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A FAMILY AFFAIR

The urge to make a difference often extends beyond personal success into a desire to impact the world positively. One effective way to channel this desire is through a family foundation. This approach supports causes that resonate with you and establishes a charitable legacy for future generations.

WHAT IS A FAMILY FOUNDATION?

A family foundation is a nonprofit organization, typically funded by a single family, that seeks to enhance a social purpose. Families use their resources to support various charitable initiatives, ranging from education and healthcare to environmental conservation and the arts.

BENEFITS

Flexibility in Giving: A family foundation allows you to decide which causes to support and how funds are allocated. Unlike other forms of charitable giving, which may have stringent guidelines, family foundations allow you to create a personalized giving strategy aligned with your family's values.

Tax Advantages: Contributions made to the foundation may be tax-deductible, potentially allowing you to lower your income tax while simultaneously fulfilling your philanthropic goals.

Family Bonding: Running a family foundation can be a unique opportunity to engage family members in philanthropic activities. It encourages discussions around important issues and helps instill a sense of social responsibility in younger generations.

Long-term Impact: Unlike one-time donations, a foundation can continue to grant funds over many years, creating a lasting influence in the areas where it operates.

CHALLENGES

While there are substantial benefits, starting a family foundation also presents challenges. Administrative responsibilities include complying with Internal Revenue Service regulations, maintaining proper records, and filing annual returns. Additionally, you may need to ensure that your family remains engaged and aligned with your philanthropic mission; otherwise, decision-making can become complicated. Professional guidance is essential.

IS A FAMILY FOUNDATION RIGHT FOR YOU?

Deciding whether to establish a family foundation is a significant decision that requires careful consideration. Assessing your financial capabilities, community engagement, and philanthropic goals is important. Engaging with financial professionals or philanthropic consultants can further refine your strategy and help you navigate the complexities.

BEWARE THE WASH SALE RULE

It sounds simple. Sell securities, such as stocks, bonds, ETFs, or mutual funds, in which you have a tax loss for 2024, claim the loss, and repurchase the assets.

Simple, except for the IRS's pesky wash sale rule. The rule specifies that if you buy or acquire a substantially similar security within 30 days before or after you sell it, you cannot deduct any loss on the sale.

CLAIM YOUR LOSSES

But you have a couple of strategies to use to follow the rules and claim your investment loss. Hold off buying the same or a very similar investment during the 61-day period starting the date of your original purchase and ending 30 days after your sale. If you can't wait, reinvest in a security that isn't substantially similar to the one you sold.

Consult your tax and financial professionals before using any investment sale or purchase as a tax strategy.

WHEN SHOULD YOU START SOCIAL SECURITY BENEFITS?

Before deciding to collect Social Security benefits, consider these tips to help you make an informed decision.

TIMING MATTERS

If you plan to continue working while receiving benefits, there are limits on how much you can earn each year between age 62 and full retirement age and still collect all your benefits. However, once you reach full retirement age, your earnings do not affect your benefits, but they may be taxable as income. And if you don't need the income now, you may decide to wait beyond full retirement age to receive additional retirement credits. Or you can choose early retirement and invest your benefits elsewhere.

HEALTH INSURANCE

If you stop working, not only will you lose your paycheck, but you may also lose employer-provided health insurance. Although exceptions exist, most people will not be covered by Medicare until they reach age 65.

Your employer should be able to tell you if you will have health insurance benefits after you retire or if you are eligible for temporary continuation of health coverage. If your spouse is employed, you may be able to switch to their health insurance.

ADDITIONAL BENEFITS

If you qualify for benefits as a widow, widower, or surviving divorced spouse on another record, you may choose to apply for survivor's benefits now and delay your retirement benefit until later.

If you delay receiving your retirement benefit until your full retirement age or later, your retirement benefit will be bigger.

EXPECTATIONS

Consider your family history and lifestyle when thinking about your life expectancy.

You may need extra money in later years if you come from a family with long life expectancies. This is particularly important as you could potentially outlive your retirement savings, especially any investments with limits on how long they are paid.

Your life expectancy affects your retirement planning decisions. Knowing this helps you determine whether you should start receiving reduced social security benefits at age 62 or wait until age 70 to receive a higher payment.

PAYROLL TAXES PAID BY EMPLOYER

You may realize that your employer pays for employee benefits, but companies must also pay the following taxes:

Social Security	6.2%
Medicare	1.45%
State Unemployment Insurance	Varies by state and industry
Federal Unemployment Insurance	6%

CLIENT PROFILE

Connie and her son own a manufacturing business with about 150 employees. She wants to increase the business's 401(k) plan participation. Connie has read that auto-enrollment can successfully boost participation but wonders if the cost of auto-enrollment is worth the increased participation they may get.

She's not alone. A Center for Retirement Research study* shows that cost is the most common reason small businesses setting up 401(k) plans don't go with auto-enrollment.

But Connie may find this isn't necessarily true in the long run. A professional advisor may be able to show Connie plans that have auto-enrollment and escalation built into their systems and offer legally compliant and effective employee communications as part of their standard services package.

Also, with increasing contribution levels, automatic savings can accelerate asset accumulations and lower plan fees. Auto enrollment is highly effective but can be more costly.

**Center for Retirement Research at Boston College*

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

LEGAL DOCUMENTS MOST AMERICANS NEED

These documents will give your family guidance and comfort when they need it most.

POWERS

An advance directive or healthcare power of attorney is a legal document that provides loved ones and medical professionals a road map for your health care preferences should you ever be unable to make those decisions yourself. Appoint someone you trust to follow your wishes and give a copy to your hospital records department.

Similarly, a financial power of attorney gives someone you choose the authority to handle your finances when you are not able to do so yourself.

Appoint a capable and responsible individual you trust and share your wishes with that person.

TRUST

A trust spares your heirs from the inconvenience and cost of probate. Instead, it allows for the rapid and private transfer of assets to your heirs.

WILL

A will is subject to probate, (reviewed by the court), which is public and costs money and time. Consider attaching a list itemizing who is to receive any personal items not contained in your trust.

Q

Do my volunteer hours at the local food pantry count as a charitable contribution?

A

Unfortunately, your good deed won't come with a tax break. Hours spent volunteering for a qualified charity aren't a tax deduction.

But there is some good news. The miles you drive to get to and from the food pantry are tax-deductible. For 2025, you can deduct 14 cents per mile if you itemize deductions. And if you make donations of food or other staple items to the pantry, those costs are

LONG-TERM DISABILITY INSURANCE

Do you ever think about what life would be like if you could no longer earn a living? It happens more than you may realize. Sadly, 25% of Americans will become disabled before retirement age. Are you insured?

UNDERSTAND YOUR COVERAGE

You may have a long-term disability insurance policy as part of your benefits package at work. Because disability benefits vary by your policy and what type of disability you have, you'll want to read the policy carefully.

Be sure that you understand what type of illness or injury is covered. For example, there are two types of disability insurance policies: Own Occupation and Any Occupation. An Own Occupation policy will pay benefits if you are unable to work in the job for which you've been trained.

Whereas, an Any Occupation policy will only pay benefits if you cannot work in any type of job for which you are reasonably qualified.

Also, policies generally have a waiting period before benefits are paid, so you'll want to know what to expect.

Check to see what percentage of your wages you'll receive—usually 60%, but some pay up to 80%—and how long you'd be able to receive benefits. Some policies have a time limit while others pay until retirement age. Keep in mind that long-term disability benefits are generally considered to be taxable income.

Once you fully understand your coverage, you'll need to make sure that the benefit amount would be enough for you and your family to get by. If not, you may want to consider purchasing an individual policy, too, which follows you if you leave your employer.

CONSIDER TAXES WHEN PLANNING FOR RETIREMENT

When it comes to planning for retirement, one important element that people often overlook is taxes, which can be an expensive mistake.

INCOME TAXES

Contrary to what you might think, your tax bracket may not be lower when you retire. Here are a few taxable events to consider:

- ◊ You may not have some tax deductions in the future that you have now.
- ◊ Retirement income from investments, retirement plans, or a job, could cause your Social Security benefits to be taxed.
- ◊ Withdrawals from 401(k) plans and traditional IRAs are taxable as ordinary income.

SOME TAX-SAVING INVESTMENTS

Treasury Inflation-Protected Securities, or TIPS, provide protection against inflation and offer tax benefits. Interest income and principal growth are exempt from state and local income taxes.

Opening a Roth IRA can provide tax-free income when you retire. Although contributions to a Roth IRA are made with after-tax dollars, withdrawals of earnings generally are tax free after age 59½, if the account has been open for five years.

Work with your financial and tax professionals to plan for taxes.