

# 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.

*This material has been provided for general informational purposes only and does not constitute tax, legal, or investment advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a qualified professional regarding your situation. Commonwealth Financial Network does not provide tax or legal advice.*

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# **Retirement Planning: It's More Than Just Having Your Financial House in Order**



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

A recent program presented by The Hartford entitled *Helping Clients through 8,000 days of Retirement* suggested an interesting approach to thinking about one's retirement years, and the careful planning for it that should take place. For many, the primary preoccupation is whether they will have enough financial resources; every day I hear people express the concern that they not "outlive their money", an understandable concern.

The presentation was based on work done at the MIT Age Lab, which works with financial services companies to help inform the work of retirement planning, in addition researching and finding ways to address other areas related to the physical, mental and emotional aspects of aging.

The presentation included a review of the first 8,000 days of one's life, focused on education; the second 8,000 days focused on growing as a person; the third 8,000 days focused on maturing and the final 8,000 days focused on exploring, which coincides with what for many as retirement years. 8,000 days is about 22 years, so retirement comes in this model around age 66.

Initial retirement years tend to be dominated by several factors that change over time; relatively good health and increased unscheduled time.

Often there are psychological issues that come from having more free time, so thinking ahead about how one plans to spend time is important; for many, travel and spending more time with family and on hobbies is part of the plan. For some, this involves moving to another part of the country to be closer to the ocean, or the mountains, or to children or grandchildren. These choices involve financial considerations as well, of course, but also can lead to a different lifestyle than the one to which one may have been accustomed before retirement and therefore require adjustment.

Health issues play a role more and more as the years progress, so thinking about how one will adapt to these changes and possible challenges is appropriate, too.

The recent pandemic taught us that social isolation can be detrimental to one's health. Planning for maintaining a healthy or even robust social life is important.

For the presentation, planning for later years of retirement, these issues boiled down to three questions: How will you change a light bulb? How will you get an ice cream cone? With whom will you have lunch?

Each one is remarkably insightful. Maintaining a household is more than just being able to afford it the way you live in it now. When you can't get on a ladder to change a lightbulb or clear a gutter, do you have access to (and perhaps can pay for) someone else to do it? This kind of question can lead to decisions about downsizing or moving to places where that kind of maintenance is provided.

The question about ice cream cones related to mobility; when you are not able to drive, how will you get an ice cream cone? If you remain ambulatory, how far would it be to walk? Driving ability plays a very large role in many retiree's quality of

life and choices.

Lastly, with whom will you have lunch? This points to the issue of social connections. For many, initial retirement means having lunch with a spouse or life partner instead of having lunch with coworkers, clients or at one's desk. People can also have a social network through work that they lose touch with in retirement. This may suggest to us that we need to build a new social network, or work on another one we already have to help us maintain social connections. However, given the longevity difference between men and women, there are many women who outlive male spouses or partners and have to learn to build a social network that they might not have had while their spouse or partner was still living. Of course, the same can be true for men. Building and constantly nurturing a social network can help to provide the kind of social connections that are beneficial to us as we age no matter what gender.

So yes, not outliving your financial resources is very important, but so are other aspects of our lives in retirement that require thoughtful, careful and intentional planning. A conversation with your financial advisor could be helpful to access some of the resources in your community to help you plan what could be the best 8,000 days of your life.

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## **Financial Tips for Female Breadwinners**

An increasing number of women are becoming primary breadwinners in their households, so one might assume women are also taking

on most of the financial decisions. On the contrary, most women in heterosexual relationships who are earning more of the household income aren't making the major money-related decisions for the family<sup>1</sup>. So, why doesn't earning power naturally lead to financial decision-making power?

- **Traditional gender roles.** Women may feel less comfortable managing the family finances, and men may feel that responsibility comes more naturally to them simply because of stereotypical gender roles.
- **Work-life balance.** Time constraints may also deter women from taking control of family finances. Between childcare, elder care, housework, and career demands, time to devote to money matters may be scarce. Having your spouse take finances off your full plate can seem helpful, but it may be detrimental in the long run.
- **Lack of financial education.** Some women may face challenges related to financial literacy. A lack of knowledge about investment, savings, and retirement planning can make it difficult and less appealing to become involved in financial decision-making.

While these reasons might all play into women's lack of involvement in family finances, it's critical for women to be in the know about where their money is going. Why? Women are often paid less than their male counterparts, which makes it more challenging for them to save for the future and achieve financial stability. Women are also more likely to take career breaks or work part-time to care for children or elderly parents, which comes with its own financial responsibilities. This can result in lower income and less retirement savings. Finally, women tend to outlive men, which means they need to save more for retirement and plan for a longer lifespan. For all these reasons, female breadwinners should budget strategically, prioritize their retirement planning, and plan for unexpected

expenses and emergencies, such as medical bills or home repairs. To manage your finances more effectively and help you achieve your long-term goals, follow these tips for female breadwinners.

## **Tips to Take Charge**

**Communicate openly.** Establishing open communication with your partner about financial goals, responsibilities, and expectations is key. This might also include redistributing household responsibilities—either to your partner or to an outside person or service—to allow more time for you to help manage your family's money. Consider planning a date night to discuss your finances to help diminish any relationship tension around the subject.

**Compile important information.** As part of your communication with your partner about finances, it will be helpful to gather all your account numbers, names of financial institutions, location of assets, passwords, and important contacts such as attorneys and CPAs in one place. You should have hard and digital copies and your trusted family members should know where they're located. In the event one of you passes unexpectedly, having this will make a difficult situation slightly less complicated to navigate. Ask your financial advisor if they have a template for this type of document that requires you to just fill in the blanks.

**Create a budget.** This will help you track your income and expenses, identify areas where you can cut back, and plan for the future. Start by listing all your monthly income and expenses, including bills, groceries, and other necessities. Having a clear sense of where your money is going will help you identify areas for improvement and is the first step toward becoming more involved in managing your family's finances.

**Save for retirement.** Women need to save a larger percentage of

their income for retirement than men just to end up at the same level of wealth. This is because women often take time out of the workforce, make less money than men, and live longer on average. So, retirement planning is crucial, especially if you're the primary breadwinner. Make sure you're contributing enough to your retirement accounts, such as 401(k)s or IRAs, and consider working with a financial advisor to determine the best investments for your goals.

**Start an emergency fund.** There's always a chance you may face unexpected expenses, such as medical bills or home repairs. Having a financial safety net can alleviate stress, avoid a financial challenge, and provide a sense of security.

**Purchase insurance.** Ensure that you and your family have adequate coverage, including health, life, and disability insurance. These protect against unexpected events that could jeopardize your family's financial stability.

**Get your estate documents in order.** In addition to a fund for emergencies and setting up insurance coverage, you'll want to plan for your family's future in case something happens to you. It's advisable to consult with a qualified attorney about your specific situation and unique goals. Core estate planning documents generally include:

- Durable power of attorney (POA) for financial matters
- Health care POA (and/or a living will)
- Will
- Trust agreement (depending on your specific situation)

You'll also want to update your beneficiary designations. Outdated beneficiary designations can derail an estate plan. Review your designations periodically to ensure that the correct people are named and are still appropriate.

**Learn about personal finance.** If you feel a lack of confidence in making financial decisions, attend workshops, read books, or consult with financial advisors to enhance your understanding of investments, retirement planning, and other financial instruments. Better understanding will lead to a greater sense of comfort in managing your money.

**Consult a financial advisor.** A professional can help you in various ways, such as informing you about tax breaks or credits you might not have known about, choosing investments based on your risk comfort level, and setting up the most beneficial retirement plan for your needs.

As more women take on the role of breadwinners in their families, they face unique financial challenges. With careful planning and management and communication with your partner, you can achieve financial stability and help ensure a secure future for yourself and your loved ones.

<sup>1</sup> [UBS Own Your Worth Report 2023: Women primary breadwinners face challenges in embracing their financial power | UBS Global](#)

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# Abraham Dugal Named Director of Investment Management



Abraham  
Dugal,  
CFP®

[Abraham Dugal, CFP®](#), has been named Director of Investment Management at Allen Insurance and Financial.

Dugal has been a financial advisor at Allen since 2015. In his new role, Dugal will manage our investment portfolio oversight process, collaborate with our advisors for client investment decisions, and lead our retirement plan practice.

“Abe is well-suited to take on this leadership role in our financial division as we seek additional growth in this area of the services we provide to our clients,” said Michael Pierce, financial advisor and company president.

A native of Lincolnville, Dugal is a graduate of Camden Hills Regional High School and Babson College in Wellesley, Mass., where he majored in business management with a concentration in finance. He holds FINRA Series 66 and 7 securities licenses and maintains the CERTIFIED FINANCIAL PLANNER™ designation. He lives in Camden with his wife and son.

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# What Can a Financial Advisor Do for You?

How can you get closer to achieving your financial goals? Depending on your income, assets, investments, and personal knowledge of finance, you may feel you can do a great job managing your money on your own. But according to a recent report from Boston research firm Cerulli Associates, the number of Americans willing to pay for financial advice has increased from 38 percent in 2009 to 63 percent in 2022. Why are more clients seeking help, how can a financial advisor make a difference, and is the advice worth the cost? Let's explore answers to these questions.

There are many reasons why you might need a financial advisor:

**Complex investment options.** As the financial landscape changes, there are many more choices to make regarding investments, along with new regulations that may be difficult to navigate without professional guidance.

**Aging baby boomers.** A large percentage of the population is nearing retirement and seeking help to figure out how to maximize their savings to live comfortably after ending their careers. Longer life expectancies have also made retirement planning and guidance more important across age groups.

**Economic factors.** In times of market volatility, financial guidance becomes especially important. Inflation was a big concern for many people in 2022. Financial advisors can help answer questions like "will rising inflation affect my goal of

retiring in the next 10 years, or do I need to adjust my portfolio to better keep up?"

## **The Benefits**

There are many ways a financial advisor can offer value and assistance you may not be able to achieve on your own.

Saving time, reducing stress, and avoiding mistakes. Sure, you can do all the research, but having professional advice you trust and a knowledgeable person to ask when you're unsure takes much less time and reduces the anxiety of trying to get it right on your own. In addition, working with an advisor can help you avoid making critical financial mistakes (e.g., taking on an inappropriate level of risk within your portfolio for your investment goal), which can be costly and detrimental to your financial plans.

Professional advice. Even if you devote time to doing your own financial research, an advisor likely has a more comprehensive financial education and more investing experience than you have. The experience an advisor brings can inform your strategies and get you closer to achieving your financial goals.

**Staying on track.** Regular check-ins with your advisor can help keep you on course toward your financial goals, keep track of your progress, and adjust your saving and investing strategies when necessary.

Comprehensive planning. Although you may have the resources to study new investment options or specific savings tools such as IRAs or 529 plans, it would be time-consuming to master the wide-ranging planning strategy that a financial advisor could help you create. In addition to asset accumulation, an advisor can provide insight into budgeting, saving, retirement planning, estate planning, tax planning, debt management, risk management, and business planning.

**Possible access to connections.** Advisors may collaborate with a network of attorneys, CPAs, insurance agents, and other professionals who can work together to help you achieve your goals.

### **How to Evaluate and Choose an Advisor**

The best way to begin your search for a financial advisor is to ask family and friends for recommendations. If someone you know and trust vouches for the advisor, of course, there's a better chance of finding a good match versus choosing one at random. So, what should you look for when choosing an advisor to help guide your financial decision-making?

**Firm affiliation, experience, and certification.** Just as you would evaluate the résumé of a potential hire, you should evaluate the education and background of a potential financial advisor. If your advisor has designations, research them and find out what the requirements were for obtaining them. Some designation requirements are more rigorous than others. You may want to look for continuing education, any examination requirements and adherence to a code of ethics.

**Fee structure.** Some financial professionals collect commissions based on the investments they pick or the products they sell you. Others charge a flat fee or a percentage fee based on assets under management regardless of their recommendations or your investments. Be sure to ask about your financial advisor's fee structure and how they get paid.

**Trust and personal attention.** Your advisor should give you as much information as you need to make the best financial decisions for you and your family. So, it's important to feel your advisor is listening to you, considering your circumstances and needs, and making recommendations you trust.

### **The Value**

Whether working with a financial advisor is worth the cost depends on several factors. You may consider whether the potential investment growth you expect will be more than the advisor fee, but that's not the only consideration. As the saying goes, time is money. So, the time you may save if you don't have to educate yourself about various aspects of financial planning and investing should also factor into the benefit. You can also consider the benefits of working with a financial planning professional over time for things such as retirement planning, saving for education, and tax planning. Finally, the sense of financial security a trusted advisor can provide is priceless to some.

If you, a friend, or family member is considering working with a financial advisor, we'd love to hear from you. As always, we aim to provide support and help you reach your financial goals.

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## Maine's New Retirement Plan Mandate

You may have heard recently that the State of Maine is instituting a mandatory, state-wide retirement plan program. Beginning in January 2024, all Maine businesses with five (5) employees or more will need to either offer their staff a company sponsored retirement plan (SIMPLE IRA, 401K, etc), or accept the state's Roth IRA (MERIT) retirement option for their staff. [This PDF](#) is a brief summary of the state requirements. For additional questions, you can reach out to [Cait Harrington](#)

# **To Roll Over—or Not to Roll Over—Your 401(k)**

As you advance in your career and hold jobs at various companies, you may discover at some point that you've left behind valuable cookie crumbs: a trail of employer-sponsored retirement accounts. Leaving previous plans with former employers saves you from having to take any action, and you still have the ability to roll them over later. If you prefer the investment choices with your old plan or that plan has lower fees than a new 401(k) or IRA, you might want this option. Also consider that you won't pay a tax penalty for taking a distribution from your employer's 401(k) after you turn 55, which you would pay on an early withdrawal from an IRA.

So, while there can be benefits and it may feel easier to leave them as they are, managing and keeping track of those cookie crumbs could become burdensome. Consolidating or rolling them over into one account is one way to alleviate that burden. Here is helpful information to help you decide whether a rollover is the best choice for you.

## **Benefits of a Rollover**

Simplicity and streamlining. One major benefit of consolidating your retirement accounts into one account is that there's less information to track. You'll receive one statement, have only one retirement account to manage (with one password and one

account number), and be able to see your overall financial picture more clearly by reducing multiple savings sources to one.

Avoiding overlap and easier rebalancing. When you have multiple retirement savings accounts, you might assume your investments are sufficiently diversified, but this may not be true. Over time, as portfolios shift due to market movement, rolling all of your accounts into one allows you to properly analyze asset allocation in one place instead of many.

Keeping track of RMDs. Starting at age 73, you must withdraw minimum amounts, called required minimum distributions (RMDs), from your retirement accounts each year. With multiple retirement accounts, it's more difficult to calculate accurate RMD amounts and there are steep tax penalties for underestimating RMDs and missing the deadline. Combining accounts can help reduce these risks.

Potentially fewer fees. 401(k) plans incur various fees, including administrative, management, investment, and service charges. By combining accounts, you may pay fewer fees. In addition, you may be able to avoid certain fees altogether if fee reductions are dependent on the total account balance.

Estate-planning convenience. Thinking about your death isn't pleasant, but it's important to consider the responsibilities your loved ones and beneficiaries will have when you're gone. With all of your retirement funds in one place, there will be less work for your family to do when tracking down your assets.

## **Your Rollover Options**

Roll into your new employer's 401(k) plan. If you have a new job and establish a retirement plan with your new employer, one option is to roll your previous account balance into your new

plan. Requesting a direct rollover of funds from previous employer to new employer is a nontaxable transaction that retains creditor protection.

Roll into an IRA. Whether you're switching jobs or retiring, rolling your retirement savings into an IRA might give you more flexibility in how you manage the money you've saved. IRAs often have a wider range of investment options that might not be offered by an employer's 401(k) plan. In this type of account, your investments continue to grow tax deferred, meaning you'll pay taxes upon withdrawal. Please note: You can't borrow from an IRA as you can with a 401(k), and RMDs are still required at age 73.

Roth IRA. Withdrawing traditional, pretax assets from a 401(k) into a Roth IRA is known as a Roth conversion. By doing so, you will owe income taxes on the amount converted in the year of the transaction. One benefit of this strategy is that any additional earnings in the Roth IRA can grow and be withdrawn at retirement age tax free (as long as the withdrawal occurs at least five years after the Roth account was created).

Take a cash distribution. Although this option might seem appealing if you have debts or major expenses, there are many reasons not to withdraw your funds. One major drawback is potentially not having enough money to retire or maintain your lifestyle in retirement. In addition, you could pay significant penalties and taxes for early withdrawal.

## **Rollover Tips to Keep in Mind**

Whether you roll over to a 401(k) or an IRA, these are trustee-to-trustee transfers where the money moves directly from one provider to the next. If you receive a check in your name, you may have inadvertently requested a withdrawal, which would result in owing income tax on the amount and additional



penalties if you have not yet reached retirement age. If this occurs, contact the recordkeeper immediately to discuss a correction.

When considering a Roth, note that your 401(k) could have Roth or after-tax dollars already within it, and these assets will transfer to a Roth IRA without additional taxes. Contact the recordkeeper to determine if the dollars in your 401(k) are on a pretax or post-tax basis—or a mix of both.

If you are considering rolling over money from an employer-sponsored plan, you often have the following options: leave the money in the current employer-sponsored plan, move it into a new employer-sponsored plan, rollover to an IRA or cash out the account value. Leaving money in plan may provide special benefits including access to lower-cost investment options; educational services; potential for penalty-free withdrawals; protection from creditors and legal judgments; and the ability to postpone required minimum distributions. If your plan account holds appreciated employer stock, there may be negative tax implications of transferring the stock to an IRA. Whether to rollover your plan account should be discussed with your financial advisor and your tax professional.

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## **4 Questions Adult Children**

# Should Ask Their Parents Over the Holidays

It's beginning to look a lot like Thanksgiving . . . and then Hannukah, Christmas, Kwanzaa, and New Year's Eve will follow. These are prime holidays for family gatherings, which can offer in-person opportunities to have important conversations. You may be inclined to keep the chats light and stick to topics like television shows and the weather to avoid conflict, but there's one subject you should be discussing, even though it might be uncomfortable: estate planning.

Of course, the thought of your parents or relatives passing away is not a pleasant one. Still, if their wishes aren't discussed beforehand, there are a lot of sticky legal and financial messes that you'll be left to clean up—and you could potentially lose money or assets as a result. It's ideal to talk about plans openly and early, while your parents can make these decisions for themselves and tell you what they want. Make sure anything that needs to be in writing and signed is taken care of and ask where to find key documents. A holiday gathering with your parents and siblings present might be a rare chance to make sure everyone is on the same page.

Estate plans are a good idea regardless of your age. So, while you're discussing your parents' wishes and possibly arranging for an estate planning consultation for them, think about having one for yourself, too. This is especially important if you have young children and wish to designate a guardian for them in case you die before they turn 18. Not sure how to broach these subjects with your family? Bring this article to share and start with these key questions.

**1) Do you have a will, DPOA, or trust? A will is often**

considered the main document you need for estate planning, but there are others to help ensure that everything goes according to plan. The main purpose of a will is to make two designations, specifically who:

- The recipients of your property will be after your death
- The executor, the person who will take care of the administration of the estate

If someone has minor children, they can also use their will to designate a caregiver in the event of their death. If your parents don't have a will, those determinations will be left to state law and the courts and may not be what they want.

Another helpful document to have is a **durable power of attorney (DPOA)**. This allows your parents to choose someone to act on their behalf in financial matters if they become physically or mentally unable to do so.

Finally, a **trust** is an optional—but potentially useful—separate legal entity allows your parents to manage their property and designate someone to manage it for them after their death. One major benefit of a living trust is that it keeps their assets out of probate, so their beneficiaries can avoid court intervention. It may also help your loved ones avoid paying some taxes on an inheritance.

If your parents confirm that they have a will, it's a step in the right direction. Ask them where it is, and what you should know about their wishes. The people who are appointed as executor, trustee, and power of attorney should know what will be expected of them.

**2) Do you have a health care power of attorney (HCPA) or living will?** Just as a durable power of attorney designates a trusted person to take care of financial matters, an HCPA allows someone

to make decisions about medical care. For example, they can authorize life support, hydration, and other medical treatments and make health care decisions for your parents if they are incapacitated. That person should know what your parents' wishes are and be trusted to carry out those plans.

A **living will** is another health care document that is authorized in some states and grants their health care provider permission to take specific action in the event that there is no reasonable hope of recovery.

**3) Where are your important papers stored?** Even if your parents have taken the steps to establish a will; create other estate planning documents; compile their financial statements; and keep a record of their accounts, assets, debts, passwords, and other sensitive information for you, that won't do much good if you don't know where they're located or can't get access. Many financial advisors can provide a document for their clients to record this information so everything is in one place. Just be sure you know where it is—whether it's a fire-safe box, a desk drawer, or under a mattress.

**4) Are you working with an estate planning professional, or do you need help connecting with one?** Regardless of how complicated your parents' situation is, if they want to be sure their wishes are recorded and carried out correctly and according to legal requirements, it's wise to seek out an attorney and/or financial advisor for guidance.

As always, we aim to help keep you informed and prepared about financial matters that affect you and your family. If you—or your relatives—have any questions about the information in this article, please feel free to reach out to our office via phone or email.

