

PROFESSIONAL FINANCIAL SERVICES, INC.

"DESIGNING AND PROTECTING WEALTH"

ONE PLAN AT A TIME

ROBERT E. TUCKER
PRESIDENT
Tel (703) 391-0299
Fax (703) 391-0277

10913 LAWYERS ROAD
RESTON, VIRGINIA 20191
e-mail: bobtucker@pfsinc.info
website: www.pfsinc1.com

April 13, 2016

Mr. Robert E. Tucker
10913 Lawyers Rd.
Reston, VA 20191

Dear Bob:

The 1st quarter of 2016 has – to say the least – been interesting. January was the worst start ever in the equity markets and was followed by a dismal February. Then came March. Once again, time appears to heal all wounds. The key issue is time. Here's some data:

Closing Values

	<u>Dow</u>		<u>NASDAQ</u>		<u>S&P 500</u>	
12/31/15	\$17,425.03	} - 5.50%	\$5,007.41	} -7.86%	\$2,043.94	} -5.07%
1/29/16	\$16,466.30		\$4,613.95		\$1,940.24	
2/28/16	\$16,639.97	} +1.05%	\$4,590.47	} -0.50%	\$1,948.05	} +0.40%
3/31/16	\$17,685.09		\$4,869.85		\$2,059.74	

Where will they go next? No one – and I mean no one – knows, but here's what's interesting. All too often folks observe the daily news, see dips reported, and mistakenly conclude the same fluctuations apply to their own accounts. Well, perhaps not.

I have always believed in and guided clients to use a strategy of having diversified assets – not just stocks, not just equity funds. We always stress the need for having adequate amounts of cash reserves and diversified portfolios of stocks/stock funds and bonds/bond funds. So, although accounts can have significant swings, the overwhelming probability is that your accounts do not and will not fluctuate as drastically as equity market indices. Regardless, the advice remains the same. Call me if you have questions, concerns, and/or see a need for a change in strategy.

A REGISTERED INVESTMENT ADVISOR

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Two Questions Many People Have

A colleague of mine who I respect greatly was given an assignment by a business coach to send a letter to all of his clients and asking them to identify two questions that are most important to them. While there were a variety of answers, the overwhelming majority consistently identified these two questions as being the most important:

1. If something happens to me (the client), will you (the advisor) be there to help my spouse/family?
2. With all the noise – media/internet/ pundits – how do you know what’s right for me?

My answer to question #1 is – without exception – I will be there, offering a wide range of guidance, and helping you and/or your family through the particularly difficult times occurring because of death or incapacity.

Second, as you know, we don’t pay attention to “noise”. What we do is carefully determine or evaluate all of the issues related to your investments and recommend actions that are in line with your risk tolerance, your needs, your objectives, and your goals.

Please do not ever hesitate to call me if you need a review or any assistance whatsoever.

The Question I Have For You

Do you have different questions? If so, please let me know what they are. If you call or send an email, I’ll quickly respond.

Tax Time

Enclosed is a print out of Key Financial Data. It’s not too early to consider your tax planning for 2016. For example, did you end up owing a substantial amount of additional tax in 2015 or did you end up with a significant tax refund? Both indicate the possible need for adjusting the amount you have withheld from your pay and/or the amount of estimated tax you may be paying.

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Another item to consider is making maximum use of non-cash charitable contributions to reduce your taxable income. This type of giving is often overlooked and yet can provide several thousands of dollars in tax savings.

Let us know if you would like to discuss these or other tax issues.

2016 ADV Annual Registration

Professional Financial Services, Inc. is a Registered Investment Advisor and is registered with the Departments of Securities for Virginia, Maryland, and the District of Columbia and annually we file our registration document. We did so in January 2016, and we'll be glad to send you a copy of this annual filing of Form ADV for 2016. Just call the office or send us an email, and we'll mail one to you immediately.

Conclusion

I recently received a "50 things: What a professional financial advisor does for you". This summary resonates with me because it articulates what we try to do. I certainly hope you agree, but if not, please let me know. Thank you for the continued opportunity to assist you and please let me know any time you feel we can improve on assistance to you.

Best personal regards,



Robert E. Tucker, CLU
Chartered Financial Consultant
Enclosures
kls

KEY FINANCIAL DATA

2016

Robert E. Tucker, CLU, ChFC
 President
 Professional Financial Services
 10913 Lawyers Road
 Reston, Vi 20191



703-391-0299
 bobtucker@pfsinc.info
<http://www.pfsinc1.com/>

2016 Tax Rate Schedule				
Taxable income (\$)	Base amount of tax (\$)	Plus	Marginal tax rate	Of the amount over (\$)
Single				
0 to 9,275		+	10.0	
9,276 to 37,650	927.50	+	15.0	9,275.00
37,651 to 91,150	5,183.75	+	25.0	37,650.00
91,151 to 190,150	18,558.75	+	28.0	91,150.00
190,151 to 413,350	46,278.75	+	33.0	190,150.00
413,351 to 415,050	119,934.75	+	35.0	413,350.00
Over 415,050	120,529.75	+	39.6	415,050.00
Married filing jointly and surviving spouses				
0 to 18,550		+	10.0	
18,551 to 75,300	1,855.00	+	15.0	18,550.00
75,301 to 151,900	10,367.50	+	25.0	75,300.00
151,901 to 231,450	29,517.50	+	28.0	151,900.00
231,451 to 413,350	51,791.50	+	33.0	231,450.00
413,351 to 466,950	111,818.50	+	35.0	413,350.00
Over 466,950	130,578.50	+	39.6	466,950.00
Head of household				
0 to 13,250		+	10.0	
13,251 to 50,400	1,325.00	+	15.0	13,250.00
50,401 to 130,150	6,897.50	+	25.0	50,400.00
130,151 to 210,800	26,835.00	+	28.0	130,150.00
210,801 to 413,350	49,417.00	+	33.0	210,800.00
413,351 to 441,000	116,258.50	+	35.0	413,350.00
Over 441,000	125,936.00	+	39.6	441,000.00
Married filing separately				
0 to 9,275		+	10.0	
9,276 to 37,650	927.50	+	15.0	9,275.00
37,651 to 75,950	5,183.75	+	25.0	37,650.00
75,951 to 115,725	14,758.75	+	28.0	75,950.00
115,726 to 206,675	25,895.75	+	33.0	115,725.00
206,676 to 233,475	55,909.25	+	35.0	206,675.00
Over 233,475	65,289.25	+	39.6	233,475.00
Estates and trusts				
0 to 2,550		+	15.0	
2,551 to 5,950	382.50	+	25.0	2,550.00
5,951 to 9,050	1,232.50	+	28.0	5,950.00
9,051 to 12,400	2,100.50	+	33.0	9,050.00
Over 12,400	3,206.00	+	39.6	12,400.00

Standard Deductions & Personal Exemption			
Filing status	Standard deduction	Personal exemption	Phaseouts begin at AGI of:
Married, filing jointly and qualifying widow(er)s	\$12,600	\$4,050	\$311,300
Single	\$6,300	\$4,050	\$259,400
Married, filing separately	\$6,300	\$4,050	\$155,650
Head of household	\$9,300	\$4,050	\$285,350
Dependent filing own tax return	\$1,050**	None	
Additional deductions for non-itemizers			
Blind or over 65			Add \$1,250
Blind or over 65 and unmarried or not a surviving spouse			Add \$1,550

Tax Rates on Long-Term Capital Gains and Qualified Dividends	
If taxable income falls below the 25% tax bracket	0%
If taxable income falls at or above the 25% tax bracket but below the 39.6% rate	15%
If income falls in the 39.6% tax bracket	20%

3.8% Tax on Lesser of Net Investment Income or Excess of MAGI Over	
Married, filing jointly	\$250,000
Single	\$200,000
Married, filing separately	\$125,000

Exemption Amounts for Alternative Minimum Tax	
Married, filing jointly or surviving spouses	\$83,800
Single	\$53,900
Married, filing separately	\$41,900
Estates and trusts	\$23,900
28% tax rate applies to income over:	
Married, filing separately	\$93,150
All others	\$186,300
Exemption amounts phase out at:	
Married, filing jointly or surviving spouses	\$159,700
Single	\$119,700
Married, filing separately and estates and trusts	\$79,850

Gift and Estate Tax Exclusions and Credits	
Maximum estate, gift & GST rates	40%
Estate, gift & GST exclusions	\$5,450,000
Gift tax annual exclusion	\$14,000
Exclusion on gifts to non-citizen spouse	\$148,000

Education Credits & Deductions		
Credit/Deduction/Account	Maximum credit/deduction	Income phaseouts begin at AGI of:
American Opportunity Tax Credit/Hope	\$2,500 credit	\$160,000 joint \$80,000 all others
Lifetime learning credit	\$2,000 credit	\$111,000 joint \$55,000 all others
Savings bond interest tax-free if used for education	Deduction limited to amount of qualified expenses	\$116,300 joint \$77,550 all others
Coverdell	\$2,000 maximum; not deductible	\$190,000 joint \$95,000 all others

Tax Deadlines	
January 15 - 4th installment of the previous year's estimated taxes due	
April 18 (April 19 in ME & MA) - Tax filing deadline, or request extension to Oct. 17. 1st installment of 2016 taxes due. Last day to file amended return for 2012. Last day to contribute to: Roth or traditional IRA for 2015; HSA for 2015; Keogh or SEP for 2015 (unless tax filing deadline has been extended).	
June 15 - 2nd installment of estimated taxes due	
September 15 - 3rd installment of estimated taxes due	
October 17 - Tax returns due for those who requested an extension. Last day to recharacterize a converted IRA from 2015 if extension was filed or tax return was filed by April 18; last day to contribute to SEP or Keogh for 2015 if extension was filed.	
December 31 - Last day to: 1) pay expenses for itemized deductions; 2) complete transactions for capital gains or losses; 3) establish a Keogh plan for 2016; 4) establish and fund a solo 401(k) for 2016; 5) complete 2016 contributions to employer-sponsored 401(k) plans; 6) correct excess contributions to IRAs and qualified plans to avoid penalty.	

** Greater of \$1,050 or \$350 plus the individual's earned income.

Retirement Plan Contribution Limits	
Annual compensation used to determine contribution for most plans	\$265,000
Defined-contribution plans, basic limit	\$53,000
Defined-benefit plans, basic limit	\$210,000
401(k), 403(b), 457(b), Roth 401(k) plans elective deferrals	\$18,000
Catch-up provision for individuals 50 and over, 401(k), 403(b), 457(b), Roth 401(k) plans	\$6,000
SIMPLE plans, elective deferral limit	\$12,500
SIMPLE plans, catch-up contribution for individuals 50 and over	\$3,000

Individual Retirement Accounts			
IRA type	Contribution limit	Catch-up at 50+	Income limits
Traditional nondeductible	\$5,500	\$1,000	None
Traditional deductible	\$5,500	\$1,000	If covered by a plan: \$98,000 - \$118,000 joint \$61,000 - \$71,000 single, HOH 0 - \$10,000 married filing separately If one spouse is covered by a plan: \$184,000 - \$194,000 joint
Roth	\$5,500	\$1,000	\$184,000 - \$194,000 joint \$117,000 - \$132,000 single & HOH 0 - \$10,000 married filing separately
MyRA	\$5,500	\$1,000	<\$132,000 single <\$194,000 joint
Roth conversion			No income limit

Health Savings Accounts			
Annual limit	Maximum deductible contribution	Expense limits (deductibles and co-pays)	Minimum annual deductible
Individuals	\$3,350	\$6,550	\$1,300
Families	\$6,750	\$13,100	\$2,600
Catch-up for 55 and older	\$1,000		

Deductibility of Long-Term Care Premiums on Qualified Policies	
Attained age before close of tax year	Amount of LTC premiums that qualify as medical expenses in 2016
40 or less	\$390
41 to 50	\$730
51 to 60	\$1,460
61 to 70	\$3,900
Over 70	\$4,870

Medicare Deductibles	
Part B deductible	\$166.00
Part A (inpatient services) deductible for first 60 days of hospitalization	\$1,288.00
Part A deductible for days 61-90 of hospitalization	\$322/day
Part A deductible for more than 90 days of hospitalization	\$644/day

Social Security		
Benefits		
Full retirement age (FRA) if born between 1943 and 1954	66	
Estimated maximum monthly benefit	\$2,639	
Retirement earnings exempt amounts	\$15,720 under FRA \$41,880 during year reach FRA No limit after FRA	
Tax on Social Security benefits: income brackets		
Filing status	Provisional income*	Amount of Social Security subject to tax
Married filing jointly	Under \$32,000 \$32,000-\$44,000 Over \$44,000	0 up to 50% up to 85%
Single, head of household, qualifying widow(er), married filing separately and living apart from spouse	Under \$25,000 \$25,000-\$34,000 Over \$34,000	0 up to 50% up to 85%
Married filing separately and living with spouse	Over 0	up to 85%
Tax (FICA)		
SS tax paid on income up to \$118,500	% withheld	Maximum tax payable
Employer pays	6.2%	\$7,347.00
Employee pays	6.2%	\$7,347.00
Self-employed pays	12.4%	\$14,694.00
Medicare tax		
Employer pays	1.45%	varies per income
Employee pays	1.45% plus 0.9% on income over \$200,000 (single) or \$250,000 (joint)	varies per income
Self-employed pays	2.90% plus 0.9% on income over \$200,000 (single) or \$250,000 (joint)	varies per income

*Provisional income = adjusted gross income (not incl. Social Security) + tax exempt interest + 50% of Social Security benefit

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Medicare Premiums			
2014 MAGI single	2014 MAGI joint	Part B Premium	Part D income adjustment
\$85,000 or less	\$170,000 or less	\$121.80**	\$0
85,001-107,000	170,001-214,000	\$170.50	\$12.70
107,001-160,000	214,001-320,000	\$243.60	\$32.80
160,001-214,000	320,001-428,000	\$316.70	\$52.80
Above 214,000	Above 428,000	\$389.80	\$72.90

**\$104.90 if held harmless

Uniform Lifetime Table (partial)			
Age of IRA owner or plan participant	Life expectancy (in years)	Age of IRA owner or plan participant	Life expectancy (in years)
70	27.4	86	14.1
71	26.5	87	13.4
72	25.6	88	12.7
73	24.7	89	12.0
74	23.8	90	11.4
75	22.9	91	10.8
76	22.0	92	10.2
77	21.2	93	9.6
78	20.3	94	9.1
79	19.5	95	8.6
80	18.7	96	8.1
81	17.9	97	7.6
82	17.1	98	7.1
83	16.3	99	6.7
84	15.5	100	6.3
85	14.8	101	5.9

Information contained herein is current as of 11/17/15. It is subject to legislative changes and is not intended to be legal or tax advice. Consult a qualified tax advisor regarding specific circumstances. This material is furnished "as is" without warranty of any kind. Its accuracy and completeness is not guaranteed and all warranties expressed or implied are hereby excluded.

50 Things: What a Professional Financial Advisor Does for You

Robert E. Tucker, CLU, ChFC

President

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FINANCIAL PLANNING

1. Cares more about you and your money than anyone who doesn't share your last name.
2. Guides you to think about areas of your financial life you may not have considered.
3. Formalizes your goals and puts them in writing.
4. Helps you prioritize your financial opportunities.
5. Helps you determine realistic goals.
6. Studies possible alternatives that could meet your goals.
7. Prepares a financial plan and/or an investment policy statement for you.
8. Suggests creative alternatives that you may not have considered including the best way to claim Social Security.
9. Reviews and recommends life insurance policies to protect your family.
10. Assists you in setting up a company retirement plan.
11. Assists in preparing an estate plan for you.
12. Reviews your children's custodial accounts and 529 plans.
13. Helps you determine your IRA Required Minimum Distribution.
14. Provides reminders about key financial planning data.
15. Checks with you before the end of the year to identify any last minute financial planning needs.
16. Guides you on ways to fund health care in retirement.

INVESTMENTS

17. Prepares an asset allocation for you so you can achieve the best rate of return for a given level of risk tolerance.
18. Stays up to date on changes in the investment world.
19. Monitors your investments.
20. Reviews your investments in your company 401(k) or 403(b) plans.
21. Reviews your existing IRAs.
22. Helps convert your investments to lifetime income.
23. Refers you to banking establishments for loan and trust alternatives.
24. Suggests alternatives to increase your income during retirement.
25. Records and researches your cost basis on securities.

26. Provides you with unbiased investment research.
27. Provides you with personal investment analysis.
28. Determines the risk level of your existing portfolio.
29. Helps you consolidate and simplify your investments.
30. Can provide you with technical, fundamental, and quantitative investment analysis.
31. Provides introductions to money managers.
32. Shows you how to access your statements and other information online.

TAXES

33. Suggests alternatives to lower your taxes during retirement.
34. Reviews your tax returns with an eye to possible savings in the future.
35. Stays up to date on tax law changes.
36. Helps you reduce your taxes.
37. Repositions investments to take full advantage of tax law provisions.
38. Works with your tax and legal advisors to help you meet your financial goals.

PERSON-TO-PERSON

39. Monitors changes in your life and family situation.
40. Proactively keeps in touch with you.
41. Serves as a human glossary of financial terms such as beta, P/E ratio, and Sharpe ratio.
42. Provides referrals to other professionals, such as accountants and attorneys.
43. Shares the experience of dozens or hundreds of his clients who have faced circumstances similar to yours.
44. Helps with the continuity of your family's financial plan through generations.
45. Facilitates the transfer of investments from individual names to trust, or from an owner through to beneficiaries.
46. Keeps you on track.
47. Identifies your savings shortfalls.
48. Develops and monitors a strategy for debt reduction.
49. Is a wise sounding board for ideas you are considering.
50. Is honest with you.

—William Smith