Building a Boat? You Need Hull Builder's Risk Insurance

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Building boats can be the primary part of your business or just an occasional project. Regardless of how many or how often you do this, one thing is common: You will need a Hull Builders Risk insurance policy. And don't think that this applies only to a new build. A vessel undergoing a major refit can be covered under this as well. The policy can be extended to cover not only the hull but also material and equipment that has not yet been installed on the vessel.

For the occasional new hull build or the major refit, your policy can be written on single hull basis. For yards in the business of building boats, there is an open builders risk policy for multiple boats.

Valuation of the hull can be calculated two ways. It can be written on the completed value of vessel, or for larger vessels it can be a monthly reporting schedule of the unfinished project which gradually increases to the completed value.

Some policies offer buyback coverage for faulty workmanship. There is a condition to conduct inspections during the build and report any findings to the your underwriter. Keep in mind that claims due to faulty design are not covered. You will want to a professional liability policy for this.

Additional coverages which can be added to the policy includes:

- Delivery of bare hull to yard to be finished off
- Launching of vessel

- Sea trials of vessel
- Delivery of completed boat to end user

Protection and Indemnity limits are added to cover liability claims due to injury on or around the vessel during the construction process as well as after the vessel has been launched and is conducting sea trials or delivery. And if you are providing crew on board after the vessel has been launched, be sure to have the policy amended to reflect this additional risk.

Whether you are building the vessel for a client of having one built for your own use, the day of launching is always a memorable occasion and one to celebrate. Be sure to do your due diligence beforehand to properly cover potential risks involved with your project to help make this day a great one.

Knitting for a Cause – Program Continues in 2022

Allen Insurance and Financial is pleased to announce its continued support for the Chemo Caps for Kids initiative sponsored by Commonwealth Cares Fund Inc., the 501(c)(3) charity founded by Allen's Registered Investment Adviser–broker/dealer, Commonwealth Financial Network®. Chemo Caps for Kids provides hand-knit and crocheted hats to children undergoing cancer treatment.

Allen Insurance and Financial participates in the creation of these caps and invites the community to join the effort.

Kimberly Edgar of Allen's Camden office is coordinating the program locally.

Many of the Midcoast knitters who have helped have remained anonymous, so we can't thank them publicly, said Edgar. But we can reach out to the knitting community, always so generous, and let them know we'd love their continued support. "

Anyone interested in donating yarn or knitting time to this project can call Kimberly Edgar at 236-4311. Allen Insurance and Financial has been involved in this program since 2014.

The Chemo Caps for Kids program has sent more than 10,000 caps to children's hospitals across the U.S., with knitters in Maine and across the country using their talents to help kids who are in treatment. Some of hats from Maine have been distributed to hospitals in New England as well as to places such as Phoenix Children's Hospital and the Ann & Robert H. Lurie Children's Hospital of Chicago.

ABOUT COMMONWEALTH CARES
Commonwealth Cares provides contributions of time, talent, and financial support to a wide range of philanthropic efforts aimed at relieving human suffering, promoting social and economic growth, and sustaining and protecting our planet's resources. All operating and administrative expenses for Commonwealth Cares are borne by Commonwealth. One hundred percent of every dollar contributed goes directly to those in need.

ABOUT ALLEN INSURANCE AND FINANCIAL
Serving clients in Midcoast Maine and around the world since 1866, Allen Insurance and Financial is an employee-owned insurance, employee benefits, and financial services company with offices in Rockland, Camden, Belfast, Southwest Harbor and Waterville. Call 800-439-4311. Online: AllenIF.com and on Facebook.

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Accepting Applications for Internships for Summer 2022

Allen Insurance and Financial is accepting applications for its 2022 summer internship program, which offers a 12-week immersion into the company’s three insurance divisions (personal, business and health) and its financial planning/investment management group.

Applications from college juniors and seniors will receive priority review; all applicants will be considered. This is a paid position, based in Camden.

To receive a copy of the job description and start the application process, please email Jill Lang at jlang@allenif.com. Interns should expect to start work in late May or early June 2022 and work through mid- to late August.

Tax-Smart Planning Strategies

Minimizing your annual income taxes requires a regular review of your overall financial position. With tax season underway, now is the perfect time to evaluate some effective strategies that could help reduce your current and future taxes. Tax planning should be a year-round activity, so it’s wise to revisit these topics regularly in the context of your current financial situation.

Manage Your Retirement Savings Accounts

If you have the means, maximizing your annual contribution to a retirement account will give your savings strategy a healthy boost. But it’s important to understand how the different types of available retirement accounts differ. The most common options include:

Employer-sponsored retirement plans. Employer-sponsored 401(k) plans allow your investments to grow with taxes deferred until you take money out through a withdrawal or distribution. Some employers offer both a traditional 401(k) plan and a Roth 401(k); if yours does, you should be aware of the different rules for taxes on contributions and distributions:

- With a **traditional 401(k) plan**, contributions are made with pretax dollars, thus reducing your current income and, possibly, your current-year taxes. Choosing this option may make sense if you want to reduce your income in the current year and/or expect to be in a lower tax bracket in retirement. Required minimum distributions from the account begin at age 72.
- With a **Roth 401(k) plan**, contributions are made with after-tax dollars, and the account’s accumulated funds have the potential to be distributed tax-free and penalty-

free in retirement, if certain IRS requirements are met. This could make sense if you're not looking for a current-year tax deduction and anticipate being in a higher tax bracket in retirement. Under circumstances known as "triggering events" (one example is termination of employment), Roth 401(k) funds could be rolled tax-free into a Roth IRA and eliminate the need to take required minimum distributions from those assets. Required minimum distributions begin at age 72 in Roth 401(k) accounts but are not required in Roth IRAs.

Retirement plans for the self-employed. If you run your own business, you can use an individual 401(k), SEP (Simplified Employee Pension), or SIMPLE (Savings Incentive Match Plan for Employees) plan to shelter income.

IRAs. If you qualify, you may also be able to make a contribution to an IRA. As of 2020, there is no age limit on making regular contributions to traditional or Roth IRAs. Different rules for taxes on contributions and distributions do apply:

- With a **traditional IRA**, contributions are generally made with pretax dollars, thus reducing your current income and, possibly, your current-year taxes. Eligibility for making tax deductible contributions to an IRA depends on your tax filing status, modified adjusted gross income (MAGI), and whether you're covered by an employer-sponsored retirement plan. Required minimum distributions begin at age 72.
- With a **Roth IRA**, contributions are made with after-tax dollars, and the account's accumulated funds have the potential for tax-free and penalty-free distribution in retirement. Eligibility for contributing to a Roth IRA is based on your tax filing status and MAGI. There is no

requirement for minimum distributions when you reach a certain age.

- **Converting traditional IRA assets to a Roth IRA** is another strategy to consider. Generally, this move makes the most sense for those who anticipate being in a higher tax bracket in retirement than they are now. Eliminating the need to take required minimum distributions is a meaningful benefit.

Maximize Your Deductions

Some deductible items, such as medical expenses and charitable contributions, must meet a specific threshold before deductions can be taken. If you fall short of the minimum in a particular year, you might be able to time future discretionary expenses or charitable contributions such that you exceed the threshold one year but not the next.

Review Form 1040

Examining your 1040 could help you spot opportunities for making investments that provide greater after-tax savings. Pay special attention to the Taxable Interest, Tax-Exempt Income, and Dividend Income sections of the form.

Consider Tax-Advantaged Municipal Bonds

Municipal bonds are an excellent tax-advantaged investment, especially for people who are in a high income tax bracket or have moved into a higher tax bracket after a promotion or career change. Interest earned on municipal bonds is exempt from federal income taxes and, in most states, from state and local taxes for residents of the issuing states (although income on certain bonds for particular investors is often subject to the Alternative Minimum Tax).

Plan for Capital Gains and Losses

To determine when to recognize capital gains or losses, you will have to know whether you want to postpone tax liability (by postponing recognition of gains) or to recognize capital gains or losses during the current year. If the gains will be subject to a higher rate of tax next year (because of a change in tax bracket), or if you cannot use capital losses to offset capital gains, you could recognize capital gains this year.

Don’t Forget Life Insurance

Life insurance can provide liquidity to pay estate taxes and could be an attractive solution to other liquidity problems, such as those family-owned businesses, large real estate holdings, and collectibles may face. Structured properly, life insurance proceeds can pass free of income and estate taxes.

Putting the Pieces Together

These are just a few of the most common tax planning strategies. We can work with you and your tax professional to assess your current situation and determine which options could be beneficial to you. Making proactive, tax-smart decisions throughout the year is an essential piece of overall financial planning.

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Municipal bonds are federally tax-free but may be subject to *state and local taxes, and interest income may be subject to federal alternative minimum tax (AMT). Bonds are subject to availability and market conditions; some have call features that may affect income. Bond prices and yields are inversely related: when the price goes up, the yield goes down, and vice versa. Market risk is a consideration if sold or redeemed prior to maturity.*

2022 Estate and Gift Tax: Looking Back, and an Update

There were many who predicted significant changes to the current federal estate and gift tax law in the past year, but nothing has materialized as of this writing. Many predicted that the amount that would be subject to tax would be greater due to a lowering of the exemption amount, and that the rates would be higher. It just didn't happen. Indeed, the exemption is going up.

According to the IRS website and Kiplinger, the federal estate tax exemption is going up for 2022. The amount is adjusted each year for inflation. It's important to remember that the current law will sunset at the end of 2025, at which point the amounts and rates will revert to those in effect in 2016, which are significantly lower, meaning more estates will be taxable.

2022 Federal Estate Tax Exemption

Generally, when you die, your estate is not subject to the federal estate tax if the value of your estate is less than the exemption amount. For people who pass away in 2022, the exemption amount will be $12.06 million ($11.7 million for 2021). For a married couple, that comes to a combined exemption of $24.12 million.

This is also known as the Basic Exclusion amount. It is as high as it's ever been. The annual exclusion for gifts was $11,000 (2004-2005), $12,000 (2006-2008), $13,000 (2009-2012) and $14,000 (2013-2017). In 2018, 2019, 2020, and 2021, the annual exclusion is $15,000. Again, in 2022, the annual exclusion is $16,000.

Federal Estate Tax Rate

Only a small percentage of Americans die with an estate worth $12 million or more. But for estates that do, the federal tax bill is significant. Most of the estate's value is taxed at a 40% rate.

According to Kiplinger, the first $1 million in an estate is taxed at lower rates – from 18% to 39%. That results in a total tax of $345,800 on the first $1 million, which is $54,200 less than what the tax would be if the entire estate were taxed at the top rate. Once the estate's value exceeds $1 million, the excess is taxed at the 40% rate.

That's the picture from a federal perspective. What about Maine? Yes, Maine has an estate tax, with an exemption level of $5.87 million. The Estate tax rates range from 8% – 12%, which is one of the lowest rates among the states that have an estate tax. There is no tax on heirs, so no Inheritance tax.[1]

Federal Gift Tax

Gifts can be taxable if they are big enough. First, there's the exclusion of what you don't need to report each year. This would apply to gifts to any one individual in the calendar year by a taxpayer. You could double the amount for gifts from a married couple filing jointly. The current exclusion is $16,000. It has increased over the years. Those gifts that exceed the exclusion Amount are reported and cumulatively are not taxable as gifts until they exceed a total of the exemption amount during your lifetime, currently over $12 million.

By the time 2026 rolls around, we will likely hear much more about estate and gift taxes. The current law is slated to sunset December 31, 2025 and go back to 2016 levels January 1, 2026.

All taxpayers should consult with their own professional tax and legal advisors when making estate and significant gifting plans to take their unique facts and circumstances into account.

[1] https://www.kiplinger.com/retirement/inheritance/601551/states-with-scary-death-taxe