

Potential Expansion of IRA Charitable Gifting Opportunity



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

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Since 2006, individuals age 70 $\frac{1}{2}$ and older have been able to make direct charitable gifts from their IRA's. The Qualified Charitable Distribution ("QCD") provision was part of the Pension Protection Act of 2006, and has remained a smart charitable gifting option ever since. The dollar limit for any one or combination of multiple QCD's has remained \$100,000 per year per taxpayer age 70 $\frac{1}{2}$ or older.

The QCD has not been eligible to fund what are known as "split-interest" gifts. These are charitable strategies that involve a gift to charity and a stream of payments to a non-charitable beneficiary. Charitable Gift Annuities involve a gift to charity in exchange for a promise by the charity to pay the donor and perhaps another person a fixed dollar amount annually for life. The amount payable for life is determined by the age(s) of the individual(s) to be paid and the dollar amount of the gift.

The QCD has also not been eligible to fund either a Charitable Remainder Unitrust or Charitable Remainder Annuity Trust. These trust arrangements involve the payment of either a percentage of the value of the trust annually (in the case of the Unitrust) or

a fixed payment amount (in the case of the Annuity Trust) per year to a non-charitable beneficiary (usually the donor, or one or more family members), with the remainder being paid to one or more charities specified in the trust, after a term of years or upon the end of life of the non-charitable beneficiaries, again, as specified in the trust.

The Legacy IRA Act would permit a one-time QCD of up to \$50,000 from an IRA to a charitable gift annuity (CGA), charitable remainder unitrust (CRUT) or charitable remainder annuity trust (CRAT). This can be an extremely tax efficient option for charitably inclined individuals to support charity and their own financial plans.

Practically speaking, funding a trust with \$50,000 is not generally feasible. A donor could create a CRUT and make an additional tax-deductible gift with other assets, such as appreciated securities, and also make a \$50,000 gift using a QCD. This would not be possible under current IRS regulations for a CRAT.

For the establishment of a CGA, however, this provision offers a great opportunity for charitably-inclined individuals and the charities they support. Generally speaking, the rate that would be paid to the individuals under a CGA are far above most market offerings. Here is a sampling of some of the recently published rates from the American Council on Gift Annuities (acga-web.org) that most charities follow in setting the rates they pay on CGA's":

Age	Rates: Single Life
70	5.3%
75	6%
80	7%

Age	Rates: Single Life
85	8.1%
90+	9%
Ages	Joint Life
70 and 73-75	4.9%
75 and 76-77	5.3%
80 and 82	6.1%
85 and 86	7%
90 and 91+	8.8%

These rates are significantly higher than those currently generated by many fixed-income investments like CD's, Treasuries or some bonds. Typically, a joint life annuity is created by two spouses, and the rates are slightly lower than those for single lives.

It also should be noted that using a QCD can reduce or eliminate entirely the Required Minimum Distribution for those age 72 and older, thus reducing the taxes ultimately paid that would otherwise be payable by the IRA owner taking the distribution.

For non-profit organizations, this could be a significant development if your organization offers charitable gift annuities as a strategy for gifts. For individuals age 70 $\frac{1}{2}$ or older, if you want to learn more, contact your legal and tax advisors about using a QCD of up to \$50,000 to fund a split-interest charitable gift.

Stay on Track: 10 Tips for Midyear Financial Planning

Presented by Thomas C. Chester, CFP®, AIF®, CPFA®



Although we all have the best intentions when we set financial goals each January, a lot can happen in 12 months to cause you to veer off course. Nobody wants to arrive at the end of the year and encounter a financial mess. One great way to keep yourself on a steady path to meeting your goals is to do a midyear check so you can make any necessary adjustments before things get out of hand. Use these 10 guidelines to ensure that your spending and investing are on track—and to avoid any surprises come December.

Look over your budget. This is the most basic step you can take to keep yourself on a path to financial health. Look at your spending through the middle of the year and determine whether you're right where you want to be, you need to cut back, or you have extra funds to spend on holiday gifts. Dozens of budgeting tools are out there to assist you in tracking your budget. Many have a digital platform where you can connect your accounts and track expenses. This pulse check provides an easy way to steer yourself back if you've strayed from your budget. And, if you haven't set a budget, this could be a good time to draft one and

establish goals.

Reconsider your retirement contributions. Did you receive a raise during the first half of this year? If you're not maximizing your contributions to your 401(k), 403(b), IRA, or other retirement plan, and you have additional funds from your increased salary or bonus that allow you to contribute more, it may be worth considering a bump in your retirement allocation.

Assess tax withholdings. It's a good idea to check your tax withholdings midyear, especially if you've had major life events such as a job change or significant pay increases. The IRS [has many tools](#) that can assist in determining whether your tax withholdings are appropriate.

Rebalance your investment portfolio. The volatility at the beginning of 2022 may have caused your investments to drift away from your strategy. This is a great time to look at your retirement plans and taxable accounts, rebalancing your portfolios to better align with your goals.

Adjust insurance policies, if necessary. Have you had changes in your life that would warrant additional insurance? If you haven't gotten around to adding insurance or increasing existing policies to account for marriage, having children, starting a business, buying a house, or other life events, use this midyear check to reevaluate your insurance needs.

Take stock of employee benefits. Be sure that you know when open enrollment for benefits occurs at your company and determine whether you need to make changes to your plans. This is also a good time to check on your FSA and HSA funds, submit receipts, and plan for how to use the remaining balance so you don't lose that money.

Review your credit report. You're legally entitled to a free

copy of your credit report every 12 months from each of the three national credit bureaus (Equifax, Experian, and TransUnion). Take advantage of that opportunity to check for fraud or mistakes so you can remedy any issues as quickly as possible.

Check your emergency fund. Unexpected expenses do come up, and it's prudent to have an emergency fund on standby to meet them. Without this money tucked away, you may have to take cash meant for other expenses or goals, or even accrue credit card debt to pay for expenses. Most experts agree that you should have three to six months of expenses in an emergency fund. Midyear is a great time to take stock of whether you've sufficiently saved for unexpected costs. If you're running a surplus on your budget, it makes good financial sense to use this surplus to ensure that your emergency fund is in good shape.

Be sure that your estate documents reflect your wishes. You likely won't need to revise your will, trust, living will, or other estate documents, but it's a good idea to review them annually and make sure that they still align with your desires. If you've experienced major life events such as marriage, divorce, or birth of a child, you may want to speak with an estate planning attorney to ensure that your documents are in good order and meet your current needs.

Set financial goals for the rest of the year. Take stock of where you started and where you are midway through the year. Six months is plenty of time for situations to change and goals to shift. If nothing has changed, ensure that you are staying on track with your initial objectives. If major changes have happened in your life, you may want to reassess your financial goals for the remainder of the year.

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Americans Demonstrate Unprecedented Generosity Through Philanthropy



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

Originally submitted to [Penobscot Bay Pilot](#)

In 2020, a record amount of more than \$471 billion was given to charity according to Giving USA, a report produced by the Giving USA Foundation in collaboration with the Lily Family School of Philanthropy at Indiana University.

The issues raised in a global pandemic, challenges to a civil society and the rule of law, climate change and record stock market value levels are believed to have contributed to this record level of giving.

In the month of June, GivingUSA produces an annual report on the prior calendar year's giving. [The report on 2021](#) giving was recently published and reported a record amount of \$484.85 Billion in giving to charity for 2021. The same issues may have been a factor, and the overall distribution of the source of those gifts remains fairly stable: 67% of those gifts were from individuals, 9% from bequests (deceased individuals), 19% from foundations, and 4% from corporate philanthropy.

Giving growing, donor advised funds gifts included. One of the interesting observations looking historically since before the Great Recession from 2006 through 2019 pointed to growth in all charitable giving of 52% and an increase of 330% in giving through donor-advised funds, which as of 2021 represented 6% of charitable giving overall. Donor advised funds are an alternative to creating a private foundation. Donors make a contribution to an organization like a community foundation or other sponsoring charity (think Fidelity Charitable), and then advise the organization as to the grants to charities they would like the fund to make. Their relative simplicity and lower administrative cost along with favorable tax treatment make them an attractive alternative to creating foundations.

Another observation about 2021 giving is the growth of 22.8% to environmental and animal protection organizations during the pandemic years. The only area seeing a decrease in giving in 2021 was education, which was down almost 3% over 2020 giving.

Bequest giving growth outpaces giving overall. Bequest gifts grew over 5 years by almost 6%, whereas overall giving growth was just over 4% during the same time period. This could represent a part of the unprecedented [transfer of wealth](#) from the boomer generation (those born between 1944 and 1964), recently estimated to be as much as \$30 trillion.

[Another Forbes article](#) highlights positive giving trends through Fidelity's Charitable Gift Funds: "Last year (2021), Fidelity Charitable donors recommended \$10.3 billion in grants to their favorite charities—which is 13% more than in 2020 and a 41% increase over pre-pandemic levels!"

This is all good news for charitable organizations, reflecting generosity and willingness to share wealth to support the work of non-profits in many areas of society. It also reminds fundraisers of how important it can be to pay attention to the methods of giving that are growing the fastest, like planned gifts through estates and tax-efficient, relatively simple donor-advised funds.

Weekly Market Update, May 31, 2022



Presented by [Thomas C. Chester, CFP®, AIF®, CPFA®](#)

General Market News

- The Federal Open Market Committee (FOMC)'s most recent meeting minutes were released last Wednesday and provided further support for the market's expectation of back-to-

back 50 basis point (bp) rate hikes at the June and July meetings. "Most participants judged that 50 basis point increases in the target range would likely be appropriate at the next couple of meetings," the minutes said. It was also reiterated that the Federal Reserve (Fed) may have to push interest rates beyond neutral and into restrictive territory to confidently quell inflation, stating that "a restrictive stance of policy may well become appropriate depending on the evolving economic outlook and the risks to the outlook." This type of open-ended language has been a staple in the Fed's recent guidance as they look to remain nimble, balance its desire to effectively fight inflation, and engineer a soft (or "softish") landing to avoid a recession. Treasury yields were down slightly last week. The 2-, 5-, 10-, and 30-year U.S. Treasury yields fell 4 bps (to 2.48 percent), 1 bp (to 2.71 percent), 3 bps (to 2.75 percent), and 1 bp (to 2.98 percent), respectively.

- Global equities posted sharp gains last week. Investors focused on inflation, which showed hints of easing as the Fed's favorite inflation gauge, the Core Personal Consumption Expenditure Price Index, fell from a 0.9 percent increase in March to a 0.2 percent increase in April. Additionally, we saw China issue support for its economy and a reopening within Shanghai, which is a start to alleviating supply chain issues within the region. We also saw softening in policy from the Fed as Atlanta Fed Chairman Raphael Bostic stated he would like to see a pause in September after back-to-back 50 bp federal funds rate hikes. Inventories rose within the retail sector, leading to potential relief to inflationary pressure. As a result, the top-performing sectors were consumer discretionary, energy, technology, and financials. The worst-performing sectors were health care, telecom, and

utilities. We'll monitor if the shift in sentiment sticks in the upcoming weeks.

- On Wednesday, the preliminary estimate for the April durable goods orders report was released. The report showed that orders of durable goods grew 0.4 percent during the month, slightly less than the expected 0.6 percent increase. Core durable goods orders, which strip out the impact of volatile transportation orders, increased 0.3 percent against calls for a 0.6 percent increase. This marks two consecutive months with core durable goods orders growth, which is a good sign for overall business spending because core durable goods orders are often viewed as a proxy for business investment. Business spending has seen solid growth throughout most of the past year, as businesses have invested in equipment and other capital expenditures to increase productivity and meet high levels of consumer demand. Given the tight labor market, continued business investment is expected throughout the start of summer.
- On Friday, the April personal income and personal spending reports were released. Personal spending increased more than expected, rising 0.9 percent against calls for a 0.8 percent increase. March's spending growth was also revised up, from an initial report of 1.1 percent to 1.4 percent. Although some spending growth in March and April was due to rising prices, even real personal spending figures improved more than expected in April, signaling high levels of consumer resilience despite inflationary pressure. This strong result, which echoes better-than-expected growth for retail sales in April, was driven by increased consumer spending on goods and services. Personal income increased 0.4 percent, slightly below the 0.5 percent increase that was expected. Although personal income growth missed modestly against forecasts, this was

still a solid result that marked seven consecutive months with rising incomes, highlighting the strength of the labor market recovery over that period.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	6.62%	0.81%	-12.21%	0.32%
Nasdaq Composite	6.85%	-1.53%	-22.21%	-11.17%
DJIA	6.28%	0.96%	-7.85%	-2.03%
MSCI EAFE	3.48%	0.63%	-11.45%	-10.77%
MSCI Emerging Markets	0.91%	-2.82%	-14.63%	-21.53%
Russell 2000	6.49%	1.41%	-15.51%	-15.87%

Source: Bloomberg, as of May 27, 2022

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.14%	-8.47%	-7.77%
U.S. Treasury	0.75%	-7.81%	-6.98%
U.S. Mortgages	1.62%	-6.83%	-7.12%
Municipal Bond	1.35%	-7.59%	-6.92%

Source: Morningstar Direct, as of May 27, 2022

What to Look Forward To

On Tuesday, the **Conference Board Consumer Confidence** survey for May was released. Consumer confidence declined by less than expected during the month. The index fell from an upwardly revised 108.6 in April to 106.4 in May, against calls for a further drop to 103.6. This result left the index above the recent low of 105.7 recorded in February 2022. Confidence has been challenged since last summer largely due to concerns about

inflation and the pandemic. The index hit a post-lockdown high of 128.9 in June 2021. Since then, the declines we've seen highlight the negative impact of concerns about inflation and Covid-19 infections over the past year. Looking forward we'll likely need to see further signs of slower inflation before confidence returns to the highs of last summer. That said, although confidence has been challenged over the past year, consumer spending growth has remained relatively strong. This fact is an encouraging sign that consumers remain willing and able to purchase goods and services, despite rising concerns about the economy.

On Wednesday, the **ISM Manufacturing Index** for May is set to be released. Economists expect the index to fall modestly, from 55.4 in April to 55 in May. This is a diffusion index, where values above 50 indicate growth. Accordingly, this result would signal continued expansion for manufacturers, just at a slightly slower rate. We've seen solid improvements for manufacturing output throughout the course of the year, supported by high demand for manufactured goods. That said, a potential slowdown in growth in the months ahead is possible, given the headwinds created by rising prices for goods and labor. Slower growth is still growth, however, so the expected result would indicate continued expansion for manufacturers despite these headwinds.

On Friday, we'll see the release of the May **employment report**. Economists expect to see 329,000 jobs added during the month, down from the 428,000 jobs added in April but still strong on a historical basis. If estimates prove accurate, the May report would mark 17 consecutive months with strong job growth, highlighting the impressive labor market recovery over the past year and a half. The underlying data is also expected to show positive signs. The unemployment rate is set to drop from 3.6 percent in April to 3.5 percent in May. In February 2020, the unemployment rate bottomed out at 3.5 percent, so a return to

this historically low level in little more than 2 years would be another example of the labor market's strong improvement over the course of the pandemic. Finally, wage growth is expected to increase 5.2 percent on a year-over-year basis in May, down from 5.5 percent in April. This would be a positive result for the Fed, given concerns about widespread inflationary pressure.

We'll finish the week with Friday's release of the **ISM Services Index** for May. This measure of service sector confidence is expected to drop from 57.1 in April to 56.3 in May. As with the manufacturing survey, this is a diffusion index, where values above 50 indicate expansion. Service sector confidence has dropped this year, after hitting a record high of 68.4 in November 2021. Rising medical risks earlier in the year and persistent inflation have served as headwinds in 2022. That said, due to high consumer and business demand for services, confidence should remain largely in line with pre-pandemic levels in the months ahead. We've seen spending patterns start to shift from goods to services over the past few months. Pent-up demand and diminishing pandemic fears have boosted service sector spending.

Disclosures: *Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the*

prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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Be A Savvy Senior: Know the Warning Signs of Elder Fraud

Just browse through the latest true crime documentaries on your preferred streaming network and you'll see that people of all ages and income levels are vulnerable to financial scammers. Unfortunately, as we get older, certain factors put us at greater risk. Social isolation, recent loss of a spouse or close family member, diminished cognitive abilities, and accumulated wealth can make those over age 60 especially attractive to fraudsters.

According to the FBI, there was a [74 percent increase](#) in losses reported by victims over age 60 in 2021 compared with losses reported by the same age group in 2020. To keep yourself and loved ones safe from senior scams, ask yourself these questions before you transfer money.

Is there an urgency attached to the request for funds? Government agencies, well-known companies, and banks don't typically ask for immediate money transfers. If you find yourself being rushed to provide cash as soon as possible, start with the assumption that the request isn't legitimate. One way to do this is to call the institution back at a phone number you've used before or that you find on its website, not the

contact information in the request.

Don't give out personal information or verify an authentication code to anyone who called you, regardless of who they claim to be or what phone number appears on your screen. Even if the urgent request seems to come from a close friend or family member, you'll want to call that person to verify their identity and confirm the need for money.

Does the method of payment make it impossible to recover your funds (if necessary)? If you're asked to send money by mailing cash, gift cards, or prepaid cards, or transferring bitcoin, those are all red flags. Once such funds are sent they can be very difficult, if not impossible, to get back. Another sign of a scam might be a person requesting money and instructing you to pay a third party.

For example, a fraudster may claim to be from the IRS but ask you to mail cash to an individual at a residential address, claiming the person is an attorney for the IRS. A con artist in a romance scam might ask for funds to be sent to someone they claim is a personal assistant or an accountant. Involving a third party makes the transaction harder to trace.

Does this transfer raise any alarms with your financial advisor? If someone contacts you and says you owe them money and the rationale isn't clear to you, contact your financial advisor as a trusted resource to help you determine whether the request is valid.

If you answered "yes" to any of the above questions regarding a request for money, there's a chance you could be the victim of a scam. Depending on your specific situation, consider taking these steps:

- Stop communicating with the requestor immediately.

- If you did send any checks or wire transfers, contact your financial institution and ask if they can stop payment or recall a wire transfer.
- If you sent payment through the mail, contact the carrier service you used to report the fraud and ask if they can stop delivery. (A tracking number is helpful in this type of scenario.)
- Contact your local police.
- Report the incident to ic3.gov (the FBI) or the Federal Trade Commission through their online reporting portals.
- Change your email and online banking passwords.
- Initiate a credit freeze through the major credit bureaus.
- Stay on high alert for subsequent scams. Once a person becomes a victim of fraud, other criminals might target the same individual from a different email address or phone number.
- If you continue to get fraudulent calls and emails, consider changing your email or phone number.

As we get older and potentially more vulnerable, we hope to be surrounded by people we can trust. But senior scams are unfortunately on the rise. Your best protection against elder fraud is to be aware of warning signs; talk to loyal family, friends, and advisors about financial issues; and thoroughly vet any party requesting funds from you.

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Abraham Dugal

Abraham Dugal, a financial advisor at Allen Insurance and Financial, has achieved the designation of CERTIFIED FINANCIAL PLANNER™ Professional.

A member of the Allen Financial team since 2015, Dugal works with individuals, families, business and non-profit organizations providing investment management, risk management and financial planning services aligned with helping them to meet their financial goals.

The CFP® designation has become the most recognized in the financial planning community. Requirements include meeting stringent education and experience standards and a rigorous 10-hour exam. Dugal joins his colleagues Michael Pierce and Thomas C. Chester as the third CFP® on the Allen Financial staff.

“Abe’s efforts demonstrate his deep commitment to continuing professional development,” said Mike Pierce, company president. “Now more than ever our clients are well served by dedication to the requirements of programs such as these.”

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 registrations. He lives in Camden with his wife and son.

A Guide to Benefits When Changing Jobs

If you’re changing jobs, you probably have a lot on your mind. As you wrap up work with your previous employer and prepare for your new role, it can be easy to let important benefits-related decisions fall by the wayside. If that happens, you could miss a limited opportunity to sign up for new benefits or miss out on making wise changes to your plans. To stay on track financially during a career transition, be sure to review the status of your retirement accounts and other valuable employee benefits.

Qualified Retirement Plans

Many employers offer qualified retirement plans, such as 401(k) and 403(b) accounts. (“Qualified” means that these plans qualify for tax advantages per IRS rules.) When transitioning to a new job, you’re entitled to keep the vested balance in your qualified retirement plan, including contributions and earnings.

You're also entitled to keep any employer contributions that have vested according to your employer's schedule.

What can you do with the money? You have several options:

- Leave the funds in your current employer's plan if your vested balance exceeds \$5,000. If the balance is less than \$5,000, the plan could require that you roll over or distribute your assets.
- Roll over the funds to an individual IRA or, if allowed, to your new employer's plan.
- Withdraw the funds and pay any taxes due along with any applicable penalties. (It's wise to carefully consider any decision to withdraw and spend your retirement savings.)

Accumulation rights. If you wish to roll over the funds, consider the accumulation rights you may be giving up by switching to a different plan. Accumulation rights offer shareholders the potential for reduced commissions when purchasing additional fund shares. If you have such rights with your current plan, they could become important if you plan to purchase a sizable amount of shares.

Potential penalties and fees. It's also important to consider the possibility of premature distribution penalties, as well as any fees and expenses a new plan may impose. If you've separated from service in the year you turn 55, or at any later age, any assets distributed from your old employer's plan aren't subject to the standard 10 percent penalty. Once funds are rolled into an IRA or a new plan, however, the 10 percent penalty may apply to subsequent distributions if you're younger than 59½ at the time, unless you can claim an exception.

Rolling funds over to an IRA. Factors to consider before taking this action include:

Advantages

- IRAs may provide more investment choices than employer plans.
- IRA assets can be allocated to different IRAs. There is no limit on how many direct transfers you can make from one of your IRAs to another IRA in a year. This means you can easily move money between IRAs if you're dissatisfied with an account's performance or administration.
- Although 401(k) distribution options depend on the plan terms, IRAs offer more flexibility.
- IRAs have more premature penalty exceptions than 401(k) plans.

Disadvantages

- When you turn 72, you must start taking required minimum distributions (RMDs) from pretax IRAs, whereas you may be able to defer them in a 401(k) until the year you retire if your employer allows for it. (There are no RMDs from Roth IRAs during the account owner's lifetime.)
- IRA account expenses, such as trading charges or annual fees, may be higher than qualified retirement plans.
- When you roll funds over from a 401(k) to a Roth IRA, taxes will need to be paid on the pretax contributions; however, any future distributions from the Roth IRA may be tax free if IRS requirements are met.

Rolling funds over to your new employer's plan. Employer plans offer the following advantages:

- If you intend to work beyond age 72, participation in the employer's qualified plan means you can typically delay the first RMD until the year you retire if the plan allows. (An exception applies if you own 5 percent or more of the business offering the plan.)

- Employer 401(k) plans may receive greater creditor protection than IRAs. Typically, employer plan funds cannot be used to satisfy most creditors, while the federal protection for IRA funds is more limited.

Stock Options and Nonqualified Deferred Compensation Plans

Prepare a list of any stock options you've received from your employer. Often, vested options expire within a specified time frame when you leave a job. Deciding whether to exercise your options depends on your financial situation and whether your options are "in the money" (i.e., the exercise price is lower than the market value).

Nonqualified deferred compensation plans allow executives to defer a portion of their compensation and the associated taxes until the deferred income is paid. With these plans, leaving your employment may trigger the need to take distributions in lump-sum or installment payments. You should be aware that any distributions will affect your taxable income.

Life Insurance and Disability Insurance

Employer-provided life insurance remains active only while you are employed. Ask if you have the option to convert the policy to an individual policy offered by the same insurance provider. If you do switch to an individual policy, however, the premium will likely increase. In some cases, it may be time to evaluate policy options from other companies. If you're in between jobs, for instance, you may want to consider an individual policy that won't be affected by employment changes.

Health Insurance

Your health insurance will expire once you leave an employer. COBRA may be a good option if you need interim health insurance coverage. Keep in mind, however, that your premium payments will

increase when you opt for COBRA coverage. Shopping for an individual health insurance policy that meets your needs could reduce your premiums.

New Benefits Review

Once you start your new job, take time to understand the new benefit options, including health insurance, disability insurance, and employer savings plans. It's important to review how the new employer retirement plan options fit into your overall savings plan, including any employer matches. Remember to fill out beneficiary designations for insurance policies and saving plans—and review those designations periodically. Finally, if your salary has changed, it's a good time to determine whether you should adjust your tax withholding and investment elections.

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

If you are considering rolling over money from an employer-sponsored plan, such as a 401(k) or 403(b), you may have the option of leaving the money in your current employer-sponsored plan or moving it into a new employer-sponsored plan. Benefits of leaving money in an employer-sponsored plan may include access to lower-cost institutional class shares; access to investment planning tools and other educational materials; the potential for penalty-free withdrawals starting at age 55; broader protection from creditors and legal judgments; and the ability to postpone required minimum distributions beyond age 72, under certain circumstances. If your employer-sponsored plan account holds significantly appreciated employer stock, you

should carefully consider the negative tax implications of transferring the stock to an IRA against the risk of being overly concentrated in employer stock. Your financial advisor may earn commissions or advisory fees as a result of a rollover that may not otherwise be earned if you leave your plan assets in your old or a new employer-sponsored plan and there may be account transfer, opening, and/or closing fees associated with a rollover. This list of considerations is not exhaustive. Your decision whether or not to roll over your assets from an employer-sponsored plan into an IRA should be discussed with your financial advisor and your tax professional.

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Financial Planning Considerations for Single Women

For various reasons, the state of a woman's financial security often depends on her marital status. A study from the U.S. Government Accountability Office says that women's household income [dropped by 41 percent](#) after divorce, nearly double the size of the decline men experienced. In 2020, women earned just [82.3 cents on the dollar](#) compared with men, according to the Department of Labor's Bureau of Labor Statistics, a gap that was more pronounced for women of color. And women earn less than their male counterparts in nearly every occupation. Whether you are newly divorced, widowed, or single by choice, the following

tips could help you shore up your financial security.

Be involved in your finances. A Stanford Center on Longevity study found that women tend to be [as confident as men](#) in making routine financial decisions but much less confident—and usually less involved in—making major financial decisions such as saving for retirement or investing.

In many cases, a woman going through a divorce or the loss of a spouse may not be aware of their family's full financial situation. If you are currently married, you should be actively involved in major financial decisions and have access to all financial records.

Plan ahead at work. When you have confidence in your financial status—if you have a strong financial plan in place and you've built up savings and emergency funds—you may be more confident asking for what you deserve at salary-review time.

Back up your claims for a raise. Support your proposal by documenting any significant accomplishments you've made over the past year, particularly ways you've contributed to your company's financial success.

Explore your career options. Employees tend to earn salary increases when they switch jobs. Exploring job opportunities every few years could confirm whether your current salary is appropriate, give you a reason to negotiate for a raise at your current job, or inspire you to make a career leap.

Don't share your salary. Telling a recruiter your current salary or earning history can result in a lowball offer. When applying for jobs, you can see what comparable positions in your area pay by reviewing popular salary websites. Keep in mind that you can always ask for more after the initial salary offer.

Factor in the cost of caring for others. The National Alliance for Caregiving and AARP 2020 report on caregiving in the U.S. found that [61% of caregivers are female](#), and that female caregivers are less likely to work while providing care. When working on a financial plan with your advisor, incorporate the cost of childcare, including after-school support if your work hours require it. Consider long-term care and disability insurance coverage so that you won't have to leave the workforce to care for a spouse experiencing a health event.

Revisit your beneficiaries. A change in marital status triggers the need to see who will inherit your assets. At least 26 states have statutes that automatically revoke beneficiary designations naming a spouse in the event of a divorce—which may not be what you want. You may also need to revisit who you have designated to help with your estate, such as your attorney-in-fact, health care proxy, and executor.

Tips for New Divorcées and Widows

In addition to understanding your own retirement benefits, you should know about any spousal benefits you may be entitled to. If the marriage lasted for at least 10 years and you haven't remarried, you could be eligible for half of your ex-spouse's social security benefit amount at their full retirement age, even if they're not actively collecting it. The total amount you are owed and when you should start collecting will depend on your age, your personal earnings, your life expectancy, and whether you remarry.

For retirement benefits, you would need at least a 10-year work history to qualify for your own social security benefits. To maximize these benefits, you may want to delay when you start collecting until age 70, depending on your life expectancy.

Tips for Women Who Are Single by Choice

If you don't have a spouse or a child, an estate plan can ensure that your wealth is effectively distributed. Generally, this means that assets would go to a parent or sibling if there's no surviving spouse or child and more remote family members if there are no surviving parents or siblings. If you have a large extended family, you may prefer that your wealth go to nieces, nephews, and charities.

Taking Charge

Whether it's by necessity because of a life change or you just want to become more involved in your finances, you can take charge of your financial security by staying fully informed of your options—and the many considerations that go into solidifying your current financial situation, maximizing retirement benefits, and properly planning your estate.

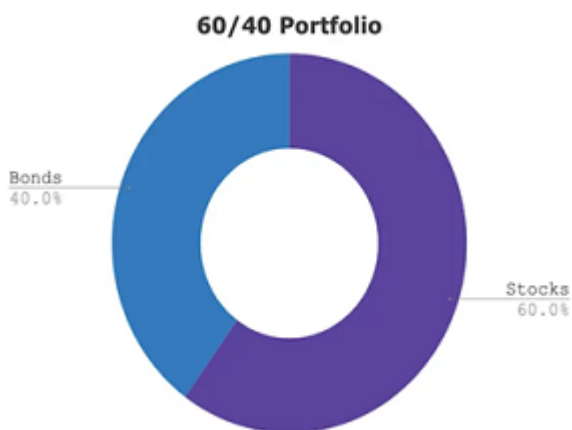
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Your Portfolio Health: Wait. What? The Fixed Income Holdings in my Portfolio are Losing Value?

By Sarah Ruef-Lindquist

Originally Submitted to the Pen Bay Pilot Wave

Many investors have a chunk of their portfolio in a fixed income allocation; that could include domestic and international corporate bonds of varying grades of credit quality and domestic municipal or government issued bonds. Very often “balanced” allocation strategy will anticipate a lower level of volatility and a lower growth in value potential through bonds, while anticipating the yield bonds generate providing income to investors that may be higher than many dividend-producing stock.



An often-used allocation strategy is 60/40: 60% stock, 40% fixed income. Extolling the virtues of this approach [on their website](#), Vanguard reminds us:

Portfolio outcomes are primarily determined by investors'

strategic asset allocations. And this is good news because, with proper planning, investors with balanced portfolios should be well-positioned to stay on course to meet their goals, instead of swerving to avoid bumps in the road.

Since the Great Recession, in a low interest-rate environment, yields on US bonds have been more modest, reducing the amount of income investors can expect from them. However, they have tended to provide a cushion in overall value dips, because of their lower level of volatility in comparison to the holdings within the stock allocation.

But now rates are rising; the Federal Reserve is working to reduce the growth of inflation by making money more expensive to borrow than it has been in over a decade, curbing borrowing, and that's pushing rates higher.

Higher rates are great for new bonds and their investors...but it can depress the relative value of existing bonds with lower rates. In the current market downturn in the first quarter of 2022, what investors are seeing is not only a dip in the value of their stock portfolios after reaching historic high values, but a decline in the value of their bond portfolios as well. That's painful. Many are scratching their heads.

Two things to remember about bonds: their relative value may be lower, but they still have their yield, or income. Secondly, when a bond matures, it almost always pays the investor back the original value of the bond, even though it's value on paper has reflected a lower "market value" during the period of rising rates. The more patience an investor can exercise over their bond portfolio in these times, the greater the reward.

As you monitor the health of your investment portfolio with your financial and investment advisor, be sure your allocation strategy fits your own unique goals and risk tolerance.

[Image source.](#)