

# Are Subscriptions Draining Your Bank Account?

You open your bank statement and notice a string of small charges you barely remember signing up for—a streaming service you signed up for during the pandemic, the meditation app you downloaded during a stressful week, and a digital magazine subscription you haven't read in months. When you added these on, each charge seemed minor. But over time, these subscriptions can add up, draining hundreds or even thousands of dollars from your account. That \$50 a month? That's \$600 yearly—enough for a weekend getaway or a solid contribution to your emergency fund. But the good news? Reclaiming control over your subscriptions is simpler than you might think.

## The Subscription Landscape

Today, our lives are filled with subscriptions. Besides the usual streaming services, companies now offer recurring payments for meal kits, pet supplies, beauty products, fitness programs, and even car features. While they all promise convenience, these ongoing charges can quickly add up and overwhelm your budget. Often, people don't realize the true cost of all these services combined.

## Find Hidden Costs

A great first step is to review your bank and credit card statements from the past three months. Look for any recurring charges, especially those tied to digital services and app stores, which can often hide under unfamiliar company names. Free trials that quietly transitioned into paid plans or annual subscriptions renewed without your notice are common.

To simplify this process, try using a dedicated credit card just for subscriptions. This keeps all charges in one place, making it easier to track your spending. You might also check whether your bank offers subscription-tracking tools, which are increasingly available through mobile apps.

## **The Auto-Renewal Trap**

Auto-renewal settings often work against your financial interests. Many companies rely on customers forgetting about renewal dates or finding cancellation processes too complicated. Disable auto-renewals when possible, and set calendar reminders five to seven days before renewal dates. This gives you a chance to review whether the service is still valuable and check for any price increases or free alternatives.

Subscription rules are becoming more consumer-friendly, too. The Federal Trade Commission (FTC) recently finalized a “click to cancel” rule to make cancellations as easy as sign-ups. Under this rule, companies, including gyms, streaming platforms, and cable providers, will need to offer cancellation options as simple as the sign-up process. This rule, expected to take effect sometime in early 2025, will help prevent consumers from feeling “tricked or trapped into subscriptions.” While some companies argue it’s an undue burden on their processes, the rule’s goal is clear: to empower you to regain control of your subscriptions and stop paying for services you don’t need.

## **Watch for Hidden Requirements**

Before purchasing a subscription, look into any required add-ons. That new fitness device may need a monthly app subscription to unlock basic features, or a tool you downloaded may be free only for the first month. To avoid unexpected fees, read the fine print, and consider these ongoing costs in your decision-making.

## **Find Free Alternatives**

Many paid subscriptions have great free alternatives. Your local library often provides free access to digital books, magazines, movies, and even some streaming services. Try these ideas for cutting subscription costs:

- Use shared family plans for streaming services rather than separate accounts
- Check out YouTube for free workouts instead of relying on paid fitness apps
- Look into your library's digital catalog before paying for entertainment subscriptions

## **Take Action ASAP**

Take 15 minutes tonight to start a subscription audit. Create a simple list or spreadsheet of each service, noting its monthly cost, renewal date, and how often you use it. Cancel any unnecessary subscriptions right away and remove your payment info to prevent future charges.

Next, calculate your total annual spending on subscriptions. This number is often surprising! Consider if that amount might be better directed to other financial goals, like building an emergency fund or saving for retirement. For services you keep, check for annual payment discounts, which can be more economical than monthly payments.

## **Build Better Habits**

Here's a helpful habit: wait 24 hours before signing up for any new subscription. This cooling-off period can help prevent impulse decisions. When you do subscribe to something new, set up a renewal reminder in your calendar so you'll remember to review it.

Convenience is great—but not when it drains your finances. By managing your subscriptions proactively, you can enjoy services that add real value to your life while keeping more money in your wallet. The key is to stay aware of where your money goes and ensure that every recurring charge serves your financial goals.

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## Death, Taxes and Change...What's in Store for 2025



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By [Sarah Ruef-Lindquist](#) for Pen Bay Pilot

I've said it before, and I'll say it again: The only things that are sure in this life are death and taxes...we need to be mindful of change, at least as it pertains to taxes.

## Retirement Savings

A variety of plans can be used to save money on a tax-deferred basis. Those include 401(k)s, IRAs SEP and SIMPLE plans. The great thing about tax deferral is it allows accounts to not pay taxes on their dividends, income and capital gains for years and years, until funds are withdrawn, presumably in retirement. This tax deferral can allow for significantly higher levels of appreciation due to growth in market value without the negative impact of taxes on that growth.

It's important to maximize saving for retirement and take advantage of the provision of the tax law that allow taxpayers to save funds in tax-deferred accounts...for 2025, the contribution limit for most plans (401(k), 403(b) and 457 plans) increases from \$23,000 to \$23,500 with another \$7,500 for those age 50 – 59 or those older than 63. For those age 60, 61 or 62, the amount is now \$11,250. That means that certain taxpayers can add as much as \$34,750 to their plans in 2025, the highest amount ever allowed.

Similarly, in 2025 SIMPLE plans will have new elective deferral limits: \$16,500 up from \$16,000 and a catch-up amount of \$3,500 for those 50 – 59, and \$5,250 if there are 26 or more employees. For those with 25 or fewer employees, the catch-up amount is \$3,850 for those age 50-59 or older than 63, and \$5,250 for those 60, 61 or 62.

IRAs will continue to have a 2025 contribution limit of \$7,000 with an unchanged catch-up amount of \$1,000 for those age 50 and older.

There are other changes for SEPs in store for 2025. For those who participate in them, taxpayers should consult their accountants and financial advisors for more details.

Why maximize savings in these types of plans and accounts? Earnings in these plans are tax free until withdrawn, which for many is not required until age 73 or if born in 1960 or later, age 75.

Please remember that financial and tax situations differ widely from person to person, and there is no one-size-fits-all for most of these situations. Consult with your financial and tax advisors for how any of these or other provisions that are changing in 2024 may affect you.

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## **5 Financial Habits for Long-Term Success**

In the world of personal finance, it's not just about how much you earn; it's about how you manage what you have. Whether you're fresh out of college, eyeing retirement, or somewhere in between, developing strong financial habits is critical for long-term success. This article will explore five key moves that can help you build wealth, reduce financial stress, and achieve your long-term goals. Although they aren't quick fixes, you'll be amazed at how they can positively affect your financial future if you stick with them.

### **1. Put Savings and Investments on Autopilot**

You've heard this before, but don't dismiss it as a cliché: pay yourself first. This means setting up automatic transfers from your checking account to your savings and investment accounts as soon as you get your paycheck. Begin by logging into your online

banking platform and setting up recurring transfers. You can start small—even 5 percent is worthwhile—and gradually increase the percentage over time. If your employer offers a 401(k) match, ensure that you're contributing enough to take full advantage of this free money. Remember, even small, consistent contributions can grow significantly over time due to compound interest.

## **2. Cut Back on Impulse Purchases**

That late-night online shopping scroll that somehow ends with a cart full of stuff you didn't know you "needed" isn't helping you reach your money goals. To reel in impulse purchases, try setting aside a cooling-off period for nonessential items you're considering buying. Instead of purchasing, add them to a wish list on your phone or to a Post-it Note—and keep it out of your online cart. Then, give it a day or two. That "must-have" item might seem unnecessary after 24 hours. You can also try the 30-day rule for larger purchases, giving yourself a full month to decide if it's worth the cost. You may realize you didn't need it that much.

## **3. Track Your Spending**

To make informed money decisions, you need to know where your cash is going. Keeping track of spending helps you figure out where you can cut back and increase the funds you put toward your goals. Start by choosing a way to record your purchases, whether it's a budgeting app, a spreadsheet, or just an old-fashioned notebook. Record every expense, no matter how small, for one month. Then, go over your spending patterns and figure out where you can make cuts. You might find some surprises, like buying coffee, snacks, or a daily lunch salad add up to a vacation's worth of cash over time. Use this information to create a practical, goal-centered budget, and continue tracking to ensure that you're sticking to it.

#### **4. Get Familiar with Your Credit Report**

Your credit score affects everything from loan approval to interest rates, so it's a major factor in your financial life. Make it a habit to check your credit report regularly to catch errors and find ways to improve your score.

**Hot tip:** Every 12 months, you're entitled to one free credit report by mail from each of the three major credit bureaus (Equifax, Experian, and TransUnion) through [annualcreditreport.com](http://annualcreditreport.com). If you set a reminder to request one report every four months, you'll have a year-round overview of your credit. You can also receive free weekly online credit reports through the same site. What should you be on the lookout for? Any unfamiliar accounts, incorrect balances, or payments that mistakenly show they were late. If you find issues, file a dispute with the credit bureau as soon as possible. Regularly monitoring your credit can also help you discover identity theft early.

#### **5. Stick to It**

It's not always fun or easy to stick to a financial plan, but consistency is key when it comes to money matters. Developing discipline helps you stay on track, even when you spot a great sale or find a must-have collector's item. Start by setting clear, achievable goals. Write them down and keep them somewhere you'll see them often, like your fridge or as a phone background. Break larger goals into smaller, manageable steps. If you want to save \$5,000 for an emergency fund, for instance, set monthly or weekly savings targets. Create accountability by sharing your goals with a trusted friend or family member. When you're feeling discouraged or tempted, remind yourself that your long-term financial success is worth it.

Developing strong financial habits is a marathon, not a sprint.



It's about making small, smart choices each day. It requires patience, persistence, and a willingness to learn from both successes and setbacks. Start by choosing one or two habits to focus on, and gradually incorporate the others as you become more comfortable.

As always, we're here to help you reach your goals. Feel free to reach out for more information or advice on how to adopt these habits for a more financially secure future.

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# Life's Eternal Trinity: Death, Taxes and Change



By [Sarah Ruef-Lindquist](#), JD, CTFA

For Pen Bay Pilot's Wave magazine, fall 2024

Before you know it, we'll be celebrating the new year and we will be a quarter of the way through the 21st century with the

arrival of 2025.

And just as swiftly, we will approach the end of 2025 and the sunset of Tax Cuts and Jobs Act (TCJA) on December 31, 2025 with provisions that will impact many individuals and families.

Here are some of the provisions that impact most taxpayers:

Standard deduction: Because the standard deduction was doubled (\$12,000 for single filers and \$24,000 for married filing jointly), many taxpayers haven't itemized deductions under TCJA. In 2026, the standard deduction will be about half of what it is currently, adjusted for inflation, likely steering taxpayers back to itemizing deductions.

And speaking of itemized deductions, those who did continue to itemize had to navigate changes that will sunset.

- The state and local tax (SALT) deduction was capped at \$10,000, most significant for taxpayers states with higher taxes. In 2026, this limitation will expire, allowing greater benefit from deducting taxes including real estate taxes, state or local income taxes and personal property taxes.
- The TCJA ended the home equity loan interest deduction and limited the home mortgage interest deduction to the first \$750,000 of debt (if married filing jointly) for loans that originated on or after Dec. 16, 2017. The mortgage interest deduction will revert to interest deductible on the first \$1 million in home mortgage debt and \$100,000 for a home equity loan.
- The TCJA temporarily eliminated most miscellaneous itemized deductions, such as investment/advisory fees, legal fees and unreimbursed employee expenses. These deductions will once again be allowed in 2026, to the extent they exceed 2% of the taxpayer's adjusted gross

income.

Income tax rates: TCJA lowered tax rates to 10%, 12%, 22%, 24%, 32%, 35% and 37%. These tax rates are set to sunset Dec. 31, 2025. The top tax rate beginning Jan. 1, 2026, will revert to 39.6%.

Given that rates could revert back to pre-TCJA rates and that itemized deductions may regain their usefulness, some taxpayers may wish to time certain expenses for deductions available against income under higher tax rates.

And then there's estate and gift taxes. These are taxes on amounts given as gifts or passing from a decedent. The TCJA effectively doubled the estate and gift tax basic exclusion. The basic exclusion applies to assets in estates and takes into account significant lifetime gifting activity. The 2024 exclusion amount is \$13.61 million per person (\$27.22 million for married couples) and the amount for 2025 will be adjusted for inflation.

Taxpayers who die through 2025 with a taxable estate greater than the exclusion amount can be subject to a federal tax rate of up to 40%. Some states also impose an estate tax, so estate assets passing to heirs can be significantly reduced.

At the end of 2025, this tax provision will sunset, cutting the exclusion roughly in half. Individual taxpayers with significant estates that are above the lower 2026 exclusion amount should consult with their tax advisers and estate attorneys as soon as possible to take advantage of the expiring TCJA exclusion by using planning strategies and considering gifts before the end of 2025. There's only a year left to shelter significant asset transfers with these historically generous exemptions.

Enjoy the holidays and time with family and friends and as you

settle into 2025, consider how the sunset provision of TCJA may impact your financial situation and estate planning. Seek the advice of qualified legal and tax professionals to determine the best course of action for your particular situation.

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# Record-Setting Charitable Giving in 2023 Speaks to American Generosity



By [Sarah Ruef-Lindquist](#)  
For Pen Bay Pilot

[GivingUSA 2024](#) reported a record high dollar amount of \$557.16 billion given by individuals, corporations, foundations and decedents' estates in 2023.

While the increase over the 2022 amount of almost \$546 billion is notable, it does not mean an increase in inflation-adjusted dollars, but rather a 2.1% decrease from 2022.

For a longer historical perspective, total charitable giving in 2016 was just shy of \$400 billion. That translates into 39% growth in giving over the last eight years.

Still, the 2023 numbers indicate a continued generosity in the United States in the face of the higher costs of living which many are facing. While the increase in the amount of giving may not have exceeded the current rate of inflation, it shows that people are willing to still support charitable causes at least as much as they did in the prior year, even if many of their living expenses have increased.

The GivingUSA report details the sources of gifts as well as the sectors receiving those gifts. Individuals continue to represent the largest source of gifts, at 67%. The foundation share was 19%, while corporations and bequests combined make up the other 14%.

It is notable that the combined amounts from Individuals and bequests – almost 75% – speaks to the importance that individuals and families play in supporting charitable causes.

The education, health, human services, public society benefit, environment/animals, arts, culture and humanities all saw increases in gifts, while religion and international affairs saw decreases.

The trend toward giving to donor-advised funds at places such as Fidelity and community foundations continued with the highest growth level for the year, possibly signaling the desire for the kind of philanthropic flexibility donor-advised funds offer. Donor-advised funds allow a donor to make a charitable contribution and then serve as an advisor as to what charities should be supported from those contributions, either in the current year or in future years. Successor advisors may also be named.

This is all very good news for charitable organizations that rely upon philanthropy to continue their missions; during the pandemic and since many predictions about a recession caused the

philanthropic sector to anticipate a significant downturn in giving which, fortunately, has not come to pass. Continued low unemployment, high stock market values and corporate profitability are likely helping to support donor generosity for individuals, families, foundations and corporate donors.

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# How to Bounce Back Financially After Being Laid Off

“Expect the unexpected” sounds like a good mantra, but even if you follow that advice, life can still surprise you and knock you off balance. Undoubtedly, being laid off from your job is one of those shocking surprises. Regardless of whether you’ve been contributing to an emergency fund just in case, experiencing a sudden loss of income puts you in a difficult financial—and emotional—situation. But take comfort in knowing there are accessible ways to get back on your feet and regain control of your finances. Here are some strategies to get through this challenging time, no matter your age or career.

## Figure Out Your Finances

Once you’ve taken a beat to process your emotions, your first step should be to assess your finances. This will help you determine how long you can sustain a job search before you need additional income.

- **Unemployment benefits.** Applying for these benefits can take time, so starting that process should be at the top of your to-do list. In many cases, you should be able to

file online, but you can contact your state's unemployment office if you're having trouble.

- If your company offered you a severance package, be sure to review the terms with a human resources representative or your manager. How much will you receive, and are there any conditions attached to the payout?
- **Health insurance options.** This is an important factor because many Americans get insurance through their jobs. Your employer's coverage will often continue through the end of the month, but does your severance package include extended insurance? COBRA will allow you to continue your company's coverage for a limited time, but it can be pricey. Explore all your options, including coverage through your spouse's plan, your parent's plan (if you're under age 26), or marketplace plans under the Affordable Care Act (ACA) to find the most affordable and appropriate health insurance.
- **Savings and emergency fund.** Figure out how long your savings and emergency fund can sustain your current lifestyle. If you don't have an emergency fund, this should be a wake-up call to start building one once you can afford it. Create a realistic budget to help get an overall picture of the money coming in and going out each month. Then, identify non-essential expenses you can cut back on to stretch your savings. Even temporarily eating out less or pausing subscriptions you don't use regularly can be beneficial. Every little bit helps during this time.

## **Manage Debt and Credit**

- **Prioritize payments.** Pay essential expenses first, like rent or mortgage, utilities, and groceries. Of course, it's not ideal to leave any charges unpaid, but if you're short on cash, you may have to decide which are the most

necessary.

- **Negotiate bills.** Call your service providers (phone, cable, internet) and explain your situation. Many companies have programs to help customers facing tough times. Don't wait until you miss a payment to reach out; it's best to be proactive. Reaching out as soon as possible could save you from late fees and help avoid damage to your credit score.
- **Contact your lenders.** Depending on your loan type (federal student loans, etc.), you may be eligible for deferment or forbearance, which can temporarily pause your payments or decrease the amount you owe. Ask your loan servicer about these possibilities.
- **Avoid additional debt.** You may not have many options in this regard, but try not to depend on credit cards or loans that could land you in deeper debt.

## Explore Income Options

- **Tap into your network.** Don't be shy about broadcasting the fact that you're looking for work. Use your social media channels and reach out to former colleagues, mentors, industry contacts, friends, and family for leads.
- **Explore temporary work.** Freelance or gig work can help generate income while you look for a full-time opportunity. Depending on your expertise and skill set, you can offer services like tutoring, consulting, or freelance writing, or reach out to a staffing agency for connections to open positions.
- **Update your job search tools.** Add any new positions, skills, or certifications to your resume and LinkedIn profile since your last refresh. Practice interview skills by researching common questions and planning your answers, or role-playing with a friend or colleague.
- **Consider a pivot.** Being laid off rarely feels positive in



the moment, but this could be an unexpected opportunity to shift your focus, pursue a dream, or even relocate. Look into online courses or certification programs in a new or adjacent field or open your job search to include new locations. You may ultimately be grateful for this opportunity to do something unplanned or unexpected, even if that's tough to imagine right now.

In addition to all of these tips, remember that you're not alone in figuring this out. Feel free to reach out if you're struggling with job loss and the financial implications—we're here to help you create a plan for recovery and success.

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## **How to Prioritize Financial Goals as Your Life Becomes More Complex**

Some people are savers, some are spenders, some live carefully within their means, and some live life to the fullest, even if that results in accumulated debt. You likely won't remain solidly in one category throughout your life, as circumstances, income, and expenses change. So, even if you saved diligently during your youth, at some point, you may suddenly be faced with a combination of financial obligations that require decisions about what to prioritize. When juggling day-to-day expenses, debt (student, credit card, or other types), saving for retirement, and saving for your child's college education, where

should you focus? Here's a guide to help you decide the priority order these obligations should take, and why.

## **Establishing Priorities**

1. **Emergency fund.** Before shifting your focus to long-term savings or debt repayment, your priority should be building an emergency fund to provide a safety net. These funds should be available to cover unexpected financial difficulties like job loss, car or home repairs, or medical emergencies. Do your best to save at least three to six months' worth of living expenses in an account that you can easily access whenever necessary. Building this buffer before you put money toward other obligations will keep you from deeper debt and additional financial trouble caused by an emergency.

**Helpful tip:** Set up automated transfers to your emergency savings account, treating it like a monthly bill. This way, the funds will grow consistently, and you'll be able to build a safety net without constant effort.

2. **High-interest debt.** Since credit card debt and personal loans often come with high interest rates, paying those off should be your next priority. This will help free up money for other financial goals and eliminate the interest payments that are costing you more money than you actually owe. You can also call credit card companies and ask if they can lower your interest rate. They might not agree, but it's worth trying.

**Helpful tip:** Choose a debt repayment strategy that works best for you. Consider the snowball method (paying off debts from smallest to largest) or the avalanche method (paying off debts with the highest interest rates first). Then, stick to the plan until all your high-interest debts are cleared.

**3. Retirement savings.** Your retirement may seem too far in the future for you to think about now, but this should come next on your list of financial priorities. Why should it come ahead of saving for your child's college tuition, which is likely to be a huge expense? Because, unlike retirement, there are various options for funding a college education, including scholarships, grants, and student loans. There are far fewer options for funding your living expenses after retirement. Also, since more Americans are living longer, maintaining your standard of living will require more money. You don't want to outlive your financial resources.

**Helpful tip:** Take advantage of individual retirement accounts (IRAs) or employer-sponsored retirement plans like 401(k)s. Try to contribute at least enough to receive any company matching contributions because that's essentially free money for you. Thanks to compound interest, even a small contribution now can result in significant savings as it grows over time.

**4. Children's college education.** The reason this financial obligation falls last on the list of priorities is certainly not because it's less important. College costs are high, and it makes sense to start saving early. But, if you must sacrifice this goal to focus on others, you can fund your child's education in other ways. Scholarships, grants, and part-time student employment opportunities may be available for supplementing education expenses if you haven't saved enough to cover costs.

**Helpful tip:** Explore the option of a 529 savings plan or education savings account (ESA). These accounts offer tax benefits and can help you save money to use specifically toward educational expenses. If you can manage to automate contributions, you'll maintain consistency and enable your fund

to build steadily over time.

This priority order can serve as a good guide, but changing financial goals, income, or other circumstances might cause you to reassess and refocus from time to time. The key is to find a balance between the financial obligations you have now and making sure your financial future is secure, too. As always, your financial advisor can help you determine the best strategy to maintain stability, maximize your benefits, and minimize your costs and penalties based on your individual situation and goals.

*This material is intended for informational/educational purposes only and should not be construed as investment advice, a solicitation, or a recommendation to buy or sell any security or investment product. Please contact your financial professional for more information specific to your situation.*

*The fees, expenses, and features of 529 plans can vary from state to state. 529 plans involve investment risk, including the possible loss of funds. There is no guarantee that an education-funding goal will be met. In order to be federally tax free, earnings must be used to pay for qualified education expenses. The earnings portion of a nonqualified withdrawal will be subject to ordinary income tax at the recipient's marginal rate and subject to a 10 percent penalty. By investing in a plan outside your state of residence, you may lose any state tax benefits. 529 plans are subject to enrollment, maintenance, and administration/management fees and expenses.*

# Closing the Door Behind You...After You're Gone, Do You Still Want Some Privacy?



By [Sarah Ruef-Lindquist](#) for [Pen Bay Pilot](#)

For the past 36 years, I have had countless conversations with people engaged in their planning trying to understand options for how to structure their estates. A primary question is always “Do you care if it’s public?”

This question is often met with some level of astonishment. “Why would it be public?” And of course, the answer is that wills are public documents filed in the Probate Registry as the initial step in probate of an estate. In fact, the word ‘probate’ derives from the Latin word that means ‘to prove’ which is the intent of the probate process: To prove a will is the intent of the decedent and is presented to allow for its administration.

This means that to begin the process of proving the will and administration of the estate, the will is filed and made a public document. Nowadays, that means the will is not only physically available at the registry of probate but also electronically available through on-line records portals used by most states and open to the public.

Recently, there was an unusual case in Knox County, Maine: A request from the person seeking appointment as administrator of an estate to seal a will. In other words, the person making this request wanted the will to be administered, but not publicly available. Over her 40+ years in office, the county's Registrar could not remember a request for a will to be sealed in the county. Subsequently, a probate judge denied the request to seal the will.

It is possible that such a request to seal a will from public view indicates there are controversial, or perhaps embarrassing, dimensions of family dynamics articulated in the will itself. A disinheritance and perhaps an actual memorialization of the reason therefor might be best kept out of public records.

How could this be accomplished? For centuries, our legal system has recognized that people who use a trust to administer their estates may do so privately and with little or no involvement of probate. A trust can be created during lifetime and include a pour over provision such that if there is any property owned by the decedent but not already in the trust at the time of death it will pass into the trust and then be administered according to the terms of the trust, which remains private.

People utilize trusts for a variety of reasons: Tax efficiency, creditor issues, remarriage, spendthrift issues – and the list goes on. In my experience, this is the most-often cited reason for folks here in Maine: Privacy. No one will be able to look up in one place what was owned and to whom it was given after their death. However, using a trust does require that one has absolute trust and confidence in their trustee – the person who will be responsible for carrying out unsupervised administration. Sometimes this is a professional, such as a lawyer or accountant, instead of a friend or family member.

Each situation is unique. Consult your own legal and financial advisor to learn more about whether yours warrants consideration of trust planning for privacy or other reasons.

*Allen Insurance and Financial does not provide legal or tax advice. You should consult a legal or tax professional regarding your individual situation.*

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# Inheritance Can Mean a Brighter Future: What to Do When it Happens to You



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By Sarah Ruef-Lindquist for [Pen Bay Pilot](#) WAVE, Spring 2024

We are in the midst of the largest intergenerational transfer of wealth in the history of the United States. It is estimated that by the year 2045, more than \$84 trillion will be left to the Gen X, Millennial and Gen Z generations by the Silent Generation and

Baby Boomers. This is more than at any other time in US history. [\[1\]](#)

The long and the short of it is that those born between 1946 and 1964 – Boomers – have created an extraordinary level of wealth that combined with what the Silent Generation left to them will result in an unprecedented amount of assets transferring by the middle of this century. Over the next 20 years or so, many who have never had to manage or plan for any level of wealth could have more than they ever imagined.

And it's already begun. Many of the clients I work with have been 'surprised' to become beneficiaries of parents and other relatives' estates and are confronted with the need to manage and steward these assets in a way that fits into their lives or in some cases, is transformational. Having never planned to have more than they needed to live on modestly brings a whole new set of challenges and decisions to be made.

For instance, some have been helped in the past during financial difficulties and want to do something for those who helped them, even if they have already paid back anything they borrowed. It's a natural emotional response in the face of generosity, but does it make sense?

Some want to give some or even all of the money to charity...but again, is this in their best interests when having a "nest egg" is the difference between living in retirement solely on social security or having the ability to even modestly increase their standard of living in their older years?

Others are so unaccustomed to having any excess income or assets than they need to live on that they assume that they will have a significant tax bill for accepting the funds or, if they have received appreciated securities or assets, that they cannot liquidate or reinvest those securities into something more



appropriate for their life goals and risk tolerance because of the capital gains tax involved when in fact, most of the time this is not the case.

For most, they have never had a financial advisor because they didn't think they needed one. What becomes immediately apparent is that they do and will do well to find someone who can help navigate the choices and complexities of managing wealth and build the right amount of discipline around spending to fit into their lives in a way that makes the most sense for them.

A careful analysis of risk tolerance, retirement and estate planning goals in light of new circumstances is required that also takes into consideration longevity, living expenses and other assets and income sources available. Because stock, real estate or other assets held more than a year by the decedent often give heirs a tax basis that is the value as of date of death, not the basis or cost of the decedent, very tax efficient opportunities are available to allow heirs to make choices that are more aligned with their financial plans.

Anyone faced with inheriting assets should seek the services of a financial advisor with experience, knowledge and skills to help plan for and manage inherited assets. It can often mean a brighter future for you and your loved ones.

[\[1\]](#)

<https://www.forbes.com/sites/jackkelly/2023/08/09/the-great-wealth-transfer-from-baby-boomers-to-millennials-will-impact-the-job-market-and-economy/?sh=58fbb0e03e4a>

<https://www.fastcompany.com/91016524/great-wealth-transfer-explained-how-some-gen-x-millennials-gen-z-are-getting-rich>

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# Ways to Reduce Your Tax Liability

Want to pay less taxes? If given a way to legally reduce tax liability, most Americans would welcome that opportunity with open arms. But methods for doing so aren't always obvious—and may be tricky in certain circumstances. Two such situations include working in the gig economy and navigating required minimum distributions (RMDs) from retirement accounts. Let's explore strategic tax planning options for both cases.

## Tax Planning for Gig Workers

The gig economy refers to the rise in freelance work through apps such as Uber, TaskRabbit, DoorDash, and Etsy. As a gig worker, you have the flexibility to work on your own time and be your own boss, but you're responsible for managing your income, expenses, and tax obligations. This could prove difficult and time-consuming, especially if you aren't well-versed in tax law. There are ways, however, for freelancers to reduce their tax burden and comply with IRS rules and regulations.

- **Track business expenses and deductions.** As a gig worker, you can deduct business expenses from your taxable income. These might include home office expenses, equipment, supplies, and travel expenses. Keeping track of your expenses throughout the year can help maximize deductions and lower taxable income.
- **Learn about tax deductions for freelancers.** Gig economy jobs are viewed as independent contract roles by the IRS and are therefore eligible for various tax deductions

aside from business expenses. These include deductions for health insurance, retirement contributions, and even a portion of self-employment taxes. Understanding these deductions will help reduce overall tax liabilities; your financial advisor can help clarify which expenses qualify.

- **Contribute to retirement accounts.** When performing freelance work, you don't have an employer-sponsored retirement plan but can still contribute to a traditional IRA or Roth IRA to save for the future. Contributions to traditional IRAs are tax deductible, whereas contributions to Roth IRAs are not tax deductible but grow tax free. Contributing to a retirement account may reduce your taxable income and provide long-term savings.
- **Consider estimated quarterly tax payments.** Gig workers, who often receive income without taxes withheld, are responsible for paying estimated taxes throughout the year. You can use tax software or an accountant to calculate your estimated taxes and ensure that you are paying the right amount. Making quarterly estimated tax payments can help avoid penalties and ensure that taxes are paid throughout the year rather than in one lump sum during tax season.

## **Using RMDs for Tax Planning in Retirement**

As baby boomers retire and life expectancy increases, tax planning for retirement is becoming increasingly important for American workers. One way to maximize tax savings in retirement is through RMDs. You're required to take RMDs from certain retirement accounts the year you turn 73. Withdrawing them, however, could result in a large tax bill because these are considered taxable income. Here's how to cut down on what you'll owe.

- **Withdraw more early on.** You can start withdrawing money

from retirement accounts without a tax penalty at age 59½. If you expect to be in a lower tax bracket when you retire, it could help to take larger distributions at the beginning of your retirement to reduce your account balance and lower your RMDs later (reducing the taxes you owe on them).

- **Make charitable donations.** Another way to reduce your tax liabilities is by donating your RMD to a qualified charity. This strategy, known as a qualified charitable distribution (QCD), satisfies RMD requirements and can reduce your taxable income while supporting a cause you care about. Just note the following requirements:
  - You must be 70½ or older.
  - You are limited to \$105,000 in 2024.
  - The QCD must be made directly from the trustee of the IRA to the charity.
  - You won't be able to claim a QCD as a charitable deduction on your taxes.
- **Consider a Roth IRA conversion.** Although you will be taxed on retirement funds you convert to a Roth IRA at the time of conversion, future withdrawals from a Roth IRA are tax free. The onetime tax payment might be worth paying so you can avoid RMDs altogether and withdraw the money later without paying taxes on it. Strategic Roth conversions can help manage tax brackets in retirement, but they aren't the right move for everyone, so discuss this possibility with your financial advisor and a tax professional before proceeding.
- **Coordinate with social security.** If you're able to withdraw funds from your tax-deferred retirement accounts before you claim social security benefits, you may minimize tax liabilities. Also, if taking distributions from your retirement funds allows you to delay collecting social security beyond your full retirement age, your

benefit will increase.

Reducing your tax bill sounds great, but it requires careful planning and understanding of tax laws. Whether you're a gig worker hoping to take advantage of deductions, a retiree trying to use RMDs to your advantage, or you're looking at another possible way to legally reduce what you owe the IRS, please reach out to us. We'd love to help with your strategic tax planning. As always, we aim to help you make the most informed decision to optimize your financial well-being.

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