INVESTMENT NEWS

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HORWITZ & ASSOCIATES

RETIREMENT IN SIGHT

MONTHLY NEWS AND INFORMATION FOR CURRENT AND FUTURE RETIREES

QUOTE OF THE MONTH

"The biggest adventure you can ever take is to live the life of your dreams."

OPRAH WINFREY

A STRATEGY FOR MONETARY GIFTS FOR FAMILY

Have you ever thought about giving financial gifts to your kids or grandkids? Many affluent retirees and pre-retirees do this, often with an eye toward furthering family wealth.

First, the basics. The Internal Revenue Service for 2022 increased the yearly gift tax exclusion to $16,000, so as an individual taxpayer, you can gift up to $16,000 this year to a child, grandchild, relative (or any other person) without any federal gift or estate tax consequences. If you are married, this applies for your spouse as well. Gifts of $16,000 or less do not count against the lifetime exclusion amount for individual estates, set at $12.06 million for 2022 ($24.12 million for a married couple).

Speaking of that $12.06 million lifetime exclusion amount, it could be halved in 2026 if the Tax Cuts and Jobs Act sunsets – so time may be of the essence for parents or grandparents who want to transfer portions of their wealth to heirs tax-free. As you think about choices for monetary gifts, you may want to have a look at your estate strategy documents to see that they are up to date. This update on monetary gifts is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax or legal professional before modifying your tax strategy.[1]

GOLF TIP

When facing a long putt, rely on your eyes and hold the finish

Are you forty, fifty, eighty feet away from the cup? Whether you want to lag or hole that long putt, the skill lies in your eyes and follow-through. Look at the target and take a couple of practice putts to activate your muscle memory, to reinforce the hand-eye coordination needed for a putt of that distance. Hit it solid and hold the finish – even if you are lagging the ball toward the cup, you don't want to quit on the putt, and holding the finish means you won't.

Source: GolfLink, February 11, 2022[2]

Inside This Issue

SETTING UP AN AT-HOME EXERCISE REGIMEN

Yes, you can work out consistently without a gym membership or $200 shoes or fancy machines. Creating a home workout area, and routine, is often easier than many people think.

Buy a yoga mat, which is not only useful for yoga but also for providing some cushioning for your legs, feet and hands. The mat also helps you mentally and visually define a workout space in your home, wherever you place it. Weights do not necessarily have to be standard dumbbells or kettlebells. There are some weighted multi-purpose exercise tools that you can buy, and even cans or filled backpacks can substitute. Stairs, stairwells, and stepstools can help with step workouts. As to your routine, you can probably find one you like for free. Media outlets from Self to Men's Journal to Wired to The New York Times offer home workouts and workout plans. So do the Mayo Clinic and AARP. There are also 30-day online workout programs – both paid and free – to choose from. Once you create a workout space and commit to a program, you may want to invest in workout gear, from clothing to fitness trackers to earbuds.[3]

DID YOU KNOW?

Texas isn't the widest state in the U.S.

While it can take a couple of days to cross the Lone Star State by car, the two youngest states are actually wider. Hawaii is 1,523 miles from the western edge of Ni'ihau island to the eastern edge of the Big Island, and Alaska is slightly wider than that.[4]

ON THE *BRIGHT SIDE*

The Internal Revenue Service updated its actuarial tables for 2022, basing them on an average life expectancy of 84.6 years, revised up from 82.4 years. This affects the formulas used to calculate mandatory annual withdrawals from retirement accounts. Yearly mandatory withdrawal amounts may now be smaller than they would have been under the old formulas. Please check with your tax or legal professional before modifying your strategy.[5]

We hope you enjoy our newsletter!

Please e-mail us any topics you would like to see covered in future newsletters.

We welcome your referrals and feedback. Please feel free to share this newsletter with your family and friends.

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BRAIN TEASER

A would-be-bride was asked to give her future mother-in-law a gift of "fire wrapped in paper" to prove herself worthy of marriage into an important family. How did she do it?

STUMPED? SEE THE BACK PAGE FOR THE ANSWER!

CITATIONS.

1 - Forbes, November 11, 2021
2 - GolfLink, February 11, 2022
3 - Wired, January 24, 2021
4 - The Fact Site, March 17, 2021
5 - Yahoo! News, January 18, 2022

Major Risks to Family Wealth

Protect your family assets for future generations.

All too often, family wealth fails to last. One generation builds a business—or even a fortune— lost in the ensuing decades. Why does it happen, again and again?

Often, families fall prey to serious money blunders, making classic mistakes, or not recognizing changing times.

This article is for informational purposes only and is not a replacement for real-life advice. Make sure to consult legal and tax professionals before modifying your overall estate strategy.

Procrastination. This is not just a matter of failing to create a strategy but also failing to respond to acknowledged financial weaknesses.

As a hypothetical example, say there is a multimillionaire named Alan. The designated beneficiary of Alan's six-figure savings account is no longer alive. He realizes he should name another beneficiary, but he never gets around to it. His schedule is busy, and updating that beneficiary form is inconvenient. Alan forgets about it and moves on with his life.

However, this can cause significant headaches for those left behind. If the account lacks a payable-on-death (POD) beneficiary, those assets may end up subject to probate. Using our example above, Alan's heirs may discover other lingering financial matters that required attention regarding his retirement accounts, real estate holdings, and other investment accounts.[1]

Minimal or absent estate management. Every year, some multimillionaires die without leaving any instructions for distributing their wealth. These people are not just rock stars and actors but also small business owners and entrepreneurs. According to a recent Caring.com survey, 58% of Americans have no estate preparations in place, not even a will.[2]

Anyone reliant on a will alone may risk handing the destiny of their wealth over to a probate judge. The multimillionaire who has a child with special needs, a family history of Alzheimer's or Parkinson's, or a former spouse or estranged children may need a greater degree of estate management. If they want to endow charities or give grandkids an excellent start in life, the same idea applies. Business ownership calls for coordinated estate management with consideration for business succession.

A finely crafted estate strategy has the potential to perpetuate and enhance family wealth for decades, and perhaps, generations. Without it, heirs may have to deal with probate and a painful opportunity cost—the lost potential for tax-advantaged growth and compounding of those assets.

The lack of a "family office." Decades ago, the wealthiest American households included offices: a staff of handpicked financial professionals who supervised a family's entire financial life. While traditional "family offices" have disappeared, the concept is as relevant as ever. Today, select wealth management firms emulate this model: in an ongoing relationship distinguished by personal and responsive service, they consult families about investments, provide reports, and assist in decision-making. If your financial picture has become far too complex to address on your own, this could be a wise choice for your family.

Technological flaws. Hackers can hijack email and social media accounts and send phony messages to banks, brokerages, and financial professionals to authorize asset transfers. Social media can help you build your business, but it can also expose you to identity thieves seeking to steal both digital and tangible assets.

Sometimes a business or family installs a security system that proves problematic—so much so that it's silenced half the time. Unscrupulous people have ways of learning about that, and they may be only one or two degrees separated from you.

No long-term strategy in place. When a family wants to sustain wealth for decades to come, heirs will want to understand the how and why, and be on the same page. If family communication about wealth tends to be more opaque than transparent, then that communication may adequately explain the mechanics and purpose of the strategy.

No decision-making process. In some high net worth families, financial decision-making is vertical and top-down. Parents or grandparents may make decisions in private, and it may be years before heirs learn about those decisions or fully understand them. When heirs do become decision-makers, it is usually upon the death of the elders.

Horizontal decision-making can help multiple generations commit to the guidance of family wealth. Financial professionals can help a family make these decisions with an awareness of different communication styles. In-depth conversations are essential; good estate managers recognize that silence does not necessarily mean agreement.

You may attempt to reduce these risks to family wealth (and others) in collaboration with financial and legal professionals. It is never too early to begin.

Citations

1. SmartCapitalMind.com, February 4, 2022
2. Yahoo.com, January 18, 2022

MARKET PERFORMANCE

12/31/2021 to 03/31/2022

DJIA ^DJI Down –4.75%

S&P 500 ^GSPC Down –5.11%

NASDAQ ^IXIC Down –9.89%

Russell 2000^RUT Down –9.37%

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

Source: http//finance.yahoo.com

Are You Retiring Within the Next 5 Years?

What to focus on as the transition approaches

You can prepare for the transition years in advance. In doing so, you may be better equipped to manage anything unexpected that may come your way.

How much monthly income will you need? Unfortunately, there is no "magic" number for everyone to strive for. Instead, examine your monthly expenses, considering any trips, adventures, or pursuits you have in mind for the near term. As a test, you can even try living on your projected monthly income for 2-3 months prior to retiring.

Should you downsize or relocate? Your home is not only a significant asset, it also represents a significant part of your lifestyle. After all, our homes are often a reflection of who we are. It follows that the decision of how much home we want—or need—may vary with each situation; it is not strictly a financial decision. However, if you are considering downsizing or relocating, the financial component of the decision should be considered thoughtfully.

How should your portfolio be constructed? For many retirees, the top priority is generating consistent income. With that in mind, your financial professional can adjust your portfolio with respect to your time horizon, risk tolerance, and goals. For example, some retirees prefer to maintain an amount of risk-averse investments that can provide income during retirement. However, even the most risk-averse investments aren't immune to risk entirely.

How will you live? Whether you dream of endless Saturdays or dedicating your time to volunteering, remember that retirement is a beginning. Ask yourself what you would like to begin doing now. Think about how to structure your days to pursue that goal, and give it a shot! There's no better way to prepare for what may come, than to practice in the present.

How will you take care of yourself? If you retire before age 65, Medicare may not be an option. If you're considering early retirement, check if your group health plan extends certain benefits into retirement.

Even if you retire at 65 or later, Medicare may not be your ideal solution. Consider items Medicare doesn't traditionally cover, such as extended care or other specialized medical services.

Review your retirement strategy as the transition approaches. Give your financial professional a call today. An adjustment or two before retirement may be all you need for a successful next chapter.

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BRAIN TEASER ANSWER: SHE GAVE HER FUTURE MOTHER-IN-LAW A JAPANESE LANTERN WITH AN IGNITED CANDLE INSIDE.