LET’S TALK MONEY®

November/December 2021

Smart Financial Moves at Year’s End

Looking to make some smart money decisions as 2021 draws to a close? Start by reviewing whether you’ve taken full advantage of your insurance benefits.

Health Insurance

If you’ve met your annual deductible for 2021, arrange to schedule medical tests, doctor visits, or elective surgery by year’s end, before your deductible resets in the new year.

Dental Insurance

Dental plans generally have a maximum coverage amount. If you need dental work beyond preventive visits, such as fillings, crowns or a root canal, have the procedures done before the end of the year. That way, your full 2022 benefit will be available to you should you need additional dental work next year.

Flexible Spending Account (FSA)

An FSA allows you to use pre-tax money to pay for a variety of health care expenses, including copays, prescription drugs, glasses and contact lenses, and other health-related costs. For 2021, federal guidelines allow contributions of up to $2,750 in an FSA, thus reducing your taxable income by the contributed amount. If you have money left in an FSA, remember to use it by December 31, or by the end of your plan’s grace period, if any.

Health Savings Account (HSA)

If you’re covered by a high-deductible health plan (HDHP), you’re able to set aside pre-tax dollars in an HSA to pay health care expenses, such as deductibles, copays, co-insurance, and other health-related costs. Contribution limits for 2021 are $3,600 for self-only coverage and $7,200 for family coverage. Individuals aged 55 and older can contribute an additional $1,000. Contributions to an HSA reduce your taxable income for the year, so fund your account before year’s end to take advantage of the tax savings.

Charitable Donations with Life Insurance

You can take a charitable contribution tax deduction for the cash value and any premiums you pay on a life insurance policy you donate to charity. You can take out a new policy in the name of the charitable organization or transfer ownership of an existing policy. Alternatively, policy dividends that you receive in cash and donate to a charity are deductible but may reduce the policy’s death benefit.

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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.

Insurance Version

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Surprise — It's Taxable!

It's almost that time of year when you and the IRS must settle what you owe — or what the government owes you. Before you prepare your tax return, consider whether you'll need to include any of the taxable items listed below.

- Social Security benefits
- Unemployment benefits

- Portion of a scholarship that covers expenses other than tuition, fees, and books (e.g., room and board, travel, etc.)
- Canceled debt from credit cards, car loans and mortgages (Student loan debt is exempt.)
- Honors with cash prizes
- Certain alimony payments
- Gambling winnings (lotteries, horse racing, casinos, sports betting, etc.) Some losses are deductible.
- Gifts from an employer that reward an employee for services or help promote the company
- Found property
- Bartered property or services in lieu of cash

Consult your tax advisor to determine which items you should include when preparing your income tax return.

Preserving an Inheritance

A sudden inheritance can catch you off guard. One minute your life is status quo; the next minute, you have additional assets to plan for. While it may be tempting to spend your windfall, take a step back. Reckless spending has decimated many an inheritance, so sit down with your financial professional to develop a plan for managing and preserving your wealth. Here are a few ideas to get started.

Stash the cash in a money market account or other short-term investment until you have a plan in place.

Create a saving and investment plan. If you don't have an emergency fund with 6-to-12 months of living expenses, start there. Invest extra money in investment vehicles that reflect your time frame and risk tolerance.

Pay off personal loans and high-interest-rate credit card debt, and don't run up new debt.

Plan a legacy that leaves wealth to your loved ones or to charity. Federal estate tax applies to estates worth more than $11.7 million ($23.4 million for married couples).* An estate planning attorney can help you navigate the options to minimize any tax bite.

Splurge a little. Setting aside some money to spend on yourself can keep you from feeling deprived.

**https://www.irs.gov/businesses/small-businesses-self-employed/estate tax#:~:text=and%20%2411%2C700%2C000%20in%202021*

Spend Less for a Jollier Holiday

It doesn't take much to overspend when the holidays roll around. But, after the presents are opened and the wrapping paper disposed of, your own "gifts" could be a pile of bills and buyer's remorse. With a little planning and a dose of self-discipline, you can enjoy the holidays debt free.

Set Limits —and Stick to Them!

Don't spend a single cent until you have a budget in place. Whether you set aside a an amount of money to spend on all gifts or assign a per-person spending limit, decide on your budget before you hit the mall or the computer.

Cash is King

It's easy to forget about your budget when you're carrying credit cards, especially if your favorite stores are having holiday sales. Leave your cards at home, and make it cash or debit card only when you're shopping at retail stores. And, before you shop, come up with gift ideas for every person on your list so you'll be less tempted to buy items on impulse.

Curb Your Enthusiasm

Shopping for specific items online allows you to easily compare prices at different websites and reduces the temptation to buy extras that aren't on your list. If you pay online with a credit card, subtract the amount from your budget, and remember to pay off the balance when you get the bill.

Give Up Small Things

Want to generate more cash? Several months ahead of the holiday, try eliminating small expenses, such as picking up coffee on your way to work or buying lunch. Then add that money to your holiday savings account.

Be a Grocery Grinch

Holiday grocery shopping can destroy your food budget in the blink of an eye. Save at the supermarket with these timely tips.

- Plan your menus so you're buying only the items you'll need for holiday meals and gatherings.
- Take inventory of the ingredients you already have on your pantry shelf.
- Check store flyers to see if any items you need are on sale. Use coupons.
- Create a shopping list and strictly follow it. No matter how tempting, buying extra items that are on display can put you over budget in no time.
- Shop at multiple stores to get the lowest prices.
- Score free food. Stores often have promotions around the holidays offering a free item when you spend a certain amount within a specified time frame.
- Think outside the supermarket. Drugstore chains sometimes have great deals on staples, such as baking supplies, mixes, and beverages.

Holiday Tipping Guide: A Refresher

Tipping during the holidays is a nice way to show your appreciation to service providers for all they do for you during the year. Here are some general guidelines.

Beneficiary Designations: Still the Ones?

Your personal circumstances may have changed significantly since you chose beneficiaries for your insurance policies or retirement accounts. Beneficiary designations name the person or persons who will receive the account proceeds upon your death. Reviewing your choices annually should be on your year-end to-do list.

What Can Change?

Life events, such as divorce or remarriage, should trigger a review of beneficiary designations on insurance policies and retirement accounts. Why? Beneficiary designations supersede any instructions in your will. If you fail to change a beneficiary, the original beneficiary you designated will receive the proceeds — even if you've named someone else in your will to inherit the account.

New Faces

As time goes on, you may want to include new people as beneficiaries. For example, you may want to name grandchildren as contingent beneficiaries. Contingent beneficiaries will receive the account proceeds if the primary beneficiary dies with you or before you. Alternatively, you might want to support a charity using life insurance proceeds.

Avoid Unintended Consequences

Equal (*per capita*) distribution is typically the default for retirement accounts, and this can result in consequences you didn't intend. Let's say you have three children who are equal beneficiaries of your account, and each child will get an equal share of the proceeds upon your death. But what if one of your children dies before you? Under *per capita* distribution, your remaining two children will share the account proceeds, potentially leaving the deceased child's own children (your grandchildren) with nothing. By specifying *per stirpes* distribution instead, a deceased child's share will go to his or her children.

Other Accounts

Financial institutions and insurers may offer an option to choose Transfer-on-Death (TOD) and Payable-on-Death (POD) accounts. These accounts allow the account holder to name who will receive the account balance or payout after death. The TOD option is often used for stocks, bonds and brokerage accounts, while a POD designation is generally used for bank accounts.

An Annual Review

Make a list of all accounts and policies that require beneficiary designations. Check them each year to confirm they're up to date.

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FINRA

Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

August 11, 2021

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The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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