

# FINANCIAL *Insights*

MARCH/APRIL 2019

A PUBLICATION FROM COMPREHENSIVE FINANCIAL SERVICES

VOLUME XXX • NUMBER 2

*From Anna's Desk*

## Creditors Get the Ex's IRA

- How Big an Umbrella?
- Economy in 'Good Place,' Fed Chair Says
- A Retiree's Guide to Key Dates in 2019

Anna Luke, CFP®, PFP® California Insurance License #0D00106

Registered Representatives of Comprehensive Financial Services offer securities and advisory services through Independent Financial Group, LLC (IFG), a registered broker-dealer and investment advisor. Member FINRA/SIPC. Comprehensive Financial Services and IFG are unaffiliated entities.

[www.cfsurbank.com](http://www.cfsurbank.com)



## From Anna's Desk: Creditors Get the Ex's IRA

The 8th Circuit Bankruptcy Appellate Panel ruled in October that an IRA awarded in a divorce settlement is a property settlement, not a retirement account, and thus is not shielded from bankruptcy.

The ruling relied heavily on a 2014 Supreme Court decision (*Clark v. Rameker*) that found inherited IRAs are not protected under the bankruptcy code. The high court concluded the bankruptcy code exemption was limited to retirement assets, which it defined as “sums of money set aside for the day an individual stops working.”

That Supreme Court ruling noted that beneficiaries of inherited IRAs must take annual minimum distributions regardless of age, can withdraw funds without limit from the IRA penalty-free regardless of age and cannot contribute to their inherited IRAs to save for retirement.

In the recent 8th Circuit ruling (*In re Lerbakken*, 122 AFTR 2d, Oct. 16, 2018), the court extends the Supreme Court finding to IRAs that are included in divorce settlements. This expands creditors' reach.

This case began in 2014, when a man named Brian Lerbakken and his wife finalized their divorce. Lerbakken was awarded his ex-wife's IRA and one-half of her 401(k) plan. For reasons unknown, a qualified domestic relations order was never filed with the plan administrator. It appears the IRA assets were never transferred. In fact, at oral arguments before the court, Lerbakken's attorney confirmed that both IRA and 401(k) plan monies remained in the ex-wife's accounts.

In January 2018, Lerbakken filed a Chapter 7 bankruptcy petition and listed both the 401(k) and IRA assets awarded during the divorce as exempt property. Under the federal bankruptcy code, assets in a qualified retirement plan have unlimited protection while IRA assets are protected up to \$1,283,025.

The 8th Circuit Bankruptcy Appellate Panel had to decide whether the protections afforded to retirement plan assets extends to those transferred in a divorce. No, the court ruled. The 401(k) and IRA assets were property settlements, not retirement accounts.

### Bankruptcy vs. Creditor Protection

The distinction between bankruptcy protection and general creditor protection is clear. General creditor protection involves claims other than bankruptcy, such as lawsuit

judgments. That distinction is not a problem for company plans such as 401(k)s because they receive broad federal creditor protection under the Employee Retirement Income Security Act, or ERISA. IRAs receive no such federal protection. IRA creditor protection is based on state law, which varies.

In New York, for example, (*In Re: Todd, Bkcty Ct NY, 121 AFTR 2d 2018-658, March 23, 2018*), a federal bankruptcy court ruled that under New York State law inherited IRAs receive no protection in bankruptcy, citing the *Clark* ruling.

In this case, Laurie A. Todd received an inherited IRA from her deceased mother in 2008 that in January 2018 was worth \$800,000. In May 2015 she had declared bankruptcy while facing a potential liability of up to \$1.8 million after she joined other family members in indemnifying an insurance company that issued performance and payment bonds for a construction project.

The court concluded that an exemption from bankruptcy funds that have not been saved by individuals for their retirement would be “fundamentally inconsistent with the statute's purpose” and the New York State Legislature's intent.

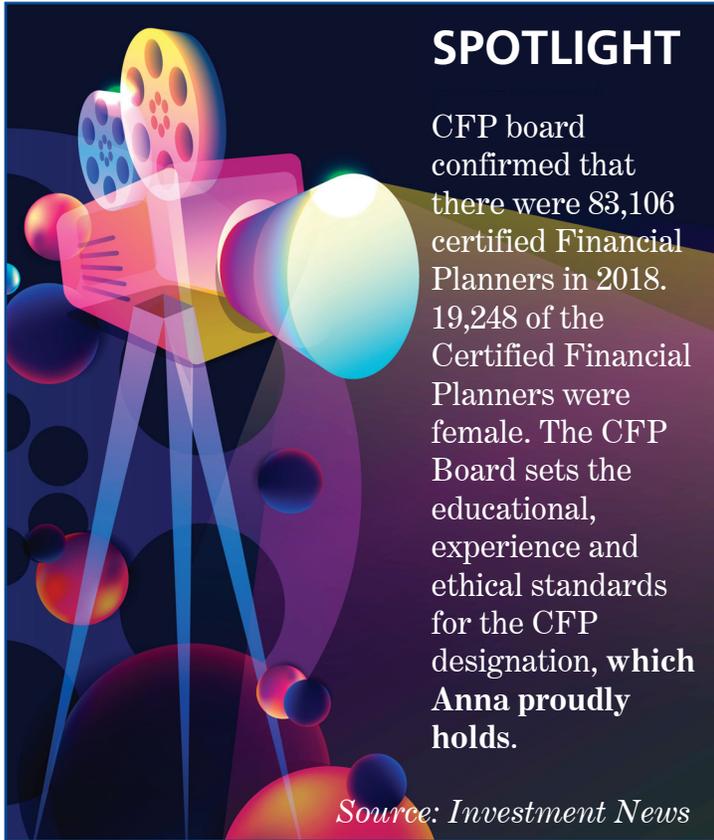
Thus, it held that no exemption for the inherited IRA is allowed under New York law. The IRA is subject to creditors' claims as property of the bankruptcy estate.

In Illinois, a bankruptcy court (*In Re: Hamm – 122 AFTR 2d. 2018-5384 (Bkcty. Ct. IL), July 9, 2018*), again citing the *Clark* ruling, determined that an inherited IRA does not qualify as “retirement funds” that are exempt from bankruptcy, under either federal or state law. As a result, most of the debtor's IRA assets were not protected from bankruptcy creditors.

Both the *Todd* and *Hamm* cases are warnings that state law may treat inherited IRAs in the same manner as federal bankruptcy law and provide no, or very limited, protection for these assets.

Other courts may adopt a similar rule. If adopted on a wider basis, it will further alter the landscape of how individuals with retirement plan assets approach bankruptcy proceedings. Most individuals have retirement accounts and divorce is often cited as one of the most common reasons for ending up in bankruptcy court.

*Information compiled by Anna Luke;  
Financial Planning Magazine and Retirement Watch*



## SPOTLIGHT

CFP board confirmed that there were 83,106 certified Financial Planners in 2018. 19,248 of the Certified Financial Planners were female. The CFP Board sets the educational, experience and ethical standards for the CFP designation, which Anna proudly holds.

*Source: Investment News*

## How Big an Umbrella?

Umbrella insurance – also known as excess personal liability insurance – sits on top of your automobile, homeowners, and watercraft liability coverage. In the event of injury or accident, your auto or home insurer will pay for damages up to the liability limits of your coverage. But if damages exceed those limits, your umbrella policy will pay a judgement or settlement if you're found as fault, or for your defense even if you're not found at fault. Umbrella insurance costs about \$350 a year for each \$1 million of coverage up to \$5 million. A car accident is the most likely scenario in which a loss would trigger excess liability coverage, but other risk factors include owning a condo, employing domestic workers, or owning a swimming pool, trampoline, dog, boat, RV or snowmobile. You are also more vulnerable to a lawsuit if you're active on social media or serve on the board of your homeowners or condo association. To estimate the right level of coverage for you, please call our office.

*Resources: The Kiplinger Personal Finance Magazine*

## Impact on Alimony Planning

Beginning in 2019, the new tax law changes the rules on alimony, so it will no longer be deductible for the spouse who pays it and no longer taxable to the spouse receiving it. Pre-2019 agreements are grandfathered.

*Source: Financial Planning Magazine*

## Economy in 'Good Place,' Fed Chair Says

Federal Reserve Chairman Jerome Powell said the overall domestic picture looks good, although he conceded that the global economy is not growing at the same pace it was in 2017.

He described the global picture as a “gradual chipping away” at the pace of growth but said it is “not a terrible slowdown.”

Powell noted potential obstacles to growth, including a slowing up in the housing market and the potential that fiscal stimulus through tax cuts could wear off in another year or so.

The Fed chair has faced some criticism for the central bank's policy. President Donald Trump has been vocal in his belief that the Fed's interest rate policy is the biggest threat to the growth seen during his administration.

*Source: The Insurance News Net Magazine*

## IN BRIEF

Bank of America, Citigroup, Goldman Sachs, JPMorgan, and Wells Fargo reported \$111b in annual profits for 2018, the largest in U.S. banking history. The final tally will be larger – Morgan Stanley had yet to report at press time.

*Reference: The Bloomberg Businessweek*



*Pictured above are Anna Luke, Candy Hanks and Victor Luke at Providence Saint Joseph Hospital's Fundraising Kickoff Celebration at NBC-Universal Studios. Feb. 23, 2019.*

# A Retiree's Guide to Key Dates in 2019

## March

**MAR. 31** : Traditional Medicare general enrollment and Medicare Advantage open enrollment period ends.

## April

**APR. 1** : If you turned 70 ½ in 2018, April 1 is the deadline to take your first required minimum distribution from your IRA or 401(k). First-timers get this one-time extension on their RMD (subsequent RMDs must be taken by December 31).

**APR. 15**: The federal tax filing deadline for 2018 returns. You can file for a six-month extension if you need more time, but you will still need to pay any tax owed by this date. You have until this day to fund an IRA for the previous year- those 50 and older can stash up to \$6,500 in an IRA for 2018.

## June

**June 15**: This is the deadline to pay estimated tax for the second quarter of 2019.

## September

**SEPT. 15**: This is the deadline to pay estimated tax for the third quarter of 2019.

**SEPT. 30**: By this date, you should receive an “annual notice of change” from your Medicare Advantage or Part D prescription-drug plan. Carefully review the notice to learn about any changes in cost or coverage that will take effect January 1.

If you inherited an IRA from an owner who died in 2018, this is also the deadline to split up the inherited IRA if multiple beneficiaries were named to the account. Heirs who want to stretch the account but forgot to split it will have to take required minimum distribution based on the lifetime of the oldest beneficiary.

## October

**OCT. 15**: If you filed an extension to turn in your 2018 tax return, time is up-



Uncle Same needs your return by today. Medicare open enrollment begins. From today until December 7, you can switch Medicare Advantage, traditional Medicare and Part D plans, with coverage effective January 1, 2020.

## November

**NOV. 1**: In most states, early retirees who buy health insurance offered on exchanges under the Affordable Care Act can shop for 2020 coverage from today to December 15.

## December

**DEC. 7**: Medicare's open enrollment period ends.

**DEC. 31**: Any last-minute tax moves to shave your 2019 tax tab need to be made by today. December 31 is also the deadline to make 401(k) contributions or do Roth conversions for 2019.

*Source: The Kiplinger's Retirement Report*

## Staff Contact Information

<b>Anna</b>	Anna@cfsburbank.com Phone: 818-846-8092, ext. 3
<b>Lisa</b>	Lisa@cfsburbank.com Phone: 818-846-8092, ext. 3
<b>Martha</b>	Martha@cfsburbank.com Clients (A – G) Phone: 818-846-8092, ext. 4
<b>Einar</b>	Einar@cfsburbank.com Clients (H – M) Phone: 818-846-8092, ext. 2
<b>Hebert</b>	Hebert@cfsburbank.com Clients (N – Z) Phone: 818-846-8092, ext. 5
<b>Kayleigh</b>	Kayleigh@cfsburbank.com Phone: 818-846-8092, ext. 7

## CFS Golden Circle – Clients for 20 years or longer

Bob & Martha Agosta	Kari Groth & Daris Pedersen	Mary Morrow
Annette Alender	Dennis Hall & Evelyn Rollins	Peter & Susan Moyer
Kathy Allie	Candy Hanks	Roland & Vonda Neundorf
Connie Alvero	Bill & Elinore Hedgcock	Dave & Pat Newsham
Irv & Zel Bagley	Alice Higginbotham	Nancy Nisbet
Dr. Martin Barmatz & Carolyn Small	Dr. Craig & Jeannette Hoeft	Bruce & Vicki Oldham
Bill Beckley	Pamela Hoey	Dr. Eugene Orłowski
Dave Bochar	Lilo Holzer	Leora Ostrow
Kelley Brock	Mike Houlemard	Ricky Parker
Harlene Button	Ken & Betty Iverson	Deron & Talin Petoyan
Barbara Chasse	Daina Johnson	Richard and Kathy Plank
Philip Clements & Claudia Squibb	Rich & Donna Johnson	Al Roeters
Louis Darin	Mitch & Laraine Kaye	Debbie Ruggiero
Liz Dilibert	James & Julia Kinmartin	Joe & Pearl Ruggiero
Marshall & Mimi Drucker	Emil & Chiching Klimach	Louise Sanchez
Phil Efland	Lorraine Leach	Earle Sanders
Gladys Eisinger	Jack Leahy	Evelyn Schirmer
Reg & Jan Fear	Dave & Carolyn Lessley	Bob & Cindy Siecke
Horace & Betty Jean Fernandez	Jane Lloyd	Dianne Simes
Kathy Forman	Harry & Carol Mackin	Louise Sirianni
Ralph Gerrard & Susan Leeper	Jay & Nancy Malinowski	Theresa Southwood
Dr. Daniel & Laura Gollnick	Mike & Jan Malone	Carole Steen
Vorda Gordon	Al Maskell	Peter & Linda Vanlaw
Jim & Marilyn Graves	Randy Maskell	Steve Veres
Harry & Karen Griffin	Dr. Jeanine McMahon	David & Kellye Walle
	Joseph & Toni Miano	Jeff & Pam Wheat
	Barbara Moering	Lorraine White
		Teena Wolcott
		Toby & Carole Zwickel

## Referrals

### We Appreciate Those Referrals!

*We certainly welcome your referrals and are always most appreciative when clients pass our name along to others. We would like to take this opportunity to express our thanks for your continued confidence and look forward to providing quality confidential financial services to you, your friends, and associates.*

*When you refer us to others, you can be assured that your personal information provided by you and those whom you refer is treated with a high degree of confidentiality.*

*Our sincere thanks to our recent referrals goes to:*

**Yvette Davis**

**Bart Ping**

Pursuant to the SEC Brochure Rule 204-3, of the Investment Advisors Act of 1940, advisers are required to deliver a copy of the ADV, Part II to every adviser client on an annual basis (within 120 days after the end of fiscal year and without charge, if there are material changes in the brochure since the last annual updating amendment.)

## HAPPY BIRTHDAY

### MARCH

1 - Laurie Prince  
 2 - Virginia Mermerian  
 3 - Al Maskell  
 5 - Diane Davis  
 6 - Robert Washburn  
 7 - George Pappy, Jr.  
 11 - Michael Bandiera  
 11 - Jim Kennedy  
 11 - Craig W Hoeft  
 12 - Lorraine White  
 14 - Leora Ostrow  
 16 - Mads Just Olesen  
 17 - Linda Reed  
 17 - Camille Bruner  
 21 - Angie Green  
 21 - Margarete Easterwood

22 - Emil Klimach  
 23 - Erin Dibble  
 23 - Lynne Dibble  
 24 - Jeanine McMahon  
 26 - Brooke Black  
 27 - Lilo Holzer  
 27 - Randy Maskell  
 28 - Louise Sirianni  
 29 - David Lessley  
 29 - Bella Issakova

### APRIL

2 - Peter Gilbert  
 4 - Earle Sanders  
 4 - John Doherty  
 4 - Judy Quist  
 4 - Marv Elkin

6 - Ken Reed  
 6 - Carole Steen  
 7 - Ginny Buonauro  
 7 - Vonda Neundorf  
 7 - Kelley Brock  
 8 - Harry Mackin  
 8 - Eugene Orłowski  
 9 - Michael Learned  
 9 - Harry Griffin  
 10 - Janet Levinson  
 11 - Bruce Oldham  
 12 - Gregory Banuilos  
 12 - Jay Malinowski  
 13 - Andy Holzer  
 13 - Karen Fond  
 15 - Toby Zwickel  
 19 - Kathy Allie

19 - Gary Nelson  
 20 - James Kinmartin  
 23 - Linda Jamentz  
 24 - Pam Wheat  
 25 - Mark Bagley  
 27 - Frances Belasco  
 29 - Duane Beekman  
 29 - Lenda Nicholson  
 30 - Daina Johnson  
 30 - John Smit



## Brain Teaser #104

### Lottery Tickets

Lou Zer was in charge of the lottery pool at the office. He bought the same number of lottery tickets every week at a dollar apiece. Lou and 9 coworkers each put equal amounts into the pool. One week, 2 people felt unlucky and dropped out, so Lou convinced the rest to put in another dollar so he could still buy the same number of lottery tickets. How many lottery tickets did Lou buy every week?

The first person with the correct answer will receive an American Express gift card. Please email your answer to [Kayleigh@cfsburbank.com](mailto:Kayleigh@cfsburbank.com) or call (818)-846-8092, ext. 7.



## FINANCIAL *Insights*

Anna Luke, CFP®, PFP®  
Comprehensive Financial Services  
3811 W. Burbank Blvd.  
Burbank, CA 91505-2116  
[www.cfsburbank.com](http://www.cfsburbank.com)  
[anna@cfsburbank.com](mailto:anna@cfsburbank.com)

PRSR STD  
U.S. POSTAGE  
**PAID**  
PACIFIC RIM  
MAILERS

#### In This Issue

- From Anna's Desk: Creditors Get the Ex's IRA
- How Big an Umbrella?
- Economy in 'Good Place,' Fed Chair Says
- A Retiree's Guide to Key Dates in 2019

### Brain Teaser #103 (Answer)

## "A Puzzling Perspective"

### Answer: Retrofitted

Thanks for all of you who submitted the answers! The first person with the correct answer was Peter Gilbert. ***Congratulations, Peter!***

Use your smartphone  
to visit our website!



## FINANCIAL *Insights*

A bimonthly newsletter published by Comprehensive Financial Services  
3811 W. Burbank Blvd. • Burbank, CA 91505 • Tel: 818.846.8092 • Fax: 818.845.2010  
[www.cfsburbank.com](http://www.cfsburbank.com)

Comprehensive Financial Services is a diversified financial services and planning company. The firm offers investment counseling, financial planning, money management services, investments, life and health insurance and annuities.

Material discussed is meant for general illustration and/or informational purposes only and is not to be construed as tax, legal, or investment advice. Although the information has been gathered from sources deemed reliable, no representation is made to its accuracy or completeness. Please note that individual situations can vary, therefore, you should consult our office before taking action. This material is not an offer to sell, nor is it a solicitation of an offer to buy any security. CFS is not engaged in rendering legal, tax or accounting advice.