



# Investment News

November 2021



## Wise Decisions with Retirement in Mind

*Certain financial & lifestyle choices may lead you toward a better future.*

**Some retirees succeed at realizing the life they want; others don't.** Fate aside, it isn't merely a matter of investment decisions that makes the difference. There are certain dos and don'ts – some less apparent than others – that tend to encourage retirement happiness and comfort.

**Retire financially literate.** Some retirees don't know how much they don't know. They end their careers with inadequate financial knowledge, and yet, feel they can prepare for retirement on their own. They mistake creating a retirement income strategy with the whole of preparing for retirement, and gloss over longevity risk, risks to their estate, and potential health care expenses. The more you know, the more your retirement readiness improves.

**A goal to retire debt free – or close to debt free?** Even if your retirement savings are substantial, you may want to consider reviewing your overall debt situation.<sup>1</sup>

**Retire with purpose.** There's a difference between retiring and quitting. Some people can't wait to quit their job at 62 or 65. If only they could escape and just relax and do nothing for a few years – wouldn't that be a nice reward? Relaxation can lead to inertia, however – and inertia can lead to restlessness, even depression. You want to retire to a dream, not away from a problem.

The bottom line? Retirees who know what they want to do – and go out and do it – are positively contributing to their mental health and possibly their physical health as well. If they do something that is not only vital to them, but important to others, their community can benefit as well.

**Retire healthy.** Smoking, drinking, overeating, a dearth of physical activity – all these can take a toll on your capacity to live life fully and enjoy retirement. It is never too late to change habits that may lead to poor health.

**Retire where you feel at home.** It could be where you live now; it could be a nearby place where the scenery and people are uplifting. If you find yourself lonely in retirement, then look for ways to connect with people who share your experiences, interests, and passions; those who encourage you and welcome you. This social interaction is one of the great, intangible retirement benefits.

### Citations

1. CNBC.com, December 2, 2020

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## Your Year-End Financial Checklist

*Aspects of your financial life to review as the year draws to a close.*

The end of the year can help remind us of last-minute things we need to address and the goals we want to pursue. To that end, here are some aspects of your financial life to think about as this year leads into the next.

Keep in mind, this article is for informational purposes only and is not a replacement for real-life advice. Make certain to contact a tax or legal professional before modifying your tax strategy. The ideas presented are not intended to provide specific advice.

**Your investments.** Set a goal to review your investments with your financial professional. You'll want to come away from the meeting with an understanding of your portfolio positions. Look over your portfolio positions and revisit your asset allocation. Remember, asset allocation and diversification are approaches to help manage investment risk. They do not guarantee against investment loss.

**Your retirement strategy.** You may want to consider contributing the maximum to your retirement accounts. It's also a good idea to review any retirement accounts you may have through your work. This is also a great time to decide on making catch-up contributions if you are eligible.

**Your tax situation.** It's a good idea to consider checking in with your tax or legal professional before the year ends, especially if you have questions about an expense or deduction from this year. Also, it may be a good idea to review any sales of property as well as both realized and unrealized losses and gains. Look back at last year's

loss carryforwards. If you've sold securities, gather up cost-basis information. As always, bringing all this information to your financial professional is a smart move.<sup>1</sup>

**Your charitable gifting goals.** Plan charitable contributions or contributions to education accounts and make any

desired cash gifts to family members. The annual federal gift tax exclusion allows you to give away up to \$15,000 in 2021, meaning you can gift as much as \$15,000 to as many individuals as you like this year. Such gifts do not count against the lifetime estate tax exemption amount, as long as they stay beneath the annual federal gift tax exclusion threshold. Besides outright gifts, you can explore creating and funding trusts on behalf of your family. The end of the year is also a good time to review any trusts you have in place. 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.<sup>1,2</sup>

**Your life insurance coverage.** The end of the year is an excellent time to double-check that your policies and beneficiaries are up to date. Don't forget to review premium costs and beneficiaries and think about whether your insurance needs have changed. Several factors could impact the cost and availability of life insurance, such as age, health, and the type of insurance purchased, as well as the amount purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, you may pay surrender charges, which could have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Finally, don't forget that any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

**Life events.** Here are some questions to ask yourself when evaluating any large life changes in the last year: Did you happen to get married or divorced this year? Did you move or change jobs? Did you buy a home or business? Was there a new addition to your family this year? Did you receive an inheritance or a gift? All these circumstances can have a financial impact on your life as well as the way you invest and plan for retirement and wind down your career or business.

### Citations

1. [turbotax.intuit.com](https://turbotax.intuit.com), October 16, 2021
2. [irs.gov](https://irs.gov), October 14, 2021

### MARKET PERFORMANCE 01/01/2021 to 10/31/2021

DJIA ^DJI Up 10.58%  
S&P 500 ^GSPC Up 14.32%  
NASDAQ ^IXIC Up 12.11%  
Russell 2000 ^RUT Up 11.33%

\* Index performance does NOT include any fees (Gross of fees)

Source: <http://finance.yahoo.com>

## Cash Alternatives for Charitable Giving

*Thinking about donating? Think of these choices.*

**The year is winding down, and you may be thinking of giving.** In fact, you may want to explore the different ways in which you can donate to a charity or non-profit organization, apart from just making a cash gift. Consider some of the alternatives.

**Keep in mind this article is for informational purposes only.** It's not a replacement for real-life advice. Make sure to consult your tax and legal professionals before modifying your gift-giving strategy.

**Donor-advised funds.** DAFs are essentially charitable savings accounts. Some are created and run by 501(c)(3) non-profits. Others are offered by brokerages and banks.<sup>1,2</sup>

You can direct assets into a DAF for future charitable gifts. The bank, brokerage, or non-profit takes legal control of these assets, and may offer you investment choices for the assets and a selection of charities to which you may donate some or all of the assets in a given year. As a donor, you are eligible for a tax deduction in the year of the gift(s). If you like the general idea of "giving to charity" rather than to a specific charity, a DAF may appeal to you.<sup>1,2</sup>

*DAFs are sold only by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money. DAFs are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost.*

**Qualified charitable distributions (QCDs).** Are you age 70 or older? Do you have a traditional Individual Retirement Arrangement (IRA)? While annual required minimum distributions (RMDs) from an IRA will bring you income, those RMDs could also mean extra income tax.

**If you are looking for ways to potentially manage your tax bill,** one choice is to donate your RMD to charity via a QCD. With the help of a financial professional, you arrange a direct payment of some or all of your RMD to charity (there is a \$100,000 cap). All of the donated amount may be excluded from your gross income for the year of the donation. You can make a QCD starting in the year you turn 70½, though you do not have to take your first RMD until age 72.<sup>3</sup>

Generally, distributions from traditional IRAs must begin once you reach age 72. The money distributed to you is taxed as ordinary income. When such distribu-

tions are taken before age 59½, they may be subject to a 10% federal income tax penalty.

**Donations of highly appreciated stocks.** Do you itemize your deductions, rather than simply taking the standard deduction each year? Many non-profits and charities may accept gifts of securities.

There are potential advantages for both the donor and charity here, compared with a cash gift. For example, say you own stock and you are considering selling the share and giving the cash from the sale to your favorite charity. You can do that, but if you sell the shares, you might face a capital gain. If you donate the stock to the charity, the charity will take possession of the stock and as the donor, you may be able to deduct the gift.<sup>4</sup>

**Gift bunching.** Taxpayers have the opportunity to "bunch" (i.e., time) charitable gifts if they want to itemize deductions in a certain year instead of taking the standard federal tax deduction.<sup>5</sup>

You can still claim the charitable giving deduction rather than the standard deduction, but only if you itemize. If you do itemize, then your charitable deduction for cash gifts can potentially be as large as 60% of your adjusted gross income. Any amount exceeding that threshold can be carried forward for up to five years.<sup>5</sup>

As you consider all this, please remember that tax laws are subject to change without notice, and this article is not intended as tax or investment advice. Consult your financial professional before making any charitable gifting, tax, or investment decision. This information is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement.

### Citations

1. Internal Revenue Service, September 7, 2021
2. U.S. News, August 21, 2020
3. Kiplinger, October 4, 2021
4. Investopedia, September 21, 2021
5. Drexel University, November 30, 2020

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## Ready for Medicare Open Enrollment?

*Enrollment period begins October 15.*

Medicare's annual open enrollment period begins October 15 and ends December 7. During this time, current Medicare beneficiaries have the option to adjust their coverage for the coming year. Any changes to your plan will go into effect on January 1, 2022.<sup>1</sup>

This is an opportunity to reassess your current coverage and identify potential areas for improvement. Maybe you've recently changed medication, find yourself underutilizing coverage, or are in need of additional benefits.

Before open enrollment begins, you'll receive a report outlining your current coverage. Review your elections carefully, especially if you haven't updated coverage in the last few years. Medicare offers a Plan Finder tool to help compare other offerings if you're considering making a switch.

Your health insurance coverage in retirement should work to protect your financial wellbeing. I'm happy to help navigate new opportunities or plan changes during this upcoming open enrollment period. Feel free to reach out with any questions, or to schedule a meeting to talk.

### Citations

1. Centers for Medicare & Medicaid Services, February 2, 2020

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