November 2018

Taylor Financial Group's Monthly Planning Letter

Are you turning 65?

The Medicare open enrollment period runs from October 15, 2018 through December 7, 2018. Learn more in this month's planning letter.

November is Beneficiary and Estate Planning Month at Taylor Financial Group

November is beneficiary and estate planning month at Taylor Financial Group. We have prepared this short newsletter to provide you with actionable steps to review your current beneficiary designations and estate plans. Ensuring these items are in order will help align your estate plan with your current wishes and will help you to avoid some of the common pitfalls of estate planning.

Debbie

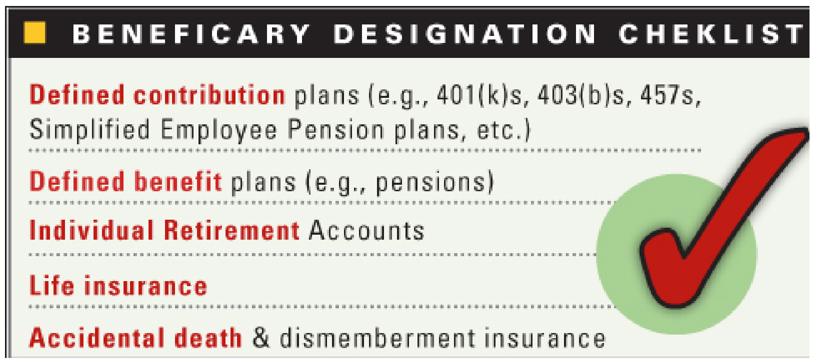
P.S. We know that these items are continually in the news and subject to some uncertainty. We continue to follow any changes and will keep you apprised of changes in The Week Ahead.

Monthly Planning

When was the last time you reviewed your beneficiary designation(s)?

Understanding how your assets will transfer to your heirs after your passing helps you to create an estate plan that ultimately fulfils your wishes and prevents unnecessary delays or complications for your heirs.

Beneficiary forms are the most powerful of all documents as they determine who inherits your company retirement plans, individual retirement plans (IRA's and Roth IRAs), annuities, and life insurance.



Beneficiary designation forms can trump all other legal documents (including your Will) and these beneficiary designations have been upheld all the way to the Supreme Court.

For example, after Clark and Hetta Moore's divorce, Clark did not update the beneficiary designation of his pension or life insurance. Clark assumed he did not need to do anything to change the beneficiary of his life insurance policy and pension plan because Hetta had waived her right to these as part of their divorce agreement. Clark passed away with Hetta still named as the beneficiary in both plans. After an extensive legal battle where Clark's heirs wanted to set aside the outdated beneficiary forms, the Court ruled in Hetta's favor and she was entitled to keep the proceeds of both Clark's pension and life insurance.

You should review your beneficiary designations at least annually to ensure they are consistent with your current wishes. When naming a beneficiary, you can choose between two basic beneficiary designations, which we discuss below. You should understand how assets will pass to your heirs under each designation before making an election.

What are the different types of designations?

A per-stirpes designation assumes that in the event your primary beneficiary predeceases you, the share of the assets they would have inherited goes to their heirs. For example, if one of the beneficiaries under your Will were to predecease you, their share of inheritance would pass to their heirs (so, in this case, their children inherit).

A per-capita beneficiary designation means that in the event one of your beneficiaries should predecease you, their share of the assets they would have inherited will be equally divided among the other surviving named beneficiaries. For example, if you had two children and one of them predeceased you, the other child would inherit their deceased sibling's share of the inheritance.

The TCJA Majorly Changed the Estate and Gift Tax Exemption

When someone inherits money or property, the transfer may be subject to Estate and/or Inheritance Taxes. The Estate Tax is commonly referred to as the "Death Tax" because it is the tax paid on the value of a person's assets after their death. The Estate Tax is paid according to the tax rates in place in the year of the person's death and can be assessed by the Federal government, as well as certain states.

As of 2018, the estate and gift tax exemption is $11.18 million per individual, up from $5.6 million in 2017. This means that an individual can leave $11.18 million to heirs and a married couple can leave $22.36 million to heirs without paying federal estate or gift tax. Additionally, the annual gift exclusion amount has risen to $15,000 in 2018, which is up from $14,000 in 2017.

When was the last time you reviewed your estate plan?

Your estate plan should consist of three key documents: a Will, Power of Attorney, and a Health Care Proxy or Living Will. The process of creating an estate plan can be stressful and complex. For that reason, many people may avoid revisiting their existing plans.

However, life events such as marriage, separation, divorce, the birth of a loved one, or relocation, can impact your estate planning needs. In addition, tax laws are always changing and can have a profound effect on your estate plan. By revisiting key elements of your plan annually, you can make adjustments for life changes and ensure that your current wishes are known. **In addition, as a result of the TCJA, formulas that are included in wills may be incorrect if they are based on prior tax laws, so please review all bequests.**

Are your Power of Attorney and Healthcare Directive up to date?

A Power of Attorney is a legal document in which you grant another person legal authority to act on your behalf. Many people grant a Power of Attorney to their spouse, child, or friend so that their financial matters can be tended to, in the event they are unable to do it themselves. However, depending on state law, a Power of Attorney may cease if you become disabled (thereby defeating the purpose of having granted a Power of Attorney in the first place). **By specifying that you have created a Durable Power of Attorney, the Power of Attorney will remain in force should you become unable to make decisions on your own behalf.**

Establishing a Healthcare Directive and naming a healthcare agent authorizes someone to make healthcare decisions on your behalf. A Healthcare Directive can also provide instructions for your care should you become incapacitated. Similar to a Durable Power of Attorney, this will help ensure that your wishes can be carried out should you be unable to direct your own care.

Common Estate Planning Mistakes

Jointly-Held Property

Many people own assets jointly in an attempt to avoid probate and taxation. **There are two ways to title Joint property: "Joint Tenants in Common" and "Joint Tenants with Right of Survivorship."** If assets are not titled properly, jointly held property can create unexpected taxes and may not comply with your current wishes. For example, when using a Joint Tenants with Rights of Survivorship title to avoid taxation, when the joint owners are not married (or the surviving property owner cannot show they contributed half of the cost of the assets), the full value of the property may be included in the estate of the first to die and taxed accordingly. If an asset has a Joint Tenants in Common title, the asset will not pass directly to the surviving joint owner. Generally, 50% of the asset will pass to the surviving joint owner and 50% will pass by way of your Will. If you intend for a joint property owner to inherit your property, ensure that the title is "Joint Tenants with Rights of Survivorship."

Naming Minor Beneficiaries

Without properly named beneficiaries, your children may inherit large amounts of money before they are responsible enough to manage those assets. **Creating a Trust to hold the inheritance of minor children will enable a trustee to manage and distribute those assets according to the terms of the trust agreement (your wishes).**

Not Having a Will

One of the greatest mistakes is passing away without a valid Will. **This can result in "intestacy," which is another way of saying that the State will dictate how your assets will pass to your heirs.** Properly preparing estate planning document can help to avoid this issue.

Naming Multiple Beneficiaries on a Transfer on Death Deed

Through this type of deed, you can designate a beneficiary (or beneficiaries) who will inherit your assets without the need for probate. If you have only one beneficiary, this strategy may work well. However, if you have multiple beneficiaries, it can lead to complications for your heirs. For example, in the case of real estate, the beneficiaries must all agree on a realtor and sale price. Until the property is sold, this arrangement can create family disagreements and hard feelings. **When leaving real property to multiple beneficiaries, it may be better to set up a trust or holding company (like an LLC) or to allow property to be probated so that the executor(s) of your estate can make all decisions relative to the property.**

ACTION ITEMS

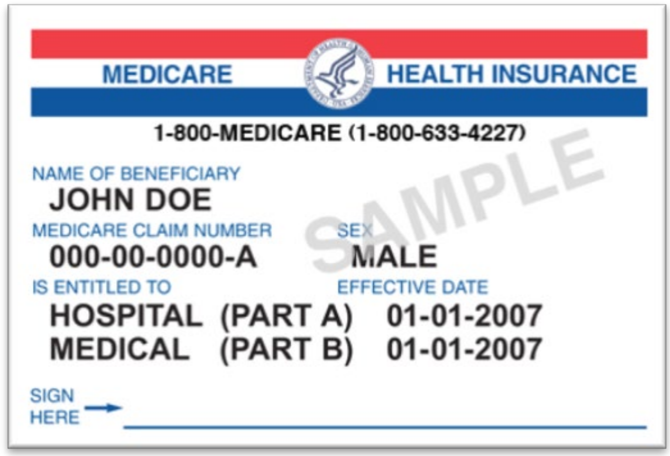
1. **Review your plan annually**. An estate plan should be reviewed following any major life event or tax changes. Even if you or your family do not experience a major life event (such as a birth, marriage, death, or relocation), you should still review your estate plan to ensure it will achieve your intended objectives in the most efficient way possible.

2. **Place insurance policies in Trust.** If you purchase a life insurance policy, it may be best to do so in an Irrevocable Life Insurance Trust (ILIT) to keep the proceeds out of your taxable estate. If you currently have an insurance trust or an irrevocable trust, you should be sure you have complied with all annual requirements that may be mandated by the IRS (i.e. Gift Notices and Gift Tax Returns).

3. **Review your beneficiary designations.** It is important to review your beneficiary designations at least annually to ensure your assets will properly transfer to the people you want to inherit them. You should check the beneficiary designation on your retirement plans (IRA's, Roth IRA's, pensions, and employer sponsored plans), life insurance, and annuities. You should also review the ownership of any jointly held property including real estate, bank accounts, and investment accounts.

4. **Choose a Power of Attorney and Healthcare Proxy.** Choosing a Power of Attorney and Healthcare Proxy will help in managing your care and assets in case you are not able to do it for yourself. If these things are not properly taken care of it can put an undue burden on your loved ones as they will have to make life-changing decisions without an understanding of your wishes.

Medicare Open Enrollment



The Medicare open enrollment period is from October 15th through December 7th. The open enrollment period offers people with Medicare an opportunity to select or change their Medicare Part D prescription drug plan for 2019, along with a host of other options. Since plans change from year to year, it is important for people with Medicare to compare, take a close look at their current coverage, how much it costs, and how it fares with other plan options that are available. www.medicare.gov/find-a-plan is a great free resource to use when evaluating plan options. We also include a checklist on the next page that you may find helpful during the open enrollment period.

Another great (free) resource is your local State Health Insurance Assistance Program (SHIP). SHIP's are run by each state and offer free in depth one-on-one counseling and assistance to Medicare beneficiaries and their families. You can obtain the contact information for your local SHIP by calling (877) 839-2675 or at https://www.shiptacenter.org.

You may also want to consider a private Medicare Advantage plan. Medicare Advantage enrollment is high with approximately 19 million individuals, or 33% of all Medicare beneficiaries enrolling. Generally, subscribers must purchase traditional Medicare, a prescription-drug plan, and a supplemental policy for out-of-pocket expenses. However, Advantage Plans can reduce the costs and the hassle of buying three policies for comparable coverage.

If you are enrolling in Medicare for the first time, or switching from traditional Medicare, you must be careful. When evaluating different plans, you must choose carefully as some plans that advertise $0 premiums could end up charging large co-payments, and some plans (like HMOs) will limit your choice of doctors and hospitals.

Do you, a friend, or a family member have questions about Medicare? Call our office and we would be happy to provide you with more information and send you a copy of our free guide!

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A Checklist to Use During Medicare's Open Enrollment Period

Prescription Drug Coverage (Part D)

Stand-alone prescription drug plans

☐ Call 800-MEDICARE to find next year's lowest-cost plan for the drugs that you take. If your current plan is not the lowest-cost plan next year and you want to change plans, let the 800-MEDICARE representative know that. Once you have changed plans, Medicare will disenroll you from your current plan at the end of the year, with your new coverage beginning January 1. In most cases you do not need new prescriptions when you change plans, but verify that.

Prescription drug coverage in Advantage plans

☐ 800-MEDICARE can tell you if your current Advantage plan's costs for your drugs will be among the lower-cost plans next year. See below for other things to consider when choosing an Advantage plan.

Ways to Save Money

◊ Do not choose plans simply because they have low premiums. Sometimes low-premium plans can be expensive when deductibles and co-payments are taken into account.

◊ See whether retail or mail-order refills are less expensive.

◊ See if your plan has preferred pharmacies where you can get lower prices.

Medigap Policies

☐ If you have a Medigap policy that has above-market premiums, you may be able to save money by switching to a different insurance company. You can do this at any time during the year, but in most states you will have to answer questions about your health before you get a quote (see exceptions at right). Most state insurance departments have online lists of each insurer's Medigap premiums. Also, the Medicare website (Medicare.gov) lists the phone numbers (but not the premiums) of the insurance companies that sell Medigap policies in your state.

Ways to Save Money

◊ In Connecticut, Massachusetts, and New York, you can change insurers at any time of year without answering health questions.

◊ California, Maine, Missouri, Oregon, and Washington have one-month periods each year when Medigap policyholders can change insurers without answering health questions.

Medicare Advantage Plans

Yes ☐ No ☐ Are your doctors in your Advantage plan's network? You may pay substantially more when you see out-of-network doctors (except in emergencies).

Yes ☐ No ☐ Do you know your Advantage plan's out-of-pocket limit and feel comfortable that if you had to, you could afford to pay it? If you use only your plan's network providers, the lowest out-of-pocket limits will be in the $3,400 a year range, not including premiums, and the highest will be $7,500 a year.

Yes ☐ No ☐ Have there been large increases in either your health plan premiums or your health plan deductible amount?

Ways to Save Money

◊ See only network doctors, except in emergencies

◊ Get prior approvals for any expensive procedures or treatments.

◊ Consider health plan premiums separately from an Advantage plan's Rx drug premiums.

If you answered yes to the questions above and your plan's Rx drug costs are among the lowest, your plan probably meets your needs. You may also want to consider your plan's Medicare quality rating.