Test Your Knowledge of the Federal Tax Exclusion for Home Sales

A home residence can become a valuable asset in your net worth. But what happens if you decide to move? If your home has appreciated, capital gains tax may be recognized upon the sale.

True or False?

As long as you purchase another home and roll the sales proceeds into the new home, you can defer recognition of the taxable gain.

Answer: False

Previously, you could roll your capital gains into another home to avoid recognition of taxable gain; however, this option is no longer available. Currently, when you meet the qualifications, the federal tax exclusion is limited up to $250,000 (single) or $500,000 (married) on the taxable gain on the sale of a home. This exclusion is available only once every two years. To qualify for the exclusion, you must meet the following requirements:

- **Ownership requirement**: You must own the home.
- **Residence requirement**: You must have lived in the home as your primary residence for at least 2 of the past 5 years.

If you are married, only one spouse needs to have owned the home to meet the ownership requirement. To meet the residence requirement, however, both spouses must have lived in the home for at least 2 of the past 5 years.

A partial exclusion may be available under specific circumstances, such as a job change (more than 50 miles away), health issues, or additional unforeseen situations. In addition, certain exceptions applyâ€”for example, if you were separated or divorced, if your spouse passed away, or if you were a service memberâ€”that may make you eligible for the exclusion.

A tax advisor can help you navigate the rules and determine if you qualify for the federal tax exclusion on the sale of your home.

Test Your Knowledge of COVID-19 Mortgage Relief

In response to the pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. Included in the CARES Act are provisions that allow homeowners to delay mortgage payments through forbearance for federally owned or backed mortgage loans.

True or False?

Under the CARES Act, when a mortgage payment forbearance period ends, a lump-sum balloon payment is immediately required to catch up on missed payments.

Answer: False

Although you can choose to repay all the missed payments at one time in a balloon payment, doing so is not required under the CARES Act. After the suspension ends, a variety of repayment options may be available depending on your lender and mortgage type. Repayment options may include setting up a repayment plan, modifying the payment, or increasing the length of your loan to account for the missed payments.

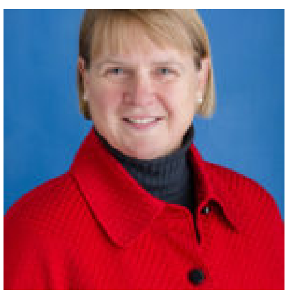
Once a mortgage is placed in forbearance, the loan payments will be temporarily suspended, but this does not mean the loan is forgiven or removed. The good news is that while the mortgage is in forbearance, late fees will not apply. Interest will continue to accrue on the mortgage during forbearance, however.

The following information can help you determine if you qualify for mortgage payment forbearance:

- **Eligibility:** Eligible homeowners include those who have (1) experienced a COVID-19 hardship, such as a loss of a job, reduction of income, or sickness, and (2) have a federally owned or backed mortgage. Federally backed mortgages may include those backed by the U.S. Department of Housing and Urban Development, Federal Housing Administration, U.S. Department of Veterans Affairs, U.S. Department of Agriculture, Fannie Mae, or Freddie Mac.
    - The Consumer Financial Protection Bureau has tools to help you look up which organization owns your mortgage. You can also contact your mortgage lender to confirm which organization owns your mortgage.
- **Duration of relief:** Payment relief is available for 180 days. In addition, you can apply for an extension for another 180 days.
- **How to access relief:** Reach out to your loan servicer to discuss solutions available.

Some states have provided temporary relief from certain foreclosures or evictions as well. Many companies are also providing a range of mortgage relief options as needed. For mortgages not backed by the federal government, contact your mortgage servicer to see how it can help.

Doing Well by Doing Good – Socially Responsible Investing in 2020



By Sarah Ruef-Lindquist, JD, CTFA

The world of investing is increasingly focusing attention on ways in which capital can be invested to support businesses that are promoting social or environmental welfare, and/or govern themselves in a way that promotes diversity and inclusion of those historically marginalized in corporate leadership, either by virtue of gender, race or other suspect criteria.

For many investors, this approach aligns with their desire to support business that are “doing good” in the world either in terms of what social or environmental issues they are addressing, and perhaps in terms of how they govern themselves and treat the employees within their companies.

What has come to be known as Socially Responsible Investing ("SRI") or Environmental Social Governance investing ("ESG") involves using criteria like environmental, social, governance and employment practices to choose what investments will be held in a portfolio. According to Commonwealth Financial Network's website:

Sometimes referred to as environmental, social, and corporate governance (ESG) investing, Socially Responsible (SRI) is a broad-based strategy in which **corporate responsibility** and **societal concerns** are factored into investment decisions. In short, an SRI strategy seeks to **maximize both financial return and social good.**

Companies that deal in tobacco, gambling, fossil fuels, weapons, or involve child labor, employee discrimination, or lack board diversity are the kinds that get attention in SRI/ESG screening. Mutual funds will screen out companies that don't measure up in those areas.

This has broad appeal for many investors, but for some time there have been concerns that one could sacrifice market performance for social benefit. Over time, the index that measures the performance of mutual funds that screen for SRI companies has shown that the gap has narrowed significantly between the general mutual and exchange-traded fund world and SRI-screened funds.

Most recently, during the first quarter of 2020, some saw better performance from their ESG exchange traded fund (ETF) than the S&P 500 delivered. A June 2020 article "ESG Funds Shine During Pandemic" in Wealthmanagement.com by Lawrence Carrel noted historically high inflows into mutual and exchange-traded funds while the overall fund universe posted higher outflows.

Favorable performance in the SRI and ESG space is not new. According to a US News and World Reports June 7, 2018 blog post entitled S*ocially Responsible Investing Delivers*:

Research and performance history imply that socially responsible investors receive superior absolute returns and risk-adjusted performance, while also addressing sustainability concerns. Dollars invested in sustainable and socially responsible strategies provide companies with better ESG metrics easier access to capital, which reduces the cost of equity and supports higher stock prices.

https://money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/articles/2018-06-07/socially-responsible-investing-delivers-for-investors

The author, Kate Stalter, regular contributor to *The Smarter Investor* noted "Since 1990, the socially conscious Morgan Stanley Capital International KLD 400 index (DSI) of U.S. stocks outperformed the S&P 500 in almost every time frame, and had better returns than the market cap-weighted index in both bull and bear markets."

The Covid-19 pandemic may have magnified the appeal of SRI and ESG investing. The Carrel article quoted a senior product specialist at Swiss-based Pictet Asset Management, Marc-Oliver Buffle: "A lot of people have noticed that not having as many airplanes in the sky and cars on the road leads to cleaner air…leading to a global realization…directly playing into the hand of those businesses that we invest in, ones providing solutions to those issues."

Perhaps as compelling for some investors, the article also quoted Martin Jarzebowski, director of responsible investing at Federated Hermes, as noting …"a new consistency of quality factors among ESG leaders, such as lower volatility and a higher profitability of their business models…taking structural ESG considerations into a normal investing framework is anew form of risk management.” He concluded, after noting the outperformance of ESG in the 4th quarter of 2018 “…ESG has more semblance of being the new quality factor.”

While the positive social and environmental perspective of SRI/ESG investing may be compelling, the quality dimension of these investments may be equally – if not more -compelling for some.

Consider whether a more socially responsible approach to investing makes sense for you. Would knowing that your investments were supporting companies working to improve the environment, or address social causes, or include women and minorities in executive leadership add value to your experience as an investor? As with all investment choices, you should consult with your financial advisors before making any changes to your portfolio or investment strategy.

Is Now the Time to Buy or Refinance?

June usually marks the height of the spring real estate market—it’s National Homeownership Month, after all. But this June hasn’t been typical. With job loss numbers in the tens of millions, the economic impact of the coronavirus pandemic has put home ownership at risk, with many struggling to make mortgage or rent payments.

There is one unexpected bright spot, though: Interest rates have dipped to historic lows. And, if you’re in a position to take advantage of opportunities to buy a home or refinance a mortgage at an irresistible rate, you may be wondering whether you should.

To Buy or Not to Buy?
It depends. There are pros and cons to buying now, and it really hinges on your specific situation. Here are a few things to consider:

Time, and numbers, are on your side. If you’re a first-time buyer or an investor looking to seize the day, you probably don’t need to rush. Although most of the job losses seem to be behind us and consumer confidence appears to have bottomed out, rates likely will remain low for some time. And, though home values are showing more resiliency than they did in 2008, prices may decrease a bit more, getting you a little more for your money.

Supply, and available credit, are not. Even if you’re willing to brave a fluctuating market, overall inventory is relatively low and there’s little to choose from. Not surprisingly, many sellers are reluctant to list properties during the pandemic and are holding out for more favorable economic conditions. If you’re having trouble finding what you want and are unwilling to wait, don’t rule out working with a developer. Many need cash flow right now, so it could be your chance to make a deal.

Keep in mind the mortgage market hasn’t been immune to the impact of the pandemic, with liquidity dipping along with rates. May saw a tightening of lending standards, according to a recent Mortgage Credit Availability Index report issued by the Mortgage Bankers Association. Cautious lenders are changing underwriting guidelines, so you may expect more stringent credit score and down payment requirements—and your credit will factor into whether you get the best available rate. First-time buyers, in particular, may need to look at various financing options, such as conventional loans with private mortgage insurance or FHA loans, if they have a lower credit score or want to put less down.

Is Refinancing the Right Move?
Historically low interest rates are causing a flurry of activity for existing homeowners, too, and with good reason. Refinancing offers possibilities like reducing your monthly payment, switching from an adjustable to a fixed rate, shortening the life of your loan, or even cashing out a portion of your equity to use toward paying for college, home improvements, or other outstanding debt. Although it may seem like a no-brainer, it’s not always the right move—and you could find yourself with less money in the bank instead of more.

Think long term. The traditional rule of thumb was to refinance if you could lower your current mortgage rate by at least 2 percent. Not anymore. If you can lower your rate by 1 percent or more, you may see significant savings. How much, though, may depend on how far along you are in paying your current loan. For example, if you’re 3 years in and want to shorten your loan from 30 to 15 years, you can save on interest, even if you end up with the same or slighter higher monthly payment, but over much less time. If you’re 10 years into a 30-year loan, however, and want to lower your monthly payment by refinancing for another 30-year term at a lower rate, you may end up paying more in interest over 40 years.

Shop around and do the math. Although refinancing can often save money over the life of your mortgage loan, it can come at a price. In addition to the interest rate, pay attention to things such as closing costs, up-front fees (e.g., appraisal, legal, loan origination, and title search fees), points, and whether the lender will service the full life of your loan. You may find some lenders offer “no points, no closing costs” options at slightly higher interest rates. Finally, consider the costs of the loan against how long you plan to stay in your home. Ideally, you want to break even on your refinancing costs within one year. Be sure to shop lenders and run the numbers with your CERTIFIED FINANCIAL PLANNER™ professional—making meaningful comparisons can help you snag the best possible deal and ensure that savings outweigh costs.

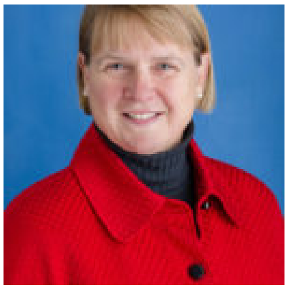
Final Thoughts . . .

Taking advantage of low rates is attractive, but your personal circumstances will dictate whether it’s a good time to buy or refinance, especially with lingering uncertainty around the economy. One caveat: If you’re an investor looking to become a landlord, plan to have an emergency fund of about three months’ salary on reserve (as well as enough funds to cover transactional costs). The economic fallout of the pandemic could affect the ability of residential and commercial tenants to make rental payments.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

The SECURE Act, Part II

By Sarah Ruef-Lindquist, JD, CTFA



Sarah Ruef-Lindquist, JD, CTFA

Earlier this month, we shared how with January 1, 2020 came a host of changes in how retirement planning will be done in light of the new law affecting retirement plans known as the SECURE Act (Setting Every Community Up for Retirement Enhancement Act of 2019) signed into law in late 2019.

There are a few more aspects to this law that impact how people save for and draw from their retirement plans.

Good News for charities: 70 ½ is still the age to be eligible to make Qualified Charitable Distributions, even though Required Minimum Distribution age is now 72.

One of the most significant changes is that the age when someone must begin taking funds out of a 401(k) or IRA has moved from 70 ½ to 72; For many years, people who turned 70 ½ have to begin withdrawing distributions (Required Minimum Distributions, or "RMD's"0 (and paying related income taxes) by April 1 of the following year or suffer a hefty penalty of 50% of the amount of the distribution; Now, the age is 72.

70 ½ is still the age at which one becomes eligible to make direct charitable gifts to charity (up to $100,000 total charitable gifts each year) and not have the gift amount included in taxable income. That's great news for charity and for non-itemizers who are able to take advantage of this tax-efficient means of charitable giving.

Saving for retirement is ageless: No age limit on contributing to IRA

Anyone with earned income for the year may now make contributions to an IRA. Previous to the SECURE Act, age 70 ½ was the cut off and anyone older than that could not make contributions. Now even those beyond 70 ½ can continue to contribute to their IRA as long as they have earned income equal to or greater than the amount they want to contribute, up to $7,000 for 2020.

We will be hearing more about this new provision of the law affecting retirement plans as we enter 2020 and the new decade. Be sure to check with your financial advisor about how any of this may affect your particular situation.

The SECURE Act

By Sarah Ruef-Lindquist, JD, CTFA

Sarah Ruef-Lindquist, JD, CTFA

Happy New Year! With January 1, 2020 comes a host of changes in how retirement planning will be done in light of the new law affecting retirement plans known as the SECURE Act (Setting Every Community Up for Retirement Enhancement Act of 2019) signed into law in late 2019.

There are many aspects to this law that impact how people save for and draw from their retirement plans. Here are just a few.

70 ½ become 72

One of the most significant changes is that the age when someone must begin taking funds out of a 401(k) or IRA has moved from 70 ½ to 72; For many years, people who turned 70 ½ have to begin withdrawing distributions (Required Minimum Distributions, or “RMDs (and paying related income taxes) by April 1 of the following year or suffer a hefty penalty of 50% of the amount of the distribution; Now, the age is 72.

But be careful: The law doesn’t take effect until January 1, 2020, so those who turned 70.5 years in 2019 still need to withdraw their required minimum distributions as required under the old law. People who are expected to turn 70.5 years old in 2020 will not be required to withdraw RMDs until they are 72.

The end of the non-spousal inherited “Stretch” IRA

Until the SECURE Act, those who inherited IRA accounts from people to whom they were not married were able to "stretch" the payments out of the IRA over their own life expectancy. This allowed the funds to grow tax free longer, and delay the payment of income tax resulting from those distributions.

While spouses who inherit their deceased spouse's IRA can stretch the distributions over their own life expectancy, the SECURE Act requires most other beneficiaries withdraw all assets of an inherited account within 10 years. There are no annual or other periodic required minimum distributions within those 10 years, but the entire balance must be distributed within 10 years of the death.

Oh, baby!

A new provision of the SECURE Act will allow penalty-free withdrawals of up to $5,000 from 401(k) accounts to defray the costs of having or adopting a child. This provision will assist mostly younger retirement savers who have a longer runway until they actually will be tapping into their 401(k)'s for retirement income.

We will be hearing more about this new provision of the law affecting retirement plans as we enter 2020 and the new decade. Be sure to check with your financial advisor about how any of this may affect your particular situation.

Which Charitable Giving

Strategy is the Best Fit for You?

For many, the holidays are a time for giving back—whether by donating to a favorite charity or helping out a family member. Before you make a donation or gift, however, it’s important to choose the right strategy, paying close attention to potential tax and legal implications.

Charitable Giving

If there’s a charitable organization you’d like to donate to, be sure to take the time to consider the charitable giving vehicle you’ll use to make your gift. Let’s look briefly at some of the options.

Outright gifts. Outright gifts of cash or property provide charities with immediate resources. Be sure to keep your receipts or bank records to validate any income tax deductions you wish to claim. Keep in mind that you may need a professional appraisal to qualify for a tax deduction on certain noncash contributions.

Donor-advised funds. A donor-advised fund is a charitable giving vehicle managed by a public charity for the purpose of distributing funds to other charities. When you contribute to a donor-advised fund, you can advise the charity on the grants it makes, as well as take advantage of possible tax deductions. Be aware, however, that there may be a minimum donation amount, and administrative fees may cut into the funds available for grants.

Charitable remainder trusts. With this type of trust, the donor receives income from the trust for his or her lifetime, the lifetime of another person, or a period of up to 20 years. At the end of the specified term, the remaining trust assets are distributed to a charitable beneficiary. The greatest benefit of a charitable remainder trust is that you can take advantage of immediate tax benefits while continuing to utilize the assets, as you may deduct the present value of the charitable remainder interest. On the downside, charitable trusts tend to be complex to set up and usually require legal and administrative support.

Charitable gift annuities. A charitable gift annuity is a split-interest gift made directly to a charity that provides you, your spouse, or a family member with fixed income payments for life. The charity typically ends up with about half of your donation, while you get an immediate tax deduction and some guaranteed income. Keep in mind that an annuity is a contract between you and the charity, and your return isn’t guaranteed by the government.

Private foundations. A private foundation is a charity established by an individual, family, or corporation. Although it offers donors a great deal of control over their gifts, a private foundation can be costly to administer, and it must adhere to a strict set of rules designed to ensure that it carries out its charitable purpose.

Bequests. If you wish to give to charity posthumously, you may make bequests by way of your will, trust provisions, or beneficiary designations. Although bequests offer simplicity and are easy to set up, they are not income tax deductible during your life.

Gifting to Family Members

Giving back doesn’t always mean giving to charity. Gifting to family members can be just as rewarding, and it can be an effective way to transfer wealth while reducing or avoiding taxes. Here are several common strategies for gifting to family members:

- **Making an outright cash gift.** For tax year 2019, you may gift up to $15,000 to any individual without tax consequences. (This amount increases to $30,000 for married couples). This limit will remain the same for tax year 2020. If you're sharing gifts with your spouse, or you'd like to gift more than this amount to one person, you'll need to file a gift tax return using IRS Form 709.
- **Paying college tuition or medical bills directly.** If you'd like to pay a family member's expenses directly to a school or health care provider, the $15,000 limit does not apply. Plus, you're still free to give the individual a separate tax-free gift of up to $15,000.
- **Contributing to a 529 plan.** With this strategy, you can contribute to a relative's qualified education expenses while paring down your own estate. Contributions to 529 plans grow tax deferred, and withdrawals for the beneficiary's education are tax free at the federal level (and usually at the state level, too). Additionally, 529 plans are eligible for a special exemption that allows you to gift up to five years' worth of annual exclusion contributions (i.e., up to five times $15,000, or $75,000, per person per year) without using any estate and gift tax exemption. You will need to file IRS Form 709 to document the transaction.

With all the options available, choosing the best way to give to charity or family members can seem overwhelming. Don't hesitate to reach out to your financial advisor to discuss various strategies and select an option that makes sense for you, your family, and your financial situation.

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A Year-End Financial Planning Checklist

As 2019 draws to a close, it's time to begin organizing your finances for the new year. To help you get started, we've put together a list of key planning topics to consider.

Savings and Investments
Revisit your retirement contributions. Review how much you're contributing to your workplace retirement account. If you're not taking full advantage of your employer's match, it's a great time to consider increasing your contribution. If you've already maxed out your match or your employer doesn't offer one, boosting your contribution could still offer tax advantages. Now is also a good time to ensure that your portfolio allocation remains in line with your objectives.

Take stock of your goals. Did you set savings goals for 2019? Realistically evaluate how you did, and think about your goals for next year. If you determine that you are off track, we'd be happy to help you develop and monitor a financial plan.

Health and Wellness
Spend your flexible spending account (FSA) dollars. If you have an FSA, those funds may be forfeited if you don't use them by

year-end. (Some FSAs offer a 2.5-month grace period or the ability to carry over up to $500 into the next year; check with your employer to see if those options are available.) It's also a good time to calculate your FSA allotment for next year, based on your current account excess or deficit.

If you're not using an FSA, evaluate your qualifying health care costs to see if establishing one for 2020 would make sense.

Taxes, Taxes, Taxes
Manage your marginal tax rate. If you're on the threshold of a tax bracket, deferring income or accelerating deductions may help you reduce your tax exposure. It might make sense to defer some of your income to 2020 if doing so will put you in a lower tax bracket. Accelerating deductions, such as medical expenses or charitable contributions, into the current tax year (rather than paying for deductible items in 2020) may have the same effect. In addition, reviewing your capital gains and losses may reveal tax planning opportunities—for instance, harvesting losses to offset capital gains.

Here are a few key 2020 tax thresholds to keep in mind:

• The 37 percent marginal tax rate affects those with taxable incomes in excess of $518,400 (individual), $622,050 (married filing jointly), $518,400 (head of household), and $311,025 (married filing separately).
• The 20 percent capital gains tax rate applies to those with a taxable income in excess of $441,450 (individual), $496,600 (married filing jointly), $469,050 (head of household), and $248,300 (married filing separately).
• The 3.8 percent surtax on investment income applies to the lesser of net investment income or the excess of modified adjusted gross income over $200,000 (individual), $250,000 (married filing jointly), $200,000 (head of household), and

$125,000 (married filing separately).

Consider the benefits of charitable giving. Donating to charity is another good strategy for reducing taxable income. If you'd like to help a worthy cause while trimming your taxes, it's worth exploring your charitable goals and various gifting alternatives.

Make a strategy for stock options. If you hold stock options, now is a good time to make a strategy for managing current and future income. Consider the timing of a nonqualified stock option exercise. In light of your estimated tax picture, would it make sense to avoid accelerating income into the current tax year or to defer income to future years? And don't forget about the alternative minimum tax (AMT). If you're considering exercising incentive stock options before year-end, have your tax advisor prepare an AMT projection to see if there's any tax benefit to waiting until January of the following year.

Plan for estimated taxes and required minimum distributions (RMDs). When considering your taxes for 2019, be sure to take any potentially large bonuses or a prosperous business year into account. You may have to file estimated taxes or increase the upcoming January payment. If you're turning 70½, you'll need a strategy for taking RMDs from your traditional IRA and 401(k) plans.

Adjust your withholding. If you think you may be subject to an estimated tax penalty, consider asking your employer (via Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest advantage of this is that withholding is considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck. You can also use this strategy to make up for low or missing quarterly estimated tax payments.

Proactive Planning

Review your estate documents. To help ensure that your estate plan stays in tune with your goals and needs, you should review and update it on an ongoing basis to account for any life changes or other circumstances. If you haven't done so during 2019, take time to:

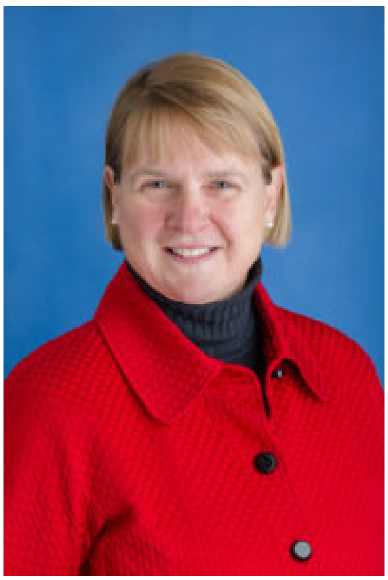
- Check trust funding
- Update beneficiary designations
- Take a fresh look at trustee and agent appointments
- Review provisions of powers of attorney and health care directives
- Ensure that you fully understand all of your documents

Check your credit report. It's important to monitor your credit report regularly for suspicious activity that could indicate identity theft. Federal law requires that each of the nationwide credit reporting companies (Equifax, Experian, and TransUnion) provide you with a free copy of your report every 12 months, at your request.

Get professional advice. Of course, this list is far from exhaustive, and you may have unique planning concerns not covered here. As you prepare for the coming year, please feel free to reach out to us to discuss the financial issues and deadlines that are most relevant to you.

Whatever your planning may entail, we wish you a happy, healthy, and prosperous 2020!

Divorce: Managing Details in the Midst of Devastation Can Make a Big Difference Long Term



Sarah Ruef-Lindquist

By Sarah Ruef-Lindquist, JD, CTFA

Divorce rates exceed 50% for first marriages in many parts of the U.S., and 67% for second marriages. Yes, it happens often, but it is rarely easy, no matter how amicable.

The emotional turmoil of the process can be overwhelming. Many people liken it to the grief of losing a parent or child. At least in theory, it is the death of a marriage. It is also a time of financial turmoil. Debts and assets can become weaponized to gain advantage. Decisions that are incorporated into a court decree can have lasting – if not permanent –

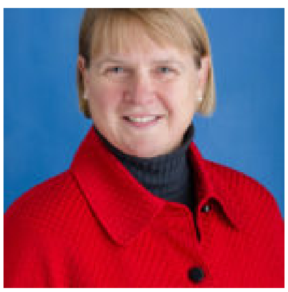
effects. Having legal representation to advance a client's interests is important, as is having a financial advisor who can help them be informed about decisions involving debt allocation, property division, including assets like retirement plans and social security options. These choices can have lasting, long-term value for a person going through divorce.

For instance, a party divorcing may want to not only change their will, but change their beneficiary designations on things like bank accounts, life insurance contracts or other accounts. In Maine, a new Probate Code effective Sep. 1, 2019 has changed the way beneficiary designations naming a spouse are treated if a divorce occurs after the designation was created, but before the death of now former spouse who did not change that designation. Maine law now treats those designations as revoked by virtue of the divorce. In the past, designations of spouses who became ex-spouses were still honored. It is still prudent to make these changes to reflect the intent of the account holder. A financial advisor can facilitate the necessary paperwork.

Divorced spouses also have choices about future Social Security elections. If a marriage lasted 10 years, and the parties have been divorced for two, the unmarried former spouse can claim a benefit that is 50% of their former spouse's benefit if it is higher than their own benefit. This does not impact the former spouse's benefit (even if they have remarried), and they won't even necessarily know that it has been elected by the former spouse claiming it. A financial advisor can assist with navigating decisions like this.

These are just a few of the ways financial advisors can help with the financial decisions that need to be made in the course of a divorce and following. Consider adding a financial advisor to your team if you are facing divorce to help navigating the many decisions to be made for your immediate needs and the future. A financial advisor can work with your attorney to help you make the best decisions for your particular situation.

Fact vs. Fiction: 529 Savings Plans and Coverdell Education Savings Accounts



Sarah Ruef-Lindquist, JD, CTFA

Fiction: The money I put into a college savings account will hurt my child's chances of receiving financial aid.

Fact: Funds that a parent puts into a 529 savings plan or Coverdell Education Savings Account that are owned by the parent have a low impact on a student's financial aid package. When these types of accounts are owned by the parent, only a portion of the balance—up to 5.64 percent—is factored into the student's Expected Family Contribution on the Free Application for Federal Student Aid (FAFSA). This is a much lower rate than the 20% that is assessed on student-owned assets.

You should be aware, however, that distributions from a grandparent-owned 529 plan will be considered untaxed income to the student, with 50 percent of the distribution included in the FAFSA. So, if grandparents do own a 529 plan for the benefit of the child, they may want to consider reserving those funds for the last two years of college, as the FAFSA uses the prior-prior year’s tax return to complete the income questions.