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### Preventing a Debit Card Hack

*How can you plan to protect yourself against this increasingly common crime?*

#### Debit card data theft has surged lately.

According to FICO's Card Alert Service, the number of businesses or ATM locations where debit cards were hacked rose 26% from 2015 to 2016. Additionally, the number of compromised cards has steadily risen during this decade.<sup>1</sup>

#### Crooks can attach skimmers to ATMs or point-of-purchase devices in seconds.

These counterfeit card readers instantly record banking data ingrained on a debit card's magnetic stripe. You probably have one of the new EVM chip cards, but if you happen to insert or slide your card through an older ATM that cannot accept the newer cards, your data could still be at risk.<sup>2</sup> Bankrate reports that chip skimmers are now surfacing, capable of hacking first-generation EVM chip cards relying on static data authentication. Second-generation EVM chip cards use dynamic data authentication, which makes data theft more difficult – but not impossible.<sup>2</sup>

#### What can you do to protect yourself against

### When Someone Dies Without a Will

Every day, people die intestate. In legalese, that means without a will. This opens the door for the courts to decide what happens with their estates.

**When no valid will exists, state intestacy laws dictate how assets are distributed.** These laws divide an estate evenly (or equitably) among heirs. Any assets held in joint tenancy go to the joint owner. Assets held in a trust transfer to the trust beneficiaries (with spouses getting a share of those assets in some states). Community property goes to a spouse or partner in community property states.<sup>1</sup>

Simple, right? Unfortunately, the way assets transfer under these laws may not correspond to the wishes of the deceased person. Did the decedent want some of his or her estate to go to a charity or a person close to them? These laws will not allow that. State law will also decide who the executor of the estate is, since the decedent never named one.<sup>2</sup>

If the deceased person designated beneficiaries for his or her retirement accounts and life insurance policy, those retirement accounts and insurance proceeds should transfer to those beneficiaries without dispute, even when no will exists. When life insurance policies and retirement accounts lack designated beneficiaries, then those assets are lumped into the decedent's estate and subject to intestacy laws.<sup>2</sup>

Most people have specific ideas about who should inherit what from their estates. To articulate those ideas, they should write a will – or better yet, they should draft one with the help of an attorney. Anyone who cares about the destiny of his or her wealth should take this basic estate planning step.

**For a last will & testament to be valid, it must**

**meet three important tests.** It must be created by a person of sound mind. It must express that person's free will – that is, it cannot be written or drafted under coercion or duress. Lastly, it must be signed and dated in the presence of two or more unrelated people who stand to inherit nothing from that person's estate.<sup>1</sup>

Many wills are signed in the presence of notaries; although, a will does not have to be notarized to be legally valid. Some wills are self-proving – they have an attached, notarized affidavit, which acknowledges that all three tests noted in the preceding paragraph have been met. When this affidavit accompanies a will, there is no need to track down the parties who witnessed the signing and dating of the document years before.<sup>1</sup>

#### Where do things proceed from that point?

A last will and testament should be formatted and printed using a computer and printer; at the very least, it should be typed. Handwritten wills may not pass muster in some probate courts.<sup>1</sup>

When an individual dies intestate, the future of his or her estate is largely up to the courts. A basic, valid will stating his or her wishes may prevent that fate.

— Shawn



1 - legalzoom.com/knowledge/last-will/topic/wills-intestate [3/20/17]

2 - money.cnn.com/2016/04/28/pf/dying-without-a-will-prince/ [4/28/16]

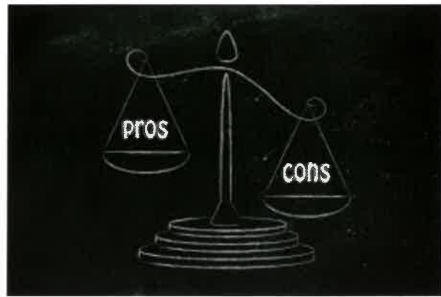
## debit card data theft?

First, keep in mind that most skimmers are affixed to non-bank ATMs. ATMs at gas station islands and convenience stores are favorites for crooks, as they may be located out of sight of clerks and security cameras. Avoid using your debit card at such places. ATMs inside a bank or a business with plenty of foot traffic (like a mall or a grocery store) are less likely to be hacked.<sup>1,2</sup>

Check the ATM itself for irregularities. If there are multiple ATMs in front of you, be careful if one card slot flashes its acceptance light and an adjacent one does not (notify the bank or the business hosting the ATMs). Look for misaligned graphics or colors or evidence of prying or looseness. Cover the keypad as you enter your PIN, and beware of people trying to glean your PIN in the old-school way, simply by looking over your shoulder.

**Try an NFC payment if the merchant allows it.** NFC stands for near-field communications. Apple Pay, Android Pay, and Samsung Pay all use NFC services, which encrypt the confidential financial data stored on credit and debit cards into symbols. This gives you another layer of protection. Savvy consumers are increasingly using Apple Pay, Android Pay, and Samsung Pay to buy things. PayPal's Android app can also make NFC transactions.<sup>2,3</sup>

**If you sense your debit card has been breached, report it quickly.** If you can tell the card issuer that your card is missing or stolen before any unauthorized transactions occur, you will not be held financially responsible for such transactions



If you own a traditional IRA, perhaps you have thought about converting it to a Roth IRA. Going Roth makes sense for some traditional IRA owners, but not all.

**Why go Roth?** There is an assumption behind every Roth IRA conversion – a belief that income tax rates will be higher in future years than they are today. If you think that will happen, then you may be compelled to go Roth. After all, once you are age 59½ and have owned a Roth IRA for five years (i.e., once five calendar years have passed), withdrawals of the earnings from the IRA are tax free. You can withdraw Roth IRA contributions tax free and penalty free at any time.<sup>1,2</sup> Additionally, you never have to make mandatory withdrawals from a Roth IRA, and you are allowed to make contributions to a Roth IRA as long as you live.<sup>3</sup>

For 2017, the contribution limits are \$133,000 for single filers and \$196,000 for joint filers and qualifying widow(er)s, with phase-outs respectively kicking in at \$118,000 and \$186,000. (These numbers represent modified adjusted gross income.)<sup>1,4</sup>

While you may make too much to contribute to a Roth IRA, anyone may convert a traditional IRA to a Roth. Imagine never having to draw down your IRA each year. Imagine having a reservoir of tax-free income for retirement (provided you follow I.R.S. rules). Imagine the possibility of those assets passing tax free to your heirs. Sounds great, right? It certainly does – but the question is: can you handle the taxes that would result from a Roth conversion?<sup>5</sup>

## Pros & Cons of Roth IRA Conversions

*What are the potential benefits? What are the drawbacks?*

- 1 - [cnbc.com/2017/07/05/three-retirement-savings-strategies-to-use-if-you-plan-to-retire-early.html](http://cnbc.com/2017/07/05/three-retirement-savings-strategies-to-use-if-you-plan-to-retire-early.html) [7/5/17]
- 2 - [bankrate.com/investing/ira/roth-ira-5-year-rule-the-tax-free-earnings-clock-starts-ticking-at-different-times/](http://bankrate.com/investing/ira/roth-ira-5-year-rule-the-tax-free-earnings-clock-starts-ticking-at-different-times/) [3/25/16]
- 3 - [nerdwallet.com/blog/investing/roth-or-traditional-ira-account/](http://nerdwallet.com/blog/investing/roth-or-traditional-ira-account/) [5/15/17]
- 4 - [chicagotribune.com/business/success/kiplinger/tca-contributing-to-solo-401-k-and-roth-ira-20170614-story.html](http://chicagotribune.com/business/success/kiplinger/tca-contributing-to-solo-401-k-and-roth-ira-20170614-story.html) [6/14/17]
- 5 - [fool.com/retirement/iras/2017/05/27/should-i-convert-my-ira-to-a-roth-ira.aspx](http://fool.com/retirement/iras/2017/05/27/should-i-convert-my-ira-to-a-roth-ira.aspx) [5/27/17]
- 6 - [tinyurl.com/y8x5lztu](http://tinyurl.com/y8x5lztu) [6/23/17]
- 7 - [time.com/money/4642690/roth-ira-conversion-heirs-estate-planning/](http://time.com/money/4642690/roth-ira-conversion-heirs-estate-planning/) [1/27/17]

**Why not go Roth?** Two reasons: the tax hit could be substantial, and time may not be on your side.

A Roth IRA conversion is a taxable event. When you convert a traditional IRA (which is funded with pre-tax dollars) into a Roth IRA (which is funded with after-tax dollars), all the pre-tax contributions and earnings for the former traditional IRA become taxable. When you add the taxable income from the conversion into your total for a given year, you could find yourself in a higher tax bracket.<sup>1</sup>

If you are nearing retirement age, going Roth may not be worth it. If you convert a sizable, traditional IRA to a Roth when you are in your fifties or sixties, it could take a decade (or longer) for the IRA to recapture the dollars lost to taxes on the conversion. Model scenarios considering “what ifs” should be mapped out.

In many respects, the earlier in life you convert a regular IRA to a Roth, the better. Your income should rise as you get older; you will likely finish your career in a higher tax bracket than you were in when you were first employed. Those conditions relate to a key argument for going Roth: it is better to pay taxes on IRA contributions today than on IRA withdrawals tomorrow.

On the other hand, since many retirees have lower income levels than their end salaries, they may retire to a lower tax rate. That is a key argument against Roth conversion. If you aren't sure which argument to believe, it may be reassuring to know that you can go Roth without converting your whole IRA.

**You could do a partial conversion.** Is your traditional IRA sizable? You could make multiple partial Roth conversions over time. This could be a good idea if you are in one of the lower tax brackets and like to itemize deductions.<sup>6</sup>

**You could even undo the conversion.** It is possible to “recharacterize” (that is, reverse) Roth IRA conversions. If a newly minted Roth IRA loses value due to poor market performance, you may want to do it. The I.R.S. gives you until October 15 of the year following the initial conversion to “reconvert” the Roth back into a traditional IRA and avoid the related tax liability.<sup>6</sup>

**You could “have it both ways.”** As no one can fully predict the future of American taxation, some people contribute to both Roth and traditional IRAs – figuring that they can be at least “half right” regardless of whether taxes increase or decrease.

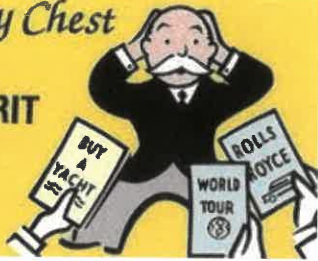
**If you do go Roth, your heirs might receive a tax-free inheritance.** Lastly, Roth IRAs can prove to be very useful estate planning tools. If I.R.S. rules are followed, Roth IRA heirs may end up with a tax-free inheritance, paid out either annually or as a lump sum. In contrast, distributions of inherited assets from a traditional IRA are routinely taxed.<sup>7</sup>

— Barbie



## Community Chest

YOU INHERIT  
\$100



## Understanding Inherited IRAs

What beneficiaries need to know and consider.

- 1 - [forbes.com/sites/ashleaeabeling/2017/07/10/what-to-do-if-you-inherit-an-ira/](http://forbes.com/sites/ashleaeabeling/2017/07/10/what-to-do-if-you-inherit-an-ira/) [7/10/17]
- 2 - [irs.gov/retirement-plans/required-minimum-distributions-for-ira-beneficiaries](http://irs.gov/retirement-plans/required-minimum-distributions-for-ira-beneficiaries) [8/17/17]
- 3 - [fool.com/retirement/iras/2017/06/01/5-inherited-ira-rules-you-should-know-by-heart.aspx](http://fool.com/retirement/iras/2017/06/01/5-inherited-ira-rules-you-should-know-by-heart.aspx) [6/1/17]
- 4 - [finance.zacks.com/basis-inherited-iras-2711.html](http://finance.zacks.com/basis-inherited-iras-2711.html) [10/12/17]

**At first glance, the rules surrounding inherited IRAs are complex.** Here are some questions (and potential answers) to consider if you have inherited one or may in the future.

**Who was the original IRA owner?** If the original owner was your spouse, you have a fundamental choice to make. You can roll over your late spouse's IRA into an IRA you own, or you can treat it as an inherited IRA. If the original owner was not your spouse, you must treat the IRA for which you are named beneficiary as an inherited IRA.<sup>1,2</sup>

**What kind of IRA is it?** It will either be a traditional IRA funded with pre-tax contributions or a Roth IRA funded with post-tax contributions.

**Do you want to let the money grow and take RMDs or cash it all out now?** In the case of a small IRA, many heirs just want to cash out – it seems bothersome to schedule tiny withdrawals out of the IRA across the remainder of their lifetimes. Money coming out of an inherited traditional IRA is taxable income, however – and if a lump sum is taken, the tax impact could be notable.<sup>1</sup> If the IRA is substantial, there is real merit in scheduling Required Minimum Distributions (RMDs) instead. This gives some of the still-invested IRA balance additional years to benefit from periods of growth and compound. Any future growth will be tax deferred

(traditional IRA) or tax free (Roth IRA).<sup>1</sup> Internal Revenue Service rules say that RMDs from inherited IRAs must begin by the end of the year following the year in which the original IRA owner died. These RMDs are required even for inherited Roth IRAs. Each RMD is considered regular, taxable income.<sup>1,2</sup>

One asterisk is worth noting regarding inherited traditional IRAs. If the original IRA owner died on or after the date at which RMDs are required for that IRA, then you can schedule RMDs during the remainder of your lifetime using tables in I.R.S. Publication 590 as a guide. If the original IRA owner died before that date, you have a choice of scheduling RMDs over a lifetime or withdrawing the whole IRA balance by the end of the 5th year following the year of the original owner's death.<sup>2,3</sup>

**What is the IRA's basis?** In other words, what is the amount on which the original IRA owner paid taxes? For an inherited traditional IRA, the basis equals the amount of all non-deductible contributions that the original IRA owner made. For an inherited Roth IRA, the basis equals the amount of total contributions made by the original owner.<sup>4</sup> When you know the basis, you can figure out the percentage of an RMD from an inherited traditional IRA that is subject to tax. RMDs out of inherited Roth IRAs are not normally taxed, but if the

inherited Roth IRA is less than five years old, you must determine the basis. The Roth IRA's basis will be distributed to you first, then the Roth IRA's earnings, and only the earnings will be taxed. Earnings can be withdrawn tax free from an inherited Roth IRA starting on the first day of the fifth taxable year after the year the Roth IRA was first created.<sup>1,4</sup>

**Can you withdraw more than the RMD amount from an inherited IRA each year?** Certainly, but keep in mind that a large, lump-sum payout could leave you in a higher tax bracket.<sup>1</sup> **What happens when you inherit an inherited IRA?** As a secondary beneficiary to that IRA, you assume the RMD schedule of the person who was the primary beneficiary.<sup>1</sup>

**Can you convert an inherited traditional IRA into a Roth IRA?** The I.R.S. forbids this – with one exception. A spousal IRA heir who rolls over an inherited IRA balance into their own traditional IRA can arrange a Roth conversion.<sup>3</sup>

**If you have inherited an IRA, talk with a financial professional.** That conversation may help you determine a tax-efficient way to manage and withdraw these assets.

— Jim



– that is federal law.<sup>1</sup>

If you notice criminal activity has taken place, the longer you wait to let the card issuer know about it, the less money you may end up recovering. Report the crime within two business days, and your maximum liability is \$50 under the federal Electronic Fund Transfer Act. Past that deadline, your maximum liability could be as much as \$500. Wait 60 days or longer to report debit card theft, and the missing funds may not be restored to your account at all.<sup>1</sup>

Besides notifying the card issuer, you should also tell the three leading U.S. credit bureaus – TransUnion, Equifax, and Experian – about any debit card data theft and unauthorized transactions. You can file a police report, and you can also file for an identity theft affidavit with the Federal Trade Commission. Both documents may be useful to the major credit-reporting agencies.<sup>2</sup>

— Mico



## Fun Facts For Easter

- \* The Jackrabbit can run up to 45 mph
- \* 76% of Americans eat the ears first when consuming chocolate bunnies
- \* Chocolate eggs were first made in Germany in the 1800s
- \* Americans consume roughly 16 million jelly beans & 600 million Peeps
- \* Easter is the second biggest candy-consuming holiday, behind Halloween
- \* Peeps used to have two wings, they were clipped in 1955

- 1 - [tinyurl.com/y8re2ake](http://tinyurl.com/y8re2ake) [7/21/17]
- 2 - [bankrate.com/credit-cards/what-is-a-skimmer/](http://bankrate.com/credit-cards/what-is-a-skimmer/) [7/25/17]
- 3 - [they-erge.com/2017/4/18/15333108/paypal-android-pay-nfc-payments](http://they-erge.com/2017/4/18/15333108/paypal-android-pay-nfc-payments) [4/18/17]

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