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Spring 2021 Issue

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"No one is useless in this world who lightens the burdens of another."

– Charles Dickens

A Message From Chip Roe
The Light at the End Of The Tunnel

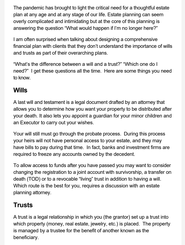
We are heading out of winter and into spring and we are finally seeing the light at the end of the long pandemic tunnel. While the light and the tunnel are a bit of a cliché, it is also true. While we are not at the end yet, there is reason for optimism. As I write this the incidence of new cases are rapidly declining, and many people are being vaccinated. Schools are starting to reopen and so are sports stadiums. March Madness and The NCAA Basketball Tournament is scheduled, although with a different format, and the Masters Tournament will be held in April. So yes, I am very hopeful.

One of the things we have learned during this extraordinary year is that the unexpected happens. For those of you who are getting closer to retirement or who are already in retirement, it is important to regularly review your plan.

The rules for retirement have changed over the last two decades. As a population we are living longer. That means we must look at, not just saving for retirement, but how to make our retirement savings last a lot longer. It is important to consider the "what if's." that can impact a plan such as higher taxes, inflation and long term care costs as we age. Please read the articles on the need for estate planning at any age as well the need to plan well for living longer in retirement.

In the meantime, we are looking forward with hope and optimism to the end of the pandemic.

Chip



Wills & Trusts: A Vital Part of Your Financial Planning

The pandemic has brought to light the critical need for a thoughtful estate plan at any age and at any stage of our life. Estate planning can seem overly complicated and intimidating but at the core of this planning is answering the question "What would happen if I'm no longer here?"

I am often surprised when talking about designing a comprehensive financial plan with clients that they don't understand the importance of wills and trusts as part of their overarching plans.

"What's the difference between a will and a trust?" "Which one do I need?" I get these questions all the time. Here are some things you need to know.

Wills

A last will and testament is a legal document drafted by an attorney that allows you to determine how you want your property to be distributed after your death. It also lets you appoint a guardian for your minor children and an Executor to carry out your wishes.

Your will still must go through the probate process. During this process your heirs will not have personal access to your estate, and they may have bills to pay during that time. In fact, banks and investment firms are required to freeze any accounts owned by the decedent.

To allow access to funds after you have passed you may want to consider changing the registration to a joint account with survivorship, a transfer on death (TOD) or to a revocable "living" trust in addition to having a will. Which route is the best for you, requires a discussion with an estate planning attorney.

Trusts

A trust is a legal relationship in which you (the grantor) set up a trust into which property (money, real estate, jewelry, etc.) is placed. The property is managed by a trustee for the benefit of another known as the beneficiary.

Revocable Trusts

Revocable or living trusts are a common type of trust used for estate planning purposes. It is revocable because you can make changes or even revoke it at any time. It is created while you are still alive, and you can place assets into it or move them out when you wish. A revocable trust is very helpful in the event of incapacity and avoids the probate process and trips to the courthouse.

Differences between wills and trusts.

- A will only controls the disposition of assets you own at your death, including property held as tenancy in common.
- A will does not govern assets that pass directly to a beneficiary such as in a retirement plan and life insurance or property held in joint tenancy.
- A will generally requires probate, a public process that may be time consuming and expensive. A properly drafted trust allows you to avoid probate.
- A trust only controls the distribution of assets held by the trust. It's important to transfer or gift assets to a trust while living.
- A trust can be used to manage your financial affairs if you become incapacitated. This is not true of a will.
- A will allows you to name a guardian for minor children or other dependents.
- A trust can be used to manage and protect assets for minor children, individuals with disabilities or other dependents after your death.

Helping protect your family.

Having an estate plan means that your family is protected and that your wishes and requirements are being carried out if you are incapacitated by illness or when you die. More importantly, a good estate plan reduces the burden and confusion your loved ones will have to bear during a challenging emotional time.

Everyone's situation is different. You may find that you need both a will and a trust. It is important to speak with an estate planning attorney to help you make the right choice for you, your family and your business.

We regularly work with estate planning attorneys. Please call me with your objectives so I can help you prepare for your meeting with an attorney.

Americans are living longer. That means that you could be living longer in retirement and you will need retirement income for a longer period of time. It also means planning for unexpected health care costs. Here are some things you need to consider to help achieve a secure retirement.

Understand Your Goals and Timelines.

Your financial retirement plan depends on your current age and when you expect to retire. The younger you are and the farther from retirement means that your financial strategy will be different than when you are older and closer to retirement. The younger you are the more risk you can take to grow your retirement fund. The closer you get to retirement the more conservative you need to be. Your spending needs and lifestyle will be another important factor when determining your investment strategy.

What Does Your Retirement Look Like?

Everyone has a very different idea for how they want to live in retirement. Do you want to stay in your current home or downsize? Do you want to move to a different location? Do you still want to be able to help your children or grandchildren? The key is to visualize your retirement goals and have a plan to reach them.

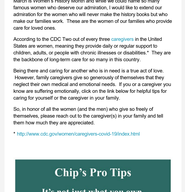
Have a Plan Not Just a Portfolio.

Life is unpredictable. You need a thoughtful, well designed plan to help you reach your goals. The best way to do this is to work with an independent financial planner who looks at your whole financial situation, not just your investment portfolio.

A good retirement plan will answer questions such as:

- How much of a nest egg will I need to retire?
- Where will the income come from?
- How do I get the most from Social Security & Medicare?
- How should I prepare for higher taxes and inflation?
- What would be the impact of a long-term care event or premature death?

There's a lot more to think about than just managing investments and savings. An experienced advisor can help keep your plan on track despite life's unpredictability.



Women and Caregiving

March is Women's History Month and while we could name so many famous women who deserve our admiration, I would like to extend our admiration for the women who will never make the history books but who make our families work. These are the women of our families who provide care for loved ones.

According to the CDC Two out of every three caregivers in the United States are women, meaning they provide daily or regular support to children, adults, or people with chronic illnesses or disabilities.* They are the backbone of long-term care for so many in this country.

Being there and caring for another who is in need is a true act of love. However, family caregivers give so generously of themselves that they neglect their own medical and emotional needs. If you or a caregiver you know are suffering emotionally, click on the link below for helpful tips for caring for yourself or the caregiver in your family.

So, in honor of all the women (and the men) who give so freely of themselves, please reach out to the caregiver(s) in your family and tell them how much they are appreciated.

* http://www.cdc.gov/women/caregivers-covid-19/index.html

Chip's Pro Tips

It's not just what you own, but where you own it.

Lower your tax bill by using an "asset location" strategy. Retirement and non-retirement accounts have different tax treatments. By strategically placing certain investments in your retirement accounts and other investments in your non-retirement accounts, you can help lower your tax bill.

Here's an example of what I mean.

Meet John Mogul who wants more income from his investments. He would like to purchase $100,000 of bonds and $100,000 of qualified dividend stocks, both yielding 4% income.

Which accounts should John hold the bonds and which one for the stocks? Let's assume the following:

- $100,000 in an IRA account
- $100,000 in a non-IRA account
- John is in the 24% tax bracket

If John's IRA owns the dividend stocks and the non-IRA account the bonds, both accounts would generate $4,000 in income. Since IRA withdrawals and taxable interest income are both taxed at ordinary income rates, the taxes owed are the same. $4,000 x 24% tax rate = $960 or for a combined total tax owed of $1,920 x 24%.

However, if John flips this strategy so that the bonds are owned inside the IRA and the qualified dividend stocks are owned in the non-IRA account, he can lower his taxes. That's because qualified dividends are taxed at preferential, long-term capital gains rates.

If John's ordinary income tax bracket is 24%, then he would also have a 15% rate on long-term capital gains. John receives the same amount of income but because the dividend stocks are taxed at a lower 15% rate, he now saves $360 in taxes by just using a different account ($4,000 x 15% = $600 versus $4,000 x 24% = $960)

*The above example is hypothetical and is not intended to represent any specific investment. Your results may vary. There is no guarantee that investments will perform as expected. Not all dividends qualify for taxation at long-term capital gains rates. There is no guarantee that the special tax rate for long-term capital gains won't be eliminated. Always consult a tax professional before taking action.

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We Offer Personalized Strategies in:

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