LET'S TALK MONEY®

September/October 2020

SECURE Act for Small Business

When 2020 began, business owners found significant changes in the way they may run their qualified retirement plans, thanks to the Setting Every Community Up for Retirement Enhancement (SECURE) Act. Whether or not you sponsor a plan, here is some of what you may want to know about the new law:

MEPs Expanded

Small employers who previously were ineligible to join multi-employer plans (MEPs) may do so in 2021 if they meet some relaxed requirements. Previously, participation in these multi-employer pools meant your company needed to share some common traits with others in the pool. This is no longer required, opening access to pools that might cost less for small businesses than stand-alone plans. Compliance was also relaxed for MEP providers.

New Income Options

The SECURE Act improves the safe harbor provision of plan providers who offer annuities in their qualified plans. The safe harbor makes it easier to satisfy fiduciary requirements when choosing the life insurance company selling the annuity.

Employers, however, are now required to file an annual disclosure notifying employees of their projected retirement income, calculated as if the plan balance were invested in an annuity. Additionally, part-time employees, age 21 and older, who worked at least 500 hours each year for three straight years will become eligible to contribute to the company's qualified retirement plan.

Tax Credits

If your company doesn't sponsor a qualified plan yet, the new law offers a bigger startup tax credit of up to $5,000 for establishing one, subject to rules and restrictions. You also have until your tax filing deadline, plus extensions, to start a plan. That's moved from December 31.

And if you already sponsor a 401(k), SIMPLE IRA or other qualified plan, you may be eligible to take a $500 credit a year for three years of auto-enrolling new employees. Another new safe harbor involves the automatic enrollment escalation cap, which rises from 10% to 15% of pay—a boon for late savers.

Finally, the SECURE Act reduces some of the red tape and compliance issues that prevented small businesses from adopting qualified retirement plans in the past. So, if you don't yet offer a retirement plan, you might want to examine one in light of these changes.

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Small Business Version

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Ways to Lower Your Auto Insurance Bill

If you drive, most states will require that you carry liability coverage. This can prove costly, especially if you are in a higher risk group or have a poor driving record. And if you have a newer car, you may want to carry additional collision and comprehensive insurance to cover your car. There are ways, however, to lower your total insurance costs.

Common Sense

Practice safer driving habits. Teens can't become older drivers overnight to qualify for lower rates, but they can become safer drivers. If you're in the market to buy a car, understand that some models will cost more to insure than others. If you're young, good grades may get you a better rate. If you're older, a defensive driving course could lower premiums.

Consider dropping collision insurance on older vehicles, since they will drop in value with age. Collision coverage won't pay more than fair value for a total loss. Bundle other insurance policies with the same insurer for a discount and, in some states, get an additional discount for good credit or improving it.

Newer Ways to Save

Anti-theft devices, low driving mileage and increased deductibles also lower premiums. And some insurers will now install safe-driving devices that can help you lower costs if they show you have good driving habits or drive fewer miles. Ultimately, do your homework when looking for auto insurance and shop around to lower your total expenses.

Ways to Lower Your Car Rental Costs

Renting a car can involve a labyrinth of extra fees and charges, which can raise rental costs dramatically. You may, though, refuse some of these safely to lower what you pay.

Limit the Extras

Ditch the extras if you can. From GPS devices to child safety seats, car rental companies charge a fortune for extras. Bring your own when you can. Learn how much tolls are and compare them to what car rental agencies charge to include an electronic toll pass or transponder.

Explore Alternatives

Compare timeframes. Some rental companies might offer a deal on a week that costs less than renting for four days. If there are no offsetting early return fees or penalties, take the deal and return early. Also check out rental fees for picking up and dropping off outside of airports. The difference can be substantial if you opt for a little less convenience.

Use Your Own

The daily insurance fees rental companies charge are steep, and they might duplicate what you already have. Check with your auto insurer to see what's covered, and consider using a credit card that may provide an extra measure of rental car insurance coverage.

How to Repair Poor Credit

Poor credit can raise your borrowing costs or eliminate your ability to borrow altogether, and it can even disqualify you from employment opportunities. If you have poor credit, take heart in knowing you can improve your credit score. Here's how to start the process:

Understand Your Problem

Why is your credit score low? Do you make late payments or carry too much debt compared to your overall credit limit? These are two of the more common reasons consumers are denied credit, but you can increase your score now. Start by making it your mission to pay every bill on time. A recent history of on-time payments will help improve your score. If you carry too much debt, stop spending and start paying some of it down. Creditors want to see responsible customers.

Change Your History

Creditors also want to see a history of good credit habits, so your mission to improve your credit score will take some time. If you have little or no previous credit, you'll also need to demonstrate at least a small history of good financial habits. You might start with a secured credit card.

Limit Inquiries

Credit card companies and other lenders may look at your credit without your intent to borrow. Don't worry about these affecting your scores, but don't add to your debt, either. Applying frequently for new cards or loans can also hurt your score.

Getting and Reading Your Credit Report

Your credit report affects everything from getting a charge card to getting a job, so it pays to know how to request and understand it.

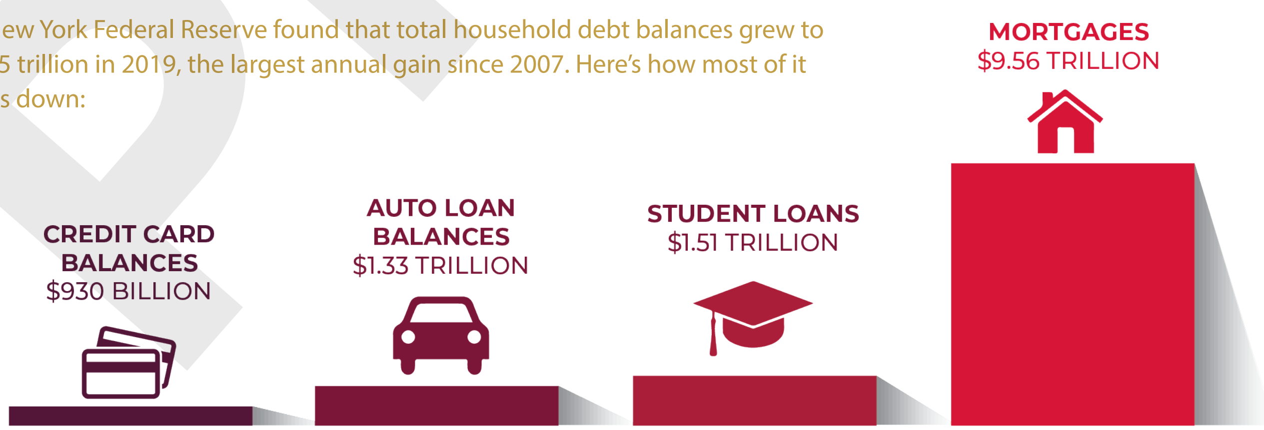
Your Rights- Normally you have a right to see a free credit report once every 12 months—more often if you are refused credit during this time. But, due to the pandemic, the three credit reporting bureaus — Experian, Equifax, and TransUnion—are allowing Americans to access their credit reports for free once per week until April 21, 2021. Get it online at https://www.annualcreditreport.com. You'll need to provide personal information, including your date of birth and social security number, to receive the report.

What's There - Once you receive the report, you'll want to check for the accuracy of your personal information, credit accounts (including mortgages, loans and card balances), status (either negative or positive) and inquiries. It may also include any bankruptcies and liens. Make sure every account belongs to you and that the information for every account on each report is accurate.

If you find an error, the credit bureau and creditor that reported the error must correct it. Each credit reporting agency posts the steps you need to take to correct any mistake, but they usually start with putting your complaint and the specifics in writing.

Debt on the Rise

The New York Federal Reserve found that total household debt balances grew to $14.15 trillion in 2019, the largest annual gain since 2007. Here's how most of it breaks down:



www.newyorkfed.org/newsevents/news/research/2020/20200211

Succeeding with Succession

Running a small business is not for everyone, but younger family members often want the challenge of taking over when founding generations retire. If you're part of a family business, here's how you can work toward continuing the business from one generation to the next, even in times of uncertainty like these.

Start with a Plan

Like everything else in business, you'll prepare best by creating a plan and following it. A succession plan lists what events—death, disability or retirement—will trigger the next generation of leaders. It should also determine a valuation method—usually from a qualified valuation expert or certified public accountant—to determine the company's fair value.

Next, communicate frequently with your successors. You may have differences over how to run the business, and you'll need to resolve them—you can't run the business forever. You will want to create a development plan that allows family successors to gain the crucial experience necessary to run your concern. And you may want to begin making shared business decisions that allow your loved ones to get hands-on experience running the company.

Money Matters

While family members are learning all the tricks of your trade, create a buy-sell arrangement that works for everyone. Using the valuation established earlier, detail how the next generation will buy into the business. Also figure appropriate compensation to leave a loved one who doesn't participate in the business to equalize your estate.

Your sale price and schedule of payments may be included in your buy-sell arrangement, and you'll also address tax responsibilities, the value of business assets and total liabilities. You also may want to address potential liquidity issues to avoid future problems for both the seller and buyers. Pre-paying the transfer, whether through gradual ownership shares while working together, contributing to a sinking fund or purchasing life insurance, might help address any liquidity issues.

Begin working toward an agreement as soon as you and your loved ones decide family succession is in everyone's interests and review your succession plan regularly, because change happens. Most important, work with qualified legal, tax and financial professionals to come up with a plan that benefits you, your family and your business.

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

May 13, 2020

Reference: **FR2020-0420-0308/E**
Link Reference : FR2020-0221-0257

Org Id: 23568

1. Lets Talk Money Newsletter Sept - Oct 2020 Business
   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by, Natlyn D. Murrain
Associate Principal Analyst

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