

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](#) of Allen Financial at charrington@allenfg.com.

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.

Death, Taxes and Change...What's in Store for 2024



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We've all heard the adage that 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

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 2024, the limit for most plans (401(k), 403(b) and 457 plans) increases from \$22,500 to \$23,000 with another \$7,500 for those age 50 and over. That means that taxpayers age 50 and over can add \$30,500 to their plans in 2024, the highest amount ever allowed.

Similarly, SIMPLE plans will have new elective deferral limits: \$16,000 up from \$15,500 and a catch-up amount of \$3,500 for those 50 and over. IRAs will have a 2024 contribution limit of

\$7,000 up from \$6,500 this year, with an unchanged catch-up amount of \$1,000 for those 50 and older.

There are other changes for SEPs, ESOPs and cash-balance plans in store for 2024. 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.

Gift and Estate Tax

Taxpayers can make gifts or have an estate of over \$13 million in 2024 without having a federal gift or estate tax imposed. The maximum amount that may be given as a gift without having to report it to the IRS to count against that credit – what is known as the annual exclusion amount – is going up to \$18,000 for 2024 from \$17,000 in 2023. This amount has been increasing steadily over the past several years.

Corporate Transparency Act

Taking effect in 2024 is a new federal law to help the Financial Crimes Enforcement Network (FinCen) uncover criminal activity through corporations, LLCs and the like. It requires certain types of existing entities to report beneficial ownership information by December 31, 2024 and for new entities formed after this year, to make such reports within 30 days of formation. If you are an owner or have a beneficial interest in a corporation or LLC or other entity that is formed by filing documents with the state, you may be required to make reports. For more information, go to <https://www.fincen.gov/boi>.

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.

Caitlin Harrington Joins Allen Financial



[Caitlin Harrington](#) of Appleton has joined Allen Insurance and Financial as a retirement plan coordinator, a newly-created position. She will be assisting Allen Financial advisors on client retirement savings plans.

Cait's career in finance and non-profit management in Midcoast Maine spans 20 years. She has a degree in accounting from the University of Maine and holds the Certified Professional designation from the Society for Human Resource Management (SHRM-CP).

Your Year-End Financial Planning Checklist for 2023

As 2023 winds down, your focus may begin turning to holiday planning, family gatherings, and delicious food. You might even entertain the idea of getting your tax documents in order. Consider going a few steps further and preparing for a yearly check-in with your financial advisor to start 2024 with your money matters in good shape.

After all, it's been a year of changes that will likely affect your finances in one way or another. The passage of SECURE 2.0 in late December changed many retirement plan rules, interest rates have continued rising, and the Supreme Court struck down the Biden administration's proposed student loan forgiveness program.

How can you get a clear picture of what all of this means for your financial planning? By scheduling time to connect with your trusted financial advisor, of course. So, before you head to your annual meeting with your financial advisor, read over these questions and use them as a helpful guide for your conversation.

1. Can I Contribute More to Retirement Funds?

Although the state of the economy might make you hesitant about setting additional income aside, consider whether you're financially able to maximize (or increase) contributions to your workplace retirement plan. At the very least, find out whether you're contributing the minimum to take full advantage of any employer match benefit. Increasing your contributions to a traditional IRA is another option, though you should be mindful that those with higher incomes may not qualify for a tax deduction.

2. Do I Have FSA Dollars to Spend or Carry Over?

Use what you can from your flexible spending account (FSA) and check your employer's plan to see whether unused funds can be carried over to the next plan year. Although the rollover option applies to your employer's plan year rather than the calendar year, this year-end assessment is a good reminder to ensure that you're on track. If permitted, the maximum FSA carryover amount is \$610. If you have a dependent care FSA, you can save as much as \$5,000 (family limit) or \$2,500 (married filing separately) in 2023.

It's also a great time to discuss maximum health savings account (HSA) contributions if you have a high-deductible health plan (HDHP). This can be a complex topic, so it's a great idea to tap into your advisor's knowledge to learn more.

3. Should I Consider Roth Conversions?

If you have some room in your current tax bracket before reaching a higher federal income tax rate, you may want to consider doing a Roth conversion. This would involve converting some of your pre-tax retirement savings, like in a traditional IRA, into a post-tax account, like a Roth IRA, so you'd never have to pay taxes on future earnings. Taxes would be paid upfront on the conversion amount, and you'd enjoy tax-free growth in the future. If this interests you, discuss this strategy with your advisor, who can help determine whether it's an ideal time to do a conversion. Your advisor can also run projections to see whether you would pay less in taxes over time with this strategy.

4. What Is Tax-Loss Harvesting?

If some investments in your portfolio have suffered a loss, the end of the year is a common time to consider whether it makes sense to harvest losses by selling them. Doing so can offset gains you have realized in your portfolio as well as up to

\$3,000 of your earned income. Tax-loss harvesting can get complex, so this is a great topic to seek professional help on. Be aware: Investments can be repurchased only after a certain period; selling a security for a loss and buying back within 30 days does not qualify.

5. Do My Charitable Donations Qualify for a Tax Deduction?

Charitable contributions donated directly to a qualified charity or a donor-advised fund can help you get a federal tax deduction. Keep in mind, however, that this is often beneficial only if you're itemizing. It's worthwhile to discuss with your tax professional whether your charitable contributions, in addition to other deductions, will surpass your standard deduction. For those older than 70½, a qualified charitable distribution (QCD) may be a viable option. In addition, 2023 is the first year QCD distributions (up to certain limits) are allowed to be gifted to charitable remainder trusts or charitable gift annuities, which could provide you with a right to income.

6. What Should My Strategy for Stock Options Be?

If you have vested stock options included in your compensation package from your employer, now may be a good time to consider whether it would be more beneficial to sell them in January 2024 as opposed to this year. Review your stock option statement and plan document with your tax professional and discuss which year offers the best opportunity from an income tax perspective.

7. Do I Need to Think About RMDs?

Some retirement accounts are subject to required minimum distributions (RMDs). This means once you near age 73, you may be required to start taking distributions from your retirement accounts, owing taxes on the way out. It's common for people to forget to take RMDs. What's more, recent legislation has made them a bit more complex, so RMDs for retirees and their

beneficiaries are best planned with your advisor to be sure that you're following the rules.

8. When Do I Need to Resume Repaying Student Loans, and Do I Qualify for Student Debt Relief?

As a result of the Supreme Court overturning the Biden administration's proposed student loan forgiveness program, federal student loans resumed accruing interest on September 1, 2023, with payments resuming in October 2023. Those payments are subject to a 12-month on-ramp transition period during which default will be waived for nonpayment. The Biden administration has launched a new, income-driven student loan repayment plan—the Saving on a Valuable Education (SAVE) plan. A website for that plan can be found [here](#). To get the latest information, consult this helpful factsheet and sign up for updates on the U.S. Department of Education website.

9. Should I Update My Estate Plans?

It's always a good idea to review estate plans as part of year-end financial planning. As life events happen, such as marriage or the birth of a child, your estate plan should be updated with your attorney. At the end of each year, discuss with your family how life events over the past year might affect your estate planning. When you meet with your advisor, be sure to update and review beneficiary designations, trustee appointments, power-of-attorney provisions, and health care directives. Also, the amount that may pass free of federal estate tax is scheduled to be reduced by approximately half in 2026, so you may need to plan for that.

Take Advantage of Your Advisor's Knowledge

Although this year-end financial planning checklist covers a lot of ground, it's intended to serve as a springboard for planning conversations with your financial advisor. This checklist provides an excellent starting point to discuss issues and

deadlines most relevant to you. New strategies becoming available (e.g., rollovers from a 529 plan to a Roth IRA for the 529 beneficiary, subject to certain time restrictions and requirements) may also be worth discussing. Beyond that, be sure to add anything else you want to know to this list so you don't forget to inquire. An annual planning meeting is a great time to ask questions you need answered regarding your financial plans for the coming year.

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How to Ensure That You're Financially Prepared for an Emergency

When you're starting a business, a family, or any other major life endeavor, you try to think of every risk so you can plan a strategy to put yourself on a path to success. Unfortunately,

hardships aren't always predictable, and certain ones, such as man-made or natural disasters, can wreak havoc on well-laid plans. According to FEMA's 2019 Emergency Financial First Aid Kit brochure, roughly 40 percent–60 percent of businesses affected by major disasters never reopen.

Natural disasters, man-made disasters, and business disruptions have at least one thing in common: time is never on your side when you're reacting. Remember Murphy's law: anything that can go wrong will go wrong. During a crisis, you're lucky if you have a few seconds to take a breath and react, so it's critical to consider your financial readiness. As the Roman philosopher Seneca said, "Luck is what happens when preparation meets opportunity."

Why Financial Preparedness Matters

Financial preparedness is much more than storing extra cash under your mattress. It's about creating a plan to help you navigate unexpected financial challenges, which can help you:

- Remain calmer. Knowing that you have a plan to cover immediate needs and recover financially can alleviate stress and anxiety in times of crisis.
- Recover more quickly. Quick access to funds can speed recovery following an emergency or disaster. This can be especially important when a repair or medical attention is urgently needed.
- Prevent debt. Without proper financial preparedness, you might be forced to rely on high-interest credit cards or loans to cover expenses. This can lead to debt accumulation.

Steps to Becoming Financially Prepared

The nonprofit organization Operation HOPE has partnered with the Federal Emergency Management Agency (FEMA) to create the Emergency Financial First Aid Kit (EFFAK) to help people and businesses organize financial, medical, and household contact

information that is often necessary to begin the recovery process after a disaster. The EFFAK provides lists of vital documents in categories such as household identification, financial and legal documentation, medical information, and household contacts. Having this information in one place, in a safe and accessible location, will set you on the road to recovery as soon as possible.

FEMA also offers recommended steps for financial preparedness. Unsurprisingly, the first one involves completing and dating all EFFAK forms. Learn how to prepare yourself.

- **Assess and compile:** Gather important financial documents and contacts and complete all EFFAK forms. Be sure that you have original versions of your documents; otherwise, reach out to the proper agency to request a copy.

Consider switching from paper checks to electronic transfer or direct deposit wherever possible. You can do this for federal benefits through Go Direct. Contact your employer to have your paychecks deposited directly into your bank account. In addition, it's wise to print or download copies of autopay bills, such as rent or mortgage, utilities, loan payments, or membership fees.

Store cash in different denominations in a safe location where you'll keep your EFFAK forms. In case ATMs aren't working or banks are closed, you should have enough money (at minimum) for gas, food, and other daily necessities. Think about how many days or weeks during a crisis you'd like to sustain your current lifestyle and keep enough cash on hand for that period.

- **Review:** Go over your insurance policies and financial paperwork to ensure that they remain accurate and current. This includes verifying that your current homeowners' insurance, auto insurance, and/or renters' insurance policies are up to date. The EFFAK will help you clearly see any personal documents or

insurance policies you might need or want to set up.

- **Safeguard:** Store paper copies of your documents in a fireproof and waterproof box or safe, in a bank safe deposit box, or with a trusted friend or relative. If you're using a safe deposit box, you may want to confirm who can and cannot access the safe deposit box if the owner dies or cannot access it due to illness. Electronic copies of important documents should be stored in a password-protected format on a removable flash drive or external hard drive in your fireproof and waterproof box or safe.

You may want to provide your lawyer, financial advisor, or trusted family member or friend with a paper copy of your EFFAK in a sealed envelope. Provide instructions that they should open the envelope only with your approval or the approval of someone you have chosen in the event you cannot make decisions on your own.

- **Update:** Revisit your EFFAK on a regular basis to determine whether any information needs updating. Suggested times to review it include tax preparation time, the beginning or end of daylight saving time, your birthday, and the start of a new year. Any of the following events should prompt you to change your EFFAK as soon as possible:

- o Change of insurance
- o Change of residence
- o Purchase of new home or rental of new apartment
- o New bank account
- o Change in marital status
- o Birth or adoption of child
- o Change in your child's school
- o Retirement planning
- o Death in household

How to Stay Safe from Scams

Unfortunately, natural disasters and other emergencies inspire fraudsters to take advantage of those in difficult or desperate situations. In addition to being financially prepared to handle the aftermath of an unexpected crisis, you should be aware of red flags that might indicate a scam, including:

- Up-front fees. Help with claiming services, benefits, or loans should not require payment in advance.
- Door-to-door repair sales. These types of salesmen should be thoroughly vetted and should trigger suspicion, especially if they ask for advance payment or offer steep discounts.
- People asking for personal information or payment without credentials. Never give out personal information to people you don't know, including over the phone. Con artists may attempt to pose as government employees, insurance adjusters, or bank employees. Call these agencies back at a verified number before disclosing any information.
- A sense of urgency. Be suspicious of those who claim to want to help but warn that there is a limited-time offer or pressure you to sign on the spot. You need time to thoroughly review and process anything presented to you. Consult a trusted friend, relative, lawyer, or advisor.

Of course, we hope you never find yourself in a situation where you need to reference these tips, but it's best to be prepared. If you have questions about financial preparation for an emergency or the information in this article, please reach out to us by phone or email.

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The tax reform provisions of the Tax Cut and Jobs Act don't expire until the end of 2025...here's why you might want to act sooner, rather than later, in anticipation of future changes



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Tax legislation is often written and enacted to sunset on a date certain..."kicking the can" of tax policy down the road for future legislators and administrations to wrestle over...and leaving some uncertainty for the purpose of planning for taxpayers.

The Tax Cuts and Jobs Act (TCJA) of 2017 is no exception. Significant changes could be on the way then or even beforehand – if Congress acts before the sunset date of 12/31/2025.

For many, the most significant parts of the TCJA were the changes in tax brackets and rates, increase in the standard deduction, and changing the threshold for capital gains taxes to benefit high-income taxpayers. Also significant for the wealthy was the doubling of the lifetime exclusion amount for gifts and the estate tax exemption (both went from over \$5 million to over \$11 million). This allows the wealthier among us to give away or own at death twice as much as previously possible without transfer taxes due.

It is possible that when the TCJA provisions expire, the tax provisions will revert back to where they were before TCJA...so what might one consider doing before those provisions expire or other changes take effect?

With income taxes potentially increasing across the board, accelerating income if possible into a year while the TCJA rates apply may be advisable. This could pertain to payments due from others under installment sales contracts or other types of arrangements, like rents or royalties.

It also can mean taking advantage of potentially favorable-by-comparison capital gains treatment with a current low 15% rate applying to those with taxable income between \$44,625 per year (\$89,250 for married filing jointly) and \$492,300 (\$553,850 for married filing jointly) and no capital gains for those earning below those lower threshold amount. Many experts believe these

rates will increase, and their applicability reach more taxpayers at lower income levels. Considering harvesting capital gains sooner, rather than later, could mean lower capital gains taxes than waiting.

Making gifts without having to report them for gift tax purposes and minimizing exposure to estate tax can be accomplished. The current annual gift exclusion is \$17,000 for individuals and \$34,000 for married couples for gifts per donee. In other words, a taxpayer or a couple can make gifts in those amounts to one or more individuals. If a married couple makes 4 annual exclusion gifts – one to each of their 4 children – they can reduce their estate by \$134,000 each year.

There are other possible strategies to address the potential increase in income, gift and estate taxes and in all cases one should consult with their own financial, tax and legal advisors before taking any action. But the time to consider this is now, before any changes take effect.

Everything You Need to Know About Trusts

You may have heard the term discussed in financial advising or estate planning conversations, but what exactly is a trust? In the most basic terms, a trust is a legal arrangement in which assets are held for the benefit of someone else (the beneficiary). There are many types of trusts for various goals, and complex trust law makes it necessary to hire an experienced attorney to help you establish one. First, though, it's

important to understand the basics to help you figure out whether a trust is right for your planning needs; here, your financial advisor can help guide you in the right direction.

Why Create a Trust?

Trusts are popular estate planning tools because they can be used for many purposes, including:

Estate planning. Trusts can provide control and flexibility over the distribution of assets, minimize estate taxes, and preserve assets for your children until they are grown (in case you die while they are still minors). Trusts can also help avoid the expense and delay of probate because they allow for the seamless transfer of assets to beneficiaries without the need for court involvement.

Asset protection. Certain trusts can shield assets from potential creditors or legal claims. Placing assets in an irrevocable trust effectively removes them from your personal ownership, which makes them less vulnerable to financial liabilities or potential lawsuits. Trusts also allow you to set specific rules for distributing your assets, such as how much money a beneficiary can receive each year, an age when they can start to receive funds, or even how the funds can be used (e.g., for education only).

Tax benefits. Creating a trust can shift part of your income tax burden to beneficiaries in lower tax brackets. Also, if certain conditions are met, assets placed in an irrevocable trust may be protected from estate tax after your death.

Protection in case of illness or disability. Living trusts can be used to help you protect and manage your assets if you become incapacitated. If you can no longer handle your affairs, your trustee steps in and manages your property. Your trustee has a

duty to administer the trust according to its terms and must always act with your best interests in mind. Without a trust, a court could appoint a guardian to manage your property.

Charitable giving. Charitable trusts allow you to support causes you care about while potentially enjoying tax benefits. These trusts can provide income for you or your beneficiaries during your lifetime, with the remaining assets designated for charitable organizations after your death.

What Are the Drawbacks of a Trust?

Be sure to discuss the pros and cons of setting up any trust with your attorney and financial professional. Although there can be many advantages of this type of arrangement, consider these potential drawbacks:

- A trust can be expensive to set up and maintain—trustee fees, professional fees, and filing fees may need to be paid.
- Depending on the trust you choose, you may give up some control over assets in the trust.
- Maintaining the trust and complying with requirements can take considerable time.
- Income generated by trust assets and not distributed to trust beneficiaries may be taxed at a higher income tax rate than your individual rate.

What Are the Different Types of Trusts?

The type of trust you choose depends on what you're trying to accomplish. In fact, you may need more than one type of trust to meet all of your goals.

Living (revocable) trust. You create a living trust during your lifetime to maintain control over property such as your house, a boat, or investments. Assets that pass through a living trust

are not subject to probate—they don't get treated like the property in your will. Instead, the trustee will transfer the assets to the beneficiaries according to your instructions. The transfer can be immediate, or if you want to delay the transfer, you can opt for the trustee to hold the assets until a specific time, like when the beneficiary reaches a certain age.

Living trusts are appealing because they are revocable. You maintain control—you can change the trust or even dissolve it for as long as you live. Living trusts are also private. Unlike a will, a living trust is not part of the public record. No one can review the details of the trust documents unless you allow it.

Despite these benefits, living trusts have drawbacks. Assets in a living trust are not protected from creditors, and you are subject to taxes on income earned by the trust. In addition, you cannot avoid estate taxes using a living trust.

Irrevocable trust. Unlike a living trust, an irrevocable trust typically can't be changed or dissolved once it has been created. You generally can't remove assets, change beneficiaries, or rewrite any of the terms of the trust. Still, an irrevocable trust can be a valuable tool for tax planning, asset protection, and charitable giving.

When you transfer assets into the trust (these must be assets you don't mind losing control over), you may have to pay gift taxes on the value of the property transferred. If you have given up control of the property, all of the property in the trust is out of your taxable estate. That means your ultimate estate tax liability may be less, resulting in more passing to your beneficiaries. Property transferred to your beneficiaries through an irrevocable trust will also avoid probate. As a bonus, property in an irrevocable trust may be protected from

your creditors.

Testamentary trust. A testamentary trust allows you to specify how your assets should be distributed and managed for your beneficiaries. It is created through a will and only takes effect upon the trustor's death. At that point, selected assets in your will are distributed into the trust. From that point on, these work very much like other trusts. The terms of the trust document control how the assets are managed and distributed to heirs. Since you have a say in how the terms are written, these types of trusts give you a certain amount of control over how the assets are used, even after your death.

As always, we appreciate your trust in us and aim to help you figure out the best financial plan to help you meet your goals. If you have any questions about this article, please reach out to us via phone or email.

Authored in part by Commonwealth Financial Network and Broadridge.

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