The Legacy Ledger

November 2019

Legacy Financial Planning
1485 Monroe Ave.
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November is Beneficiary Designation Month

Naming beneficiaries on your retirement accounts, life insurance policies, annuities and pension plans helps to ensure that your wishes are fulfilled upon your passing. This month's newsletter includes mistakes to avoid when designating your beneficiaries as well as an explanation of how assets pass to your heirs under each designation type. We recommend reviewing your beneficiaries each time you meet with Tammy or Brian, but feel free to call any time to review them over the phone. We're always happy to help!

Also in our November newsletter is information on IRA rollovers, RMDs, the current Market, some fun Thanksgiving facts and more!. So stick the turkey in the oven and sit back and enjoy our November edition of ***The Legacy Ledger***!

Beneficiary Do's and Don'ts

***DO* name your beneficiaries:** Without a beneficiary on a life insurance policy, typically proceeds will go into probate which is an expense your heirs will have to incur in order to claim the proceeds. While an IRA may pass to your spouse, if you're not married, again the proceeds will likely be paid to the probate estate with unfortunate tax implications.

***DON'T* leave assets to minors or individuals with special needs:** A child under 18 is not considered legally competent and therefore will not be able to claim assets left to them. Instead, a conservator will be appointed by the courts to claim and manage the funds until they turn 18. This can be very costly. Leaving an inheritance to an individual with special needs could jeopardize their government benefits if the assets are enough to disqualify them. In both scenarios it may be wise to create a Trust for these individuals and designate the Trust as the beneficiary.

***DON'T* designate the wrong beneficiary:** It's important to review your beneficiary designation forms carefully. Names should match exactly. Include suffixes such as Sr., Jr., and III and review your designations periodically, especially if names have changed due to divorce or marriage. Incorrect information can result in delays in payouts or, in some instances, going to court.

***DO* update your beneficiaries regularly:** As your circumstances in life change, so may your beneficiaries. Have you been blessed with grandchildren, have any beneficiaries passed away? Review all your accounts to ensure your designations are accurate and up to date.

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Bull versus Bear Markets

When a bull attacks, it thrusts its horns up, similar to how the market goes up in a bull market.

When a bear attacks, it swipes down on its prey, similar to how markets go downwards in a bear market.

IRA Rollover Rules

What is the benefit of rolling my 401(k) into an IRA? The main benefit of a 401(k) is that it allows your employer to make contributions to your account, usually in the form of a match. 401(k)s do have some drawbacks, however, such as a limited number of investment choices. Specifically in the area of bonds, 401(k)s have few options. By moving funds from a 401(k) to an IRA, you have many more choices and fewer restrictions.

Do I have to keep my 401(k)? Most company retirement plans do not allow you to move funds out of the plan while you are still employed. However, after you've left the company you have the option to move the funds into your new employer's 401(k) plan or a Roth or Traditional IRA. Each option has its benefits and disadvantages, so be sure to consult a professional before making your decision.

What are the Tax Obligations When Moving Funds from a 401(k) to an IRA? When rolling over an IRA, the funds can either be distributed to you directly or they can be transferred to the custodian of the new IRA or 401(k). However, when personally receiving the funds, the 401(k) account owner is required to withhold 20%. To avoid this tax withholding, you can have the funds payed directly to your new plan.

Transferring One IRA to Another: This type of transfer is usually very easy and involves the current institution transferring the funds to the receiving institution. As long as the funds aren't distributed directly to you, this is a tax free event.

Using IRA Funds Tax-Free if Deposited Back Into IRA: If you withdrawal funds from an IRA and then subsequently redeposit them to your IRA within 60 days, the transaction would not be taxed. This type of transfer can only be done once in any 12-month period. This does not apply to transfers between trustees where money is transferred between institutions. This type of transfer could be used to "borrow" funds short term, but failure to deposit it back within 60 days will trigger a 10% tax penalty for early withdrawal.

Rolling Over an Inherited IRA: If you inherit a traditional IRA from your spouse, you can roll the funds into your own IRA or you can choose to title it as an inherited IRA. There are benefits and disadvantages of both. If you inherit an IRA from someone other than your spouse, you cannot roll it over or allow it to receive a rollover contribution. You must withdraw the IRA assets within a specified time period according to the RMD rules.

Reporting Rollover Transactions on Your Tax Return: IRA rollovers are reported on your tax return as a non-taxable event. However, custodians sometimes can report it incorrectly on your 1099-R. Make sure to review your statements carefully to ensure transactions were recorded correctly.

Market Update

Over the course of October, several events are worth noting including positive performance in the market, a third Federal rate cut, as well as U.S. job growth and unemployment levels.

The performance in the S&P 500 began October at $2,940 and ended $3,037, a positive 3.31% increase. Year to date, the Dow and the S&P 500 show gains of 17.2% and 22.3% respectively.

Much of the recent performance is speculated to be due to anticipation surrounding the outcome of the U.S. China trade negotiations. One of the major talking points during negotiations remains the United State's desire to have China commit to a large contract of agricultural products. Performance in the next several months may be contingent on whether or not the first phase of the trade deal is completed.

Late this past month, the Federal Reserve cut rates for a third time, to 1.75%. Fed chairman Jerome Powell stated that the Fed will hold steady for the foreseeable future. The Fed's economic outlook includes moderate economic growth, a strong labor market and inflation of around 2%.

Finally, job growth for October was stronger than expected with 128,000 new jobs added, exceeding the estimate of 75,000. Unemployment ticked higher to 3.6%, in line with estimates, but remains around the lowest levels in 50 years. The largest area of job creation came from food and drink services and, although they are lower paying positions typically, it reflects consumer demand and willingness to spend discretionary money.

Although we anticipate rougher waters ahead, there are many factors that may affect the market's course such as trade deals as well as other economic situations worldwide. Only time will tell what the market will do, but we must remind you that whatever happens, it will not be permanent.

As always, never hesitate to give us a call for any question you may have as we navigate these ever-changing markets.

Best regards,

Your Partners at Legacy

Medicare's Annual Election Period

Are you on Medicare? If so, you should have received the Annual Notice of Change from your Medicare Advantage carrier outlining changes in coverage, service area, or cost. It's important to review this notice to ensure you're still receiving the healthcare benefits that best suit your lifestyle and budget. Not happy with changes to your plan? ***Now is the time to review your options!*** The Medicare Annual Election Period runs from 10/15 to 12/7. Call David Korody, Legacy's Health Care Specialist for a no-fee consultation today. ***Don't miss that 12/7 deadline!***

Beneficiary Designations: Per Capita vs. Per Stirpes

The difference between "per capita" and "per stirpes" is as follows:

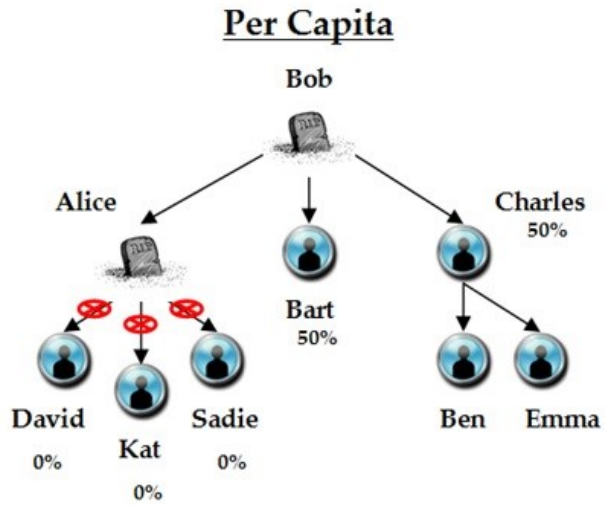
- "Per capita" means that the grantor of the assets (you) intends that no one except the named beneficiary will receive a share of your assets at your death.
- "Per stirpes," which is Latin for "by the branch," means that the grantor of the assets (you) intends for the named beneficiary's heirs (or "branch" of the family) to receive the named beneficiary's share of the assets at your death in the event that the named beneficiary has predeceased you.

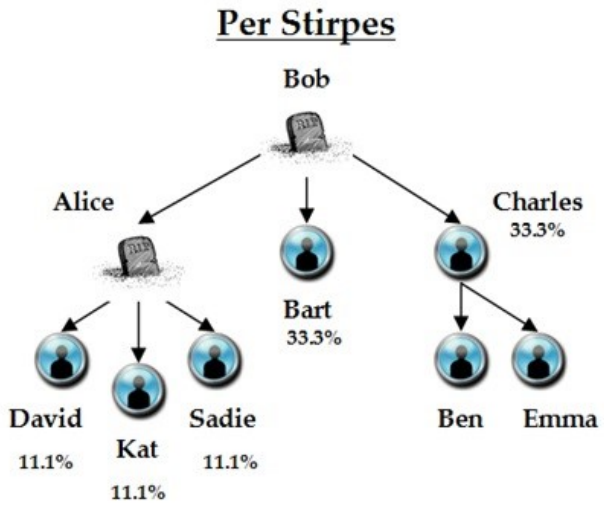
Here's an example:

Bob has three children: Alice, Bart, and Charles. If Bob dies and leaves his IRA assets to his children in equal shares, each will inherit 33 1/3% under both the "per capita" and "per stirpes" notations.

If Alice predeceases Bob under the **"per capita"** notation, her children would receive NOTHING. Bob's IRA assets would be split 50/50 between Bart and Charles.

If Alice predeceases Bob under the **"per stirpes"** notation, her children would receive her share of 33 1/3%, and Bart and Charles would receive their 33 1/3% share as well.





Recently a client who met with Dave Korody, our Healthcare Specialist, sent Tammy & Brian these kind words:

"He spent quite a bit of time with me explaining and contrasting what I am currently paying vs. other plans. It was quite enlightening and very educational. He spent what I consider an extended amount of time with (us), and I want you to know that we both appreciate that Legacy offered this opportunity to meet with a knowledgeable and experienced healthcare expert."

Nice job Dave! You're Awesome!!

HAVE YOU TAKEN YOUR 2019 RMD YET?

Not taking your RMD for the year can leave you with a serious tax headache. ***You could be subject to a 50% penalty if you don't take your RMD!***
Make sure you take the required amount for the year. Unsure?
Just give the office a call anytime!

Fun Thanksgiving Facts

The tradition of football on Thanksgiving began in 1876 with a game between Yale and Princeton. The first NFL games were played on Thanksgiving in 1920.

The first Thanksgiving was celebrated in 1621 over a 3-day harvest festival. It included 50 Pilgrims and 90 Wampanoag Indians. It is believed that only 5 women were present.

Turkey wasn't on the menu at the first Thanksgiving. Venison, duck, goose, oysters, lobster, eel, and fish were likely served, alongside pumpkins and cranberries (but not pumpkin pie or cranberry sauce!).

No forks at the first Thanksgiving! The first Thanksgiving was eaten with spoons and knives — but no forks! That's right, forks weren't even introduced to the Pilgrims until 10 years later and weren't a popular utensil until the 18th century.

The Macy's Thanksgiving Day Parade began in 1924 with 400 employees marching from Convent Ave. to 145th Street in New York City. No large balloons were at this parade, as it featured only live animals from Central Park Zoo.

Benjamin Franklin wanted the turkey to be the national bird, not the eagle. Sorry Ben!

Dave's Corner

We're halfway through the enrollment period, but it isn't too late to have a free review of your healthcare situation. There are so many options available and they change often, so it is best to make sure you're in the best plan for what you need. Give us a call or stop by to schedule an appointment to make sure you're in the most cost effective plan.

-Dave

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We've been helping hard working individuals and families prepare for life in retirement for more than two decades.

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If you've changed jobs or are retiring, rolling over your retirement assets to an IRA can be an excellent solution. It is a non-taxable event when done properly - and gives you access to a wide range of investments and the convenience of having consolidated your savings in a single location. In addition, flexible beneficiary designations may allow for the continued tax-deferred investing of inherited IRA assets.

In addition to rolling over your 401(k) to an IRA, there are other options. Here is a brief look at all your options. For additional information and what is suitable for your particular situation, please consult us.

1. Leave money in your former employer's plan, if permitted

Pro: May like the investments offered in the plan and may not have a fee for leaving it in the plan. Not a taxable event.

2. Roll over the assets to your new employer's plan, if one is available and it is permitted.

Pro: Keeping it all together and larger sum of money working for you, not a taxable event

Con: Not all employer plans accept rollovers.

3. Rollover to an IRA

Pro: Likely more investment options, not a taxable event, consolidating accounts and locations

Con: usually fee involved, potential termination fees

4. Cash out the account

   Con: A taxable event, loss of investing potential. Costly for young individuals under 59 ½; there is a penalty of 10% in addition to income taxes.

Be sure to consider all of your available options and the applicable fees and features of each option before moving your retirement assets.

Not sure what to get that special someone who seems to have everything?

How about a Legacy Financial Planning Gift Certificate?

It's the perfect gift for your family member, friend, or co-worker.


Financial Planning Gift Certificate

Presented To:

From:

This certificate entitles the recipient to 1 hour of financial planning services.

Tamar Mogilski, CLU®, ChFC®, CFP®

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It may be just what they need to start on the road to financial wellness.

It's the gift that lasts a lifetime!

Thanksgiving Market Closures

Stock Markets will be closed Thursday, November 28 and will close at 1p.m. ET on Friday, November 29.

ACH/Distribution Thanksgiving Schedule

- Periodic Payments scheduled for Thursday, November 28, will post to the bank Wednesday, November 27.
- ACH distribution requests received after cutoff Tuesday, November 26, will be effective Friday, November 29.
- ACH distribution requests received before cutoff Wednesday, November 27, will be effective Friday, November 29.
- ACH distribution requests received after cutoff Wednesday, November 27, will be effective Monday, December 2.