FINANCIAL *Insights*

JANUARY/FEBRUARY 2022

A PUBLICATION FROM COMPREHENSIVE FINANCIAL SERVICES

VOLUME XXXI • NUMBER 13

- *From Anna's Desk:* **Social Security Trust Funds to be Depleted Sooner than Expected**
- **Give the Gift of Education**
- **Estate Planning Lessons From The Rich and Famous**

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

www.cfsburbank.com

From Anna's Desk:
Social Security Trust Funds to be Depleted Sooner than Expected

Our clients are always interested in the sustainable health of Social Security. To summarize, the last couple years have been hard on the program, and we are starting to learn how hard it has been.

The Social Security trust funds, created to help pay future retirement benefits when payroll tax revenue alone is no longer sufficient, will run dry in 2034, one year sooner than previously predicted, as a result of the economic fallout from the Covid-19 pandemic.

In 2021, the Social Security Board of Trustees released its annual report on the long-term financial status of the Social Security trust funds, projecting that the combined asset reserves of the retirement, survivor and disability programs would be depleted within 13 years, one year sooner than had been forecast in the previous report. At that point, Social Security would be able to pay only 78% of projected benefits, down from the 79% projection in the 2020 report.

The Old Age and Survivor Insurance trust fund and the Disability Insurance trust fund are separate entities under law. But the report presents information that combines the reserves of these two trust funds to illustrate the actuarial status of the Social Security program as a whole. The 2021 trustees report is the first snapshot of the impact of the Covid-19 pandemic on Social Security's financial status.

"The Trustees' projections in the 2021 report include the best estimates of the effects of the Covid-19 pandemic on the Social Security program," Kilolo Kijakazi, acting commissioner of Social Security, said in a statement. "The pandemic and its economic impact have had an effect on Social Security's Trust Funds, and the future course of the pandemic is still uncertain. Yet, Social Security will continue to play a critical role in the lives of 65 million beneficiaries and 176 million workers and their families."

"The Covid-19 pandemic and 2020 recession have had significant effects on the short-range finances of both" the Social Security and Medicare programs, the trustees report said.

"Employment, earnings, interest rates and GDP dropped substantially in the second quarter of 2020 and are assumed to rise gradually toward full recovery in 2023, with the level of worker productivity and thus GDP permanently lowered by 1%," according to the report. "In addition, the pandemic and recession are assumed to lead to elevated mortality rates during the 2020-2023 period and delays in births and immigration in the near term."

In 2021, the total annual cost of the program was projected to exceed total annual income for the first time since 1982 and it was expected to remain higher throughout the 75-year projection period. As a result, asset reserves were expected to decline during 2021. Social Security's cost has exceeded its noninterest income since 2010.

The report cautioned that "there is, however, an unusually large degree of uncertainty associated with the eventual effects Covid-19 and future projections could change significantly as more information becomes available."

Treasury Secretary Janet Yellen, leading the members of the Social Security and Medicare Trustees, said: "Having strong Social Security and Medicare programs is essential in order to ensure a secure retirement for all Americans, especially for our most vulnerable population."

The trustees announced that the combined assets of the Old Age and Survivor Trust Fund and Disability Trust Fund increased by $11 billion in 2019, to a total of $2.9 trillion in 2020.

Staff Contact Information

Anna	Anna@cfsburbank.com Certified Financial Planner Phone: 818-846-8092, ext.3
Lisa	Lisa@cfsburbank.com Administrator Phone: 818-846-8092, ext. 3
Martha	Martha@cfsburbank.com Operations-Clients (A – G) Phone: 818-846-8092, ext. 4
Kayleigh	Kayleigh@cfsburbank.com Operations -Clients (H - M) Phone: 818-846-8092, ext. 2
Ben	Ben@cfsburbank.com Operations -Clients (N- Z) Phone: 818-846-8092, ext. 8
Victor	Victor@cfsburbank.com Legal Counsel Phone: 818-846-8092, ext. 5
Jackie	Jackie@cfsburbank.com Administrative Assistant Phone: 818-846-8092, ext. 7
Ian	Ian@cfsburbank.com Financial Analyst Phone: 818-846-8092, ext. 9

The OASI Trust Fund is projected to become depleted in 2033, one year sooner than last year's estimate, with 76% of benefits payable at that time. The DI trust fund is estimated to become depleted in 2057, eight years earlier than last year's estimate of 2065, with 91% of benefits still payable.

The new trustees report projects that the combined trust fund reserves were projected to decrease in 2021 because total cost ($1.141 trillion) was expected to exceed total income ($1.074 trillion). The trustees project that OAS-DI total cost will exceed total income each year through the remainder of the 75-year protection period unless Congress steps in.

During 2020, an estimated 174.8 million people had earned income covered by Social Security and paid payroll taxes, down from 178 million in 2019. During the early months of the recession, more than 22 million Americans filed for unemployment benefits—resulting in a sizable drop in payroll tax collections. These stresses that the Social Security system has endured recently will likely accelerate the timeline within which Congress must act to shore up the mid-term and long-term sustainability of the program.

Source: Anna Luke, Investment News

Give the Gift of Education

There is no better gift to your grandchildren than easing the burden of college tuition, and the IRS gives you a variety of tax-free ways to do that. For instance, in 2022, you can give up to $16,000 ($32,000 for married couples) to anyone, with no limit on the number of recipients or tax consequences for either you or the person getting the gift. If you have three grandchildren in college, for example, you and your spouse can give each grandchild up to $32,000 tax-free in 2022.

To give more than the annual exclusion amount at once, the IRS lets you consolidate five years worth of gifts into one big tax-free gift, with the exclusion spread out over five years as if you had given the money annually. You will need to report the five-year gift, and you cannot make any additional gifts to that individual until the exclusion is used up. The money won't count as part of your estate unless you die before the five years have ended. Then, the remaining portion allocated to any post-death tax years becomes part of your estate.

If the tuition is paid directly to the school, you can give an unlimited dollar amount tax-free without having to file a gift tax form. The direct payment must be for tuition only and cannot be used for any other education-related costs, such as books, supplies or room and board.

Source: Kiplinger's Retirement Report

Anna and Victor Luke taking a tour of the new emergency room and urgent care addition being built at the St. Joseph's/Providence medical center in Burbank, and funded by the hospital's still ongoing *Minutes Matter* campaign.

Estate Planning Lessons From The Rich and Famous

Jacqueline Kennedy Onassis was one of the most famous people of the 20th century, and there was an enormous amount of interest in her will when she died. The press heralded the will as a model of a thoughtful and creative estate plan, especially due to its use of a Charitable Lead Annuity Trust (CLAT).

In her will, Onassis made specific bequests of tangible personal property, real property, and cash to family, friends, and other individuals, including to her children, Caroline and John. Onassis directed that her residuary estate, the property remaining after payment of the specific bequests, taxes, and expenses, be paid to what was referred to in the will as the "C & J Foundation," which was actually a CLAT.

A CLAT utilizes an annuity to pay a set dollar amount to one or more charitable beneficiaries for a period of time, after which the CLAT terminates and any remaining amounts pass to non-charitable beneficiaries. A CLAT can be created by an individual during life (in which case there will be a gift tax deduction) or upon death (in which case there will be an estate tax deduction). The charitable deduction is equal to the present value of the annuity payments. To the extent the investment return in the CLAT exceeds the IRS' tax rate, such excess passes to the non-charitable beneficiaries free of estate and gift taxes. Unlike a private foundation or a public charity, a CLAT is not exempt from income tax.

The C & J Foundation provided for an annuity to charity equal to 8 percent of the initial fair market value of the property funding the Foundation for 24 years, after which the remaining amounts passed to Onassis' grandchildren. Notwithstanding the careful crafting of Onassis' will, the New York Times reported in 1996 that due to the number

and value of the specific bequests, as well as the estate taxes and administration expenses charged to Onassis' residuary, *none* of Onassis' residuary estate was left to pass to the CLAT.

This case study provides a good lesson. If we were discussing food, this would be an "eyes are too big for the stomach" moment. One can spend a lot of effort to enable specific gifts to specific persons. But unless one tempers his or her desires for complexity and micromanagement, the costs of satisfying your wishes can actually prevent you from fulfilling all your objectives.

Source: Probate & Property

IN BRIEF

A retail trend pioneered in China is starting to catch on in the U.S.: Livestreamed shopping shows. Essentially, these are updated versions of programs made popular by the likes of QVC and HSN, but broadcast via the internet, and featuring an entertainment format, rather than a straight sales pitch. In China, 12% of online sales are now made through such shows, with rapid growth likely. Among U.S. retailers giving it a try: Walmart, Sephora, Nordstrom, and Amazon. New apps like Ntwrk and Supergreat are also trying to tap into the nascent trend.

Source: The Kiplinger Letter

Social Security recipients get a 5.9% increase in their benefits in 2022. The earning test limits are also up. Individuals who turn 66 in 2022 will not lose any benefits if they earn $51,960 or less before they reach that age. Individuals who are 62 through 65 by the end of 2022 can make up to $19,560 before they lose any benefits. There is no earnings cap once a beneficiary turns 66.

Source: The Kiplinger Tax Letter

2022 PREMIUM + IRMAA SURCHARGES FOR MEDICARE PART B

Income brackets based on 2020 federal income tax returns

TAX FILING STATUS 2020 INDIVIDUAL	TAX FILING STATUS 2020 MARRIED . JOINT	TAX FILING STATUS 2020 MARRIED . SEPARATE	YOU PAY IN 2022
$91,000 or less	$182,000 or less	$91,000 or less	**$170.10**
$91,001 - $114,000	$182,001 - $228,000	Not Applicable	**$238.10**
$114,000-$142,000	$228,001-$284,000	Not Applicable	**$340.20**
$142,001-$170,000	$284,000-$340,000	Not Applicable	**$442.30**
$170,001-$500,000	$340,001-$750,000	$91,000-$409,000	**$544.30**
>$500,000	>$750,000	>$409,000	**$578.30**

Anna, Candy and Victor celebrating the amazing generosity of the CFS family with Susan Sebastian and Shanna Warren of the Boys & Girls Club of Burbank and Greater East Valley.

Anna Luke welcoming newest members of the Golden Circle: (*left to right*), with Marisa O'Neil, Marv Elkin, Susan Siess, and Paul Kasper.

CFS Golden Circle – Clients for 20 years or longer

Robert Ackerman
Stanley Adelman
Bob & Martha Agosta
Annette Alender
Kathy Allie
Connie Alvero
Irv & Zel Bagley
Dr. Martin Barmatz & Carolyn Small
Bill Beckley
Dave Bochard
Doug & Rayna Boehme
Kelley Brock
Harlene Button
Kent & Marlene Burton
Vincent & Chris Campisi
Barbara Chasse
Philip Clements & Claudia Squibb
Louis Darin
Liz Dilibert
Marshall Drucker
Gladys Eisinger
Marvin Elkin
Reg & Jan Fear
Horace & Betty Jean Fernandez
Kathy Forman
Ralph Gerrard & Susan Leeper
Dr. Daniel & Laura Gollnick
Vorda Gordon
Jim & Marilyn Graves
Harry & Karen Griffin
Kari Groth & Daris Pederson
Dennis Hall & Evelyn Rollins
Candy Hanks
Bill & Elinore Hedgcock
Alice Higginbotham
Dr. Craig & Jeannette Hoeft
Pamela Hoey
Lilo Holzer
Mike Houlemard
Ken & Betty Iverson
Daina Johnson
Rich & Donna Johnson
Loren & Donna Jonkey
Mitch & Laraine Kaye
Paul & Donna Kasper
James & Julia Kinmartin
Emil & Chiching Klimach
Lorraine Leach
Dave & Carolyn Lessley
Jane Lloyd
Carol Mackin
Jay & Nancy Malinowski
Mike & Jan Malone
Randy Maskell
Virginia Mermerian
Joseph & Toni Miano
Mary Morrow
Peter & Susan Moyer
Roland & Vonda Neundorf
Dave & Pat Newsham
Bruce & Vicki Oldham
Marisa O'Neil
Dr. Eugene Orlowsky
Leora Ostrow
Ricky Parker
Deron & Talin Petoyan
Galen & Joanne Petoyan
Richard and Kathy Plank
Judy Quist
Al Roeters
Debbie Ruggiero
Pearl Ruggiero
Louise Sanchez
Evelyn Schirmer
Bob & Cindy Siecke
Susan Siess
Dianne Simes
Louise Sirianni
Theresa Southwood
Joseph & Sharon Terranova
Peter & Linda Vanlaw
Steve Veres
David Wallett
Jeff & Pam Wheat
Lorraine White
Teena Wolcott
Toby & Carole Zwikel

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 referral goes to:

George Pappy

Victoria Lam

Raquel Cruz

Ted Martinez

Steve Purcell & Jan Loporchio

George & Lori Cruz

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

JANUARY

2 - Marshall Drucker
3 - Ralph DeFazio
4 - Lyn Hoeft
4 - Reg Fear
6 - Ralph Gerrard
8 - Al Roeters
9 - Donna Johnson
10 - Verena Luisoni
10 - Daris Pederson
10 - Marcus Petoyan
10 - Louise Garside
11 - Tim Chao
12 - Rick Tropasso
12 - Vicki Arnold
12 - Jim Graves
18 - Annette Vartanian
19 - Evelyn Rollins
20 - Frank Di Liberto
20 - Betty Iverson
21 - Irv Bagley
23 - Mary Morrow
25 - Dianne Southern
26 - Roberta Bremner

FEBRUARY

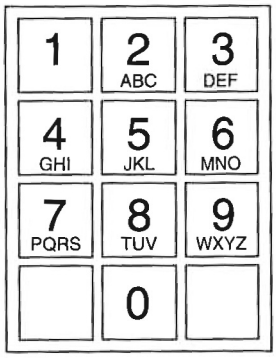
2 - Chiching Klimach
2 - Doug Remington
3 - Oleta Diamond
3 - Bill Hedgcock
5 - Margot Siess
5 - Miriam Delosantos
7 - Mike Thrasher
7 - Kristine Brown
7 - Janet Sedhom
8 - Jane Lofton
9 - Michael Siecke
9 - Wayne Hoeft
9 - Mike Houlemard
10 - Raksen Lucett
11 - Carolyn Lessley
11 - Patricia Newsham
11 - Bart Ping
14 - Marlee Ostrow
14 - Norah Small
16 - Robert Agosta
17 - Matt Moriarty
17 - Elizabeth Cinkan
18 - Arlene Breshears
20 - Diane Long
20 - Maria Di Liberto
21 - Nancy Rizzo
22 - Dianne Simes
22 - Marty Agosta
24 - Pamela Hoey
26 - Stephen Temmel
28 - Debra Prieto - Kasper

Brain Teaser #121

Name Calling

Decipher the encoded words in the quip below using the numbers and letters on the phone pad. Remember that each number can stand for 3 or 4 possible letters.

The Hardest Thing when learning how to 7-5-2-8-3 is probably the ice.



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

Use your smartphone to visit our website!

Financial *Insights*

Anna Luke, CFP®, PFP®
Comprehensive Financial Services
3811 W. Burbank Blvd.
Burbank, CA 91505-2116
818-846-8092
anna@cfsburbank.com
www.cfsburbank.com

PRSRT STD
U.S. POSTAGE
PAID
PACIFIC RIM
MAILERS

In This Issue

- *From Anna's Desk:* Social Security Trust Funds to be Depleted Sooner than Expected
- Give the Gift of Education
- Estate Planning Lessons From The Rich and Famous
- IN BRIEF
- Brain Teaser #121

Brain Teaser #120 (Answer)

Answer is Fargo; Indiana; Maine; Salem; Seattle; Texas.

Thanks for all of you who submitted the answers! The first person with the correct answer was Dr. June Cochran. ***Congratulations!***

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