No matter what the year has in store for you, there are certain financial strategies you should consider.

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TAX STRATEGIES

2017 TAX OUTLOOK

The nation’s tax system has been largely in a steady state for several years, but that may change in 2017. Republican control of the Presidency, House, and Senate opens the door for significant change, however, what that change may look like is anybody’s guess at this point. It is still too early to know what President Trump will officially propose and most of the chatter around his policy is based on various strategies he promoted throughout his campaign. Those strategies do have some overlap with “A Better Way,” the document released by House Republicans this past summer detailing their tax reform proposals. Some common themes include:

• Reduction of current personal income tax brackets and rates with a top rate of 33%
• Elimination of the 3.8% net investment income tax associated with the Affordable Care Act
• Elimination of the Alternative Minimum Tax (AMT)
• House Republicans have long favored the repeal of the Estate Tax and President Trump has also talked about it. That said, this is going to be a difficult fight in the Senate. Many Washington insiders and Tax and Estate attorneys feel that there will be some sort of compromise as opposed to an outright repeal. Since there has been an estate tax in 99 out of the past 100 years, the need to do proper estate planning is still important, regardless of what happens regarding the estate tax.
• President Trump has endorsed a reduction in the business tax rate from 35% to 15% while House Republicans have a scale that varies from 20% to 35% based on the type of business in question.

We are hopeful that we will begin to gain some clarity on these issues not long after President Trump takes office on January 20, but the reality is that it could be one to two years before any of these policies are enacted.

TAX DOCUMENTS

To prepare for your tax return filings, we suggest you start gathering your documentation now. Essential items to collect include Forms W-2, K-1 and 1099 as well as charitable contribution documentation, and any property tax and mortgage documentation. For our clients enrolled in the Lenox Personal CFO program, we encourage you to send this information to us to be scanned and added to your vault, and we can then forward everything to your tax preparer.

TRUST FUNDING AND ANNUAL EXCLUSION GIFTS

You do not need to wait until December to fund your Trusts or to make your annual gifts. The annual exclusion for 2017 will remain at $14,000. The limit for exclusion gifts to a non-citizen spouse has increased from $148,000 to $149,000 for 2017. Making these gifts early in the year removes from your estate both the value of the gift and any appreciation on those dollars through the course of the year.

ESTATE TAXES

The Estate, Gift, and Generation-Skipping Transfer Tax exemption has increased to $5,490,000 per person for 2017. The top Federal tax rate remains at 40%. If you have not completed an estate plan, or if your plan has not been reviewed or updated over the last five years, we strongly encourage you to make this a priority for 2017.

Note that there have been some recent changes to State estate tax law. For instance, the New Jersey estate tax will be repealed effective January 1, 2018, though the state’s inheritance tax, which applies to all but spouses and children, is still in effect. Check with your Estate Planning Advisor to see any changes in your home state.

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ADVANCED PLANNING STRATEGIES
Grantor Retained Annuity Trusts (GRAT) are wealth transfer vehicles that can provide the opportunity for tax-free transfers of property. The ‘hurdle rate’ on a GRAT in January 2017 is 2.4% - 20 basis points higher than this time last year, and quite attractive for planning purposes.

Family Limited Partnerships and other advanced estate planning strategies that utilize Valuation Discounts remain viable. However, there are actively proposed regulations (Internal Revenue Code § 2704) to eliminate these discounts. That said, these regulations now face significant headwinds. A Treasury Department hearing on December 1, 2016 indicated significant opposition to the regulations; Congressional members of the Ways and Means and Senate Finance committees have introduced legislation to nullify the rules; and as mentioned above, President Trump’s possible desire to eliminate the estate tax would render these regulations useless.

THE “NANNY TAX”
A number of forces are combining to make household employment compliance a more important issue than it’s ever been before. If your family employs a Nanny, Housekeeper, Senior Caregiver / Private Nurse, or Personal Assistant for example, and you pay them $1,900 or more in a calendar year, you may have several significant employment tax and employment law responsibilities.

Some examples include:
• Withholding payroll taxes from employee’s wages and paying employer portion of taxes
• Filing state and federal tax returns and remitting both employer and employee taxes throughout the year
• Providing your employee with a W-2 form and making related filings with the IRS
• Providing a written Wage Notice or contract at time of hire and detailed pay stubs
• Providing Workers’ Compensation and Disability insurance

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RETIREMENT PLANS

Keep in mind the following retirement plan deferral limits for 2017:

• **401(k) Plans:** The contribution limit remains unchanged at $18,000. The catch-up contribution limit for those ages 50 and over also remains unchanged at $6,000. Note that with many 401(k) plans, the catch-up contribution is an active election which must be made annually. Keep in mind that some programs also allow you to make additional non-deductible contributions up to the defined contribution plan limit ($54,000 as noted below). Lastly, if you are receiving a match from your employer on your 401(k) contributions, you should consult with your Lenox team to ensure you are making your contributions in a way that maximizes your employer match.

• **IRA Accounts (Traditional & Roth):** The contribution limit remains at $5,500. The catch-up contribution limit for those ages 50 and over remains at $1,000. Remember that non-working spouses can continue to make contributions to their own IRA based on the working spouse’s earnings.

• **Defined Contribution Plans:** The contribution limit has increased to $54,000 or 100% of compensation, whichever is smaller.

ROTH PLANS

You can still convert any Traditional IRA to a Roth IRA with no limits on income. As you may be aware, the Roth conversion strategy allows you to pay taxes today on your retirement account. Ultimately, you will create an asset which will provide tax-free retirement income; avoid Required Minimum Distribution rules, and provide a tax-free income legacy to heirs who can stretch the account out over their longer life expectancies.

Here are some notable items related to Roth conversion strategy:

• **401(k) Conversions:** Many 401(k) Plans now offer the ability to convert Traditional 401(k) plans to a Roth 401(k) during continued employment. The 401(k) plan has to allow for this, and the conversion CANNOT be re-characterized (see below for details on re-characterization).

• **“Free Look”:** A loophole remains where you can convert your IRA to a Roth now and then decide later if you would like to reverse the decision with no penalty. On any conversion, you have until October 15 of the following year to formally re-characterize the transaction. This reason makes it more attractive to make the conversion early in the year.

• **Multiple Accounts:** If you are making a sizable Roth conversion, you may want to open multiple Roth IRA Accounts. This will allow you to re-characterize only accounts that have faced a decline instead of the entire converted amount. If you do choose to convert a Traditional IRA to a Roth, it is important to keep the original account open – if you re-characterize, funds must return to the original account.

• **ROTH and your Estate Plan:** For those who don’t think they will need to use their IRA in retirement, you may be better off converting to a Roth IRA. With a Roth, you can avoid having money forced out of your retirement account for Required Distributions starting at age 70½. Your children will also be able to inherit the IRA and stretch distributions throughout their life, and therefore continuing the tax-free growth.

RETIREMENT PLAN DISTRIBUTIONS

Review any required 2017 distributions on qualified accounts to ensure your tax withholding is appropriate. Also important to note – the Qualified Charitable Distribution (QCD) rule, a tax-free direct distribution from your IRA to a charity, has been made a permanent part of the tax code. Note that you must be at least age 70½; QCDs are limited to the amount that would otherwise be taxed as ordinary income; the maximum annual amount that qualifies as a QCD is $100,000; and these distributions must leave your IRA by the Required Minimum Distribution deadline.

- ALAN LAKEIN
IDENTITY THEFT PROTECTION

Data security becomes more important each year. At least once a year we encourage our clients to ensure they are taking appropriate steps to mitigate the risk of identity theft and other issues related to loss of personal information. Below are a few quick items to review:

• **Review Credit Report:** We encourage you to review your credit report and that of your children’s, annually, to catch any reporting errors or fraudulent activities. For your free annual credit report, go to www.annualcreditreport.com or call 877-322-8228. A more comprehensive report (as well as your credit score) is available for a fee at www.myfico.com.

• **Protect/Check Email:** One of the most common issues today is hackers breaking into personal email accounts. If they gain access, they will be able to steal personal information as well as send emails posing as you. You should keep a close eye on any outbound email, change your passwords regularly, and don’t allow others to access your email. It is also a good idea to use your business email instead of personal email as business email typically has more safeguards in place.

• **ID Theft Monitoring Service:** If you haven’t already, you should consider signing up for a service that monitors your credit report for any changes. This is an important step to make sure there are no unauthorized changes to your credit report.

• **Change Password Regularly:** It makes sense to update all your passwords every few months.

• **Review Statements:** Make sure you are regularly reviewing all transactions for all accounts. This is one of the most important ways to make sure there are no unauthorized transactions.

• **Beware of Phishing:** Phishing is a technique used by identity thieves to get your sensitive information by pretending to be a site you trust. You should be suspicious of any incoming phone call or email that asks you to provide any confidential email, especially if the request is for username and passwords, account numbers, or social security numbers.

DIGITAL ASSETS

Have you included your digital assets, such as photos and music, in your estate plan? Those of us with extensive collections should consider adding these items to your Wills and Trusts to ensure our intended beneficiaries have access to the necessary online credentials.

USER IDs AND PASSWORDS

It is easy to become overwhelmed by the volume of User IDs and Passwords required in our day-to-day lives and the importance of keeping these items secure. You should consider using a Password Manager App like DashLane, 1Password, or LastPass. These applications can generate and keep track of all your passwords in one secure, easy-to-access place. You can also use these types of applications to securely store other important data such as secret question answers, credit card numbers, and addresses.
YOUR PORTFOLIO

ASSET ALLOCATION

We like to kick off the New Year with a review of your investment goals. This would include updating your investment risk tolerance and discussing how to allocate any cash bonuses received. It is also a good time to review 2016 market performance and the effect it may have had on your overall asset allocation. From a high level, global equities posted a healthy year led by strength in the U.S. market. European equities were also up while Emerging Markets weakened after the U.S. election. Bond markets were flat as yields jumped considerably. We maintain a healthy outlook for markets in 2017, though considerable uncertainty around President Trump’s new policies causes some concern.

2016 YEAR-END PERFORMANCE

| Index & ETF Definitions (Indices are not available for direct investment) |
|-----------------------------|---------------------|-----------------|
| S&P 500 Index: The S&P 500 Index is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. This index is designed to be a leading indicator of large cap U.S. equities. | S&P 400 Midcap | 12.0% |
| Russell 2000 Index: The Russell 2000 Index is composed of the 2000 smallest stocks in the Russell 3000 Index and is widely regarded in the industry as the premier measure of small-cap stock performance. | MSCI EAFE | 20.7% |
| MSCI Emerging Markets Index: The MSCI Emerging Markets Index is designed to be representative of the investable equity market in emerging markets. | MSCI ACWI | 21.3% |
| MSCI REIT: The MSCI REIT Index is a stock market index composed of a selection of large- and mid-capitalization REIT stocks traded in the U.S. market. | Barclays Agg | 1.4% |
| HFRX Global HF: The HFRX Global HF Index is a short-term hedge fund index representing the return of a diversified portfolio of global hedge funds. | JPM Emerg Mkt Debt | 10.9% |
| HFRX Equity Mkt Neutral: The HFRX Equity Mkt Neutral Index is a diversified portfolio of U.S. equities that seeks to track the performance of the Broad U.S. Equity market. | MSCI REIT | 8.5% |
| Bloomberg Commodity Index: The Bloomberg Commodity Index is a rolling commodities index composed of futures contracts on 20 physical commodities traded on U.S. exchanges. | Bloomberg Commodity | 2.4% |
| MSCI Mgn’ed Futures | -0.9% |

Index & ETF Definitions (Indices are not available for direct investment)

- S&P 500 Index: The S&P 500 Index is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. This index is designed to be a leading indicator of large cap U.S. equities. S&P 400 Midcap Index: The S&P MidCap 400® index provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis. Russell 2000 Index: The Russell 2000 Index is composed of the 2000 smallest stocks in the Russell 3000 Index and is widely regarded in the industry as the premier measure of small-cap stock performance. MSCI EAFE ETF: The iShares MSCI EAFE ETF seeks to track the investment results of an index composed of large- and mid-capitalization developed market equities, excluding the U.S. and Canada. MSCI Emerging Markets ETF: The iShares MSCI Emerging Markets ETF seeks to track the investment results of an index composed of large- and mid-capitalization emerging market equities. Barclays Agg ETF: The iShares Core U.S. Aggregate Bond ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. Credit Suisse (CS) High Yield Corp Index: The CS High Yield Corp Index is designed to mirror the USD denominated high yield corporate debt market. Issues must either be publicly registered or 144a-issued with registration rights. Issuance outstanding must be at least $75 million and not carry a credit rating higher than Baa1/BB+ or Ba1/BBB+.
- S&P National Muni Index: The S&P National Municipal Bond Index is a broad, market value-weighted index designed to seek to measure the performance of the tax-exempt, investment-grade U.S. municipal bond market. JPM Emerging Debt ETF: The iShares J.P. Morgan USD Emerging Markets Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated, emerging market bonds. Bloomberg Commodity Index: The Bloomberg Commodity Index is a rolling commodities index composed of futures contracts on 20 physical commodities traded on U.S. exchanges. The Index serves as a liquid and diversified benchmark for the commodities asset class. MSCI US REIT Index: The MSCI US REIT Index is a free float market capitalization weighted index that is comprised of Equity REIT securities that belong to the MSCI US Investable Market 2500 Index. The MSCI US REIT Index includes only REIT securities that are of reasonable size in terms of full and free float-adjusted market capitalization. HFRX Merger Arbitrage: The HFRX Merger Arb Index is designed to be representative of the merger arbitrage universe. Merger Arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction. Merger Arbitrage involves primarily announced transactions, typically with limited or no exposure to situations which pre-, post-date or situations in which no formal announcement is expected to occur. HFRX Managed Futures: The HFRX Managed Futures Index is designed to be representative of the managed futures universe. Managed Futures invest in both long and short futures contracts to take advantage of trends in equity, commodity, bond, and currency markets. Fee-based financial planning services offered through Lenox Advisors, Inc. Lenox Advisors, Inc. offers access to securities and asset management services through MML Investors Services, LLC, 530 5th Avenue, 14th Floor, New York, NY 10036, 212-536-6000, member SIPC. Investment adviser representatives of Lenox Advisors, Inc. offering fee-based financial planning services may also be registered representatives and investment adviser representatives of MML Investors Services, LLC for purposes of offering securities and asset management services. Lenox Advisors, Inc. is a wholly owned subsidiary of NFP Corp., Lenox Advisors, Inc. and NFP are not affiliates or subsidiaries of MML Investors Services, LLC. Services offered through Lenox Advisors, Inc. as an Independent Registered Investment Advisor are not sponsored or offered through MML Investors Services, Inc. © Lenox Advisors, Inc.
GOOD HOUSEKEEPING

The start of a new year is a great time to ensure that the many often overlooked parts of your financial plan are adequately addressed. These include:

- **Beneficiary Designations and Estate Plan Fiduciaries:** Have you remembered to assign both primary and contingent beneficiaries to your life insurance policies and qualified accounts? Are the fiduciaries assigned in your estate plan still able and willing to fulfill the tasks that would be required of them?

- **Property & Casualty Insurance:** Have you scheduled the appropriate amounts of coverage for any valuable articles acquired in the past year? Jewelry, art, and antiques usually need a separate amount of coverage on your homeowner’s insurance. For our clients enrolled in the Lenox Personal CFO program, we encourage a photograph of any scheduled items be stored along with any related receipts in your Lenox Personal CFO Vault.

INCENTIVE STOCK OPTIONS (ISOs)

For those that hold Incentive Stock Options, you should consider exercising these early in the year. There are two distinct advantages to using ISOs sooner rather than later in the year. First, you’ll get the clock ticking on the holding period required to qualify the proceeds for long-term capital gain treatment (one year from the date of exercise). Exercised before April 15 of the current year, cash will become available before April 15th of the following year. Second, exercising early gives you a long look back period to form a bail-out strategy in case of significant market declines after exercise.

EXPENSE MANAGEMENT

In January, you should start receiving year-end statements from your banks and credit cards. These statements provide valuable insights about your spending behavior. With this information, we can confirm or revise the living expense numbers that we have factored into your retirement plan model. For those of you that are part of our Lenox Personal CFO program, your website includes some valuable technology to assist you in managing and evaluating your expenses.

ANNUAL SAVINGS

While it is important to understand your expense structure, we feel it is equally important to set and track savings goals for the year. Once we have an understanding of those goals, we can discuss the best way to deploy your savings across your portfolio.

LENOX GROUP EXCESS LIABILITY INSURANCE PROGRAM

We will once again be sponsoring a discounted Umbrella Insurance program for Lenox clients. Open enrollment is in February for a March 1 policy start date. You will be receiving Enrollment or Renewal information in February.