

# ClientLine®

October 2020

## RETIRING EARLIER THAN PLANNED?

Did COVID-19 change your plans to work? Layoffs, forced retirement, reluctance to return to the office to dodge exposure or being an early survivor. Whatever the reason, retiring before planned is stressful and requires a lot to think about and do.

### BUDGET REVIEW

Look at how you're spending money. Are there expenses you can eliminate or reduce? For example, consider using a mail order pharmacy to save co-pays. Can you find less expensive plans for cell phones, internet or television? Maybe now is the time to downsize into a smaller house.

### PORTFOLIO REVIEW

Make sure that your retirement funds are diversified and in sync with your needs, goals, risk tolerance and timeline. You will want to conserve assets but being too conservative could deprive you of growth. That's why is it important to review your portfolio allocation with your financial professional.

### SOCIAL SECURITY

If you're at least 62, you can start collecting Social Security retirement benefits. However, each year you can delay the start date, your monthly check will increase. Understand your options and after you've reviewed

your budget and retirement account balances, decide when is the best time for you to start collecting Social Security.

### EMOTIONAL NEEDS

Stopping work unexpectedly can be emotionally challenging. Without a plan for your new free time, you may feel lonely or lost. Consider how you'd like to fill your day. Consider your options including, dedicating time to your hobbies, learning something new, more time with family and friends, volunteer work or finding a part-time job.

### PART-TIME WORK

Instead of stopping work cold turkey, you may wish to pursue part-time employment opportunities. You can earn money to cover some of your expenses and reduce your reliance on retirement accounts. Also, it can help you feel productive and keep you mentally

stimulated. But remember, it could trigger taxation of your Social Security income. Companies with tight budgets may value your work experience.



**Karen Petrucco**  
Account Manager

### LTM Client Marketing

45 Prospect Ave  
Albany, NY 12206

Tel: 518-870-1082

Toll Free: 800-243-5334 ext.505

Fax: 800-720-0780

kpetrucco@ltmlclientmarketing.com  
www.ltmlclientmarketing.com

### Street Smarts

Purse snatching is a crime of opportunity, but you can take steps to help protect yourself. Start by leaving these items at home:

**Social Security Card** - Your name and social security number are all a thief needs to steal your identity.

**Spare Keys** - Since your driver's license has your address, a thief now knows where you live and has a key to your house or car.

**Blank Checks** - These can be forged and cashed or the routing number and account number at the bottom can be used to make electronic withdrawals.

**Passwords** - Don't keep a list of passwords in your wallet and don't write your debit card PIN on your card or on a note in your wallet.

**Gift Cards** - Carry only those you plan to use immediately. Otherwise it's like having free money for a thief to use.

Even better, keep your driver's license and credit cards on your person.

# REINVENTING YOUR BUSINESS

The COVID-19 pandemic disrupted everything from education to business as we know it. Here are some considerations as you continue to run your small business during these challenging times.

## VIRTUAL VS. IN-PERSON

With stay at home orders, lockdowns and temporary closures, your employees had to work remotely to keep business running relatively smoothly. Now that it's been several months,

determine whether it makes sense to keep employees remote. Recent research\* indicates that nearly half of employees feel more productive when working from home. Of course, you'll want to implement measures to ensure your employees remain productive. One bonus of not being tied to a physical office is that it widens your pool for future job applicants. That means you could attract top talent who live in another city or state.



employees with jobs that don't allow for remote work, de-densifying will be key. Ensure employees are adequately separated or alternate days that they come in. Be sure the office is sanitized regularly. Safety first. And if employees need meeting rooms to visit with clients, when videoconferencing isn't an option, maybe reconfiguring your office space to include more meeting rooms is necessary.

More people are shopping online and staying home. Maybe now's the time to create your online store to allow customers to order your products. Or offer curbside pickup for local customers. Providing multiple options for customers to buy will increase revenue and help build brand loyalty. Also, now might be the best time to implement a digital marketing strategy. With more people spending time online, enhancing your social media presence or delivering relevant content can pay off.

## BEHAVIOR CHANGES

More people are shopping online and staying home. Maybe now's the time to create

your online store to allow customers to order your products. Or offer curbside pickup for local customers. Providing multiple options for customers to buy will increase revenue and help build brand loyalty. Also, now might be the best time to implement a digital marketing strategy. With more people spending time online, enhancing your social media presence or delivering relevant content can pay off.

## OFFICE OF THE FUTURE

Even with remote employees, you may find that you still need an office; albeit a less expensive smaller one. For

\* <https://www.mckinsey.com/business-functions/organization/our-insights/reimagining-the-office-and-work-life-after-covid-19>

## Client PROFILE....

**Cora and her husband have three children under the age of 15. She has witnessed her parents' health deteriorating and is stressed knowing she will be responsible for their care. How can she prepare for the inevitable?**

Cora should start by investing time now to prepare. She should talk with her parents to get a complete picture of their financial and legal affairs. Do they have wills, long-term care or life insurance policies?

How about medical directives or powers of attorney? If not, Cora should consider getting these now instead of waiting until a health crisis. Having to handle these administrative tasks along with her grief may lead to unintended consequences.

If one parent is a veteran, the local Veteran Affairs office may have options for elder care and assistance.

Is downsizing right for her parents? Selling their empty nester home can yield a significant cash windfall and up to \$500,000 of gain is excluded from tax, assuming eligibility tests for ownership and residency are met.

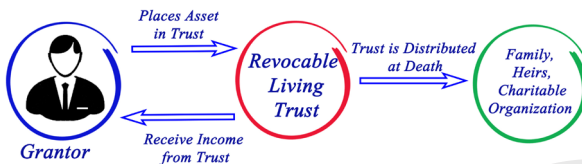
*Client Profile is based on a hypothetical situation. The solutions we discuss may or may not be appropriate for you.*

# PROTECT YOUR CHILDREN

Unfortunately, some parents believe that if they died prematurely guardians for their child(ren) would automatically be the Godparents. This may be their wishes, but unless they properly draft legal documents, the court will decide what happens to the children—and your assets.

## SET UP A TRUST

While you can name a guardian in your will, you still need to set up financial support for young beneficiaries who cannot receive assets until they are older. That's why parents often place assets in a trust. You can name the child's guardian or a trustee to manage the assets and you can specify when and how your child, or guardian, receives money. Trusts are also private, unlike wills that usually have to go through probate and become public record.



A popular choice is a revocable living trust. Benefits of a revocable living

trust are that you can change it as often as you like because it remains your personal property until you die.

Planning for a disabled child is a bit more complicated. A good option in this situation is a special needs trust, which can help ensure the care and oversight needed indefinitely.

## BENEFICIARIES

Consider life insurance to replace parental income and name the revocable living trust as the beneficiary. Also, make the trust beneficiary of all your retirement accounts. This will ensure that the proceeds flow directly to the living trust and can be used to provide for your child's care.

# RAISING MONEY-SAVVY KIDS

Basic money management isn't taught in school. So, it falls on parents to teach kids about money. Use these tips to help your kids learn the value of money.

## NO MONEY TREES

Teach your kids that money doesn't grow on trees—it's earned. Likewise, teach them to earn and save up money for things they want. Don't be their money tree every time they want to buy something.

## WORK AND SAVE

Every kid should have expectations for being a responsible family member. Homework, picking up toys, grooming and maybe something like emptying the dishwasher each day. Beyond that, make a list of age-appropriate chores that they can do to earn



money. Mowing the lawn pays \$10 while taking out the trash pays \$1. Let them decide what they're willing to do to get that new toy.

## INVESTING BASICS

For older kids, teaching them that saving money isn't enough. Teach that investing is just as important. Explain the basics of the stock market, bonds, bank accounts, charge cards and short versus long term planning. Make sure they understand the concept of time and money and eventually house down payments and retirement savings. When they start working, they will need to understand the concept of income taxes.

# ... Q & A

**Q** I have an older car that I am considering donating. Can I get a tax deduction for the donation?

**A** It depends. You first must donate the car to a qualifying charity. Donating it to a family member won't qualify for a deduction. You also must itemize deductions on Schedule A to do it. The deduction is generally the sales proceeds that the charity receives from selling the car. There are exceptions like if the charity keeps the car for its business use or donates it to a needy person. Finally, the deduction can't exceed 50% of your adjusted gross income. The charity will provide you with a Form 1098-C that will tell you how much they sold the car for. And you must attach Form 8283 to your tax return if claiming a deduction greater than \$500.

**Q** I am confused about the so-called kiddie tax. What are the current rules?

**A** Congress changed this law twice recently so, it's understandable that you're confused. For 2020, your child's unearned income over \$2,200 is taxed at your tax rates. And your child may need to file a tax return if unearned income exceeds \$1,100. Of course, there are exceptions that allow you to include some of the child's unearned income on your return.

# ClientLine® SHORT BITS....

## > **AUDIT DECLINE**

The IRS is auditing fewer returns. In 2019, it audited only 0.4% of individual returns. That's about one out of 250 returns. The bulk of all IRS audits are done by mail and focus on narrow issues. In 2019, taxpayers claiming the earned income tax credit saw increased audit rates. About 1.2% of these filers were audited.

## > **COUNTING COUNTS**

Every 10 years, the Census Bureau counts the number of people living in the country and its territories. Why do they do this? It helps determine the amount of federal funding your local community receives

for things like firefighting, highway construction and school lunches. It also determines how the seats in the House of Representatives are divided among the states.

## > **MORE WORK**

A recent survey by the Pew Research Center suggests that granting women the right to vote helped gender inequality but there is more work to do. Seventy-seven percent believe sexual harassment presents a huge obstacle to women being equal with men. Other obstacles include different societal expectations between genders, not enough women in positions

of power and workplace discrimination including lack of equal pay.

## > **DEDUCTIBLES INCREASE**

According to a new study from EBRI's Center for Research on Health Benefits Innovation, health insurance deductibles continue to increase. The study showed that salaried individuals have higher deductibles than hourly individuals. Additionally, the study finds that union members have lower deductibles than those not in unions. HSA-eligible health plans had the highest deductibles, but HMO/EPO plans had the largest increase in deductibles.

*The general information provided in this publication is not intended to be nor should it be treated as tax, legal, investment, accounting, or other professional advice. Before making any decision or taking any action, you should consult a qualified professional advisor who has been provided with all pertinent facts relevant to your particular situation. Great care has been taken to ensure the accuracy of the contents of this newsletter at press time; however, tax law and IRS guidance can change circumstances suddenly. Whole or partial reproduction of this publication is strictly forbidden without the written permission of the publisher.*

© LTM Marketing Specialists LLC, 2020