

A Seven-Year High for Gas Prices

Returning to a Pre-Covid Normal...

Over Memorial Day weekend, gasoline prices hit the highest for this holiday weekend since 2014.¹

With the Colonial Pipeline outage in the rear-view mirror and an ever-increasing number of adults vaccinated, formerly cooped-up motorists made the most of what America has to offer. The average price jumped to \$3.04 per gallon (\$1.08 higher than last year's lockdown prices) and oil prices have continued to demonstrate high demand in the week following. The *Wall Street Journal* noted a two-year peak on June 1, indicating prices exceeding 2019's records.^{1,2}

These new peaks are a sure sign that things in America are returning to something like a pre-COVID normal. While there's still a way to go, these indicators point to something like the world we once knew.

While we'll all miss the cheaper prices at the gas pump, it stands to reason that as we begin to emerge from this unprecedented period, that there's a summer out there to be enjoyed. You might be taking advantage of the weather, but we're still working for you. Let me know if you have any questions about these developments.

- IWM Research Team



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Baseball's \$300 Million Players

Even ballplayers prepare for the future.

The San Diego Padres signed infielder Fernando Tatis, Jr., to a 14-year, \$340 million contract roughly one year after the Los Angeles Dodgers inked outfielder Mookie Betts to a 12-year, \$365 million deal. That brings the total to 8 baseball players who have signed long-term, \$300+ million contracts.¹

From an estate strategy perspective, you might be surprised to hear that these baseball stars may face similar issues as other Americans as they prepare for the future.²

To begin with, all 8 will need to understand that the estate and gift tax exemptions are \$11.7 million per person. But those exemptions are set to expire and revert back to \$5 million in 2026. While those current limits only address a fraction of their net worth, they can start to explore other choices for the balance.²

Remember, this letter is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your legal professional before modifying your estate strategy. Also, some estate strategies involve the use of trusts, which have a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

All 8 also should consider who they should name as their health care decision-maker and financial power of attorney. They also

may want to consider estate strategies that involve life insurance. All 8 are relatively young, which may work to their advantage as they consider the role life insurance can play.²

Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

While these 8 and many other professional athletes have signed "generational" contracts, it's not unlike windfalls generated when selling a business or compensation packages for key executives.

Please let us know if there's a big change in your financial situation. We'd welcome the chance to hear the story.



- Mico

2021 Retirement Confidence Survey

A deep dive into workers' expectations in retirement versus actual income sources

Will your retirement dreams match your reality?

That's perhaps the most critical question to ask people who are currently retired. Was your retirement what you expected, or was it something else?

For more than 30 years, the Employee Benefit Research Institute (EBRI) has conducted the Retirement Confidence Survey, which gauges the views and attitudes of working-age and retired Americans regarding retirement and their preparations for retirement.¹

Part of the survey takes a deep dive into workers' expectations for sources of income in retirement versus retirees' actual income sources.

Here's a couple of highlights of the 2021 survey.

Only 33% of workers expect Social Security to be a significant source of retirement income. In reality, 62% of retirees say it's a major source.



How can you help cover your child's future college costs? Saving early (and often) may be key for most families. Here are some college savings vehicles to consider.

529 college savings plans. Offered by states and some educational institutions, these plans allow you to save up to \$15,000 per year for your child's college costs without having to file an I.R.S. gift tax return. A married couple can contribute up to \$30,000 per year. However, an individual or couple's annual contribution to a 529 plan cannot exceed the yearly gift tax exclusion set by the Internal Revenue Service. You may be able to front-load a 529 plan with up to \$75,000 in initial contributions per plan beneficiary—up to five years of gifts in one year—without triggering gift taxes.^{1,2}

Remember, a 529 plan is a college savings plan that allows individuals to save for college on a tax-advantaged basis. State tax treatment of 529 plans is only one factor to consider prior to committing to a savings plan. Also, consider the fees and expenses associated with the particular plan. Whether a state tax deduction is available will depend on your state of residence. State tax laws and treatment may vary. State tax laws may be different than federal tax laws. Earnings on

College Funding Choices

Explore the different ways you can help finance the costs of higher education.

non-qualified distributions will be subject to income tax and a 10% federal penalty tax.

If your child doesn't want to go to college, you can change the beneficiary to another child in your family. You can even roll over distributions from a 529 plan into another 529 plan established for the same beneficiary (or another family member) without tax consequences.

Grandparents can also start a 529 plan or other college savings vehicle. In fact, anyone can set up a 529 plan on behalf of anyone. You can even establish one for yourself.

Coverdell ESAs. Single filers with modified adjusted gross incomes (MAGIs) of \$95,000 or less and joint filers with MAGIs of \$190,000 or less can pour up to \$2,000 into these accounts annually. If your income is higher than that, phaseouts apply above those MAGI levels. Money saved and invested in a Coverdell ESA can be used for college or K-12 education expenses.³

Contributions to Coverdell ESAs aren't tax-deductible, but the accounts enjoy tax-deferred growth, and withdrawals are tax-free, so long as they are used for qualified education expenses.

Contributions may be made until the account beneficiary turns 18. The money must be withdrawn when the beneficiary turns 30, or taxes and penalties may occur.^{3,4}

UGMA & UTMA accounts. These all-purpose savings and investment accounts are often used to save for college. They take the form of a trust. When you put money in the trust, you are making an irrevocable gift to your child. You manage the trust assets until your child reaches the age when the trust terminates (i.e., adulthood). At that point, your child can use the UGMA or UTMA funds to pay for college; however, once that age is reached, your child can also use the money to pay for anything else.⁵

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

Imagine your child graduating from college, debt-free. With the right kind of college planning, that may happen. Talk to a financial professional today about these savings methods and others.

- Barbie





FAFSA Simplification Act

Learn about how legislative changes can help you finance your loved one's education.

As a parent or grandparent, you know firsthand the challenges of funding a child's education. The Free Application for Federal Student Aid (FAFSA) Act was passed at the end of 2020 and has changed some of the qualifications for students to receive financial aid.

These changes will affect those applying for financial aid for the 2023-2024 school year. You'll notice these changes on October 1, 2022, which is when the FAFSA opens for the 2023-2024 school year.

529 plans from grandparents are no longer counted as cash against financial aid. One of the most confusing parts of the FAFSA process was how to account for cash funding. While the FAFSA doesn't require 529 accounts owned by grandparents to be disclosed, families are required to disclose cash support that the student receives. This cash support may then include money from a 529 account. If students received money from these accounts, the student was still expected to disclose these disbursements as cash, and very often, financial aid needs and options were reduced.¹

Parent-owned 529 plans are automatically factored into the FAFSA when a dependent files, and are only evaluated for up to 5.64% available for college use (no more than any other non-qualified asset).

A 529 plan is a college savings plan that allows individuals to save for college on a tax-advantaged basis. State tax treatment of 529 plans is only one factor to consider prior to committing to a savings plan. Also, consider the fees and expenses associated with the particular plan. Whether a state tax deduction is available will depend on your state of residence. State tax laws and treatment may vary. State tax laws may be different from federal tax laws. Earnings on non-qualified distributions will be subject to income tax and a 10% federal penalty tax.

A simplified questionnaire. The FAFSA has been greatly reduced in size, from 108 demographic, educational, and identification questions to a maximum of 36 questions. Part of the restructuring was aimed at

clearing up confusion as to who is and is not a dependent student, and what type of assets need to be included.^{2,3}

Student Aid Indicator (SAI) calculation changes. Part of the questionnaire changes were due to changes made to the calculations for financial aid. The Student Aid Indicator (SAI) is the math behind the scenes that determines what types of funding and how much a student is eligible for. Keep in mind that these calculations are still complicated, but that overall, eligibility for financial aid has been broadened.⁴

- Jim



Further, more than 50% of workers believe that workplace retirement savings plans will be a significant source of retirement income. But the 2021 survey found that workplace plans are a major source for only 20% of retirees.

Surprised? We're not. These numbers are consistent year after year. Here's another nugget to consider: 26% of workers plan to work for pay in retirement. In reality, only 7% of retirees do.

For most, retirement is the "next chapter" in life. It's critical that your finances support your retirement vision, so there are no surprises when it's your turn.

Let us know if there's a change in your retirement dream. We'd welcome the chance to hear what prompted the difference, and we'll be sure to make any needed adjustments in your financial strategy.

-Shawn



California Facts

- California has the most National Parks in the United States with NINE.
- Newport Beach Pier is the oldest in Southern California, built in 1888.
- California is known as both the Almond, and Avocado capital of the world





3 Park Plaza Suite 1490
Irvine, CA 92614
714.962.8000
714.962.7853 fax
www.IWMPartners.com

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PAID
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A Change of Scenery!

The IWM Team is proud to announce that we have officially relocated from our office in Fountain Valley into our new setting in Irvine, CA!

We are excited for this opportunity to continue to grow and provide the best level of service for you.

Can't wait to see you here!

**3 Park Plaza, Suite 1490
Irvine, CA 92614**

