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Financial Update

Ideas and Action Steps for Achievers

Famous People Who Failed to Plan Properly



It's almost impossible to overstate the importance of taking the time to plan your estate. Nevertheless, it's surprising how many American adults haven't done so. You

might think that those who are rich and famous would be way ahead of the curve when it comes to planning their estates properly, considering the resources and lawyers presumably available to them. Yet there are plenty of celebrities and people of note who died with inadequate (or nonexistent) estate plans.

Most recently

The Queen of Soul, **Aretha Franklin**, died in 2018, leaving behind a score of wonderful music and countless memories. But it appears Ms. Franklin died without a will or estate plan in place. Her four sons filed documents in the Oakland County (Michigan) Probate Court listing themselves as interested parties, while Ms. Franklin's niece asked the court to appoint her as personal representative of the estate.

All of this information is available to the public. Her estate will be distributed according to the laws of her state of residence (Michigan). In addition, creditors will have a chance to make claims against her estate and may get paid before any of her heirs. And if she owned property in more than one state (according to public records, she did), then probate will likely have to be opened in each state where she owned property (called ancillary probate). The settling of her estate could drag on for years at a potentially high financial cost.

A few years ago

Prince Rogers Nelson, who was better known as **Prince**, died in 2016. He was 57 years old and still making incredible music and entertaining millions of fans throughout the world. The first filing in the Probate Court for Carver County, Minnesota, was by a woman claiming to be the sister of Prince, asking the court to appoint a special administrator because there was no will or other testamentary documents. As of November 2018, there have been hundreds of court filings

from prospective heirs, creditors, and other "interested parties." There will be no private administration of Prince's estate, as the entire ongoing proceeding is open and available to anyone for scrutiny.

A long time ago

Here are some other notable personalities who died many years ago without planning their estates.

Pablo Picasso died in 1973 at the ripe old age of 91, apparently leaving no will or other testamentary instructions. He left behind nearly 45,000 works of art, rights and licensing deals, real estate, and other assets. The division of his estate assets took six years and included seven heirs. The settlement among his nearest relatives cost an estimated \$30 million in legal fees and other related costs.

The administration of the estate of **Howard Hughes** made headlines for several years following his death in 1976. Along the way, bogus wills were offered; people claiming to be his wives came forward, as did countless alleged relatives. Three states — Nevada, California, and Texas — claimed to be responsible for the distribution of his estate. Ultimately, by 1983, his estimated \$2.5 billion estate was split among some 22 "relatives" and the Howard Hughes Medical Institute.

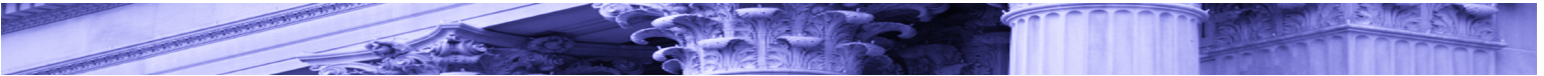
Abraham Lincoln, one of America's greatest presidents, was also a lawyer. Yet when he met his untimely and tragic death at the hands of John Wilkes Booth in 1865, he died intestate — without a will or other testamentary documents. On the day of his death, Lincoln's son, Robert, asked Supreme Court Justice David Davis to assist in handling his father's financial affairs. Davis ultimately was appointed as the administrator of Lincoln's estate. It took more than two years to settle his estate, which was divided between his surviving widow and two sons.

January 2019

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Key Retirement and Tax Numbers for 2019



Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2019.

Employer retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$19,000 in compensation in 2019 (up from \$18,500 in 2018); employees age 50 and older can defer up to an additional \$6,000 in 2019 (the same as in 2018).
- Employees participating in a SIMPLE retirement plan can defer up to \$13,000 in 2019 (up from \$12,500 in 2018), and employees age 50 and older can defer up to an additional \$3,000 in 2019 (the same as in 2018).

IRAs

The combined annual limit on contributions to traditional and Roth IRAs increased to \$6,000 in 2019 (up from \$5,500 in 2018), with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2018	2019
Single/head of household (HOH)	\$63,000 - \$73,000	\$64,000 - \$74,000
Married filing jointly (MFJ)	\$101,000 - \$121,000	\$103,000 - \$123,000
Married filing separately (MFS)	\$0 - \$10,000	\$0 - \$10,000

Note: The 2019 phaseout range is \$193,000 - \$203,000 (up from \$189,000 - \$199,000 in 2018) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.

The modified AGI phaseout ranges for individuals to make contributions to a Roth IRA are:

	2018	2019
Single/HOH	\$120,000 - \$135,000	\$122,000 - \$137,000
MFJ	\$189,000 - \$199,000	\$193,000 - \$203,000
MFS	\$0 - \$10,000	\$0 - \$10,000

Estate and gift tax

- The annual gift tax exclusion for 2019 is \$15,000, the same as in 2018.
- The gift and estate tax basic exclusion amount for 2019 is \$11,400,000, up from \$11,180,000 in 2018.

Kiddie tax

Under the kiddie tax rules, unearned income above \$2,200 in 2019 (up from \$2,100 in 2018) is taxed using the trust and estate income tax brackets. The kiddie tax rules apply to: (1) those under age 18, (2) those age 18 whose earned income doesn't exceed one-half of their support, and (3) those ages 19 to 23 who are full-time students and whose earned income doesn't exceed one-half of their support.

Standard deduction

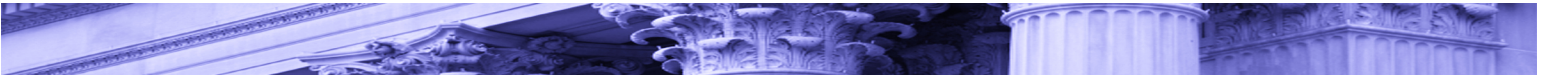
	2018	2019
Single	\$12,000	\$12,200
HOH	\$18,000	\$18,350
MFJ	\$24,000	\$24,400
MFS	\$12,000	\$12,200

Note: The additional standard deduction amount for the blind or aged (age 65 or older) in 2019 is \$1,650 (up from \$1,600 in 2018) for single/HOH or \$1,300 (the same as in 2018) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

Alternative minimum tax (AMT)

	2018	2019
Maximum AMT exemption amount		
Single/HOH	\$70,300	\$71,700
MFJ	\$109,400	\$111,700
MFS	\$54,700	\$55,850
Exemption phaseout threshold		
Single/HOH	\$500,000	\$510,300
MFJ	\$1,000,000	\$1,020,600
MFS	\$500,000	\$510,300
26% rate on AMTI* up to this amount, 28% rate on AMTI above this amount		
MFS	\$95,550	\$97,400
All others	\$191,100	\$194,800

*Alternative minimum taxable income



Four Tips for Planning a Career Change



In January 2018, the median number of years that wage and salary workers had been with their current employer was 4.2 years.

Source: Employee Tenure Summary, U.S. Bureau of Labor Statistics (September 20, 2018), [bls.org](https://www.bls.org).

Changing careers can be rewarding for many reasons, but career transitions don't always go smoothly. Your career shift may take longer than expected, or you may find yourself temporarily out of work if you need to go back to school or can't immediately find a job. Consider these four tips to help make the financial impact of the transition easier.

1. Do your homework

Before you quit your current job, make sure that you clearly understand the steps involved in a career move, including the financial and personal consequences. How long will it take you to transition from one career to the next? What are the job prospects in your new field? How will changing careers affect your income and expenses in the short and long term? Will you need additional education or training? Will your new career require more or fewer hours? Will you need to move to a different city or state? Is your spouse/partner on board?

You should also prepare a realistic budget and timeline for achieving your career goals. If you haven't already done so, build an emergency cash reserve that you can rely on, if necessary, during your career transition. It's also a good time to reduce outstanding debt by paying off credit cards and loans.

Assuming it's possible to do so, keep working in your current job while you're taking steps to prepare for your new career. Having a stable source of income and benefits can make the planning process much less stressful.

2. Protect your retirement savings

Many people tend to look at their retirement savings as an easy source of funds when confronted with new expenses or a temporary need for cash. But raiding your retirement savings, whether for the sake of convenience, to raise capital for a business you're starting, or to satisfy a short-term cash crunch, may substantially limit your options in the future. Although you may think you'll be able to make up the difference in your retirement account later — especially if your new career offers a higher salary — that may be easier said than done. In addition, you may owe income taxes and penalties for accessing your retirement funds early.

3. Consult others for advice

When planning a career move, consider talking to people who will understand some of the hurdles you'll face when changing professions

or shifting to a new industry or job. This may include a career counselor, a small-business representative, a graduate school professor, or an individual who currently holds a job in your desired field. A financial professional can also help you work through the economics of a career move and recommend steps to protect your finances.

4. Consider going back to school

You might be thinking about pursuing additional education in order to prepare for your new career. But before applying to graduate school, ask yourself whether your investment will be worthwhile. Will you be more marketable after earning your degree? Will you need to take out substantial loans?

In your search for tuition money, look first to your current employer. Some employers might cover the full cost of tuition, while others may cap reimbursement at a dollar amount. Generally, you'll be able to exclude up to \$5,250 of qualifying educational assistance benefits from your taxes.

In addition, it's likely that you'll have to satisfy other requirements set by your employer to be eligible for reimbursement benefits. These may include, and are not limited to:

- Discussing course of study with a manager or supervisor prior to enrolling (and receiving approval)
- Pursuing a degree or training that is job related
- Maintaining a minimum grade-point average
- Working a certain length of time for the company before taking advantage of the benefit
- Meeting eligibility requirements for regular benefits

Check with your human resources department to learn more about tuition reimbursement qualifications. Be sure to find out whether you can continue to work at your company while you attend school part-time.

Students attending graduate school on at least a half-time basis are eligible for Uncle Sam's three major student loans: the Stafford Loan, Perkins Loan, and graduate PLUS Loan. Also, at tax time, you might qualify for certain tax benefits, such as the Lifetime Learning credit. For more information, see IRS Publication 970, *Tax Benefits for Education*.

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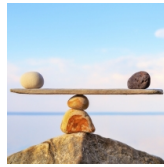
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Women: Are you planning for retirement with one hand tied behind your back?

Women can face unique challenges when planning for retirement. Let's take a look at three of them.

First, women frequently step out of the workforce in their 20s, 30s, or 40s to care for children — a time when their job might just be kicking into high (or higher) gear.

It's a noble cause, of course. But consider this: A long break from the workforce can result in several financial losses beyond the immediate loss of a salary.

In the near term, it can mean an interruption in saving for retirement and the loss of any employer match, the loss of other employee benefits like health or disability insurance, and the postponement of student loan payments. In the mid term, it may mean a stagnant salary down the road due to difficulties re-entering the workforce and/or a loss of promotion opportunities. And in the long term, it may mean potentially lower Social Security retirement benefits because your benefit is based on the number of years you've worked and the amount you've earned. (Generally, you

need about 10 years of work, or 40 credits, to qualify for your own Social Security retirement benefits.)

Second, women generally earn less over the course of their lifetimes. Sometimes this can be explained by family caregiving responsibilities, occupational segregation, educational attainment, or part-time schedules. But that's not the whole story. A stubborn gender pay gap has women earning, on average, about 82% of what men earn for comparable full-time jobs, although the gap has narrowed to 89% for women ages 25 to 34.¹ In any event, earning less over the course of one's lifetime often means lower overall savings, retirement plan balances, and Social Security benefits.

Third, statistically, women live longer than men.² This means women will generally need to stretch their retirement savings and benefits over a longer period of time.

1) Pew Research Center, *The Narrowing, But Persistent, Gender Gap in Pay*, April 2018

2) NCHS Data Brief, Number 293, December 2017



Can a flexible work schedule help you stay in the workforce after having children?

Yes, it just might be the key. Your job is the foundation for general financial security, including retirement. In addition to providing you with a steady salary and valuable employee benefits, it typically brings with it the ability to save in a tax-advantaged employer-sponsored retirement plan like a 401(k), and if you're lucky, a pension. It also allows you to start qualifying for Social Security retirement benefits.

Women and men may start out on relatively equal financial footing in their 20s. But when children come along, women are much more likely to take time out of the workforce to care for them.¹ A common refrain is "my salary would just go to daycare costs anyway, so what's the point?" This is often true. But it's really not fair for one parent to assume sole responsibility for child-care costs; it is a *shared* financial responsibility that both parents should take on.

Many women want to keep at least one foot in the workforce after having children, not only for financial reasons but also for career mobility and personal fulfillment. If you'd like to keep

working but can't accommodate the traditional, 40-hour-per-week, in-office schedule, consider requesting a modified schedule if your job allows it. This could mean telecommuting from home one or more days per week, having a flexible work schedule (such as 11 a.m. to 7 p.m.), working part-time, or some combination thereof. In many cases, a flexible work arrangement can be the difference between staying in the workforce or having to leave it, so consider exploring this possibility before you exit prematurely.

Think about what your ideal work arrangement would be and request a meeting with your manager to discuss your well-thought-out proposal. This plan should include a trial period after which both sides can come back to the table and evaluate how things are working. Employers are increasingly recognizing that flexible schedules are key to having a diverse, gender-neutral workforce. In the end, asking for a flexible schedule might just allow you to keep that steady salary and continue saving for retirement.

1) U.S. Department of Labor Blog, *Women and Retirement Savings*, March 2017