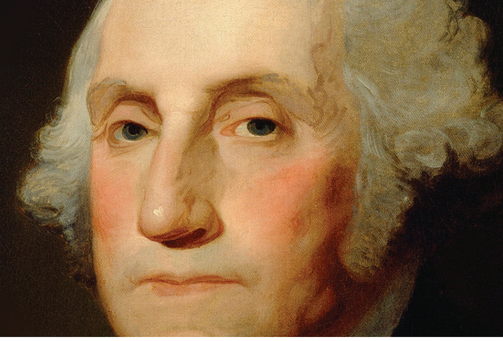
Financial Stuff

A publication of JFR FINANCIAL SERVICES, INC. MARCH 2020



John F. Robbins, MBA, CFP®

MICHIGAN STATE INCOME TAX CHANGES

Retirement Benefits beginning 2020. For joint returns, the age of the oldest spouse determines how your retirement income is taxed. Taxpayers born before 1946 – *No changes.* Taxpayers born 1946 to 1952. No changes. **Taxpayers born after 1952. Big.** The first road is all income taxable less an exemption of $20,000 for single filers or $40,000 for joint filers. The second road is similar to today's rules where you can exempt Social Security, military and railroad pensions as well as claim the personal exemptions. On both roads, you become ineligible for deductions and exemptions when your *"household resources"* exceed $75,000 for single filers or $150,000 for joint filers. What would we do without these fun changes to our tax laws? *(Source: State of Michigan)*

SETTING EVERY COMMUNITY UP FOR RETIREMENT ENHANCEMENT (SECURE) ACT

There will be much more to cover as this new legislation becomes law. For now, here are the basics. Required Minimum Distribution (RMD) Relief — Taxpayers who are not 70 1/2 by the end of 2019 can now wait until age 72.

Additional Roth IRA Planning Opportunities — With RMDs pushed back to 72, there is more time to convert Roth IRAs if/when it makes sense. Traditional IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a conversion from a Traditional IRA to a Roth IRA. The converted amount is generally subject to income taxation.

More Savings Opportunities — You can now contribute to any IRA after age 72 if you have earned income. Small employers will have more options, **BUT** the provisions don't take effect until 2021. Part time employees will now be able to contribute if they satisfy all of the requirements! Washington never makes any legislation simple and logical.

Guaranteed Income — The Secure Act *"encourages"* employers to offer annuities within their retirement plans. It will likely be years before this becomes a common feature for a variety of reasons. Primarily increased liability on the employer.

No More Stretch Provisions? It Depends! — Most beneficiaries will now have to withdraw their entire account within 10 years. As a result, it is time to review your retirement account beneficiaries to ensure they are aligned with the new rules.

Speaking of Beneficiaries — Many people use trusts as beneficiaries for IRAs, 401ks, etc. thanks to the *"pass through"* features. Anyone with a trust as beneficiary needs to review their trust language to see if it still aligns with the new rules. *(Source: IRS, American Retiree, Fidelity, Financial Advisor)*

HOLIDAYS AND TOMORROW

Holidays serve as a reminder to be prepared for tomorrow. Do you have a living will? Do your parents? This document tells family, the hospital and/or anyone else what to do if something bad happens to our health. Don't allow strangers to dictate how you spend your last days on earth. If something happened where you didn't know your name or anyone else's, and couldn't feed yourself, would you want to be kept alive? Do you have a health care proxy? Sit down with your designee and make sure they understand what you want. Where do you want to die? Most of us want to die at home with Hospice care. No treatments, tests, interventions… The problem is if you don't put it in writing, then your wishes may not be granted. If you will be making these decisions for parents or someone else at some point, then ask them what their wishes are. What about nursing homes and/or assisted living? They are becoming very, very expensive! What will my insurance cover when I'm dying? Understand what your policies cover and don't cover. Understand the current Medicaid laws. Like deductibles on home and auto policies, understand what your out of pocket costs will be dependent on what happens. Or doesn't happen! What about God? Let your family know your funeral/burial preferences and wishes. If there is a specific funeral home, then fill out the questionnaire so it is on file with them. If you are able to prepay the funeral, then understand what the funeral home does with the money until it is needed. (*Source: WSJ, Stansberry)*

> *The more I practice, the luckier I get.*
>
> GARY PLAYER

IF YOU FIND YOURSELF SUDDENLY RETIRED…

A recent Fidelity study revealed 56% of Americans retired earlier than planned for one reason or the other. Of those, 30% retired early for health reasons. Retiring early because you can is a dream very few Americans realize, but as the survey reveals, most Americans retire early even though that wasn't the plan. At retirement, there are many decisions to be made: Social Security, health care, income, etc… The first stop is to understand how your benefits work. When do they end? Are you eligible for COBRA? If you are under 65, then review all your Medicare options. The next stop is budgeting. How much will you need each month? ***Spending less than you earn still applies!*** Will you need part time work if you are able? Will you need to move? What about retirement income? Get information on your Social Security income, pension, etc. What are your income options from your retirement accounts? How can you minimize your income taxes? We are crunching numbers for people every day. Call us with your questions! *(Source: Fidelity Investments)*

S&P 500

Total Returns, Annual: 1928–2019

Positive Years: 67 (73%)
Negative Years: 25 (27%)

Max. Return: 52.3% (1954)
Min. Return: -47.1% (1931)

-50% to -40%	1931
-40% to -30%	2008, 1937
-30% to -20%	2002, 1974, 1930
-20% to -10%	2001, 1973, 1966, 1957, 1941, 1932, 1929
-10% to 0%	2018, 2000, 1990, 1981, 1977, 1969, 1962, 1953, 1946, 1940, 1939, 1934
0% to 10%	2015, 2011, 2007, 2005, 1994, 1992, 1987, 1984, 1978, 1970, 1960, 1959, 1948, 1947
10% to 20%	2016, 2014, 2012, 2010, 2006, 2004, 1993, 1988, 1986, 1979, 1972, 1971, 1968, 1965, 1964, 1959, 1952, 1944
20% to 30%	2017, 2009, 2003, 1999, 1998, 1996, 1983, 1982, 1976, 1967, 1963, 1961, 1951, 1949, 1943, 1942
30% to 40%	2019, 2013, 1997, 1995, 1991, 1989, 1985, 1980, 1975, 1955, 1950, 1945, 1938, 1936, 1928
40% to 50%	1958, 1935, 1933
50% to 60%	1954

Past performance is no guarantee of future results. One cannot invest in an index. ***Source:*** *Bloomberg, Bank of America Corp., U.S. Global Investors.*

TAX RULES FOR HOME SALES

We continue to get questions concerning the gain on the sale of a primary residence. Homeowners who have lived in the home for at least 2 of the previous 5 years can exclude $250,000 of the gain. $500,000 for married couples. Losses on the sale of a primary residence are not deductible. The IRS has eased the rules for someone confined to a nursing home to living at least 1 year out of the previous 5 years. IRS Publication 523 has more details. *(Source: IRS, Kiplinger)*

SOCIAL SECURITY INFO

In 2019, approximately 64 million Americans will receive $1+ trillion dollars in Social Security benefits. The average benefit is $1,471 per month. Social Security is the major source of income for most elderly Americans. Approximately 90% of Americans 65+ receive Social Security benefits. Among elderly beneficiaries, 50% of married couples and 70% of unmarried persons receive 50% or more of their income from Social Security. Among elderly beneficiaries, 21% of married couples and 45% of unmarried persons rely on Social Security for 90% or more of their income. *(Source: SSA)*

> *No morn ever dawned more favorable than ours did; and no day was every more clouded than the present! Wisdom, and good examples are necessary at this time to rescue the political machine from the impending storm.*
>
> GEORGE WASHINGTON (1786)

THE COST OF GOVERNMENT

The typical American spends more on taxes than food, clothing, and health care combined. This is according to the Bureau of Labor Statistics Consumer Expenditure Survey. They group us into ***"Consumer Units,"*** which are families, singles living alone or sharing a household. In 2018, the average American consumer unit spent ~$9,000 on federal income taxes; ~$5,000 on Social Security taxes, ~$2,300 on state and local income taxes, ~$2,200 on property taxes and ~$80 on ***"other taxes."*** Combined the total taxes paid in 2018, on average, was ~$18,600. At the same time, the average American consumer unit spent ~$8,000 on food, ~$5,000 on health care and ~$2,000 on ***"apparel and services."*** Combined, the total is ~$15,000. This study is performed annually. Adjusted for inflation the total taxes paid have increased more quickly than food, clothing and health care since 2013. *(Source: Bureau of Labor Statistics)*

HOME MOVIES AND THE FINANCIAL INDUSTRY?

My Dad was an early pioneer of the Kodak movie camera, 35 mm camera and slide projector. ***"Walk toward the camera!"*** And just when he was beginning to lose interest, along came the video camera. Dad was in Heaven narrating his own movies. Picture the financial regulators doing the same thing. Good intentions, but the end result is time and money for never ending paper trails. The Department of Labor (DOL) was in charge of rewriting the ***"Fiduciary Standard"*** for several years. Today, FINRA, the SEC, broker dealers, individual states and the CFP Board are all adding rules and regulations to follow as well as refining definitions for ***"best interests," "suitability,"*** etc. The good news is technology and competition have resulted in Vanguard, Fidelity, etc. participating in a ***"race to zero"*** on investment costs and knowledge. The bad news is wisdom is still sold separately. ***The future for JFR?*** We've worked hard to keep your road as smooth, simple and inexpensive as possible over the years, but effective June 30, 2020, the latest round of regulations (never ending home movies and slides to be created, stored and updated!) will eliminate our ability to profitably serve some of you and/or the time and money required to maintain your file will exceed the service you need. We will contact those affected individually to review your options. You will still be able to get our help on a fee only (pay by the hour) arrangement. In the past, I referred to this as the lighthouse, which is different from being a navigator on the boat. Most of you prefer the navigator arrangement, but it will not be available under the new rules and regulations. What about tax preparation? The IRS is also busy increasing regulations that will complicate our ability to prepare some returns economically. *(Source: FINRA, SEC, IBCFP)*

DARN KIDS!

Recent research by ***Merrill Lynch*** and ***Age Wave*** revealed parents spend $500 billion annually helping their adult children, twice the amount they put into their retirement accounts. 50% of these helpers said paying their children's bills was jeopardizing their own retirement. The study also found that nearly 80% of parents give their adult children some form of financial support. An incredible number. Part of the problem is legitimate due to the growing cost of education and weak wage growth, but it doesn't change the reality of the risk many are taking. When is it time to say no? One red flag is when you can't see the end. When the children are showing no signs of not needing your help anymore. The first step is to start talking. Are your children going to let you move in with them when you are broke? How are they going to take care of you if they can't take care of themselves today? In addition to communication, set limits. Don't forget that if you have multiple children and only helping one, your other children are watching ***and keeping score!*** What else can you do? Come and see us for a family meeting. Let us show your children how everyone will be broke at age 70. Or 80. Let us help you say no! Another possibility is to downsize your own lifestyle. What's that old saying? ***"A picture is worth 1,000 words?"*** A drastic move, but it may be necessary.
(Source: Merrill Lynch, Age Wave, Kiplinger)

DEATH, TAXES, PAPERWORK, MONEY...

We see it all here. One of the most frustrating situations for us is when someone becomes disabled or dies without their affairs in order. Or they did have estate documents prepared, but either never implemented them and/or haven't reviewed them in many years. It is a situation becoming more prevalent as millions of baby boomers get older. No one enjoys planning for their demise, but the day is coming. Why let the government, strangers and/or children who normally do not have the skill set step in and handle everything? The Wall Street Journal recently had an article on ***"Advice for a Hard Conversation - How can adult children talk to their parents about their estate plans?"*** 87% said that it's up to the parents to talk to them. Wrong! The survey said just 55% of adults over 55 have a will. Even fewer have powers of attorney and health care directives. Just 18% had all three. In addition to assuming everything will be okay, many Americans don't realize what their family will have to go through to settle their estates and/or coordinate their health care if/when needed. The good news is it's not that complicated. It just takes some time. And once it's done, everyone involved should be happy. It can be difficult to become the adult as the adult becomes a child, but most Americans will not prepare for tomorrow unless they are encouraged to do so by those who love them. As knowledge and technology explode, it' s becoming common to avoid the simple conversations and communication that used to be the foundation of our relationships. Another increasingly common situation is people with no family. Or at least no one they are communicating with. If you have friends, neighbors, aunts, uncles who are alone, then ask them if their affairs are in order. As always, we're here to help and we know excellent attorneys who can prepare the necessary documents. *(Source: Wall Street Journal)*

MY PARENTS HAVE MONEY! OR DO THEY?

Depending on the source, millennials, the largest generation in the workforce today, are poised to inherit \$30-\$60 trillion over the next 20 years. Or are they? Just 40% of baby boomers are planning to leave money behind. Many boomers have spent their lives helping their parents and children; paying for college, buying cars, helping them get into their first home, paying their debts, paying for weddings... At the moment, boomers spend \$40 billion on consumer goods and \$120 billion on leisure each year. Boomers are much more likely to splurge on landscaping or home improvement than millennials or Gen Xer's. They also do not hesitate to spend on health care if they think it will prolong and/or improve their life. Add on taxes, retirement income, charitable donations, spoiling grandchildren and living longer, there is a chance much or all of the boomers' wealth could be spent. The Boomers' parents, the silent generation or the greatest generation, considered inheritance a part of life as survivors of the Great Depression. Most of them lived simply so they could leave something behind. They reused bottles and tinfoil. They kept everything. ***"Might need it someday."*** They drove cars longer. They stayed in the first home they bought and didn't do expensive improvements. Life was much tougher for them and uncertain. They considered passing on money a matter of life and death. Boomers did not feel the same pressure as they enjoyed better lifestyles and the odds of total economic collapse was much less. As life expectancy increases for everyone, the cost to stay alive will as well. Health care expenses for retirees, estimated at close to \$300,000 today, will likely rise to \$500,000 dependent on how long someone lives and their health. Another new trend is staying at home longer, taking longer to get college degrees, waiting longer to start their careers... All of which costs money! Add increasing knowledge, technology, advances in health care, increasing wealth and improved efficiencies to the mix and everything is getting stretched. What to do? Don't assume you have more money until it is in your hand. Make your own way in the world. The opportunities are endless today for those willing to learn and work. *(Source: Financial Advisor, Financial Planning, Wall Street Journal)*

> *If all the economists were laid end to end, it wouldn't be a bad thing.*
>
> PETER LYNCH

ROTH CONVERSION OR NOT?

The debate continues. ***Why***? There are constantly moving parts. Interest rates, tax rates, life expectancy, tax law today, tax law tomorrow, where you live... Each situation is unique in many ways and you must make assumptions that may or may not come true. There are some general principles in favor of Roth conversion – you can pay taxes from cash sitting outside funds, you are okay with paying the IRS today, you are confident tax rates will be higher tomorrow than they are today, you do not need income from the retirement account and your family will inherit the account. The general principles behind not converting are you don't have unneeded money to pay the taxes with today, you don't want to send money to the IRS, your tax rates will likely be lower tomorrow than they are today, you will need income in retirement, and you plan to leave the money to a tax exempt organization such as a church, charity, or a college. (*Source: Morningstar)*

DO AS I DO, NOT AS I SAY!

There are currently 4 celebrity estate battles serving as how not to ***"arrange our affairs."*** Tom Petty, Michael Jackson, Aretha Franklin and Prince. The main lesson is we all need the basic documents: Last Will & Testament, Durable Power of Attorney (POA) and Medical Power of Attorney (Health Care Proxy). **AND** the Will should be worded properly. **AND** do not assume your children will do the right thing. **AND** do not assume your heirs will understand what you meant when you said __________. **AND** if you have a Trust, make sure it is worded properly and everything is accounted for. If something is mentioned in the Trust, but not titled in the Trust, then that can be a big problem! If you have a business, then that takes extra planning. *(Source: Private Wealth, WSJ, AAII)*

> *Nothing is so permanent as a temporary government program.*
>
> MILTON FRIEDMAN

INCOME TAX INFO

The 2017 audit rate was 0.59% or one out of every 170 returns. **BUT!** The odds can change when you have high charitable deductions, writing off alimony, large non-cash charitable deductions (e.g. car or boat). If you run a small business (Schedule C) and have payroll, large losses, high mileage deductions and/or other large expenses, then the IRS auditors will probably take a closer look. If you lose money a few years in a row, then that also increases the odds of an audit. If you have high income with substantial losses that reduce your taxable income significantly, such as real estate, then that triggers a closer look. Personal refunds and/or taxes due did not change much overall in 2018, but there were individual cases where the new tax laws had a significant impact. The most common was families with 3 or more children and filers with high state income and property taxes that were hit by the $10,000 limit on State/Local Income and Property Tax deductions. More employers are coming up with ways to help employees payoff their student loans and the IRS is interested! The IRS is always looking closely at early withdrawals on IRAs where taxpayers claim an exemption from the 10% penalty for medical, education, first time home-buyer, etc. Turns out quite a few punching the boxes for the exemptions are not using the money for those purposes. *(Source: IRS, Kiplingers, WSJ)*

GLOBAL PEACE INDEX

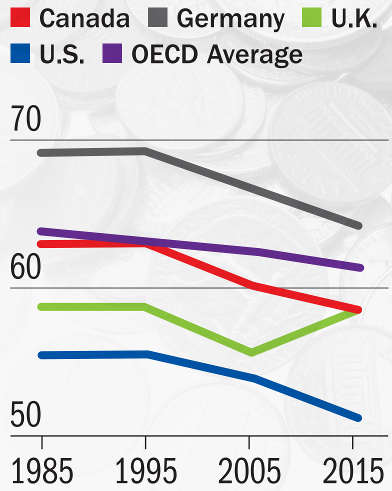
The Institute for Economics and Peace (Sydney, Australia) produces the index annually for 163 countries. There are a variety of indicators, including violent crime, terrorism, weapons, homicide rates, foreign relations, political stability, etc. While the index improved slightly in 2019, it is down over the last 10 years by 4%. One growing problem is the least peaceful countries are getting worse while the most peaceful improve. The Top 5 peaceful countries are Iceland, New Zealand, Portugal, Austria and Denmark. The least peaceful are Afghanistan, Syria, South Sudan, Yemen and Iraq. America fell 4 spots this year to #128, just above Saudi Arabia. The low score is due to rising homicides, foreign military engagements, growing political polarization and little to no confidence in government leadership. *(Source: Stansberry, Institute for Economics and Peace)*

HOW MUCH CAN I SPEND?

For the moment the most popular withdrawal rate is 4%. This percentage historically significantly reduced the likelihood of running out of money if you made inflation adjustments each year. The hot debate today concerns ***"sequence of returns."*** For example, if you retired in early 2000 or late 2007, then it is likely you would run out of money using the 4% withdrawal rate with annual inflation increases. More recently, ***"experts"*** have been recommending a fixed percentage withdrawal at the end of each year instead of an increasing amount based on inflation. This eliminates the chance of exhausting the account, but the ending value can be reduced significantly over time. In our experience, this strategy is rarely selected because it requires spending flexibility from year to year. Most of our retired clients prefer a specific amount hitting their checking/savings account each month or year. Between 1961 and 2018, the Steele study revealed a 6% annual withdrawal from a traditional balanced (60% stocks, 40% bonds) resulted in maintaining the original investment combined with an average withdrawal of 10% of the original investment. An annual withdrawal of 8% increased the average withdrawal, but at the cost of drawing down on the original investment by more than 30% over the 57 year period. Withdrawals exceeding 8% resulted in the average withdrawal declining. The study revealed that a 3.5% withdrawal rate resulted in an average withdrawal of ~8% and an ending balance ~300% greater than the original balance. *(Source: Steele Mutual Fund Expert, Financial Planning, AAII)*

FALLING PROSPECTS

Middle class, share of total population



Note: Definition of middle class incorporates household earning 75% – 200% of the median national income.

Source: *Organization for Economic Cooperation and Development (OECD).*

DEATH & TAXES

Federal, State and Local Governments are busy looking for ways to increase taxes. Raising the marginal tax brackets, increasing Social Security taxes, taxes on financial transactions, estate taxes, consumption taxes, a National Lottery… ***Tax the Rich!*** As mentioned many times in the past, there are not enough rich people to fix our budget problems. Even if we took everything they own, it would only run the Federal government for a few months. Another option in the wings is a ***"wealth tax,"*** where we would have to pay a percentage of our net worth each year. What about my business? One option to look closely at is the S Corp versus C Corp and/or LLC. For the moment, it remains a way to avoid payroll taxes on a portion of your profit. And S Corps are very easy to create. *(Source: Kiplinger)*

YOU GET NOTHING!

Many Americans, for one reason or the other, want to leave things to someone other than family. Or a little more to one child over the others. Most importantly, put it in writing. Without a valid Will or Trust leaving money to others, family members are the ***"default"*** recipients of your estate. Few states recognize common law marriage. No state recognizes friends or charity. Also, if you choose to leave property to others in your will, your family must still receive legal notice; opening the door to challenge or ***"contest"*** your will. Thankfully, there are ways to leave money to others and avoid probate.

1) Co-Owner. When you make someone co or joint owner on your accounts, this avoids probate at death. **BUT!** It also exposes your assets to lawsuits and claims of the co or joint owner.

2) Beneficiary or Transfer on Death. This has been the norm for life insurance policies forever and becoming the same for most financial accounts. At your passing, all the beneficiary needs to do is present a death certificate. For many, this can eliminate the need for a trust. This can also be a good option for families where the parents want to balance out an inequity from the past or reward a child for something extra they did. Keep in mind that "possession is 9/10ths of the law" still applies in the legal world. Any assets passing outside of probate are very difficult for family members to dispute or contest.

3) "No Contest" Clause. This is where you should definitely use an attorney. When you acknowledge a family member in the Will by leaving them $1.00 or something insignificant, it becomes more difficult for them to contest the will, but it also doesn't cost them anything to try. If you leave them something more than nominal, then they have an incentive not to contest your estate.

4) This is why you get nothing! When you document why someone is being disinherited, be careful. Again, this is where an attorney earns his/her keep. Legal documents are very specific. Simply writing ***"I don't like my brother"*** probably won't work well. The primary roads to challenge estates is to question your competence and/or that you didn't understand what you were signing. Many attorneys today are videotaping the no contest provisions.

5) Spouses. Call your attorney! It is very difficult to disinherit a spouse. The most common situation is a second marriage where a spouse wants to leave money to children. Prenuptial and post-nuptial agreements can handle the ***"what if"*** situations. You and your spouse can also ***"waive"*** estate rights in a separate document. The only downside with these agreements is that they require both parties to consent and usually require separate legal counsel to be effective. It is not possible to disinherit a spouse without their consent.

6) Updating Legal Documents. Make sure the new documents contain the proper language to confirm it is replacing an old document. Follow the formal legal guidelines. Do not assume everything is logic*al. (Source: Advisor Perspectives)*

INFLATION IS NOT DEAD!

While the official numbers are a moving target, those of us who buy things know inflation is alive and well. As long as interest rates stay at or near all time lows, it's important to remember inflation is real. $50,000 today will be worth $30,000 in 25 years with 2% inflation. $24,000 with 3% inflation and $19,000 with 4% inflation. Compare that to the price of a new car in 1994 of ~$21,000 versus ~$35,000 today. *(Source: CBO, WJS, GoBanking, Kelly Blue Book)*

> ***We are, heart and soul, friends to the freedom of the press. It is however, the prostituted companion of liberty, and somehow or other, we know not how, its efficient auxiliary. It follows the substance like its shade; but while a man walks erect, he may observe that his shadow is almost always in the dirt. It corrupts, it deceives, it inflames. It strips virtue of his/her honors, and lends to faction its wildfire and its poisoned arms, and in the end is its own enemy and the usurper's ally.***
>
> **FISHER AMES (1807)**

SPECIAL NEEDS FAMILY MEMBERS

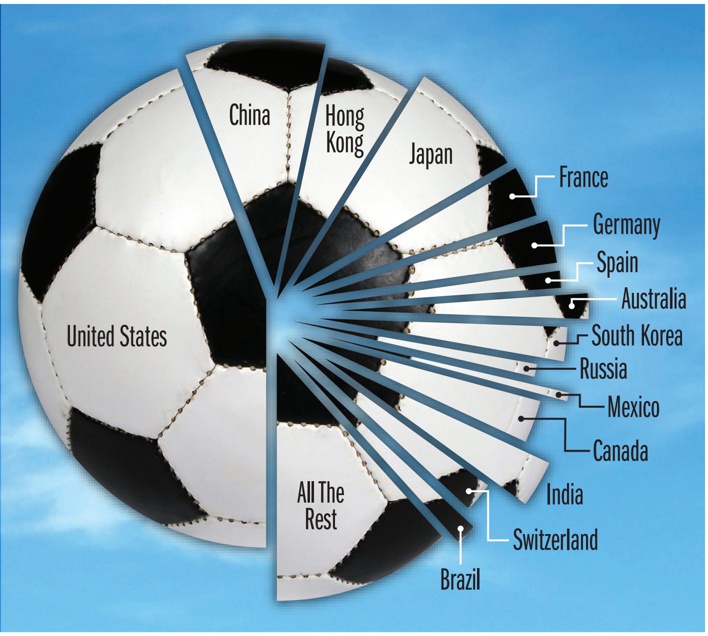
The first step is to have a family meeting. Everyone who will be involved in the future care of the dependent needs to discuss what they can and will do, as well as what they won't or can't do. It is important to discuss the financial situation of the family members and how best to prepare. Review how the Medicaid rules work and consider the costs and benefits of self funding or using the government safety nets. As a rule, to qualify for government assistance, special needs individuals cannot have more than $2,000 in their name. If they inherit money from family or friends, then the money needs to be placed in a special needs or supplemental needs trust. Attorneys often refer to this as a SNT. An SNT allows assets contributed to pay for services in the beneficiary's best interest without jeopardizing eligibility for government assistance. Yes, in effect, the beneficiary will have the opportunity to enjoy the best of both worlds. Most Important! Arrange your affairs to avoid court intervention. Minimize and/or eliminate the role of court appointed guardians or trustees. If the situation goes to court, then strangers will have a say in your family's affairs. It's very expensive to be in court in these situations as well as time consuming. Who does what? Selecting guardians and trustees is a critical part of the process. They have power of who does what, the care received by the dependent, the lifestyle of the dependent and how much money will be spent. As a rule, the trust should be funded with non-retirement assets. Include any possibilities in your estate documents. What if a family member who is healthy today becomes disabled? Include these considerations in your estate planning documents. *(Source: Estate Planning, Legal Services)*

TOTAL STOCK MARKET CAPITALIZATION AROUND THE WORLD

Source: *The World Bank*

(Approximately 70 Trillion Dollars)

United States	$30.4	(44.3%)
China	$6.3	(9.2%)
Hong Kong	$3.8	(5.6%)
Japan	$5.3	(7.7%)
France	$2.4	(3.5%)
Germany	$1.8	(2.6%)
Spain	$0.7	(1.1%)
Australia	$1.3	(1.8%)
South Korea	$1.4	(2.1%)
Russia	$0.6	(0.8%)
Mexico	$0.4	(0.6%)
Canada	$1.9	(2.8%)
India	$2.1	(3.0%)
Switzerland	$1.4	(2.1%)
Brazil	$0.9	(1.3%)
All the Rest	$8.0	(11.6%)



HOW LONG?

According to the Social Security Administration, a 65 year old female has a 50% chance of living to age 89. A 65 year old male has a 50% chance of living to age 87. For a 65 year old married couple, there is a 50% chance that one of them will live to age 93. According to the Society of Actuaries, the average life expectancy of a newborn around the world is 81. One hundred years ago the life expectancies ranged by as much as 40 years depending on the country. This range is now less than 10 years. The average life expectancy of a 50 year old adult is 33 years. *(Source: SSA, Society of Actuaries, UK)*

ESTATE LAW CHANGES

Along with the income tax changes, the estate tax exemption for 2020 has increased to $11.58 million for an individual and $23.16 million for married couples. For couples with estate plans created more than a year ago, it is likely your documents need to be reviewed. Since the exemption has becoming a moving target, state-of-the-art estate plans use terms such as ***"formula"*** and/or ***"maximum exemption"*** available. Many Wills and Trusts are drafted by generalists who may not use the best terminology. Our long standing advice to review your documents every 3-5 years, or whenever there is a life changing event, still stands. For those with potential estate tax liabilities, pay close attention to automatic funding clauses. The ***Generation Skipping Transfer Tax*** (GSTT) is a common surprise for wealthy Americans. This tax applies to descendants more than a generation younger than the donor and/or unrelated persons 37.5 or more years younger than the donor. Most wealthy clients need a team comprised of a financial professional, accountant and a top trust/estate attorney. Other ways to avoid GSTT are lifetime gifts and dynasty trusts, which can allow wealth to compound free of federal gift, estate and GST taxes. It is becoming more common for states to allow these trusts to last for a lifetime and/or more than 100 years. Another new trend is adding provisions that allow trustees to change trust provisions in order to accommodate future changes in tax law. Many wealthy Americans do not realize that they can distribute wealth over time with annual gifts of $15,000. Having a simple summary along with a flow chart of what happens to money as laws and/or beneficiaries die is very helpful. As of today, the current rules are set to revert to the old rules in 2026. *(Source: Wall Street Journal, Financial Planning, Financial Advisor)*

"A TRILLION HERE… A TRILLION THERE…"

Pretty soon we're talking real money. The National Debt in 2000 was $5 trillion. By 2008 it had grown $10 trillion. In 2016 it was $20 trillion. Today we're at $23 trillion and increasing by $4 billion a day. How do we pay it off? How about $1 million a minute? Or $1.44 billion a day? At that rate it will take 44 years! *(Source: Treasury Department).*

> *Without liberty, law loses its nature and its name, and becomes oppression. Without law, liberty also loses its nature and its name, and becomes licentiousness.*
>
> JAMES WILSON (1790)

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MARCH 2020

HOW JFR FINANCIAL SERVICES CAN HELP YOU.

We are in business to serve you! More specifically, we are in business to help you work toward your lifelong financial goals. Services available through JFR Financial Services include:

Financial Planning and Consulting	Stocks*, Bonds*, Brokered CD's*, Money Markets*	College Funding Programs
Retirement Planning	Public Speaking and Educational Seminars	Management Training Classes and Consulting
Personal Coaching	Insurance: Life, Health, Disability, Long-Term Care	Fee-Only Investment Consulting and Asset Management
Business Planning and Development	Estate Planning	Employee Sponsored Retirement Savings Plans
Real Estate Investment Trusts	Asset Management	Retirement Plans: IRA, SEP, 401k, Keogh, 403b
Mutual Funds*	Annuities, Fixed and Variable*	Full-Service Brokerage Accounts*

We have the knowledge, tools and experience to help. Call us today at 800/315-2945 or 734/692-1421.