

LET'S TALK MONEY[®]

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Irrevocable Trust: You Can't Take It Back

An irrevocable trust is a trust the creator (or "grantor") cannot change or revoke. There are two main types of irrevocable trusts. A *living trust* is established and funded during your lifetime. A *testamentary trust* is created after your death and funded from your estate according to the terms of your will. Your legal professional can draft the necessary trust documents.

Why Create an Irrevocable Trust?

Typical reasons for setting up an irrevocable trust are for wealthy individuals to minimize estate taxes; to "spend down" assets to become eligible for government programs; or to protect assets from creditors. An irrevocable trust can also help avoid probate and allow you to make arrangements in advance if you become incapacitated.

How the Trust Is Created

As the grantor, you establish the trust, designate someone to act as trustee, and name the beneficiary (or beneficiaries) who

will eventually receive the trust assets. Once you have transferred assets into the trust, you surrender your ownership rights and hand over control to the trustee, who will oversee the trust and the distribution of its assets. Assets held in the trust can include cash, stocks, bonds, real estate, a closely held business, life insurance policies, and other property and investments.

The Downside of Irrevocable Trusts

Once the assets are transferred, the trust generally cannot be changed or terminated. This means you cannot remove or change the beneficiaries named in the trust, even if you no longer want a beneficiary to receive the assets. You also cannot regain control of any trust assets should you need those assets in the future.

A New Ruling

Previously, assets in an irrevocable trust received a step up in basis to their value on the date of the decedent's death, eliminating capital gains tax. However, IRS Revenue Ruling 2023-2 states that completed gifts to grantor trusts are not eligible for a step-up in basis.

Your attorney can discuss how this ruling affects your estate plan.



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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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Replacing Income if You Can't Work

Short-term disability insurance replaces a portion of your income if you have a temporary disability, such as an illness, injury, or pregnancy, that prevents you from working. Call your insurance professional to learn more.



The Basics

Short-term disability generally replaces 40 to 70 percent of your monthly income until you can return to work or your benefit period ends, typically three to six months. Coverage applies only to injuries or illnesses that are not work-related.

There are two types of short-term disability policies. One covers you if you're unable to perform the duties of your own occupation, while the other covers you if you cannot work at any job.

Pregnancy Coverage

Sometimes, disability coverage starts two weeks before a woman's due date and continues for six weeks after the birth. The beginning date of coverage can be amended with updated medical information. The Family and Medical Leave Act (FMLA) provides 12 weeks of unpaid maternity leave.

Buying a Policy

The cost of a short-term disability policy depends on your age, gender, occupation, and overall health. Before purchasing a policy, look for the insurer's definition of disability, the length of the waiting and benefit periods, and the coverage amount.

Tax-favored Savings for Disabled Individuals

Achieving a Better Life (ABLE) accounts are tax-advantaged savings accounts for individuals with disabilities and their families. Funds in the account can be used to pay for various qualified expenses without losing eligibility for government benefits, such as Supplemental Security Income (SSI). Be sure you work with your legal and tax professionals to avoid any missteps.

Who Is Eligible?

To be eligible for an ABLE account, individuals must have been diagnosed with a significant disability before age 26 (This limit will raise to age 46 in 2026). The beneficiary, the beneficiary's family, and friends can contribute to the account. Contribution limits are tied to the annual gift tax exemption amount (currently \$17,000). Disabled individuals who earn income can contribute that income to their ABLE accounts above the gift tax exemption limit.

What Are Qualified Expenses?

Funds in an ABLE account are invested and potentially grow tax-free. Money can be used to pay for expenses such as basic living costs, education, housing, transportation, employment training, health care, assistive technology/services, financial management and administrative services, and legal fees.



What Does a Happy Retirement Look Like?

You might think not having a steady paycheck will be what you'll miss most once you retire. But if you've successfully accumulated enough savings in a retirement account or you're one of the fortunate people with a pension, paycheck loss might not be the most critical change in your life.

Once You Were, Now You're Not

While working, you interact daily with coworkers with common goals. What happens to those social interactions once you're no longer working? They stop, and their loss can lead to feelings of isolation you didn't anticipate.

You Couldn't Wait for the Day

No rushing in the morning. No traffic jams. No projects that should have been done yesterday. Just the freedom to do what you want. Retirement should bring joy, but it sometimes brings an identity crisis. Who are you now that you're no longer a teacher, a doctor, a construction worker?

A Harvard Study

The Harvard Study of Adult Development began in 1938 at Harvard University. Researchers originally collected data on the physical and mental health of 268 Harvard sophomores over their lifetimes, with the study eventually expanding to include their offspring and other subjects. Researchers' findings: Close relationships with a spouse, family, friends, and social circles are what keep people happy throughout their lives.

Keys to a Happy Future

Of course, money is important. You can't enjoy retirement if you're struggling financially. But money alone won't guarantee a successful retirement. Happiness comes from maintaining close personal connections. Volunteering with an organization whose work is important to you can help you meet like-minded people. Joining clubs, getting involved in your community, or pursuing a hobby with friends, family, and new acquaintances can help you forge lasting relationships and make your retirement an enjoyable chapter in your life.

Digital-only Banks: Yay or Nay?

Digital-only banks — banks that have no physical locations but exist only online — are making some inroads into the banking industry. A recent Harris Poll found that 39% of respondents had opened a bank account with an online-only institution.

Consumers said they'd consider these major factors when deciding whether to open an online-only bank account. (See adjacent image.)

Source: The Harris Financial Services Poll, December 2022

Cashless Payments on the Rise

Cash is out. Peer-to-peer (P2P) payments are in. P2P services allow an individual to send money to another person's bank account through a third-party website or mobile app after linking a bank account or credit/debit card. Since contactless transactions became popular during the pandemic, consumers have begun using P2P systems instead of cash or cards, and many small businesses, nonprofit organizations, and vendors offer that option.

Popular Apps

There are several peer-to-peer payment services, and each one may work a little differently. Zelle is provided by a bank and accessed directly from the bank's website. Other P2P services, such as Venmo, PayPal, and CashApp, can be accessed through a mobile app when both users have linked their bank account information. Google Pay and Apple Pay Cash are other popular options.



Cost

P2P services are generally free for transfers between bank accounts. However, fees may be charged for linking a debit or credit card.



How Life Insurance Works

How much do you know about life insurance?* Understanding how your policy works and the steps your beneficiaries will need to take to claim the policy proceeds should be a priority. Your insurance professional can help you select the coverage that best meets your needs.

Term or Perm?

There are two basic types of life insurance. *Term life* provides coverage for a fixed period or up to a specific age. If you die during the policy's term, your beneficiaries receive a death benefit payout. A term policy has no cash value, and the death benefit doesn't change over time. Term insurance is generally the least expensive option. *Permanent life* doesn't expire if you continue to pay the premiums. The policy builds cash value, typically from investments.

Your Options

You can choose the amount of the death benefit; the larger the benefit, the higher the premiums.

You can also name one or more beneficiaries to receive the policy's proceeds when you die. The beneficiary can be a person or an organization, such as a charity.

Payouts and Riders

Some permanent policies offer another type of payout known as a living benefit, which is money the policyholder collects from the policy while living. You may be able to withdraw or borrow money or pay the premiums from the policy's cash value.

You can also add a rider to some policies that allow you to access part of the death benefit to help pay bills if you're terminally ill. However, any payout you receive can reduce the death benefit for your beneficiaries.

Collecting Benefits

Your beneficiary should contact the insurance company and submit a claims form with the policy number, Social Security number, and a copy of the death certificate to receive the payout. Payout options include a lump sum, installments over time, or a delayed payment while making a payout decision.

**Applications for life insurance are subject to underwriting.*

Insurance coverage exists only if a policy is issued and the required premium to put it in force is paid.

Accessing cash values may result in surrender fees and charges and, may require additional premium payments to maintain coverage, and will reduce the death benefit and policy values.

Guarantees are based on the claims-paying ability of the issuer.

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 24, 2023

Reference: **FR2023-1010-0124/E**

Link Reference : FR2023-0714-0059

Org Id: 23568

1. LTM Jan-Feb 2024 Insurance
Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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