



REFLECTIONS

1st Quarter Newsletter 2018



WINDGATE

WEALTH MANAGEMENT

www.windgatewealth.com



**Sean Condon CFP®
Financial Planner**

A cash balance plan is like a 401(k) on steroids. Most 401(k) investors understand that wealth creation is based on your ability to save and the return on your investments. But there is a third factor which is often overlooked: the minimization of taxes. Fortunately, a lesser-known but extremely valuable solution, known as the cash balance retirement plan, allows profitable business owners to accelerate savings and pay significantly less in taxes.

in the current tax laws, the benefit of a cash balance plan is that it allows far higher contributions than a 401(k), which are limited to \$18,500 per year (\$24,500 if over 50). Depending on your age, cash balance plan contribution limits are as high as \$250,000, each year. These contributions bring down your taxable income on a dollar by dollar level. That means that any income you put into a cash balance plan will not be taxed in that year.

The example below shows how much tax you could save by using a cash balance plan strategy. After making the maximum 401(k) and profit sharing retirement plan contributions, and by adding a cash balance plan, you could increase your total annual retirement savings to \$315,000. This equals \$116,550 less in taxes paid, assuming a 37% tax rate.

Cash Balance Plan 101

**Introducing Fi-Care
Financial Wellness**

**Meet The Team-
Stacie Suhrbur**

**The Largest Export of
Every U.S. State**

**Windgate in the
Community**

**Quotes on Money, Work
and Humor**



*If you know of any friends
or family that might
benefit from our services,
please give us a
call at 844.377.4963*

• **Your Account Online**

You can log-in to your personal financial website at www.windgatewealth.com by going to the “see all accounts” tab



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IS A CASH BALANCE PLAN RIGHT FOR ME?

EXAMPLE CASH BALANCE PLAN

OWNER AGE: 60 COMPENSATION (IRS LIMIT): **\$275,000**

401K	PROFIT SHARING	CASH BALANCE	TOTAL CONTRIBUTION
\$24,500	+	\$36,500	+
			\$0 to \$254,000
			= \$315,000

GETS POTENTIAL TAX SAVINGS OF
\$116,550

ASSUMING A 37% TAX RATE; DOES NOT INCLUDE POTENTIAL STATE INCOME TAX SAVINGS.

You can squeeze twenty years of savings into ten with a cash balance plan strategy. This is extremely valuable for many high-earners who have gotten a late start on retirement. If you have completed years of schooling or focused your early assets on building your business, a cash balance plan can help you catch up on retirement savings, while paying less tax every year while you do so.

Of course, this is not a “no-strings attached” benefit. A cash balance plan is a defined benefit plan, much like a company pension. Unlike a 401(k), which is based on how much money you can *put into* the plan every year, a cash balance plan is based on how much you can *take out* of the plan every year once

you are retired. Using your age, expected investment return, and annual compensation, a professional can calculate how much you'll need to contribute each year to reach your retirement goal.

Depending on your age, cash balance plan contribution limits are as high as **\$250,000, each year.**

CASH BALANCE PLAN (CONTINUED)

These defined contribution requirements make a cash balance plan much less flexible than a 401(k). A cash balance strategy is therefore a good fit only if you can commit to making large contributions year after year. With that understanding, you might be a good candidate for a cash balance strategy if:

- **You are looking to contribute more than \$55,000 a year to your retirement.** A cash balance plan is best used once you have already reached your maximum contribution to a 401(k) and Profit Sharing Plan, and wish to do more.
- **You or your company have consistent cash flow.** Annual contributions to a cash balance plan are required, regardless of profits. So consistent cash flow is crucial.
- **Your company is willing to make retirement contributions to all other employees.** Cash balance plans are typically established for owners and key executives. However other employees also benefit. To meet IRS regulations that all employees are treated fairly, cash balance plans typically provide a minimum contribution of 5%-7.5% of pay to staff in the plan.

CASH BALANCE PLANS AND THE NEW TAX LAW

As we understand it right now, the new tax law passed in 2017 provides a small reduction in marginal rates, including a drop in the top tax bracket from 39.6% to 37%. More significant for partners and business owners is a new 20% deduction for “pass-through” businesses (“pass-through” describes a business structure where the income flows through to an individual’s tax return, such as a partnership, LLC, or S Corp). In practice, this means that many small businesses will now be taxed on only 80% of their “qualified business income (QBI),” providing significant tax savings.

The new 20% deduction looks attractive, but it isn't distributed equally. If you are a professional in a "specified service business," which includes (but is not limited to) industries of health care, law, finance, and accounting, the 20% deduction is phased out and eventually eliminated once certain income levels are met (\$157,500-\$207,500 single/\$315,000-\$415,000 married). Simply put, if you own a specified service business and are a high earner you likely do not qualify for the new 20% "pass-through" deduction.

The good news is that strategic planning with a cash balance plan can cause physicians or lawyers who don't qualify for the new 20% pass-through deduction to become re-eligible. Because retirement plan contributions reduce your taxable income, additional plan contributions can help you fall below the \$315,000 phase-out limit. This means that plan contributions not only reduce your tax dollar for dollar, but can trigger an added 20% deduction on your income. **Seen in the example below, a \$185,000 contribution creates a \$208,000 reduction in taxable income.**

MARRIED BUSINESS OWNER OR PARTNER IN THE HEALTHCARE PROFESSION WITH \$500K INCOME

Scenario #1		Scenario #2	
W2 Salary	\$200,000	W2 Salary	\$200,000
Cash Balance Contribution	\$0	Cash Balance Contribution	\$185,000
Qualified Business Income (QBI)	\$300,000	QBI	\$115,000 (\$300,000-\$185,000)
Taxable Income	\$500,000 (exceeds \$415,000 limit)	Taxable Income	\$315,000 (\$500,000-\$185,000)
20% Deduction	\$0	20% Deduction	\$23,000 (20% of \$115,000 QBI)
Net Taxable Income	\$500,000	Net Taxable Income	\$292,000 (\$315,000-\$23,000)

Strategic planning with a cash balance plan can cause physicians or lawyers who don't qualify for the new 20% pass-through deduction to be re-eligible.

CASH BALANCE PLAN (CONTINUED)

SEEK PROFESSIONAL GUIDANCE

Because the tax benefits of cash balance plans are significant, designing and maintaining a plan is complex. It helps to work with a professional, such as Windgate Wealth Management to develop your ideal contribution level and investment target. Proper planning requires a commitment of time and energy working with a tax advisor, an investment professional, and a plan actuary, along with the associated costs to establish a plan. However, these costs are typically far out-weighed by the tax savings achieved every year.

Contact us today to learn more about how a cash balance plan might be right for you and your business.

The information above is based on current tax laws that may change.

Perritt Capital Management, Inc. is the registered investment advisor for Windgate Wealth Management accounts. Windgate does not provide tax advice. Consult your professional tax advisor for questions concerning your personal tax or financial situation.

INTRODUCING FI-CARE FINANCIAL WELLNESS



Did you know that over 50% of employees don't believe their company cares about them*? We were not directly aware of this fact either, until recent experience shed light on this major issue - and opportunity - facing business owners.

We developed The Fi-Care Financial Wellness Benefits program for forward-thinking business owners who believe in supporting their employees' financial well-being.

FINANCIAL WELLNESS ORIGINS

While doing comprehensive financial planning services with a personalized approach, we realized that too many employees believed their company didn't care about them or their success.

On the other hand, we had worked with many business owners and knew this was not true. When asking business owners about their number one challenge, their answer was nearly always the same: finding and retaining talent. The problem was that business owners did not know how to stand out from the crowd of companies offering plain vanilla benefits that did not always make a real impact in their employee's lives.

We wanted to create a solution to this problem.

INTRODUCING FI-CARE FINANCIAL WELLNESS (CONTINUED)

BUILDING FI-CARE

We developed Fi-Care Financial Wellness in 2016 with the goal of applying the experience we have gained managing families' wealth over two decades and allowing our business owner clients to provide it to their team as a benefit to improve company culture.

We hope this not only helps the business but also breaks down barriers for employees. In this industry, all too often a financial advisor won't work with clients who don't meet an investment minimum. This can be difficult for someone to do on their own without an advisor. It's a catch-22 because the best way to attain wealth is by having a plan at an early age and benefiting from compound interest.

Through Fi-Care, we can reach employees who might not otherwise have access to an advisor and help set them on a path toward understanding their finances and pursuing their goals.

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FINANCIAL PLANNING FOR YOUR EMPLOYEES

Our goal is to help remedy your employees' financial issues before they sit down to work by creating a better Return On Life (ROL). We will give your employees the tools they need to help manage their finances in a way that improves their life and your company's productivity.

Our Fi-Care Financial Wellness program is not a cookie-cutter, one-size fits all template. We provide comprehensive financial planning for each employee's needs. Your employees receive the benefit of a Certified Financial Planner (CFP®) who is committed to understanding their goals and uncovering any financial blind spots. We develop a goal-based plan to solve budgeting, investing, retirement planning, and any other financial needs, then communicate regularly to ensure progress.

Goal-based financial planning allows us to succeed together by setting short-term goals and reviewing progress at regular intervals. The process works by achieving incremental steps toward a long-term goal while making course corrections when circumstances inevitably change. We aim to accomplish this by providing:

- Introductory and year-end in person/video conference meetings
- Service calendar check-in agenda
- Unlimited access by phone or email
- Access to personal financial website and planning technology

Through our services and high-touch approach, we hope to help businesses implement a competitive and valuable program that benefits their employees and increases company engagement and productivity. Reach out to us today or visit our new website at fi-care.com to identify how we may be able to help, if you own a business.

* Source: PWC Employee Financial Wellness Survey, 2016

MEET THE TEAM-STACIE SUHRBUR



Stacie Suhrbur
Portfolio Administrator

We are pleased to introduce you to our newest team member, Stacie Suhrbur (pronounced: Serber). Stacie is working closely with Sean Condon to provide enhanced client support. If you have yet to meet Stacie in person, email, mail, or over the phone, she is looking forward to your future communication.

Stacie adds herself to the list of DePaul University alum at Windgate Wealth with her B.S. in Operations Management. She has previous marketing and social work experience but returned to the financial industry after completing the financial planner program at Northwestern University. Stacie and her husband just recently attended the college graduation of their second child and are thrilled that both of their children have achieved this goal. Her interests include veganism, unschooling, and motorcycling.

Why do you believe that Windgate Wealth Management is the correct career path for you?

After witnessing the devastating impact on retirees during the last market downturn, I began my own research on how to protect oneself. That is when I learned of the fiduciary relationship required of all Registered Investment Advisors (RIA). This legal duty to act in the best interest of the client is paramount in my daily work; it is the reason I am in this industry. Windgate's reputation in this regard was the driving force; a small firm that is relationship driven allows for client needs to always be addressed first. Helping clients plan and feel safer regarding their future is of great reward.

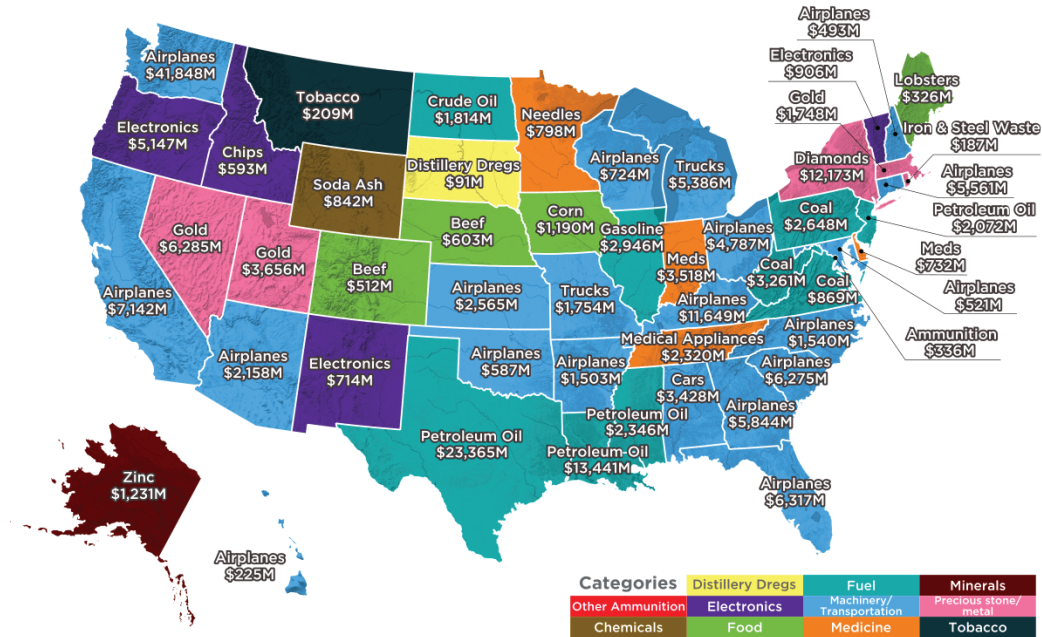
What is your specific role at Windgate?

As Portfolio Administrator, I am our clients' direct contact to help process any financial needs and requests. In large part, this includes account applications, money movement and any general account inquiries. The position also includes processing trades within the investment accounts. This is an exciting and fast paced platform allowing for extensive new learning with the goal of accuracy, opportunity, and growth for our clients.

I'm looking forward to continuing to meet Windgate's clients, and it is my hope that it is the start of many long and supportive connections.

THE LARGEST EXPORT OF EVERY U.S. STATE IN 2017

With potential for increased tariffs and trade wars driving the economic news cycle in the past few months, we found the below visual both timely and informative. Do you know your state's main export?



Source: Visual Capitalist & How Much
<https://howmuch.net/articles/biggest-export-from-each-state>
<https://census.gov/foreign-trade/statistics/state/data/index.html>



Windgate Wealth Management is committed to giving back to the communities in which we live and work. We aim to make an impact by investing our resources – financial contributions, employee volunteering and mentoring to support outstanding non-profit organizations, such as NMIA-North Mayfair Improvement Association.

NMIA - North Mayfair Improvement Association



Surrounded by over 75 acres of park district and forest preserve gardens, North Mayfair is a small community located on the far Northwest side of Chicago and was designated a National Bungalow Historic District several years ago. Bordered by the Cook County Forest Preserve on the North, and the Chicago River on the East, North Mayfair's neighborhood includes over 500 acres of open land and is home to Gompers Park, a Chicago Park District. Many families living in North Mayfair today are direct descendants of the original families living here over 75 years ago.

NMIA, A Neighborhood Event



In 1929, the North Mayfair Improvement Association (NMIA) was formed after most homes were built, railroad tracks were laid, and Elston Avenue was paved. Residents of North Mayfair wanted an Association that would promote the community's vibrant potential while working with government agencies to continue to improve streets and build a grammar school. The mission statement of NMIA was simply stated in the bylaws, "to improve North Mayfair". Several years later, NMIA began publishing a neighborhood newspaper, *The Improver*, which is still published 4 times a year.

NMIA currently represents over 500 members living in approximately 200 homes. The association's board has various positions which include coordinating efforts with government agencies to improve North Mayfair at our members' request. In the recent past, we were active supporters of the completion of the Southern extension of the Cook County Forest Preserve's North Branch Bike Trail, worked with a major developer on a new shopping center project, and installed a mural on Cicero Avenue. More recently, our main focus is to work towards bringing more public art into our community, an initiative only possible with major corporate sponsors.

For the past 5 years, Windgate Wealth Management has been a strong corporate supporter of our efforts to fund raise for our Public Art and Mural initiative. *Last year, our Bikes Bites and Brews event, a three day neighborhood celebration, was successful only because of Windgate Wealth Management's financial support.* The North Mayfair Improvement Association is grateful to have Windgate Wealth Management as a corporate partner in our efforts to continue working towards improving North Mayfair.

Money can buy happiness, but words are free. Here are a few of our favorite quotes regarding money, work and humor.



"I think you have to learn that there's a company behind every stock and there's only one real reason why stocks go up. Companies go from doing poorly to doing well or small companies grow to large companies". - [Peter Lynch](#)



"Look at market fluctuations as your friend rather than your enemy. Profit from folly rather than participate in it." - [Warren Buffett](#)



"USA Today has come out with a new survey: Apparently three out of four people make up 75 percent of the population". - [David Letterman](#)



"If it's the Psychic Network, why do they need a phone number?" - [Robin Williams](#)



"When everything seems to be going against you, remember that the airplane takes off against the wind, not with it". - [Henry Ford](#)



"Why is it a penny for your thoughts but you have to put your two cents in? Somebody's making a penny." - [Stephen Wright](#)



"Starbucks says they are going to start putting religious quotes on cups. The very first one will say, 'Jesus! This cup is expensive!'" - [Conan O'Brien](#)

Any opinions expressed in this newsletter are general in nature and cannot be guaranteed to be suitable for every individual. Individual needs and situations vary. Talk to your financial advisor to help you consider what options might be right for you.

Data here is obtained from what are considered reliable sources: however, its accuracy, completeness, or reliability cannot be guaranteed.

All investments carry some level of risk, including the potential loss of principal invested.

Perritt Capital Management, Inc. is the registered investment advisor for Windgate Wealth Management accounts. Windgate does not provide tax advice. Consult your professional tax advisor for questions concerning your personal tax or financial situation.



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