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Regent Financial Services

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Qualified Charitable Distributions: Using Your IRA to Give from the Heart



The Tax Cuts and Jobs Act roughly doubled the standard deduction (\$12,200 for single filers and \$24,400 for married taxpayers filing jointly in 2019) and indexed it for inflation through

2025. As a result, far fewer taxpayers will itemize deductions on their tax returns, and some people may be disappointed that they no longer benefit from writing off their donations.

If you are 70½ or older, you can use a qualified charitable distribution (QCD) to donate from your IRA and get a tax break, whether you itemize or not. Not coincidentally, this is the same age you must begin taking annual required minimum distributions (RMDs), which are normally taxed as ordinary income, or face a 50% penalty on the amount that should have been withdrawn.

QCDs satisfy all or part of any RMDs that you would otherwise have to take from your IRA. Better yet, QCDs are excluded from your income, so they help lower your adjusted gross income (AGI) as well.

How QCDs work

The IRA custodian must issue a check made out to a qualified public charity (not a private foundation, donor-advised fund, or supporting organization). In some cases, the IRA custodian may provide a checkbook from which you can write checks to chosen charities. Be aware that any check you write will count as a QCD for the year in which it is cashed by the charity, whereas a check from the custodian counts for the year in which it is issued.

You can take an RMD any time during the year you turn 70½, but you must wait until after you are 70½ to make a QCD. The QCD exclusion is limited to \$100,000 per year. If you're married, your spouse can also contribute up to \$100,000

from his or her IRA. You cannot deduct a QCD as a charitable contribution on your federal income tax return — that would be double-dipping.

A QCD must be an otherwise taxable distribution from your IRA. If you've made nondeductible contributions, then each distribution normally carries with it a pro-rata amount of taxable and nontaxable dollars. With QCDs, the pro-rata rule is ignored, and taxable dollars are treated as distributed first.

Tax perks for givers

If you no longer itemize, you could reduce your tax bill by donating with QCDs from your IRA instead of writing checks from your standard checking account. And if you still itemize, QCDs might prove more valuable than tax deductions. That's because they can help address tax issues that might be triggered by income from RMDs.

For example, an itemized deduction reduces your taxable income by the amount of the charitable gift, but it does not reduce your adjusted gross income. This is a key distinction because the 3.8% tax on net investment income, Medicare premium costs, taxes on Social Security benefits, and some tax credits are based on AGI.

Also, charitable giving can typically be deducted only if it is less than 60% of your adjusted gross income. But with QCDs, you may be able to give more than 60% of your AGI and exclude the entire amount (up to the \$100,000 cap) from your taxable income.

Time for a rollover?

Qualified charitable distributions are available from traditional IRAs, Roth IRAs (with taxable amounts), and inactive SIMPLE or SEP IRAs, but they are not allowed from employer retirement plans such as 401(k)s and 403(b)s. Thus, you might consider rolling funds from an employer plan to an IRA if you want to take advantage of a giving strategy that involves QCDs.



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Should I sign up for an identity theft protection service?

Unfortunately, data breaches are now normal, everyday occurrences in our society. As a result, many companies are offering services to help you protect your personal information. If you want an extra layer of protection, an identity theft protection service is a good option. However, the term "identity theft protection service" can be misleading. The reality is that no one service can safeguard all of your personal information from identity theft. What most of these companies actually provide are identity theft monitoring and recovery services.

A monitoring service will watch for signs that an identity thief may be using your personal information. This typically includes tracking your credit reports for suspicious activity and alerting you whenever your personal information (e.g., Social Security number) is being used. The recovery portion of the service usually helps you deal with the consequences of identity theft. This often involves working with a case manager to help resolve identity theft issues (e.g., dealing with creditors or placing a freeze on your credit report). And depending on the level of protection you choose, the service may

also provide reimbursement for out-of-pocket expenses directly associated with identity theft (e.g., postage, notary fees) and any funds stolen as a result of the identity theft (up to plan limits). Identity theft protection services usually charge a monthly fee. Entry-level plans that provide basic protection (e.g., Social Security number and credit alerts) can cost as little as \$10 a month, while plans that offer more advanced features (e.g., investment account monitoring) will cost more.

Keep in mind there are steps you can take on your own to help protect yourself against identity theft, such as:

- Check your credit report at least once a year for errors
- Periodically review your bank and debit/credit card accounts for suspicious charges/activity
- Obtain a fraud alert or credit freeze if necessary
- Have strong passwords, use two-step authentication, minimize information sharing, and be careful when shopping online

PROTECTING YOURSELF AGAINST IDENTITY THEFT



Be Vigilant

- Check your credit report at least once a year for errors
- Periodically review your bank and debit/credit card accounts for suspicious charges/activity



Consider a Fraud Alert or Credit Freeze If Necessary

- A fraud alert requires creditors to take extra steps to verify your identity before extending any existing credit or issuing new credit in your name
- A credit freeze prevents new credit and accounts from being opened in your name



Stay One Step Ahead

- Maintain strong passwords or consider using a password manager
- Consider using two-step authentication when available
- Minimize information sharing and be wary of requests for personal information, whether received in an email, letter, or phone call
- Beware of scam websites and only use secure connections when shopping online



*Merry Christmas
from our family to yours!*

*We would like to take this opportunity
during the holiday season to express our
sincere gratitude for you, our cherished friends.*

*May you have a joyous Christmas
and blessed New Year!*

*Thank you for your trust and belief in us.
We look forward to serving you in the coming year.*

~Your Regent Financial Team

Sugar Coated Pecans

Enjoy All Year Long!

Ingredients

1 egg white
1 tablespoon water
1 pound pecan halves
1 cup white sugar
3/4 teaspoon salt
1/2 teaspoon ground cinnamon



Recipe by: allrecipes.com

Directions

1. Preheat oven to 250 degrees F (120 degrees C). Grease one baking sheet.
2. In a mixing bowl, whip together the egg white and water until frothy. In a separate bowl, mix together sugar, salt and cinnamon.
3. Add pecans to egg whites, stir to coat the nuts evenly. Remove the nuts, and toss them in the sugar mixture until coated. Spread the nuts out on the prepared baking sheet.
4. Bake at 250 degrees F (120 degrees C) for 1 hour. Stir every 15 minutes.

Cranberry Sauce

**"Easy and fast cranberry sauce that beats canned every time.
Orange juice adds a zest to it!"**



Recipe by: Genius Kitchen

Ingredients

1 (12 ounce) bag fresh cranberries
1 cup sugar
1 cup orange juice or 1 cup water

Directions

1. Mix all ingredients in a medium sauce pan.n.
2. Bring to boil; simmer until berries pop.
3. Chill until ready to serve.