage, if your mortgage interest deduction is gone? The answer more often now is "Yes," providing you can afford to retire the debt. If you can't afford that now, aim to do it as soon you can.

Due to a large increase in the standard deduction, fewer taxpayers qualify for the mortgage interest deduction. The standard deduction under the new tax law almost doubled to $12,000 for single filers and $24,000 for married couples. Only people with deductions of more than those amounts can itemize and deduct their mortgage interest.

Piling up that much to itemize, especially for couples, will be difficult. As a result, the Tax Policy Center estimates that only 20 million Americans will itemize in 2018, as opposed to 46 million, had the tax law not changed.

Other changes in the law lessen the benefit of carrying the burden of a mortgage. There's now a $10,000 cap on deductions for state, local and property taxes. Before the law changed, the amount you could deduct was unlimited.

In addition, you are restricted from deducting interest on home equity loans if you use the debt for anything other than buying, building or upgrading a home. If you want to use the home equity loan for a tuition payment or to purchase a boat, Uncle Sam won't allow it anymore.

If you have deductions totaling more than the $12,000 and $24,000 thresholds, you can still itemize. In many cases, you can save more money by erasing your mortgage than you could earn in "risk-free" investments.

Here's the math. Say you have a $300,000 mortgage, which is about the average amount nationally, at a 4% yearly interest rate, and are in the 30% percent marginal tax bracket - 24% federal and 6% state levies combined. If you pay off the mortgage, you no longer have to pay roughly $12,000 annually in interest. When you did pay it, you received a tax deduction worth $3,600 - 30% of the mortgage interest. So that means, after the loan is retired, you saved $8,400. That beats the risk-free Treasury bond return. ●

Is Amazon Keeping The Inflation Rate Low?

Amazon's 2017 annual 10(K) federal financial filing reported $4.1 billion in net operating income. But the profit was entirely attributable to Amazon's tech infrastructure line of business, Amazon Web Services (AWS). Amazon's retail sales business reported a loss.

Unless you're a professional securities analyst or MBA, it may not be easy to discern that Amazon lost money on its main business from the company's required 10(K) annual public disclosure filing with the U.S. Securities and Exchange Commission. But it's disclosed in this table on page 69 of Amazon's 10(K) for 2017. AWS earned a $4.3 billion profit on $17.5 in net sales revenue, while total profits were $4.1 billion on well over $100 billion of sales.

Amazon's 2017 Financials; A Cause Of Disinflation

Information on reportable segments and reconciliation to consolidated net income (loss) is as follows (in millions):

	Year Ended December 31, 2015	2016	2017
North America			
Net sales	$ 63,708	$ 79,785	$ 106,110
Operating expenses	62,283	77,424	103,273
Operating income	$ 1,425	$ 2,361	$ 2,837
International			
Net sales	$ 35,418	$ 43,983	$ 54,297
Operating expenses	36,117	45,266	57,359
Operating income (loss)	$ (699)	$ (1,283)	$ (3,062)
AWS			
Net sales	$ 7,880	$ 12,219	$ 17,459
Operating expenses	6,373	9,111	13,128
Operating income	$ 1,507	$ 3,108	$ 4,331
Consolidated			
Net sales	$ 107,006	$ 135,987	$ 177,866
Operating expenses	104,773	131,801	173,760
Operating income	2,233	4,186	4,106
Total non-operating income (expense)	(665)	(294)	(300)
Provision for income taxes	(950)	(1,425)	(769)
Equity-method investment activity, net of tax	(22)	(96)	(4)
Net income	$ 596	$ 2,371	$ 3,033

Net sales by groups of similar products and services is as follows (in millions):

Source: Amazon's 2017 10-K report, page 69.

Amazon could afford to take a loss on its retail business. It's a long-term investment in gaining market share. Losses taken on dominating internet retailing were offset by AWS, Amazon's business of building the infrastructure of the web, which has been very profitable.

With its strategy to expand retail market

Protect Yourself Against Spearphishing

The Russian conspiracy to meddle in the 2016 presidential campaign relied on a common scam called "spearphishing." While the history-making scam may sound sophisticated, this form of digital fraud is running rampant. Anyone using email is likely to be attacked these days. Here are some tips to protect yourself.

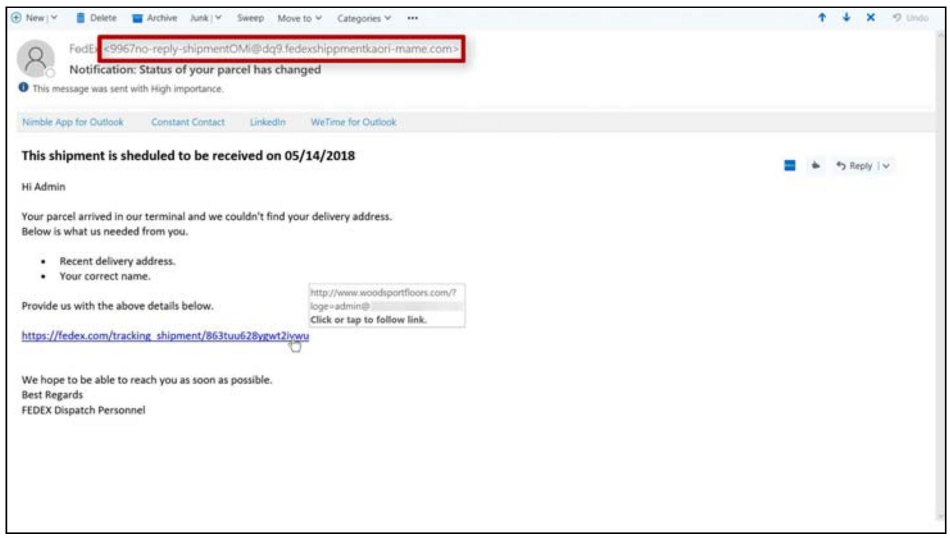
In a spearphishing attack, a hacker sends you an email message to trick you into disclosing your username and password to a secure account. The message looks like it's from a legitimate source you trust.

You click on the link and, unbeknownst to you, you install a program that records your next 100 keystrokes. The email from a trusted source was a Trojan Horse, malicious software that sends your password and user ID to the hackers.

New variants of the scam are appearing so fast that anti-virus software can't keep up, which puts you on the front line in defending yourself from attack. Perhaps the most important way to thwart an attack is by looking at links in emails before clicking.

In this popular spearphishing scam, hovering over the link in the email displays a website address that is absolutely, positively not Federal Express. And the email address from which this message was sent is plainly NOT a legitimate Federal Express dot-com account. Often the "From" address will tip you off to a fraud.

Phishing emails, until recently, were easy to spot because they commonly contained misspellings, grammatical errors and company branding mistakes. A scan of hundreds of recent phishing messages indicates fewer of these telltale signs. The scammers are getting smarter.



While the cat versus mouse game has of late been won by the evildoers, software solutions are growing stronger. For example, Microsoft Office 365 online users now have a way of designating a message as "Phishing." This new feature for "blacklisting" a malicious message prevents a scam from hitting you twice and gives Microsoft information about its origin. Of course, updating your anti-virus software is always a must. If you ever have any questions about emails you receive from us, please do not hesitate to call us. ●

share based on razor-thin profit margins, Amazon transformed retail sales and consumer behavior over the last decade. Before buying at a traditional retail store, consumers now routinely check their phones for a lower price online. The increased efficiency of internet sales enables consumers to buy goods at insanely low prices. While Amazon became the Crazy Eddie of the internet era, it has caused disinflation.

Inflation has always been a somewhat mysterious factor in the economy. It's hard to understand its causes, and harder to control. Officials at the U.S. Federal Reserve Board have conceded in recent years their surprise at the persistently low inflation rate. Amazon is likely a factor in why prices are not rising fast in the economic boom.

This is not a recommendation to buy or sell Amazon securities but an observation about the internet retailer's impact on the U.S. rate of inflation and its implications for economic growth. In the second quarter of 2018, the government reported a 2.9% surge in productivity because real wages *after* inflation declined, lowering the cost of an employee to companies by nearly 1%, according to the Bureau of Labor Statistics quarterly report through June 2018.

Declining unit labor costs amid real wages is a positive for economic growth, and internet retailing is an influence in the economy to keep an eye on. Among the swirl of forces that affect inflation, ranging from international oil politics to the Federal Reserve, your Amazon shopping cart is playing a role. ●

The Big New Tax Break For Pre-Retired Professionals

Pre-retired dentists, doctors and lawyers as well as other independent professionals may be able to save tens of thousands of dollars in income taxes annually during their peak income years under the new federal tax regulations. The new rules are complex. Here are 10 things pre-retired business owners need to know about qualifying for a 20% reduction in qualified business income under Section 199(A) of the new Internal Revenue Code:

1. Sole proprietors, LLCs, S corps, partnerships and other pass-through entities qualify.

2. Real estate and rental business income — including self-rentals — may qualify.

3. Some businesses are specified as ineligible and you may need a professional to determine if you qualify.

4. Service-business owners could get a deduction on 20% of their income, subject to income limitations.

5. A business owner with $315,000 in taxable income owes tax on only $252,000 — saving more than $12,000 of income tax.

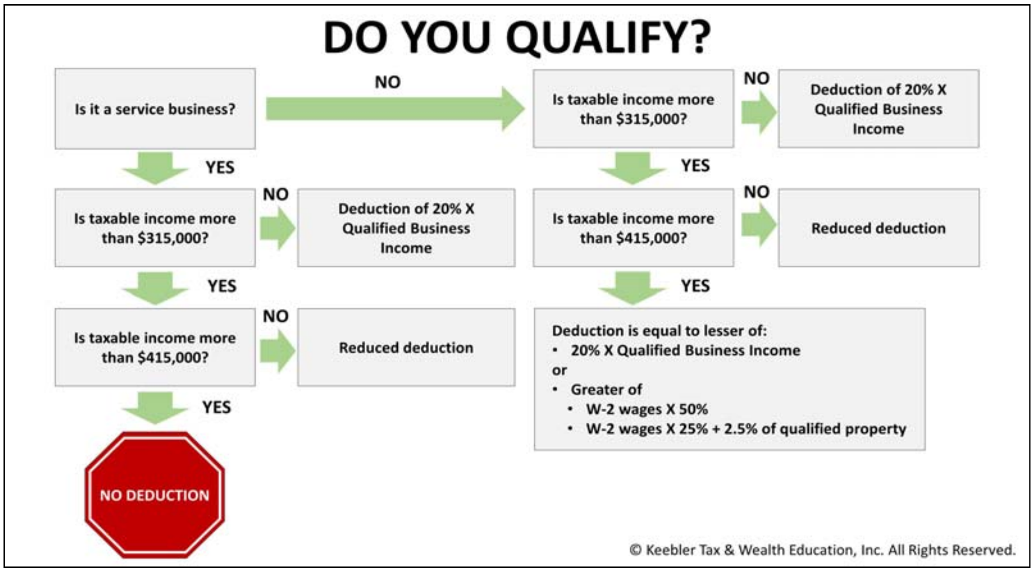
6. If you are married filing jointly and have more than $315,000 of income, the 20% deduction is subject to a phase-out. The phase-out begins at $157,500 for single filers.

7. If you have more than $415,000 of income from the service business, the 20% deduction is eliminated ($207,500 for single filers).

8. To keep your income below these thresholds, consider contributions to a defined benefit (DB) plan.

9. DB plans require you to commit to funding a defined benefit plan instead of a defined contribution plan, making them more complex.

10. A DB plan can supercharge retirement savings while minimizing your taxable income to enable you to qualify for the 20% deduction for business owners. ●



Review Your Estate Plan

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executors. Finally, your will may need to be updated to reflect changes in state or federal laws.

Revocable living trusts: Similar to a will, a revocable living trust provides for the distribution of assets transferred to the trust. Unlike a will, however, these assets don't have to pass through probate upon your death. This can save both time and money, and you might decide to use a living trust to supplement your will.

Because the trust is "revocable," you retain the right to change beneficiaries and reallocate assets designated for certain beneficiaries. The same sort of additions and subtractions used for a will might apply to the trust. In addition, depending on your situation, you could amend other terms, such as changing the guardian of minor children, a trustee, or successor trustees.

Durable power of attorney: A power of attorney is a legal document authorizing someone (the "attorney-in-fact") to act on your behalf in financial affairs. A "durable" power of attorney stays in force if you become incapacitated. This can be a vital component of your estate plan.

Are you planning to buy or sell assets or undergo life-threatening surgery? A durable power of attorney may be especially beneficial in these situations. Include this document in your estate plan if you haven't already done so.

Living will: Finally, a living will can provide guidance to your loved ones should they face difficult end-of-life scenarios. This can be combined with a health care power of attorney to ensure that your physicians and the hospital comply with your wishes.

Living wills are often associated with elderly people, but issues can arise at any stage of life. In your review of your estate plan, look again at this document to see whether it still accurately reflects how you feel. And if you don't have these documents yet, consider adding them to your plan.

Once you've completed the year-end review of your estate plan, circle back to your professional advisors for assistance in implementing any changes that are needed. When you're done, you can look forward to a happy New Year! ●