Your New Year's Resolution? Max Out 2019 IRA and Other Retirement Plan Contribution Limits

By Sarah Ruef-Lindquist, JD, CTFA

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The elimination of most pension plans, also known as "defined benefit" plans over the past 40 years has meant most working people must exercise some discipline to save for their own retirement and/or participate in plans like the 401(k), often an employer-sponsored plan, also known as defined contribution plans.

According to the US Department of Labor, between 1975 and 2014, the number of defined benefit (more commonly called pension) plans in the private sector fell by 57% while the number of defined contribution plans increased by 208%. Limitations on what people can contribute annually to those plans has been static for five years. The amount of money people could contribute to their retirement plans with pre-tax dollars as of 2018 has not increased since 2013. However, the IRS has recently announced new limits on retirement plan contributions beginning in 2019.

If you haven't in past years, make 2019 the year you max out your contributions limits, saving more than before, and plan for

your retirement future.
We will review the changes by types of plans:

- IRAs: For those under age 50, $6,000 may be contributed to an IRA, and for those 50 and older a $1,000 catch-up amount is also allowed for a total of $7,000.
- ROTH IRA contributions are phased out at higher levels, too. For single and head of household taxpayers, the amount is phased out between $122,000 – $137,000 of Adjusted Gross Income
- (AGI). For married filing jointly the phase-out range is $193,000 to $203,000.
- SIMPLE Plan contribution limits will be $13,000 with an additional $3,000 catch-up for those 50 and older.
- 401(k), 403(b) and most 457 Plans will have contribution limits of $19,000, with an additional $6,000 catch-up for those 50 and older.

2019 Retirement Plan	**Types Amount of 2019 Limit**	**Age 50+ catch-up**
IRA	$ 6,000	$1,000
SIMPLE IRA	$ 13,000	$3,000
401(k), 403(b) and 457 Plans	$ 19,000	$6,000
Defined Benefit Plan 415(b)(1)(A)	$225,000	
Defined Contrib. 415(c)(1)(A)	$ 56,000	

ROTH PHASE-OUT Single ROTH PHASE-OUT Married Filing Jointly	$120,000 – $137,000 $193,000 – $203,000	

The Double Whammy: Rising Interest Rates, and Less Robust Stock Market Performance

By Sarah Ruef-Lindquist, JD, CTFA

Sarah Ruef-Lindquist, JD, CTFA

Over the past weeks, my colleagues and I have been having many conversations with our clients who are investors. Yes, the stock market performance has been recently negative – 2018 could be flat compared to 2017, which was a post-recession ‘banner year’. Many are wondering whether they will lose more value in their portfolios, be flat, or just see a slower rate of growth in the coming months and years as compared to the impressive run-up that began almost 10 years ago and lasted through early 2018. Many got accustomed to double-digit returns, even if income was not what it had been before the 2008/2009 Great Recession.

Even more surprised, however, have been the investors whose portfolios are more modestly allocated in the stock market, and have generally between 60 and 80 percent in the ‘fixed income’ area of mostly bonds and bond funds. What those investors expected is that the majority of their portfolios would be insulated from a market downturn. What they did not expect is that as interest rates rise, the value of their existing bonds and bond funds would go down, at least on paper. When bond rates rise, the value of existing bonds with lower yields goes down.

Of course, holding a bond until maturity, while you collect the income it pays through yield, generally means you will recover your investment, plus the interest paid over time. However, it requires patience to wait for those maturities to occur, and in the meantime, your statement shows a lower value of those bonds, until you are able to redeploy their proceeds into higher yielding, and higher valued, bonds.

What these investors feel is the reduction – at least on paper – of the value of their fixed income assets, as well as the loss in value (or lack of growth) of their smaller allocation of stocks. The combination comes as a bit of a surprise to those who otherwise consider themselves (at least relative to those with higher stock allocations) conservative investors.

What’s an investor to do? The best advice might be “as little as possible, for as long as possible.” In other words, if you don’t need those funds in the short term, wait for those bonds to mature and allow your portfolio to redeploy their proceeds into higher yields and values. Don’t overlook that the bonds are producing some yield in the meantime, while you’re waiting for them to mature. Eventually, the fixed-income portion of the portfolio should recover its value and while it does, pay yields for income while you wait.

As always, consult your financial and tax advisors before making any decisions concerning your investments or financial plans to be sure they fit within your overall, long-term financial and estate planning goals.

What Will 2018 Charitable Giving Look Like?

By Sarah Ruef-Lindquist, JD, CTFA

Sarah Ruef-Lindquist, JD, CTFA

In June 2018, the Chronicle of Philanthropy, in an article by Megan O'Neil, predicted a $16.3 billion drop in charitable giving due to the tax laws enacted in late 2017. That prediction was echoed throughout the news media, sending chills down the spines of executive and development directors in the non-profit sector.

Nine out of 10 wealthy households gave to charity in 2017, according to the 2018 Study of US High Net Worth Philanthropy conducted in partnership with the Indiana University Lilly Family School of Philanthropy by US Trust/Bank of America Private Wealth Management, released October 24, 2018. (link for reference, new window) The average amount given to charity by these households was slightly more than $29,000, an increase of 15% over 2015.

The biennial report is in its seventh edition since the series began in 2006.

There has been much concern expressed about the impact on philanthropy of the 2017 tax law changes, specifically a predicted negative impact on charitable donations because of the increase in the standard deduction to $12,000 per person and reduced reliance on itemized deductions.

However, as we've opined previously about the degree to which tax benefits drive charitable give, the fear among this demographic cohort is likely unfounded. The vast majority of wealthy households expect to maintain (84 percent) or increase (4 percent) the amount they give to charity in 2018 under the new federal tax law passed late in 2017.

Receiving tax benefits is generally not a prime motivation for giving. Just 17% of those surveyed said this was always a motivation, and 51% indicated it sometimes did…which means for 49% it doesn't and for the 51 % who indicated it did sometimes, that would imply that for 51% it doesn't always.

The important take-away here is that for high net worth individuals, those often making the largest charitable gifts, charitable intent motivates their giving more than any tax benefit, which is good news in an era of decreasing tax benefit.

What we've discussed above is charitable support to operating or annual budgets of organizations that would often appear on an itemized income tax return of the donor. These gifts are often given from income, as contrasted with gifts from wealth, which are often deemed "planned gifts" through estates.

Indeed, even the elimination of estate taxes would cause only 5% of HNW individuals to reduce their planned giving according to the US Trust Study of the Philanthropic Conversation, examining the perspective that advisors have compared to their HNW clients on charitable giving. (link for reference, PDF, new window)

This study, released earlier in 2018 done in conjunction with The Philanthropic Initiative, also found that just 42% of high net worth individuals would reduce their charitable giving if income tax benefit was removed.

The sampling for the study was of approximately 1,600 households with net income of over $200,000 and/or assets of $1M or more, not including principal residence.

So perhaps this is some “good news” that organizations from which to gain hope for our society, as philanthropy continues to address some of the critical issues of our time through the work of the non-profit sector.

As always, consult your financial and tax advisors before making any significant gifts or changes to your financial plans to be sure they fit within your overall, long-term financial and estate planning goals.

Sharing Knowledge with Members of the Maine Planned Giving Council

Allen Insurance and Financial hosted a lunch & learn for the Maine Planned Giving Council on Tuesday, Oct. 23. The topic was “Exploring Key Elementary of Successful Planned Giving Programs,” and the presenters were Sarah Ruef-Lindquist, JD, CTFA, of Allen Financial and David Warren of Maine Coast Heritage Trust.


Pictured, from left: David Warren, Emily Peckham, Points North Institute; Michael Rayder, Avesta Housing; Katie Spencer White of Boothbay Region Community Resource Council and Sarah Ruef-Lindquist, Allen Financial.

Sarah Ruef-Lindquist Addresses Maine Planned Giving Council

Sarah Ruef-Lindquist, JD, CTFA

Sarah Ruef-Lindquist, JD, CTFA, a financial planner at Allen Insurance and Financial in Camden, recently spoke on Women and Philanthropy at Maine Planned Giving Council’s conference held in South Portland attended by approximately 150 professionals involved in the gift planning industry.

Attendees included development professionals and executives from non-profit organizations, and professionals who advise donors in estate or financial planning, including attorneys and accountants, from across the state.

Ruef-Lindquist has had a role in planned giving as an attorney, former trust officer and philanthropic advisor and consultant to non-profits across New England. She previously served as vice president for Southern Maine of the Maine Community Foundation and CEO of the Maine Women's Fund.

Ruef-Lindquist highlighted some of the data that indicates the motivations for women's philanthropy, as well as some of the ways in which women tend to demonstrate a higher level of generosity than their male counterparts.

Planned gifts often support building the long-term funds of organizations, including their endowment, and serve as a means of providing financial sustainability for the long term. Because of the projected intergenerational transfer of a vast amount of wealth occurring now in the U.S., the topic is of great interest to organizations and the advisors working with their donors.

When it Comes to Philanthropy, Women Give More

By Sarah Ruef-Lindquist, JD, CTFA

Sarah Ruef-Lindquist, JD, CTFA

Our last installment in June about Giving USA 2017 was a positive reflection on the continued and growing generosity of American philanthropy as reflected in the report of giving shown in 2017 federal tax return data. Is there any difference between American males and females in their giving? Several studies and reports provide the answer: Women give more.

Sources* indicate that 64% of donations are from women, while 36% are from men, and that women-led households give more at all income levels. In fact, for each additional $10,000 of income, women on average give 5% more than lower earners while men give 3% more.

Why might this greater level of generosity be? Women tend to suffer from economic insecurity at higher rates than men, so it would seem they have less to give. However, studies cite women as socialized to be caregivers, having more compassion because they experience motions more strongly, use philanthropy as a means of expressing their morals and beliefs and may use philanthropy as a means of egalitarianism.

Add to that a desire to develop and pass values on to the next generation, a tendency to support organizations where they have volunteered, and a desire to effect change and have meaningful impact and you have a recipe for philanthropic support for women engaged as volunteers, teaching their children about giving back or wanting to have a positive impact on society, even if they have less to give. But do they? Do women have resources to make a meaningful impact? It would seem that they do.

As it happens, 90% of high net-worth women are the sole or co-decision makers on charitable decisions. By 2030, women will control two-thirds of the wealth in the United States. Women 65 and older already control more than half of that wealth; they have earned their wealth, or inherited it from family and/or husbands whom they have outlived. In fact, 45% of millionaires in the U.S. are women, and almost half of all estates of more than $5 million are controlled by women.

One particularly notable Maine woman has had an enormous philanthropic impact on Maine: Elizabeth "Betty" Noyce. Divorced from a founder of Intel, when her estate was administered following her death in the late 90s it put Maine at the top of the 50 states with largest amount of charitable gifts through an estate for that year. Most years before and since, Maine is closer to – if not at – the bottom of the states in charitable gifts through estates.

However, in the 20 years since her death, and even during her later years through her investments in community and establishment of the Libra Foundation, she has likely had a greater impact than any other individual philanthropist in improving the lives of Mainers during that time.

One study recognized that women are moved by how their gift can make a difference, and want to know organizations are efficient in their use of donations. Organizations are well-advised to communicate impact, as well as prudent management, in their appeals to women donors.

Maine and the United States as a whole have much to be proud of in terms of their charitable support, but women lead the way now, and likely into the future.

*Articles cited:

Women Give More

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Record-Breaking U.S. Charitable Giving in 2017 Tops $400 Billion

By Sarah Ruef-Lindquist

Sarah Ruef-Lindquist, JD, CTFA

According to Giving USA 2018, for the first time in history annual US charitable giving exceeded $400 billion, with $410.02 billion in charitable gifts in 2017. The report is available at www.givingusa.org.
Their report, published annually by Giving USA Foundation, The Giving Institute and the Indiana University Lilly Family School of Philanthropy, released June 12, 2018, heralded the unprecedented amount of charitable giving that represents an increase of almost $20 billion over 2016, which saw total giving of $390.05 billion.

Some of the factors cited in the report for the robust nature of philanthropy reflected in the 2017 data include:

- Solid commitment to philanthropy;
- People having more resources available, choosing to use them to make a difference; and
- 2017 increases in the stock market, including 20% growth in the S&P 500.

Included in the report was mention of two gifts of at least $1 billion in 2017, quoting the dean of the Lilly Family School of Philanthropy, Amir Pasic, Ph.D., as saying “This tells us that some of our most fortunate citizens are using their wealth to make some significant contributions to the common good.”

Included in those figures were gifts by bequest of $35.7 billion, an increase of 2.3% over 2016.

As usual, gifts from living individuals made up the largest donor sector, representing 70% of the total. Foundations gave 16%, bequests 9% and corporations 5%. Giving to religion was the largest recipient area, at 31%, education next at 14%, followed by human services at 12%.

There is some speculation that with tax reform at year-end providing less of an incentive for itemization of deductions on tax returns starting in 2018, some may have accelerated giving into 2017, to take advantage of income tax treatment available. Likely we will have no way of seeing whether there has been any negative impact in 2018 of 2017 tax reform until a year from now when the 2018 figures are released.

Planning Giving Seminar for Area Non-Profits

Abraham Dugal

Allen Financial of Camden advisors and wealth managers Sarah Ruef-Lindquist, JD, CTFA, and Abraham Dugal were the featured speakers at an event attended by a number of Maine non-profit organizations, held at and hosted by the Island Institute in Rockland.

Dugal and Ruef-Lindquist presented the program “The Ultimate Equation: Donor Passion + Thoughtful Planning = Planned Gifts Is your organization prepared?” Learn how to build strong policy foundations to support planned gifts and endowments.

Among those organizations participating were the Schoodic Institute, Farnsworth Art Museum, Midcoast Recreation Center, Mildred Stevens Williams Memorial Library, Harbor House, Island Institute and Georges River Land Trust.

Sarah Ruef-Lindquist, JD, CTFA

Dugal and Ruef-Lindquist spoke about the policy foundations and recognition practices they view as necessary to have fiscally-sound and successful planned giving programs and endowment funds.

Dugal’s background at Fidelity Charitable Gift Fund and

Cambridge Associates in Boston position him as a seasoned advisor in the area of endowment management. He reviewed the detailed aspects of sound fiscal policies that boards include in order to fulfill their fiduciary duties related to both investment and spending.
Given the unprecedented intergenerational transfer of wealth taking place in the United States, and the projections for gifts to non-profit organizations during the next 30 to 40 years in the trillions of dollars, organizations would be well-served to pay greater attention to this area of resource development to build their long-term financial sustainability, Ruef-Lindquist said.

Sarah Ruef-Lindquist Featured Speaker at May meeting of the MDI Nonprofit Alliance

Sarah Ruef-Lindquist, JD, CTFA

Sarah Ruef-Lindquist, JD, CTFA of Allen Financial was the featured speaker at the May meeting of the MDI Nonprofit Alliance (MDINA) held recently at the Acadia National Park Headquarters offices.
MDINA is a collaborative group of nonprofits in the Mount Desert Island area who share event planning, development and other

resources, including educational programming, to support their respective missions. Some of the participant groups who were represented at the meeting include the Criterion Theatre, Camp Beechcliff, Jackson Laboratories, Jesup Library, Schoodic Institute, MDI Nursing Association, Island Connections, YWCA, Bar Harbor Food Pantry, Southwest Harbor Library, Friends of Acadia, Wendell Gilley Musuem, Healthy Acadia and Island Housing Trust and host, Acadia National Park.

Ruef-Lindquist spoke about the policy foundations and recognition practices she views as necessary to have fiscally-sound and successful planned giving programs. Her background as an attorney, financial and philanthropic advisor, trust officer and board member contribute to her unique perspective as an advisor and fiduciary and how they approach potential gifts through clients' estate and financial planning. She was invited to present as a long-time member of the board of the Maine Planned Giving Council, an association of non-profit board and staff as well as professional advisors involved in the industry of gift planning.

Given the unprecedented intergenerational transfer of wealth taking place in the United States, and the projections for gifts to non-profit organizations during the next 30 to 40 years in the trillions of dollars, organizations would be well-served to pay greater attention to this area of resource development to build their long-term financial sustainability, Ruef-Lindquist said. She is no stranger to Hancock County, having worked as a Senior Administrative Trust officer for Union Trust until a merger in 2008 with Camden National, and as a past board member and development chair for the Abbe Museum.

2017 Tax Reform and the Impact on Alimony Decreed After 2018: Divorce is Hard Enough…Don’t be Blind-Sided by This One!

Sarah Ruef-
Lindquist,
JD, CTFA

By Sarah Ruef-Lindquist

For as many years as I can recall, when a party to a divorce was ordered to pay alimony, their “consolation prize” was that the amount was deductible for federal income tax purposes. This was usually tax efficient for the parties overall, since the payor of the alimony was usually in a higher tax bracket than the recipient, so the net that the recipient received was higher than it would be if the payor had to pay the tax. The recipient of the alimony had to treat it as taxable income on their federal return. It was actually considered earned income.

With the December 2017 Tax Reform signed into law, all of that will change.

For divorces after 2018, the payor of alimony will no longer be able to deduct the amount from their income. Additionally, the payee, or recipient of the alimony, will no longer be taxed on it as income. What is ironic about this is that for years, the tax benefit was given to the higher earner, the one who was paying the alimony. That made sense. Essentially, one could view this change as a tax increase, because the tax liability of the payor in most divorce situations is likely greater than that of the payee, or recipient. This could be viewed as a tax increase overall for those who divorce after 2018.

For those whose 2018 and earlier divorce decrees are modified after the end of 2018, the modification must choose which tax treatment they want, or it will default to the old. Parties negotiating their alimony going forward should be mindful of this new treatment. In proceedings for which there is no decree before the end of 2018, payee spouses can reasonably anticipate that payor spouses will try to have their alimony obligation reduced to reflect the loss of the deduction, but at the same time, the payee spouse does not need to take into account a federal tax obligation for the alimony as income. It is unclear how Maine plans to treat alimony for payees.

What is clear is that recipients of alimony can no longer treat it as earned income for the purposes of establishing eligibility for making contributions to an IRA. In other words, if you receive alimony under a decree dated after 2018, you can't claim it as earned income to allow you to make IRA contributions to help you save for retirement. One may make contributions to an IRA (up to $5,500 per year, or $6,500 if you are 50 or older) but only to the extent of earned income.

As with any financial decisions, be sure to check with your financial or legal advisor about the impact on your tax liability of any decree relating to your domestic relations situation.