Waller Financial Planning Group

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Fact

The $2 bill was first printed in 1862. Interestingly, $2 notes were considered unlucky and unpopular throughout most of history.

Source: GOBankingRates

"Having information on investing is one thing. Knowing what to do with it is something else entirely."

Don Connelly

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Estate Planning Pitfalls To Avoid In The New Year

By **Charlie Kerwood, CFP®, ChFC®, AEP®**

Estate planning is complicated. There are a lot of moving parts to organizing your finances and determining where they will go after your death. And in many cases, people simply sign a stack of documents at their attorney's office and think the job is done. The result? A lot of mistakes, a lot of people falling into estate planning pitfalls. Here are a few that you should try to avoid.

1) Naming the wrong executor. These are the people who are appointed to take legal control over the assets when you pass away. Executors collect all the assets of the deceased, pay final debts and expenses, and file federal and state estate tax returns (if needed). Unfortunately, it is not uncommon for the named executor, years after the documents have been signed, to be deceased or no longer suited for the position because he/she is too elderly. If a professional is named, is the attorney or CPA still in business? Meanwhile, children who were too young to serve when the documents were signed may now be capable of taking on the executor role.

Solution: periodically check to see who has been named as the executor in the estate documents. Is that still appropriate?

2) Not updating documents to reflect the maturity and financial conditions of the children. Estate planning documents that were created when children were young will have named a guardian, but when the children reach maturity, that would no longer be necessary. The document may leave assets to trusts on behalf of the children, when it makes more sense to distribute them directly to the adults they have become. And in some cases, an unequal distribution of assets might make sense, if one adult child has become financially successful while others are struggling. Finally, when children are minors, they typically don't need health care powers of attorney, living wills or advance health care directives. Once they become adults, they should consider having these documents in their own right.

Solution: check to see the provisions in your will or trusts that relate to the children, and update as necessary.

3) Inappropriate health care directives. Under the Health Insurance Portability and Accountability Act, every individual's medical records and other personal health information is confidential, meaning it cannot be shared with anyone, including family members, without written authorization. Lack of this information and specific directives could impede decision-making by others when you're incapacitated or approaching the end of your life.

Solution: check and update your family's health care powers of attorney, living wills and advanced health care directives.

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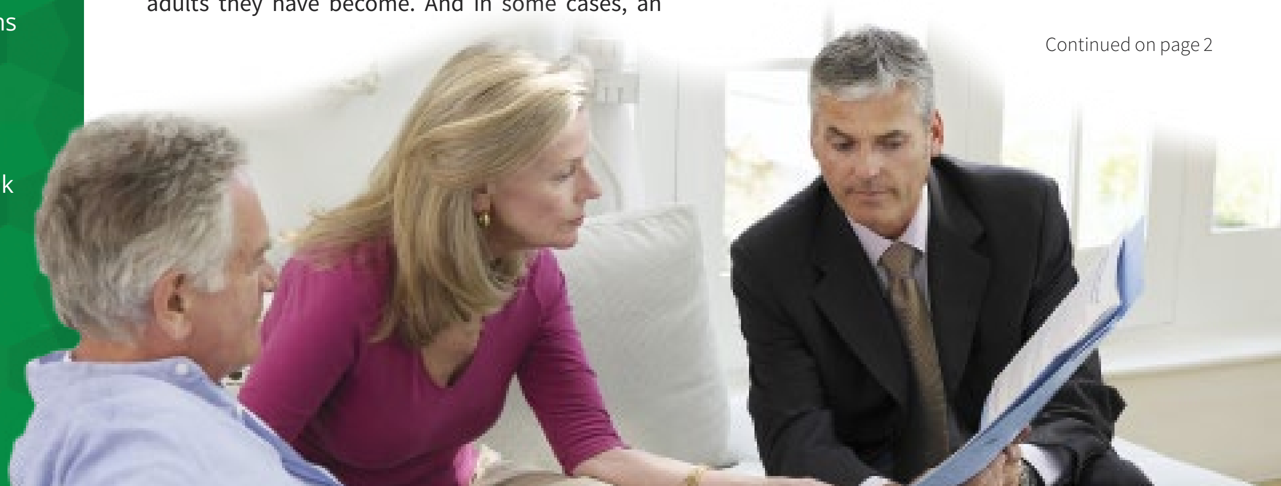

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4) Estate documents drafted in a state where you no longer reside. Every state has its own estate and income tax laws; some are common law property states while others are drafted with community property laws. There can be significant differences between them when it comes to transferring assets. Moreover, 17 states also impose some form of estate or inheritance tax, with different exemption amounts. Some estates that would not be subject to a federal estate tax might be subject to state estate taxes. If your documents were drafted in a different state from where you currently reside, they could be outdated and misapplied.

Solution: review your estate plan to see if it is still appropriate, with an eye toward reducing state estate taxes and making sure they reflect your current residency.

5) Not utilizing portability. The federal estate rules say that a surviving spouse can take advantage of any unused portion of the spouse's exclusion amount. But that's only true if the estate files a federal estate tax return within nine months of the deceased's passing. (This can go up to 15 months if an extension is granted.) In the normal case where the deceased's estate would not have to pay estate taxes, often nobody realizes that the federal estate tax return (showing zero taxes have to be paid) has to be filed. This can be costly in some larger estates, where the second spouse dies with more than $11.58 million in wealth.

Solution: Some families set up a credit shelter, bypass, family or exemption trust that would be funded with assets from the first spouse's estate. That preserves not only the portability of those assets, but any growth in those assets would not be counted in the estate tax calculation. The surviving spouse could also disclaim part of the deceased's assets, allowing them to pass to the children. Or the executor of the estate can file the federal estate tax return, preserving the portability of $11.58 million of additional estate tax exemption.

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SECURE Act: What It Means For You

By Jason Farris, CFP®, CAP®

The final weeks of 2019 brought more legislative tax and retirement reform. On December 20, 2019, President Trump signed the Setting Every Community Up for Retirement Enhancement (SECURE) Act. The bill was originally passed in the House over the summer and laid dormant for months until it made its way through the Senate in December. This new law is not nearly as extensive as the Tax Cuts and Job Act of 2017, yet the impact will be felt by individuals and their financial plans for decades to come.

Like many laws, there is plenty to like and dislike about the SECURE Act. Many of the changes were administrative in nature; however, I want to highlight three aspects of how the SECURE Act may impact your planning.

Elimination of the "Stretch IRA"

Currently, individuals who inherit an Individual Retirement Account (IRA) or employer-sponsored 401(k) can often stretch required withdrawals over their life expectancy. Since withdrawals are taxable, the associated income tax payments can also be stretched out.

The new law will eliminate the "Stretch IRA," which will require a beneficiary to withdraw the funds and pay the associated income taxes within 10 years. If you already own an Inherited IRA, the legislation will only apply to account owners who die after December 31, 2019.

There are exceptions, including surviving spouses, who can still stretch out withdrawals and the associated income tax payments over their life expectancy.

Push Back RMD Age

Legislation has increased the age of Required Minimum Distribution (RMD) from 70 ½ to 72. If you have attained RMD age, the new legislation will not impact when you are required to commence withdrawals. You must continue to withdraw the minimum required amount each year from your IRA account.

If you turned 70 ½ in 2019, you will not be able to take advantage of the law's increased age. Only those born on or after July 1, 1949, can wait until they reach age 72.

In addition to IRAs, the law's increased age also pertains to employer-sponsored tax deferred retirement plans such as 401(k)s, 403(b)s, and 457s.

529 Plan to Pay Student Loans

529 Plans are tax-advantaged accounts designed to encourage families to save for college and private K-12 education (see more on information on how 529s work). Yet a common concern by parents is overfunding an account. New legislation may help alleviate some of this concern.

529 plan account owners can now withdraw up to $10,000 tax free for payments towards qualified education loans. The $10,000 limit is a lifetime limit that applies to the 529 plan beneficiary and each of their siblings. For example, a parent with two children may take a $10,000 distribution to pay student loans for each child, for a total of $20,000.

The SECURE Act brought about many changes to IRAs, 401(k) s and other tax provisions. The changes are quite nuanced and will likely impact your personal financial planning situation. In the year ahead it will be important to review your situation and collaborate with your financial advisor to best position yourself with regard to the new laws.

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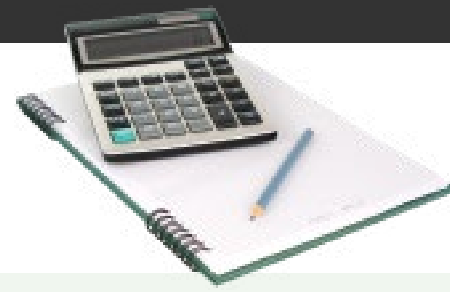
Crunching Numbers Speak For Themselves



By Chris Olsgard, CFP®

Does this year mark the start of a new decade, or does that not happen until 2021? My brain starts to cramp when I think too hard about it, but after a little research into the origin of the modern Anno Domini (AD) calendar system, it would appear we've not quite gotten there yet.

I'll spare you some mental anguish by sharing the fact there was never actually a year zero. We jumped right from 1 BC to 1 AD to kick off the first decade, century, and millennium; therefore, it makes sense that each subsequent decade, century, and millennium would start with a year ending in 1, right? On the other hand, we tend to refer to decades gone by as the thirties, forties, fifties, and so on; but I'm sure we're not all excluding 1930, 1940 or 1950 from their respective groupings. Then again, we'd be factually correct if we stated the 1900s began on January 1, 1900, right?

My head is hurting again… Rather than continue this mental punishment, let's shift to some fun facts from the previous year and decade…or would it be the current decade?

8 Fun Facts from the Previous Decade

1 **The Year 2019** – The S&P 500 Index, which is a stock market index that measures the performance of approximately 500 large domestic companies, was up 31.49% (including dividends) for the year. This marks the ninth time since 1970 the index was up more than 30% during a calendar year, and the 18th time it was up more than 20%. (Standard & Poor's)

2 **Another 10, Please** – Over the past 10 years, the S&P 500 has gained an average of 13.55% per year (including dividends). During those 10 calendar years, the S&P 500 has been positive 9 times and negative just 1 time, an astounding 9:1 ratio. (Standard & Poor's)

3 **Make It Another 50** – Over the past 50 years, the S&P 500 has gained an average of 10.6% per year (including dividends). During those 50 calendar years, the S&P 500 has been positive 40 times and negative just 10 times, a still quite impressive 4:1 ratio. (Standard & Poor's)

4 **Share the Wealth** – The total market capitalization of the S&P 500 at the end of 2019 was $28,125,589,000,000. Based on an estimate of 330,000,000 people living in the United States, this equates to $85,229 of value per person. (Standard & Poor's/Census Bureau)

5 **What About the Bonds** – The Bloomberg Barclays U.S. Aggregate Bond Index, which tracks a basket of intermediate-term domestic government, corporate, and agency bonds was up 8.72% (total return) for 2019. This was the best year for the index in the last 10 years. (Morningstar)

6 **I Know What You Did Last Year** – 2018 narrowly avoided making history. The Bloomberg Barclays U.S. Aggregate Bond Index finished the year up 0.01% relative to the S&P 500, which finished down -4.38%. Had the bond index not finished positive on the final trading day of the year, it would have been the first time since the bond index's inception (1986) that both indexes finished negative for a calendar year. (BTN Research)

7 **Through Good and Bad** – If an investor missed each of the 10 best days in the market over the past 10 years, as measured by the S&P 500 Index, they would have lowered, their average annual return from 13.55% to 9.20%. Conversely, had the investor missed just the 10 worst days their average annual return would have jumped to 18.85%. (BTN Research)

8 **We Like Their Uniforms** – If you're still looking for a team to root for in Super Bowl LIV, consider this. The last year The Kansas City Chiefs won the NFL championship was 1970, a year in which the S&P 500 finished up 4.01%. The last year the San Francisco 49ers won the NFL Championship was 1995; a year in which the S&P 500 finished up 37.58%. (Standard & Poor's)

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News & Notes

Make a Difference Day

Back by popular demand!

We are teaming up with the Columbus Zoo to help take down the Wildlights display. Our hope is you will join us **February 14** at **The Columbus Zoo & Aquarium**.

Please RSVP by February 10 to Sandy at 614-457-7026