GREETINGS EVERYONE! HAPPY HOLIDAYS 2019

Last year we reviewed guardianship and trustee provisions, keeping your estate plans as fresh as your holiday displays, as well as advising your named Executors, Trustees, Guardians and Agents serving under your Financial or Health Care Proxies, (*meaning your appointed persons*) as to their important roles in your estate plan. Who will be the guardians for the children? Who will take care of your pets? Are your beneficiaries able to manage their inheritance on their own? Has your net worth changed significantly? Do your financial advisors, tax advisors and attorneys all know each other, so that they may collaborate on your behalf? Are there plans in place to get everyone together in case of an emergency or, worse, upon a death? *Is your Financial Power of Attorney more than THREE years old? If so, it's time to update it!* **PLEASE take the time to review your estate plan on an ANNUAL basis to ensure that it still makes sense for you now AND that all of your appointed persons are still the prominent players in your life today.**

Now for our annual holiday bedtime story. Unlike most bedtime stories, this one will eventually come true. So, settle in with a cup of eggnog and enjoy!

A long, long time ago in a place called CONGRESS, some of its members got together to draft a new bill called THE SECURE ACT. As our story unfolds, you will see that The Secure Act is not really so "secure". The Act stands for *Setting Every Community Up for Retirement Enhancement Act of 2019*. As you might have guessed, the Act relates to your retirement accounts and how Congress wants to tax them. We know that this bedtime story will not remain a fairy tale for long. But, there are some good parts to the story. You will not have to start taking your Required Minimum Distributions (RMDs) until you reach the age of 72. That's eighteen months later than the current rule of 70 ½. Also, working folks over 70 ½ will be able to continue making contributions to their IRAs.

Now for the scary part of our story: Currently, non-spousal beneficiaries of retirement accounts may "stretch out" the income tax pain of every RMD, based upon their life expectancy. So in our story, Mrs. Claus and her sister-in-law, Carol Claus were very close. Carol’s husband, Peter, (Santa’s brother) passed away many years ago. Carol and Peter never had any children; however Carol and Mrs. Claus always took care of Santa’s reindeer. Throughout the years, Carol developed a special bond with Blitzen, as he was always called for sleigh duty by Santa, “last”! In Carol and Peter’s estate plan, they agreed to leave everything to Blitzen. Carol died suddenly, leaving her $500,000 IRA to Blitzen (among other things). Because Blitzen is only 47, in reindeer years, his RMDs are currently a little more than $13,500 annually. This figure represents a withdrawal of less than 3% of the IRA.

Over Please

Enter Hermey, Santa's elf, aspiring dentist, not interested in making toys, who is also a financial wizard. Blitzen turned his IRA over to Hermey to invest. Even though Blitzen has to withdraw $13,500 annually, Hermey averaged 4% investment growth on the IRA, which is more than Blitzen's annual RMD!

Unfortunately, in our story, Congress will require Blitzen to withdraw all of the RMDs within **TEN** years of the Carol's passing, or $50,000, each year! With withdrawals like that, Hermey will not be able to grow the IRA.

The only exceptions to the TEN year rule will be, *drum roll please*: surviving spouses; beneficiaries not more than 10 years younger than you, (so domestic partners may qualify); totally disabled or chronically ill persons; and your own minor children, but only until they reach 18, then they are subject to the same TEN year rule; (note: this exception does NOT apply to anyone else, such as your grandchildren, cousins, nieces and nephews). <u>Sadly, Blitzen does not fall into any of these categories</u>. THE END.

So, I hope you get a good night's sleep tonight- as of this writing, Congress has not yet gotten its Act together- it's in the Senate right now! *It may be time to consider strategies to minimize the pain of this imminent Act.*

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AMY Our Very Own Secret Weekend Overseer of
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We wish you a very happy, healthy & wondrous holiday season & New Year!
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