Sarah Ruef-Lindquist Discusses ‘Pandemics and Planned Giving’

Pandemics and Planned Giving was the topic of a presentation made by Sarah Ruef-Lindquist, JD, CTFA at the Northern New England chapter of the Association of Fundraising Professionals annual conference, held Nov. 3 and Nov. 4.

Ruef-Lindquist, a financial advisor at Allen Insurance and Financial in Camden, said the COVID-19 pandemic drove people to focus on estate planning, while the confluence of historic stock and real estate values, potential estate and income tax changes and compelling societal need has laid the groundwork for many fruitful conversations with organizations’ most loyal supporters.

Ruef-Lindquist explored these dynamics, which she said could impact gift planning for years to come. Attendees at the conference, held in Manchester, N.H., included approximately150 fundraising and non-profit professionals from across Maine, New Hampshire and Vermont.

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

The Certified Trust and Financial Advisor (CTFA) designation awarded by the Institute of Certified Bankers, American Bankers Association.

Your Guide to Year-End Financial Planning: A 10-Point Checklist

From the hope that came with reopening to the disappointment of another COVID-19 resurgence, 2021 is panning out to be another roller-coaster year. With the fourth quarter upon us, one routine remains consistent: it's time to start organizing your finances for the new year. New rules related to the pandemic, coupled with tax and retirement changes that carried over from last year, means there's a lot to consider. This checklist highlights some key points to help guide you as you get started.

1) Boost Your Retirement Contributions
Workplace accounts. Are you maximizing contributions to your workplace plan? If not, now's the time to think about increasing your contribution to take full advantage of any employer match benefit. For 2021, the maximum employee deferral for 401(k), 403(b), and 457 accounts is $19,500, and individuals ages 50 and older can defer an additional catch-up of $6,500. For SIMPLE IRAs, the deferral remains $13,500 and the catch-up is $3,000.

Traditional IRA. Maxing out your contributions to a traditional IRA is another option. The SECURE Act repealed the maximum age for contributions, so individuals ages 70 and a half and older who earned income in 2021 can contribute to a traditional IRA. Modified adjusted gross income (MAGI) limits for contributions to traditional and Roth IRAs increased in 2021, so be sure to review MAGI eligibility thresholds. The maximum contribution amount to a traditional or Roth IRA remains $6,000 with a $1,000 catch-up for clients ages 50 and older.

2) Use FSA Dollars and Make HSA Contributions

Note that in 2020, the IRS relaxed certain use-or-lose restrictions for Flexible Spending Accounts (FSAs) that remain in effect this year. Employers can extend the grace period for unused FSAs up to 12 months in 2021. In addition, if you have a dependent care FSA, you can save as much as $10,500 in 2021

If you have a high deductible health plan (HDHP), now is a good time to explore maximizing your Health Savings Account (HSA) contributions. In 2021, the maximum contribution for an individual HSA is $3,600, and the maximum for a family HDHP is $7,200. If you're age 50 or older you can contribute an additional $1,000. We're happy to discuss prorated contributions with you if you had an HDHP for part of 2021.

3) Manage Your Marginal and Capital Gains Tax Matters

If you're on the threshold of a tax bracket, you may be able to put yourself in the lower one by deferring some income to 2022. Here are a few thresholds to keep in mind:

- **37 percent marginal tax rate:** Taxable incomes exceeding $523,600 (individual), $628,300 (married filing jointly), $523,600 (head of household), and $314,150 (married filing separately)
- **20 percent capital gains tax rate:** Taxable incomes exceeding $445,851 (individual), $501,601 (married filing jointly), $473,751 (head of household), and $250,801 (married filing separately)
- **8 percent surtax on investment income:** The lesser of net investment income or the excess of MAGI greater than $200,000 (individual), $250,000 (married filing jointly), $200,000 (head of household), and $125,000 (married filing

separately)

- **9 percent additional Medicare tax:** W-2 earnings and self-employment income above the same MAGI thresholds as the investment income surtax (For clients with W-2 earnings above the MAGI thresholds, total Medicare taxes will be 2.35 percent; for self-employed clients, total Medicare taxes will be 3.8 percent.)

4) Pay Attention to American Rescue Plan (ARP) Details
This statute, signed into law by President Biden in March 2021, changed the Child Care Tax Credit and the Child and Dependent Care Credit (for 2021 only). It also changed the taxation of unemployment compensation and canceled student debt.

- **Child Tax Credit:** In July 2021, the IRS began issuing 50 percent of this credit in six monthly advanced payments. Payments are based on 2020 income, so if your income increased in 2021, keep in mind you may need to reconcile the advanced payments. Be sure to review your eligibility for the credit.
- **Child and Dependent Care Credit:** In 2021, the credit is fully refundable. If your family earns less than $125,000 annually, you may claim a 50 percent refundable credit on care expenses of $8,000 for one child or dependent or expenses of $16,000 for two or more children or dependents.
- **Unemployment compensation:** In 2020, $10,500 of unemployment benefits were exempt from income tax. This exemption does not apply in 2021, so if you received benefits but didn’t have taxes withheld, it’s possible you may owe taxes.
- **Canceled student debt:** Under the ARP, you won’t owe taxes on student loans that are canceled or forgiven between 2021 and 2025. This relief applies to both federal and private loans.

5) Rebalance Your Portfolio
Reviewing your capital gains and losses may reveal tax planning opportunities, such as harvesting losses to offset capital gains.

6) Make Your Charitable Giving Payoff
The CARES Act above-the-line deduction was extended to 2021, meaning you can deduct up to $300 per person ($600 if you file jointly) for cash charitable contributions. If you itemize, the deduction of up to 100 percent for all cash charitable contributions is available in 2021. (**Please note:** This deduction doesn't apply to cash contributions made to donor-advised funds or private, nonoperating foundations)

Qualified charitable distribution (QCD) rules haven't changed, so if you're older than 70 and a half, you can make a QCD of up to $100,000 directly to a charity; if you're married and filing jointly, you may exclude up to $100,000 donated from each of your and your spouse's IRA.

7) Form a Plan for Stock Options
If you hold stock options, it's a good idea to develop a strategy for managing your current and future income. As part of this, be sure to have your tax advisor prepare an alternative minimum tax (ATM) projection. Keep in mind, ATM exemption limits increased in 2021 to $73,600 for single tax filers and $114,600 for married joint filers. If you're thinking about exercising incentive stock options, you may want to wait until January 2022 if, depending on your ATM projections, there's any tax benefit to waiting.

8) Prepare for Estimated Taxes and RMDs

- Under the SECURE Act, if you reached age 70 and a half after January 1, 2020, you can wait until you turn 72 to start taking RMDs. RMDs are required in 2021.

- If you took coronavirus-related distributions (CRDs) from your retirement plan, we can review the repayment option you chose in 2020. Remember, the choice not to repay all of a CRD in 2020 is irrevocable.
- If you took a 401(k) loan after March 27, 2020, you'll also need to establish a repayment plan and confirm the amount of accrued interest.

9) Adjust Withholding and Prepare for Student Loan Repayment
If you think you may be subject to an estimated tax penalty, consider asking your employers (via Form W-4) to adjust your withholding to cover shortfalls. The IRS tax withholding calculator can help you with your estimates.

Student loan payments, which the CARES Act paused in March 2020, are scheduled to resume in February 2022. If you reduced other debt during this period, you'll need to adjust your monthly cash flow to include upcoming student loan payments.

10) Assess Your Estate Plans
Year-end is always a good time to review and update your estate plan to make sure it's still in line with your goals and accounts for any change in circumstances. Depending on your net worth, establishing a defective grantor trust, spousal lifetime access trust, or irrevocable life insurance trust may be an effective strategy to reduce your estate tax exposure. In addition, take the time to update your beneficiary designations and review trustee appointments, power of attorney provisions, and health care directives.

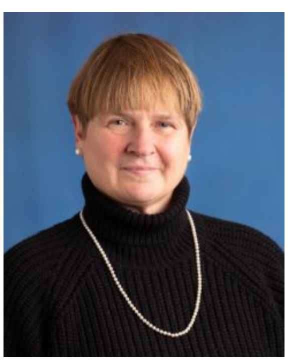
Rely on Us as a Resource
It's not too early to get a jump on planning—and even though your situation is unique to you, this high-level checklist can be a great starting point. Please feel free to contact us to talk through the issues and deadlines that affect you. We're also happy to collaborate with your CPA, attorney, and other

professionals you work with to help ensure you're prepared for the coming year.

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. Third party links are provided to you as a courtesy and are for informational purposes only. We make no representation as to the completeness or accuracy of information provided at these websites.

Retirement Savings and Tax Legislation in the Pipeline

By Sarah Ruef-Lindquist, JD, CTFA



Sarah Ruef-Lindquist, JD, CTFA

Last October, I wrote about some of the changes possibly in store for individuals and their income taxes as 2021 approached. Now, a year later, we have a little bit better idea of what MIGHT be in store, but Congress has not yet submitted a bill for the president’s signature. There has also been some discussion and activity around further modification of laws for retirement savings in addition to those in the SECURE Act from 2019 that would impact how and when people save for retirement, and how those retirement funds are accessed.

We have had a House version and a Senate version produced on the tax laws, and here’s what I’m seeing for possible provisions, based on what I’m reading and hearing from folks in DC who focus on these developing issues:

• According to an article in Forbes [1], income tax rates will rise modestly, bringing individual tax rates to 39.6% for ordinary income for married individuals who file jointly with taxable income over $450,000, heads of household with taxable income over $425,000, and unmarried individuals with taxable income over $400,000.

• Maximum capital gains tax rates would also increase from 20% to 25%, for sales that occur on or after Sept. 13, 2021, and will also apply to Qualified Dividends. The present rate of 20% will continue to apply to any gains and losses incurred prior to September 13, 2021, as well as any gains that originate from transactions entered into under binding written contracts prior to September 13, 2021.

• For IRA owners with large IRAs, accounts that exceeds $10 million as of the end of a taxable year, no further contributions will be allowed if the owner has taxable income over $400,000, or married taxpayers filing jointly with taxable income over $450,000.These large IRA owners will be required to make a minimum distribution equal to “50% of the amount by which the individual’s prior year aggregate tradition IRA, Roth IRA, and defined contribution account balance exceeds the $10 million limit”. Even more extreme treatment will apply to those who have over $20,000,000 in combined accounts.

A “Secure 2.0” bill has some additional provisions for retirement accounts. According to www.benefitspro.com[2] , for those aged 62-64 with a 401(k), catch-up contributions would increase from $6,500 to $10,000. Similarly, for that same age bracket contributing to a SIMPLE IRA or Simplified Retirement Plan (SEP), catchups would increase from $3,000 to $5,000 per year.

Required Minimum Distributions (RMDs) are IRS-mandated amount of money that must be withdrawn from traditional IRAs or employer-sponsored retirement accounts each year. The current RMD start age is 72-years old, but this legislation would incrementally increase that age from 72- to 75-years old over the next ten years. A few extra years of tax-free appreciation and income could yield additional funds if the market does well.

- RMD 73 starting on Jan 1, 2022
- RMD 74 starting on Jan 1, 2029
- RMD 75 starting on Jan 1, 2032

The penalties for missing an RMD would also change. Currently, there is a 50% excise tax on withdrawals that do not occur within the specified window. SECURE 2.0 would reduce this penalty to 25%, and only 10% if corrected in a timely manner.

Finally, we wrote last year we were anticipating losing favorable tax treatment for inherited investments. Essentially, we were hearing that the long-standing “step-up in basis” was going away. This would mean that heirs would have to use the tax basis of their benefactor to calculate their own capital gain upon sale of these assets, rather than using the value on the date of the benefactor’s death for basis. This was the “step-up” we had come to use for many years to reduce the impact of capital gains on inheritances. The provision appears to be safe – for the time being – as its removal is not in the most recent versions of proposed legislation.

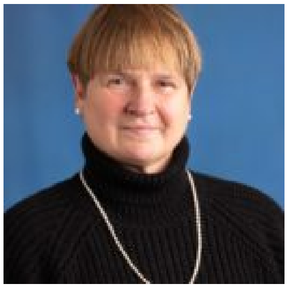
Be sure to check in with your financial and tax advisors about how these provisions may impact your tax or retirement savings situations. The final versions of the legislation may differ widely from what we have summarized above.

Sources:

[1] https://www.forbes.com/sites/alangassman/2021/09/16/income-tax-law-changeswhat-advisors-need-to-know/?sh=7170396517ff

[2] https://www.benefitspro.com/2021/09/16/what-americans-need-to-know-about-the-secure-act-2-0/?slreturn=20210904132953

Charitable Giving Opportunities for 2021



Sarah Ruef-Lindquist, JD, CTFA

By Sarah Ruef-Lindquist, JD, CTFA

As year-end approaches, many of us think about the charitable organizations that we have supported and want to continue supporting through annual giving. The tax advantage of making charitable gifts has changed dramatically in the past several years, and some opportunities exist that may not after the end of this year.

In recent years, the increased amount of the standard deduction has made itemizing charitable deductions less tax efficient. Because individual taxpayers have a standard deduction of $12,550 and married joint filers $25,100, often the combined value of itemized deductions, including charitable gifts, does not exceed those amounts. However, even non-itemizers can take advantage of the $300 for individual or $600 for married joint filer charitable deduction opportunity for 2021. This is an extension of the CARES Act of 2020.

The CARES act provision allowing cash contributions of up to 100% of AGI (Adjusted Gross Income) is also available for charitable giving in 2021 for itemizers. Gifts exceeding that amount may be carried over to future tax returns for up to 5 additional years. The CARES incentives are not available for gifts to donor-advised funds, supporting organizations or private foundations. This provision could increase the tax efficiency of large cash gifts that would otherwise be limited in their deductibility to 60% of AGI before or after the CARES act is effective.

A taxpayer who itemizes age 59 ½ or older can make a distribution from any defined contribution plan (401(k), IRA, 403(b)) and deduct up to 100% of AGI in 2021 under the extended provision of the CARES act. This could present a unique opportunity for many wishing to make a large gift to charity and use their retirement funds to do so.

And there are perennial gifting strategies that have tax efficiencies. One of these would be using appreciated stock instead of cash to make charitable gifts. 2021 saw record high market values for the stock market. The capital gains that are imbedded in these assets means that the full current market value of the stock can be a charitable gift without any capital gains tax being paid. The charity gets to realize the full value of these assets, while the donor does not recognize any capital gain when using them for charitable gifts.

Another option for those age 70 ½ or older involves IRA's. Qualified Charitable Distribution (QCD) of up to $100,000 per year from IRA's are extremely tax efficient. Not only can the distribution cover what would otherwise be considered a Required Minimum Distribution for those age 72 or older, but they are distributed directly to charity from an IRA without any income tax payable. Usually, distributions from an IRA require payment of income tax (federal and state, if applicable), but not so with QCD's. For those who are less reliant on these funds from year to year, this is a particularly attractive option that involves giving the specific instructions to your IRA advisor or administrator to make the distribution.

As you consider any charitable giving for 2021, be sure to seek the advice of a professional financial or tax advisor to understand fully how any charitable gift can impact your particular financial and estate plans.

To Buy or Not to Buy . . . When Do You Need Life Insurance?

Whether you need life insurance depends partly on your stage of life. If you're younger, you may have less need for coverage. As you move along the path in life, you'll likely have more of a need. And, as your responsibilities lessen, your need may decrease.

Here's a look at how your phase of life affects your life insurance needs.

Young and Single
As a young adult, you likely don't depend on others for financial support. In most cases, your death wouldn't create a financial hardship for others, making life insurance a low priority.

You could argue that you should buy now! The cost of life insurance factors in several things, including your health. At this point in your life, rates will probably be low. Now, while this may be a valid argument if you're at higher risk for medical conditions (e.g., diabetes) later in life, for now, you may want to consider investing the money you'd spend on premiums.

Some exceptions to this include:

• You have a mortgage or other loans with a cosigner. Your death would leave them entirely responsible for the debt, so you may want insurance to cover this.
• You have a child or you’re supporting your parent/grandparent. As they depend on you, life insurance could provide support for them if you were to die.

Married . . . with Children (Or Without)
Married couples without children have little need for life insurance, especially if you both contribute equally to the household and don’t have a mortgage.

Once you buy a home, though, it’s a different story. Even if you both have well-paying jobs, the mortgage debt may be more than one person can handle on a single salary. And other debts, such as credit cards, can add to financial worries. In this situation, both of you should consider buying a modest amount of life insurance to provide financial support.

If you start a family, your life insurance needs are at their peak. In most cases, it’s appropriate for both parents to have life insurance.

If your family has a single income, it is completely dependent on that salary for financial security. In this case, both parents should carry enough life insurance to cover lost income or the economic value of lost services—like having to pay for childcare if the stay-at-home parent dies.

Dual-income families need life insurance, too, because it’s likely the surviving spouse will suffer financial hardship keeping up with household expenses and childcare costs.

Separation Anxiety

If you get a divorce, you'll need to decide what to do about your life insurance, both from a beneficiary and coverage perspective. Add in dependents and it becomes more complex.

Keep it simple. If you don't have children, it may be as simple as changing your beneficiary and adjusting your coverage.

Work it out. If you have children, the custodial and noncustodial parents will need to work out the details of your life insurance. You'll want to make sure your children—and not your ex-spouse—are provided for in the event of your death. This may mean purchasing a new policy or changing the beneficiary to your children. If you and your ex-spouse can't agree, the court will decide for you.

Climbing the "Corporate" Ladder

So, how do career changes affect your life insurance needs? It's important to review your coverage whenever you leave your employer or start your own business.

When you leave your job, any employer-sponsored group life insurance coverage typically ends. Find out if you'll be eligible for group coverage with your new employer or look into purchasing coverage yourself. You may also be able to convert your group coverage to an individual policy; it may be more expensive, but it's a good choice if you have a preexisting medical condition that may prevent you from buying life insurance coverage elsewhere.

You should review your coverage amount, too. Your policy may no longer be adequate, especially if you've incurred more debt and expenses. If you own a business, consider your business debt. If your business isn't incorporated, your family could be responsible for those bills if you die.

The Golden Years

Ah . . . retirement! Once you hit these golden years, your life insurance needs may change again. If fewer people depend on you financially, your debts have been paid, and you have substantial financial assets, you may need less coverage than before. But it's possible that your life insurance needs will remain the same. The proceeds from your life insurance can be used to pay for your final expenses or to replace any lost income for your spouse (e.g., social security or a pension). Proceeds can even be used to pay estate taxes or as a charitable donation.

No matter what phase of life you're in, it's a good time to review your options and decide whether you need coverage and, if so, how much. If you'd like to discuss options, please reach out to me or my office.

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.

Investor360° Security Enhancement: Multifactor Authentication Required on

Sept. 9

A note to our financial planning clients:

To create a more secure login process in Investor360°®, **multifactor authentication (MFA) will be required for all users (mobile and desktop platforms) beginning Sept. 9, 2021.**

What Does This Mean?

When you log in after Sept. 9, you will be asked to set up MFA in Investor360° on either a desktop browser or mobile app. A set of instructions will appear on your desktop or mobile device screen to assist you with the setup process. We're including a link here to the **Investor360° Mobile Reference Guide.**

Want to Download Investor360° Mobile?

On your mobile device, you can download Investor360° Mobile from the Apple Store or Google Play.

Questions?

If you have any questions or would like to give feedback about Investor360° MFA, please give us a call at 236-4311.

Here is a Crash Course in 529 Plans and Their Impact on

Financial Aid

Are you worried about the rising cost of education? 529 plans can be powerful college savings tools when you understand how to take full advantage of them.

Start with the Basics

529 plans are tax-advantaged college savings plans sponsored by a state or state agency, and there are two types:

- **Prepaid tuition plans.** With this type of plan, tuition and fees for a specific school are paid in advance.
- **Savings plans.** These are tax-advantaged investment vehicles (the account grows tax deferred, like individual retirement accounts [IRAs]). Savings can be used at most accredited colleges and universities in the U.S. or abroad.

Make Your Plan Work for You

When timed appropriately, contributions and withdrawals can help maximize your 529 plan. With most plans:

- **You can only contribute cash.** This includes checks, money orders, and credit card payments. You can’t contribute stocks, bonds, or mutual funds without liquidating them first.
- **Anyone can contribute.** With a 529 plan set up, gift giving just became easier!
- **There are investment options.** You can choose how to invest your contributions from a variety of investment portfolios.
- **You may be able to use funds for K–12 education.** Be sure to check as not all states recognize these updated provisions for K–12 education.

- **Research tax impacts.** Withdrawals used to pay qualified education expenses are free from federal income tax and may also be exempt from state income tax.

The CliffsNotes on contributions. To qualify as a 529 plan under federal rules, a state program can't accept contributions more than the anticipated cost of attendance for the most expensive schools in the country. Most states have contribution limits of $350,000 and up per beneficiary.

The type of plan determines the limits:

- **Prepaid tuition plans.** These limit total contributions.
- **Savings plans.** These limit the value of the account (contributions plus earnings).
- **Minimum contribution requirements.** Some plans have requirements, such as minimum opening deposits or yearly contribution amounts.
- **State guidelines vary.** Contributions made to one state's 529 plan don't usually count toward the contribution limit in another state. Be sure to check the rules of each state's plan.

Should you fund your plan in a lump sum or over time?

- **Monthly investments may be an easy option.** 529 plan earnings grow tax deferred and can be withdrawn tax free if used to pay for qualified expenses. The sooner you put money in, the sooner you can start to generate potential earnings.
- **A lump sum may have unwanted gift tax consequences.** With limited opportunities to change your investment portfolio, you could get locked into undesirable investments for a period of time.

Timing is everything! Although 529 plans are tax-advantaged accounts, potential federal tax impacts are something to keep in mind. Under special rules unique to 529 plans, you can gift a lump sum of up to five times the annual gift tax exclusion—$75,000 for individual gifts or $150,000 for joint gifts—and avoid federal gift tax, provided you make an election on your tax return to spread the gift evenly over five years. (The federal gift tax exclusion is $15,000 for 2021.

Withdrawals should also be coordinated with education tax credits—the American Opportunity Credit and Lifetime Learning Credit—because tuition expenses used to qualify for a credit can't be the same tuition expenses paid with tax-free 529 funds.

What About Financial Aid?

During the financial aid process, income and assets are examined to determine how much the student should be expected to pay for school before receiving financial aid. To maximize the beneficiary's future financial aid options, pay close attention to who is listed as the owner of your 529 plan.

How to handle 529 plans owned by parents. The value of any parent-owned 529 plan will be listed as an asset on the Free Application for Federal Student Aid (FAFSA). Colleges and the federal government typically treat 5.64 percent of parental assets as available to help pay college costs. By contrast, student assets are assessed at a rate of 20 percent.

Here are some additional things to keep in mind about parent assets:

- **Will the plan be considered an asset?** Parents are required to list a 529 plan as an asset only if they are the account owners of the plan.

- **A note for students who are dependents.** A 529 account owned by a dependent student—or by a custodian for the student—is reported on the FAFSA as a parental asset.
- **Yearly income guidelines.** If parental adjusted gross income is less than $50,000 and they meet a few other requirements under the simplified needs test, the federal government doesn't count any of their assets.* In this case, the 529 account wouldn't affect financial aid.
- **Subsequent years may look different.** For parent- and student-owned 529 plans, funds aren't classified as parent or student income the following year when they're used to pay for qualified education expenses.

What about grandparent-owned 529 accounts? If a grandparent is the account owner, the 529 plan doesn't need to be listed as an asset on the FAFSA. Withdrawals from a grandparent-owned 529 account, however, are counted as student income—which is assessed at 50 percent—on the FAFSA the following year. This means financial aid eligibility could decrease by 50 percent in the year following the withdrawal. Grandparents may want to wait until their grandchild's last two years of college to make a withdrawal if they are concerned about the potential impact on financial aid.

Preparation Is Key

You should review all your options to ensure that you're financially prepared for education expenses. If you'd like to discuss 529 plans—or any other options—or if you have any questions about the information presented here, please contact me or my office.

* *An applicant who qualifies for the simplified needs test may still be required to report assets on the FAFSA if they live in a state that requires asset information to determine eligibility for state grant programs. The asset information will be used*

only to determine eligibility for state grant programs. It won't be used to determine eligibility for federal student aid. The states include Colorado, Georgia, Hawaii, Illinois, Minnesota, New Jersey, New Mexico, Ohio, Oklahoma, South Carolina, Vermont, Washington, Washington D.C., Wisconsin, and Wyoming.

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

Qualified Expenses:

• College/university cost of attendance (tuition, fees, books, equipment, and room and board)

• Certified apprenticeship programs (fees, books, supplies, and equipment)

• Student loan repayment ($10,000 lifetime limit per beneficiary and $10,000 per each of the beneficiary's siblings)

• K–¬12 tuition expenses up to $10,000 per year

Estate Planning for LGBTQ+ Married Couples

On June 26, 2015, in the *Obergefell v. Hodges* decision, the U.S. Supreme Court ruled that states must allow same-sex couples to marry and must recognize same-sex marriages from other states. As a result, estate planning for LGBTQ+ married couples became equal, under the law, to planning for other married couples. As with any historic legal case, however, unique challenges have emerged in the wake of the *Obergefell* decision. This is especially true regarding estate planning.

Consequently, a comprehensive estate plan review is a must for LGBTQ+ couples who were married, were in a domestic partnership, or created an estate plan *before* June 26, 2015. Your current estate plan might no longer make sense for several reasons, including those discussed below. Together, we can discuss your situation and create or update your estate plan appropriately.

Beneficiary Designations

To move forward with a fresh slate, you may want to purge anything related to a previous relationship from your estate plan. That includes removing former partners as the beneficiary of retirement accounts, investment accounts, life insurance, or annuities. If you co-owned real estate with a former partner, this situation may also need to be addressed.

Dissolved Partnerships

If you were in a domestic partnership but broke up without formally dissolving it, you may still be legally married. How can this be? Some states automatically converted domestic partnerships to marriages after the *Obergefell* ruling. Or, perhaps a same-sex couple was married in a different state than their state of residence (such as a couple living in Texas who got married in Vermont). The couple may have broken up thinking the marriage “didn’t count” because their state of residence didn’t recognize it as a legal union. In reality, the couple in question could still be legally married. Given the complexity of this topic, we should discuss potential pitfalls such as these.

Marriage Benefits

Marriage comes with several potential income and estate tax benefits that now apply to all married couples. While there are several reasons to remain unmarried, you may want to consider the marriage benefits now available to LGBTQ+ couples, including:

Income tax filing. Married filing jointly status often benefits couples with disparate salaries, and it could also bring a couple’s total tax bill down in certain other situations. For instance, if one spouse makes about $215,000 per year, and as a couple you still make about that much, married filing jointly status would bring the single marginal tax bracket down from 32 percent to a married filing jointly bracket of 24 percent. Married filing jointly can also provide additional deductions and other related tax benefits compared with those available to single filers.

Unlimited marital deduction. This is a provision in the U.S. tax law that allows a married person to transfer an unlimited amount of assets to their spouse at any time, including after death, free from tax. So, if you created a trust or other transfer plan to protect assets after the death of a partner, a better option may now be available. A revised estate plan could provide greater flexibility to a surviving spouse.

Joint tenants by the entireties. Many states offer married persons a “joint tenants by the entireties” ownership option for real estate and other accounts. This type of ownership offers extra creditor protection to the marital unit. In the event of death, it automatically ensures that a surviving spouse receives the full title of a property.

Parenting Planning

If you and your spouse are planning on having children, you should be aware of how the following legalities affect LGBQT+ couples. The rules differ for parents who are married versus those who are unmarried.

Married couples. Married couples where one partner gives birth to the child should receive treatment very similar to different-sex couples. The U.S. Supreme Court ruling in *Pavan v. Smith* held that Arkansas could not apply a different parentage assumption to the wife of a birth mother than the state applies to husbands of birth mothers.

If you’re planning on conceiving through assisted reproduction, such as surrogacy, however, you and your spouse will likely have to rely on your state’s adoption procedures. This process is often called a “second-parent adoption” because a co-parent is adopting their partner’s child without terminating the partner’s parental rights. In some states, the “second-parent adoption” procedure is easier for married couples because *Obergefell* requires that all married couples have access to a state’s stepparent adoption procedures.

Unmarried couples. Unfortunately, the rules are much tougher for unmarried couples. Some states are still passing laws that deny adoption rights to unmarried persons with no genetic connection to a child—seemingly targeting the LGBTQ+ community directly. As a result, many lawyers encourage same-sex couples to "adopt their own children," as strange as that sounds. This way, if you and your partner break up and move, states are required to follow the court orders of other states, preserving the rights of both parents.

Other considerations. You should also understand that state parentage laws and federal and international laws don't always move in sync. In certain cases, if the genetic parent of a couple's child is not a U.S. citizen, that child may not be granted automatic U.S. citizenship. This is so even if the nongenetic partner is a U.S. citizen and acts as the child's parent. This scenario is most concerning when the child is born abroad, but with appropriate planning, it's possible to ensure that a child can remain with either parent in the future.

A step forward. In 2017, the Uniform Law Commission drafted an update to the Uniform Parentage Act that promotes the use of "voluntary acknowledgment of parentage forms." At its core, this proposed law seeks to assign parental rights at the birth of the child to the two people who sought to create a family, whether through assisted reproductive technology or natural birth. As of this writing, however, only five states (California, Connecticut, Rhode Island, Vermont, and Washington) have enacted a law substantially similar to the updated Uniform Parentage Act.

Other Estate Planning

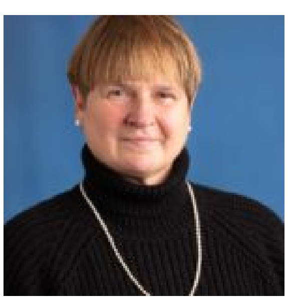
A power of attorney provides very important protection for your health care and other estate planning decisions. To prevent these decisions from being challenged, it's wise to have executed a clear statement of your wishes regarding health care treatment options, end-of-life care, and burial decisions. A legal provision known as an *in terrorem* clause can be helpful in preventing challenges to your will or any trusts you've created. As with all estate planning documents, working with a qualified attorney to craft a personalized plan is essential to ensuring your wishes are honored.

Planning to Protect Your Future

Whether or not you face the unique estate planning challenges discussed above, it's wise to review your estate plan when laws or your personal situation have changed. If you would like to schedule a review or have any questions about the information presented here, please reach out to us.

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.

Charitable Giving in 2020…and 2021?



Sarah Ruef-Lindquist, JD, CTFA

By Sarah Ruef-Lindquist, JD, CTFA

We love June, don't you? Temperatures are warmer, flowers are blooming, and this year especially, many people are getting out and enjoying each other's company and all that Maine has to offer with understandable pent-up enthusiasm.

Every year in June, the news includes the annual report about charitable giving in the US. The GivingUSA Foundation publishes GivingUSA with data about charitable giving activity in the prior year, based on income tax return data. The news has been positive year-on-year for a long time now.

Will it be for 2020?

As a preview Marketwatch reported interesting giving behavior during the early pandemic months of 2020: They reported that 2020 got off to a great start, but then as the pandemic hit, giving plummeted.

Then, it rebounded. A lot. At a time when millions of Americans were losing their jobs and could not make rent or mortgage payments.

It would seem there was a swift recognition of the challenges being faced, and generous response to help meet the need. "Some people even donated their stimulus checks. Protests over racial injustice last summer spurred another outpouring of donations."

Using data provided by Blackbaud from a large and representative sample of non-profits "Not only did overall giving increase, but so did the average size of people's donations, increasing to $737 from $617 in 2019."[i]

According to prior GivingUSA reports, US charitable giving totaled for 2019 was $450 billion. 2018 was $428 billion. 2017 was $410 billion. 2016 $390 billion. See a trend here?

Neither Blackbaud nor Marketwatch try to predict what the total giving will be for 2020, but instead await the June 15, 2021 release of that data by GivingUSA. We will, too.

We are almost half-way through 2021. What could help boost giving in 2021? The stock market is nearing record highs and those are always opportunities to consider charitable gifts of appreciated securities, to reduce capital gains exposure, or to create charitable remainder trusts to provide income and immediate tax deductions while deferring and reducing gains exposure.

As congress considers further changes to income tax laws, there are several pending provisions of interest including a possible charitable remainder trust option for up to $100,000 of qualified charitable distributions from IRA's (these had previously been limited to only outright gifts to charity). Stay tuned about those.

There are many reasons to be optimistic about charitable giving in the US. As you renew in-person meetings with your supporters, we hope they are as rewarding and productive as ever.

[i] Blackbaud's analysis was based on its 8,833 nonprofit clients, which took in a total of $40.7 billion in donations in 2020. That's only one slice of the giving pie in the U.S, where there are roughly 1.5 million nonprofits, but the Blackbaud data set is the largest sample size of giving and is representative of the nonprofit sector as a whole, a spokeswoman said.

Unsure When to Claim Social Security? Timing Has Its Benefits

For many Americans, social security benefits make up a significant portion of retirement income. When it comes to how much you will receive, you may be surprised to learn that you have a choice in the matter—and timing is everything. The longer you wait to claim your benefits, the larger your monthly payment will be, so when you start can determine whether you'll have sufficient funds to achieve your retirement goals.

Here are considerations to keep in mind as you think about your social security choices.

When Are You Eligible?
Based on the year you were born, the Social Security Administration (SSA) has determined your full retirement age (FRA)—in other words, the normal retirement age at which you become eligible to receive full social security benefits. If you were born before 1955, you've already reached your full retirement age (see Figure 1). If you were born after 1960, you'll reach your FRA at age 67.

Figure 1. Full Retirement Age (FRA)

If you were born in:	Your FRA is:
1937 or earlier	65

1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943–1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

The Early Bird Gets . . . Less
Although your FRA serves as the baseline, you can claim your social security benefits at an earlier age. Keep in mind, though, that taking your benefits early will permanently reduce the amount you receive.

Let's say your FRA is 66 and your monthly benefit amount is $1,000. If you decide to take benefits at age 62, your monthly benefit will be permanently reduced by 25 percent. That might be a hefty sum to leave on the table, so remember that you have up to 12 months to withdraw your application for benefits if you change your mind.

Good Things Come to Those Who Wait
If you don't need the cash when you reach your FRA, you can opt to delay your claim—and the SSA offers an economic incentive to do that. Should you decide to wait until after you've passed your FRA, the SSA compensates you for allowing those funds to

stay in its reserves by guaranteeing an 8 percent increase in benefits for each year you delay, up until age 70. So, if you wait until 70 to claim benefits, your payment will be 76 percent more than what you would have received if you claimed early at 62. If you're in a position to do so, it literally pays to wait.

Remember, though, that the maximum benefit amount you can receive tops off at age 70, so there's no financial motivation to delay your claim past then.

Deciding the Right Time for You
Claiming your benefits as soon as you reach your FRA shouldn't be a given—nor should holding out longer for a bigger benefit. The right timing depends on your specific circumstances, and there's a lot to consider.

Life expectancy. Longer life expectancies are a large factor in determining the best claiming strategy, so a break-even analysis—the age when your cumulative benefits will even out—can provide helpful insight. Handy life expectancy calculators and benefits calculators are available to help you estimate your benefits based on the age you want to make your claim.

Your spouse. Married couples should consider various strategies for maxing out benefits. If you're the primary earner, you've been married at least one year, and your spouse is at least 62, your spouse may qualify for a spousal benefit of up to 50 percent of your FRA benefit when you make your claim. Although your dependent spouse receiving a benefit won't affect the amount of your benefit, keep in mind that if you make an early claim, your spouse's benefit will also be reduced. The flip side is, if you wait until age 70, you maximize benefits for both of you—and potentially the survivor benefit for your spouse.

If you have two incomes, for example, depending on your benefits estimates, you might consider making your claims at different times. It may make sense for the lower earner to take benefits first when they reach their FRA, and the higher earner to wait until age 70 because their increases will amount to more over time. Depending on life expectancy, this approach could also mean a higher survivor benefit for the lower earner should the higher earner pass away first. Note, however, that your spouse's benefits will be permanently reduced if they apply before their FRA. (There is an exception if they are caring for a dependent child younger than 16 who has a disability, making them eligible for dependent benefits.) For dual earners born before 1954, you can opt to apply for only the spouse benefit and delay taking your own benefit until a later date.

If you and your spouse have similar lifetime earnings, each of you might want to wait until age 70 if it's financially viable. This positions both of you to receive the maximum amount and ensures that one of you receives the highest possible survivor benefit after the other passes away.

Tax implications. Because some of your social security benefits may be taxable, depending on your income, some people may factor the tax impact of their claiming strategy into their decision-making process.

Keep in mind, if you or your spouse worked at a job at which you didn't pay into social security because you were earning a pension, your retirement and your spousal/survivor benefits may be affected by the Windfall Elimination Provision and Government Pension Offset. (This is common for teachers and government employees.)

The Math Is Personal

Depending on your specific financial situation, deciding when to claim your social security benefits may have a significant impact on your retirement goals. Time may be on your side if you’re looking to maximize your benefits, but the choice can be complicated; it depends on your health, family circumstances, and overall financial wellness. We invite you to talk with us about the various ways we can support your retirement goals. For more detailed information about benefits, call the SSA at 800.772.1213 or visit www.ssa.gov.

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.