

LET'S TALK MONEY®

July/August 2018

Do an Insurance Audit

While most businesses have basic property and general liability insurance, they may have risk exposures elsewhere. Conduct an insurance audit to find out where.

The Basics

Start by exploring the need for business vehicle insurance and umbrella insurance. The latter is an extra amount above the limits established by property, liability and auto insurance.

Work with an insurance professional to understand the limits, deductibles and exclusions of each type of insurance. Exclusions, could point to the need for more specialized insurance.

Specialized Coverage

Exclusions that may need separate coverage often include flood, windstorm and earthquake coverage. In some areas, windstorm or flood insurance is required.

Beyond Nature

Other types of coverage your business might need include cyber-theft and identity theft insurance, to cover your employees and your customers for these risks.

Depending on the policy, employment practices liability insurance (EPLI) will help insure against

damages due to wrongful termination, employee harassment, discrimination and other risks. If you have a professional practice, you may need errors and omissions (E&O) insurance.

Life & Disability

If you have employees, you may want to price group life insurance and disability income (DI) insurance. The former helps protect employees' loved ones, while the latter helps protect employees' largest asset — their ability to earn a living.

While you're comparing insurance coverage for your employees, don't forget about life insurance and DI insurance to protect yourself, partners and the business. With the help of a qualified attorney, you can create an agreement that includes life insurance on individual owners. The death benefit can either go to family members named as beneficiaries to pay for a business interest, or to the business to help the company recoup the financial loss that accompanies the death of an owner.

Talk to your financial professional experienced with business insurance to learn more.



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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Small Business Version

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Partners in your marketing success

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Charitable Benefits

If you still itemize your taxes after the passage of the Tax Cuts and Jobs Act of 2017, donating to qualified charities just became more financially attractive for you.

More of Your Income

The new tax law allows taxpayers to deduct cash donations to qualified charitable organizations of up to 60% of their adjusted gross income annually. They can also carry forward any amount that exceeds the 60% limit for up to the five succeeding years. This, like most individual tax changes in the new law, will expire after 2025.

The Internal Revenue Service also allows anyone operating a vehicle for charitable purposes to deduct 14 cents per mile, the same as in 2017.

Give or Not?

Some observers predict a drop in charitable giving because fewer people will itemize deductions on their tax returns. This prediction is based on the belief that Americans give to charities primarily to reduce their own tax bills.

The estate tax exemption doubled to \$22.36 million per couple and \$11.18 million per individual, indexed to inflation, but the standard deduction increased to \$12,000 per single tax filer and \$24,000 per couple filing jointly, which some observers expect will limit the number of people who itemize. We'll find out if charitable donors are more altruistic than this prediction once charities add up their donations from 2018.

Giving Regularly

If you are among those taxpayers who will continue to itemize on your tax return, you can make gifts of up to \$15,000 per individual per donor annually without having to subtract the amount from your federal estate tax exemption. This exclusion can add up, depending on how many gifts you make annually.

For example, both you and your spouse might make \$15,000 gifts to each of your three children. That's \$90,000. And let's say you both also give the same gifts to three grandchildren. That's another \$90,000 for a grand total of \$180,000 in one year. This can add up over time and become an effective way to transfer your assets to loved ones tax efficiently.



Alert, Freeze or Lock



With identity theft becoming more common in the wake of high-profile website hacks, it is important to take steps that safeguard your online information. Here are some ways:

Fraud Alert

One way to put a stop to this type of cybercrime is to ask the three major credit reporting agencies — Equifax, Experian and TransUnion — to place a free alert whenever a request for new credit occurs. A fraud alert requires companies to contact you to verify that you want new credit before they approve it.

To get this alert, which initially lasts for 90 days and can be renewed multiple times, contact one of the three credit agencies, which then must notify the other two. If you have experienced credit theft, your fraud alert can last up to seven years.

Credit Freeze

While a fraud alert gives you access to your credit, a credit freeze will do as its name suggests: prevent anyone, including you, from opening a new account. You'll need to ask all three reporting agencies for the freeze, which generally lasts until you lift it. Identity theft victims receive this service for free, but each reporting agency can charge \$5 or \$10 each time you freeze and unfreeze your credit.

Credit Lock

A credit lock is the most extreme and expensive measure you can take. Good for people who don't plan to open new credit in the near future or who experienced identity theft, a credit lock will generally cost you a monthly fee charged by each agency. Your lock ends when your agreement ends, when you unlock it using the agency's procedures or when you stop paying the fees.

Summer Money Tips

With vacations, half-day Fridays and other time off during the summer, it's easy to spend more money than you intended on leisure activities. You can prevent overspending and still enjoy the extra time off by taking actions that include:

- Paying with cash instead of credit cards. It's easy to spend more than intended with a card;
- Carrying only one credit card with a small fixed limit, if you don't like using cash;
- Taking advantage of employer discount programs, which some bigger companies offer employees;
- Cooling off by bowling in an establishment offering summer discounts;
- Going to a movie theater during off-peak hours, when prices are lower;
- Visiting a national park for only a nominal parking fee;
- Picnicking at a local park for free; or
- Taking a hike (and reaping the health benefits, too).

Why We Travel

With some 1.7 billion personal trips taken by domestic and international travelers during 2016, traveling for leisure is a popular endeavor. Have you ever wondered what so many people do when traveling, aside from business? Here are the top activities, courtesy of the U.S. Travel Association:



Back to \$chool

Before you know it, summer will end and the kids will head to school. Parents know this is a costly exercise. So does the National Retail Federation, which estimates back to school spending at more than \$83 billion in 2017.

So, before you start shopping for school clothes and supplies, consider making a plan to keep costs reasonable.

Keep to a Budget

To spend only what you need to spend, you should not only create a budget, but stick to it. That's easier said than done, when children beg publicly for the latest trendy item.

Name the "Must-Have"

So you don't come off as Scrooge, allow

each child one "must-have" item for the new school year — within guidelines — such as a backpack or clothing item, as opposed to a new smartphone.

More is Less

School supplies like pencils, pens and paper can seemingly disappear into a black hole during the school year. So why not shop for these and other often-used items in quantity to save money?

Shop Early

You don't buy snow blowers after the first snowfall or lawn mowers as spring arrives because they cost more during these peak times. The same goes for buying school supplies and clothes. Shop before or after the peak buying time to reap savings.

Buy Used

Whether you're looking for college textbooks or paperback books for a high school English class, buying used will save you a few dollars. Some college textbooks can be rented online or borrowed from the library.



Protect that Exclusion

While Congress doubled the federal estate tax exemption with the passage of the Tax Cuts and Jobs Act of 2017, a couple who files taxes jointly can still lose a portion of the exclusion if they don't create a strategy to maximize the full amount. A credit shelter trust, also known as a bypass trust or AB trust, is one such strategy.

The Background

Congress has long debated reducing federal estate taxes, with proponents of the change arguing that estate taxes affect owners of small businesses most, as their assets may be valued highly but are mostly illiquid. These firms with little cash, but with significant illiquid assets, would need to find the cash to pay estate taxes elsewhere or liquidate their firms. This is a painful reality for some family businesses.

Taxes Still Matter

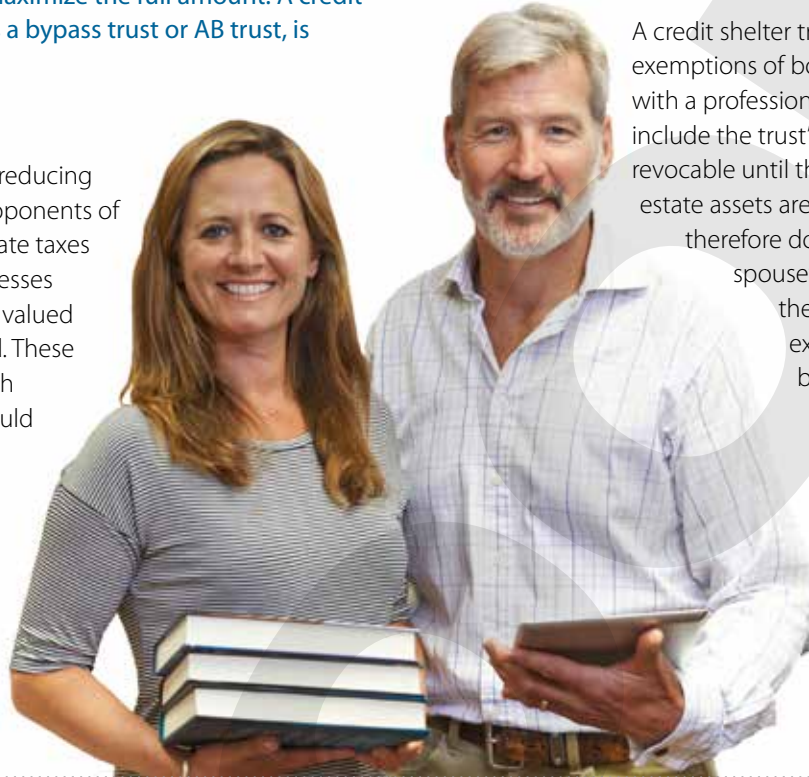
Ultimately, the federal

estate tax exemption was doubled to \$11.18 million per individual and \$22.36 million per couple, indexed to inflation. (This provision expires in 2025.) But one thing that hasn't changed is the potential for couples to lose half of their estate tax exemption should one of them die. That's where a credit shelter trust can come into play.

How It Works

A credit shelter trust protects the full exemptions of both spouses. You would work with a professional to create the trust and include the trust's terms in your will. It's revocable until the death of one spouse, whose estate assets are transferred to the trust and therefore don't inflate the surviving spouse's estate, which could place them over the individual exemption limit. Then the trust becomes irrevocable.

The trust typically allows the surviving spouse to access the trust's income and even principal. When the surviving spouse dies, the heirs become the beneficiaries of the trust. Talk to an estate planning attorney to learn more.



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The material submitted appears consistent with applicable standards.

Reviewed by,

Brian L. Finnell
Associate Principal Analyst

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