ON WEALTH

WINTER 2021 MAGAZINE

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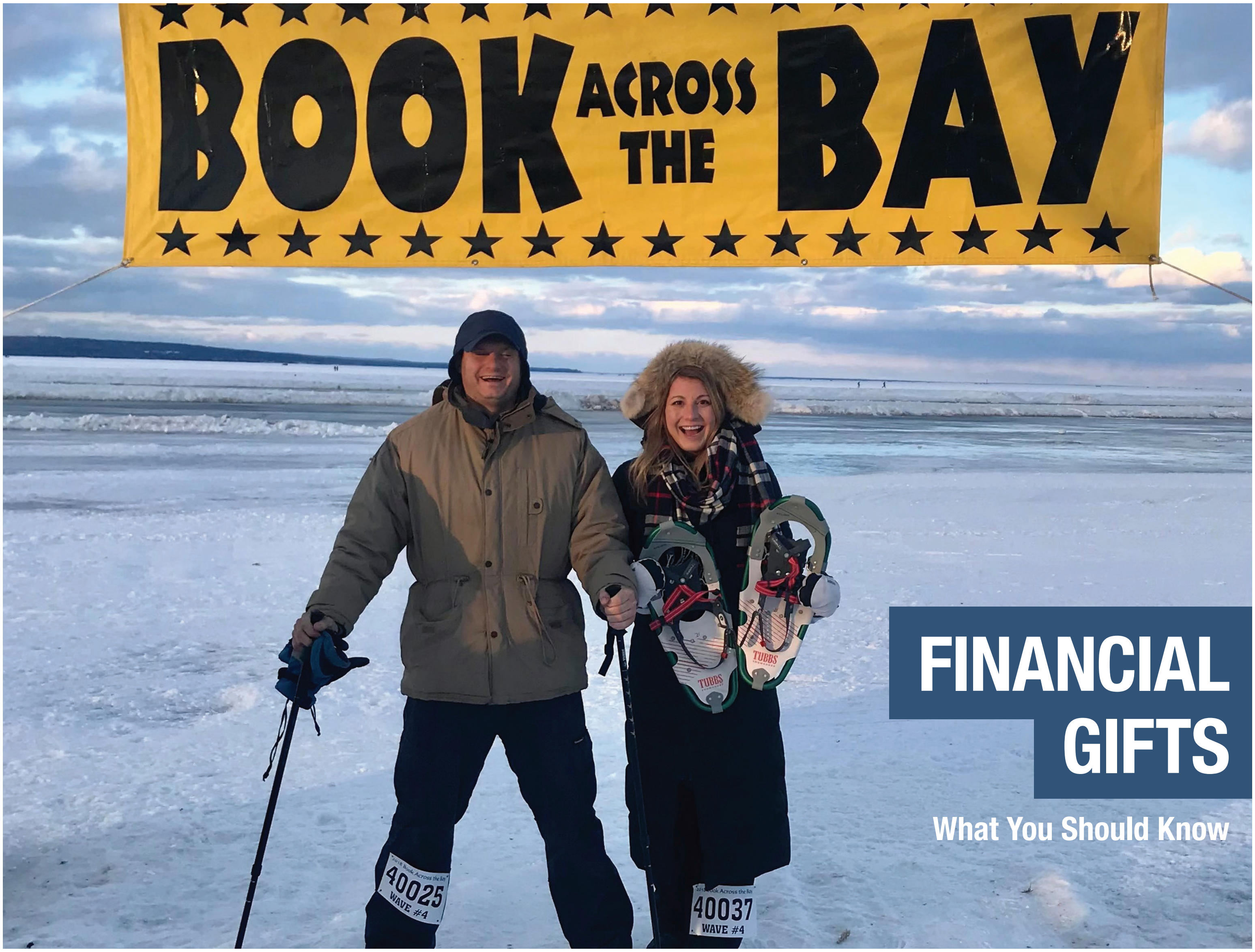

FINANCIAL GIFTS

What You Should Know

A WALK ATOP THE SNOW

With a little preparation and research, snowshoeing can be one of the most thrifty, easy, and healthy winter activities out there.

STEPPING UP AND GIVING BACK

Connecting with neighbors and building community can be an uplifting and rewarding way to fight back the social-distancing blues.

SMART MOVES FOR THE NEW YEAR AND BEYOND

When it comes to preparing yourself financially for a new year, starting early is often a smart move.

WELCOME

GREETINGS,

Winter has always been one of my favorite seasons. From competing in the world's biggest ice fishing contest (Brainerd Jaycees, Gull Lake) to snowshoeing across the largest freshwater lake (Book Across the Bay, Lake Superior), the magic of the season brings the heartiest of mid westerners out enjoying nature. If you're looking to enjoy some socially distancing fun yourself this winter, "A Walk Atop the Snow" (page 14-15) will help you get started with snowshoeing basics.

This time of the year, some might want to consider giving cash, stocks, or other financial vehicles to loved ones or charities. In "Financial Gifts: What You Should Know," (pages 4-7) you will read about a practical guide to financial gift giving and what you may need to think about around tax time.

The new year is also great time to examine your financial goals and look forward to the future. "Smart Move for the New Year and Beyond" (pages 8-11) will review what happened in 2020 and what financial moves you may want to consider in the year ahead. "Stepping Up and Giving Back—Doing what You Can for Your Community" (pages 12-13) will help you spread cheer to those who need it most in your neighborhood.

We have faced several health, social, and economic crises in 2020. The beginning of 2021 is a good time to think about how lucky we are to live in this great country and to remember the resilience and perseverance Americans have demonstrated not just this year but over the past 245 years. History has shown us that better times will come. This winter will undoubtedly bring us one step closer to the end of the pandemic and a new appreciation for the bonds that once brought us together. Even my dogs have had to adapt to a year without seeing Santa Claus in person. Happy Holidays from my family to yours!

SINCERELY,

Troy A. Gourde

Troy A. Gourde
Financial Planner

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how to play
SUDOKU

Sudoku, or “single number,” is a logic-based number-placement puzzle. The objective is to fill a 9x9 grid with digits so that each column, row, and 3x3 sub-grid, which composes the whole grid in its entirety, contains all the digits from 1 to 9 only once.

Financial Gifts

What You Should Know

At this time of year, you might be thinking about different types of gifts for family members or for your favorite charity. A financial gift is certainly a generous offering, but it may also be something to think about come tax time.

This article is designed to give you an overview of things you may want to consider when making a gift in the here and now, while touching on longer-term tax relevance for both you and the recipient. We'll also cover some estate considerations for gifts you make now and as part of your future legacy.

Remember, the concepts highlighted here are for illustrative purposes only and are not a replacement for real-life advice. Please contact a tax or legal professional before implementing an estate strategy or modifying your existing approach.

Giving to the Family

If you've done well, it makes sense that you might want to extend your good fortune to your loved ones. You may also seek to make sure that when you're sharing that wealth, you're following the Internal Revenue Service (IRS) guidelines.

You've likely heard about the gift tax and want to make your gifts while managing any taxable situation. This is your responsibility as the IRS puts the onus for taxes on the giver. If a gift is a taxable event and you don't pay, the responsibility may fall to the beneficiaries after the giver's death in the form of estate taxes. These rules are in place to prevent an individual from simply, say, giving their entire fortune away before they pass.

Exceptions for Spouses

In many instances, gifting rules are different for a spouse. Gifts between spouses are unlimited and generally exempt from the gift tax. There's one notable exception, though. If your spouse is a non-U.S. citizen, there's a limit to those gifts, up to $157,000 per year. (This is the limit for 2020; it's linked to inflation.)[1,2]

The gift limit for non-spouses is $15,000, and it applies to both cash and non-cash gifts. So, if you bought your son a $15,000 motorcycle, it's the same as writing a $15,000 check to your daughter or bequeathing $15,000 in stocks to your niece. Spouses have their own separate gift limit. For example, your spouse could also write each child a $15,000 check from the account you share together.[1,2]

Education and Healthcare

The gift tax doesn't apply to funds for education or healthcare. So, if your son breaks his leg riding that motorcycle, you can write a check to the hospital. If your daughter goes back to college to become a naturopath, you can write a college tuition check. However, this only works if you make the check out to the institution directly; if you write the check to your beneficiaries (i.e., your children), you might incur the gift tax.[1,2]

The Lifetime Gift Tax Exemption

What if you were to go over the limit? The lifetime gift tax exemption would go into effect, and the rest would be reported as part of the lifetime exemption. Unlike the annual exemption, the lifetime exemption is cumulative. For 2020, that lifetime exemption is $11.58 million. Your spouse has their own $11.58 million lifetime exemption.[1,2]

These examples are for illustrative purposes. You may want to consult with a financial professional who can provide some information on estate strategies and gift-giving approaches.

Giving to Charity

According to Giving USA 2020, Americans gave an estimated $449.64 billion to charity in 2019. That was one of the highest totals in the more than 60 years since the report was first published.[3]

Americans give to charity for two main reasons: to support a cause or organization they care about or to leave a legacy through their support.

When giving to charitable organizations, some people elect to support through cash donations. Others understand that supporting an organization may generate tax benefits. They may opt to follow techniques that can maximize both the gift and the potential tax benefit. Here's a quick review of a few charitable choices:

Direct Gifts

Direct gifts are just that—contributions made directly to charitable organizations. Direct gifts may sometimes be deducted from income taxes, depending on your individual situation. Charitable gifts can take many forms, such as:

- The donation of stocks and bonds
- A gift of personal luxury items for a charity auction
- Tickets, gift certificates, or vouchers for goods or services such as travel or art events
- A simple check written directly to the charity or nonprofit organization of your choice

Charitable Gift Annuities

Charitable gift annuities are not related to the annuities offered by insurance companies. Under this arrangement, the donor gives money, securities, or real estate, and in return, the charitable organization agrees to pay the donor a fixed income. Upon the death of the donor, the assets pass to the charitable organization. Charitable gift annuities enable donors to receive consistent income and potentially manage their taxes.

Pooled Contributions

Pooled-income funds pool contributions from various donors into a fund, which is invested by the charitable organization. Income from this fund is distributed to the donors according to their share of the fund. Pooled-income funds can enable donors to receive income, manage their tax burden, and make future gifts to charity.

Gifts in Trust

Gifts in trust enable donors to contribute to a charity and leave assets to beneficiaries. Generally, these irrevocable trusts take one of two forms. With a charitable remainder trust, the donor can receive lifetime income from the assets in the trust, which is then passed to the charity when the donor dies. In the case of a charitable lead trust, the charity receives the income from the assets in the trust, which passes to the donor's beneficiaries when the donor dies.

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with these rules and regulations.

Donor-advised funds are funds administered by a charity to which a donor can make irrevocable contributions. This gift may have tax considerations, which is another benefit. The donor also can recommend that the fund make distributions to qualified charitable organizations.

Don't Do It Alone

While you may be happy with your current gifting strategy, it's also possible that you're ready for a more advanced strategy to take into account all the ways you give back. Let's talk about how you can maximize your giving and all the benefits it may offer. We welcome the opportunity to help you assess the approach that may work best for you.

1. NerdWallet, July 6, 2020
2. IRS.gov, January 6, 2020
3. Giving USA Foundation, 2020

SMART MOVES

FOR THE NEW YEAR AND BEYOND

When it comes to preparing yourself financially for a new year, starting early is often a smart move. For many Americans this winter, this may be doubly true. Considering the impact COVID-19 has had on the financial landscape, and the changes wrought by the CARES Act and the SECURE Act, there are some important items to remember.

Keep in mind, this article is for informational purposes only; it is not a replacement for real-life advice. Also, tax rules are constantly changing, and there is no guarantee that the tax landscape will remain the same in years ahead. With that in mind, let's look at what you should be thinking about as we head into 2021.

The CARES Act

The CARES Act enabled any taxpayer with a Required Minimum Distribution (RMD) due in 2020 from certain retirement accounts to skip those RMDs. This effectively meant that retirement accounts could continue to potentially grow even as the economic outlook remained somewhat uncertain.[1]

Withdrawals from a traditional IRA, a 401(k), and other retirement plans are taxed as ordinary income and, if taken before the age of 59 1/2, may be subject to a 10 percent federal income tax penalty. However, as part of the CARES Act, many accessed their retirement funds in 2020 without being subject to the 10 percent penalty under certain circumstances, such as if their income was reduced.

The CARES Act also made changes for those with Health Savings Accounts, or HSAs. As you may recall, the IRS extended the federal income tax filing period from April 15, 2020, to July 15, 2020. Additionally, taxpayers were able to defer federal income tax payments until July 15, 2020, without the normal penalties and interest.

In addition, the CARES Act gave companies extra time to make contributions to employee HSAs in 2020, which may make for an even brighter 2021. In addition, it expanded what qualifies as a “reimbursable expense,” and over-the-counter medicine can be purchased with an HSA account. These new, broad uses for one’s HSA could help account holders soften the blow of medical care going into the new year.[2]

HSA limits were not adjusted in the CARES Act, however. They are $3,550 if you are single and $7,100 if you have a spouse or family. An additional annual “catch-up” contribution of up to $1,000 is allowed for each person in the household over age 55.[2]

Money taken out of an HSA for a nonmedical reason may be considered taxable income. If you make such a withdrawal before you turn 65, the withdrawn amount may be subject to a 20 percent federal tax penalty. HSA funds roll over year to year if you don’t spend them.[3]

The SECURE Act

Another piece of legislation that passed in late 2019 and began to be implemented in 2020 was the Setting Every Community Up For Retirement Enhancement Act, or SECURE Act. This impacted numerous financial areas, but there are two main changes to keep in mind for those looking ahead.

New IRA Rules

The legislation eliminated the required minimum distribution (RMD) rules in regard to defined contribution plans and Individual Retirement Account (IRA) balances upon the death of the account owner. Under the new rules, non-spouse beneficiaries are generally required to withdraw all the funds in the account by the end of the 10th calendar year following the year of the account owner's death. In short, "stretching" an IRA over several generations is no longer allowed.[4]

It's important to highlight that the new rule does not require the non-spouse beneficiary to take periodic withdrawals during the 10-year period. However, all the money must be withdrawn by the end of the 10th calendar year following the inheritance.

Some groups may have other minimum distribution requirements, including the surviving spouse of the IRA owner, disabled or chronically ill individuals, individuals who are not more than 10 years younger than the IRA owner, and any child of the IRA owner who has not reached the age of majority.

IRA Contributions and Distributions

Another major change in 2020 was the removal of the age limit for traditional IRA contributions. Before the SECURE Act, you were required to stop making contributions at age 70½. Now, you can continue to make contributions as long as you meet the earned-income requirement.[5]

Also, as part of the Act, you are mandated to begin taking required RMDs from a traditional IRA at age 72, an increase from the previous 70½. Allowing money to remain in a tax-deferred account for an additional 18 months (before needing to take an RMD) may alter some previous projections of your retirement income.[5]

The SECURE Act's rule change for RMDs only affects Americans turning 70½ in 2020 or later. For these taxpayers, RMDs will become mandatory at age 72. If you meet this criterion, your first RMD won't be necessary until April 1 of the year after you reach 72.

Avoid Taxing Surprises

For those actively employed, financial transactions made late in the year can have an unexpected impact on your taxes. These can include, but are not limited to, year-end and holiday bonuses or a special one-time dividend from a company (Note: dividends on common stocks are not fixed and can be decreased or eliminated on short notice). Depending on your situation, your taxes can become complicated rather quickly.

One choice to help simplify the process is to use the Internal Revenue Service's Tax Withholding Estimator located at IRS.gov. This handy tool may help taxpayers better understand their tax situation so they can estimate their overall tax liability.[6]

Remember, this article is for illustrative purposes only. Please contact a tax, legal, or accounting professional before implementing a strategy or modifying an existing strategy when it comes to handling holiday bonuses or a special one-time dividend from a company.

The Best Financial Moves?

In truth, no two taxpayers are alike, and it's important to find the strategy that best suits your unique situation. In a normal year, taxes and retirement preparation can be complicated financial events. As we've seen from the events of 2020, today's financial landscape may be trickier to navigate than ever. But please remember, we're here to help you every step of the way.

1. IRS.gov, 2020
2. Benefitspro.com, May 15, 2020
3. Healthcare.gov, 2020
4. Waysandmeans.house.gov, 2019
5. MarketWatch.com, 2019
6. IRS.gov, August 8, 2020

Stepping Up and Giving Back

Doing What You Can for Your Community

The Ties That Bind

For people around the world, 2020 was a strange and lonely year. Many of us will remember it as a time of loss of family members, jobs, social lives, or even homes. Cultural shifts, the fast pace of modern life, and other complexities, compounded by the practice of social distancing, might leave us feeling like true community is something from "the good old days" that will never return. In the wake of such a difficult year, we may find ourselves at a loss as to how to move forward and create a "new normal."

But move forward we will. One step toward healing is to build (or rebuild) stronger connections within your local community. That word "community" can mean many different things. It can be your city, town, or neighborhood. It can be your church, hobby, or social club. Whatever it means to you, a community that's meant to build and nurture the bonds between us is something we may all benefit from, especially these days.

As financial professionals, we believe in the power of helping others move toward their goals. If our neighbors are in trouble, it not only feels good to help them out, but it also gives us the comfort of knowing that they might step up, should we ever need help.

If you're thinking about ways to strengthen your own sense of connection to your community in 2021 and beyond, here are a few ideas to consider.

Something From the Oven

How you build connections depends on the scale of your community. It's possible that you might be giving back to one, a few, or many. One tried-and-true way to create a sense of belonging is to offer something to eat.

Food brings people together. Bringing a baked dish or dessert to your neighbors is a good way to connect, whether those neighbors are moving in, facing a difficult time, or you just want to say hello. If you bake, garden, or can vegetables, you might start by offering some of your bounty.

On a larger scale, organizing or donating to a bake sale, food drive, or fundraising meal can be a rewarding and fun way to contribute (not to mention give you a chance to check out the cooking skills of your fellow contributors).

Emptying the Closet

In the colder months, the homeless and those lacking economic support may have trouble staying warm. Clothing and blanket drives can help bridge the gap for those in need. As a side benefit, donating your unwanted items also gives you an opportunity to downsize, simplify, and clear your cluttered closets.

You can bring your neighbors into the process. A big donation drive in the winter makes for a nice counterpart to a benefit community sale in the summer (great for raising money for a common cause). If a community-wide sale is problematic or prohibited where you live, ask around locally to find a venue for your sale. Community centers, Veterans of Foreign Wars (VFW) halls, or churches may be willing to let you use their parking lots, especially for a good cause.

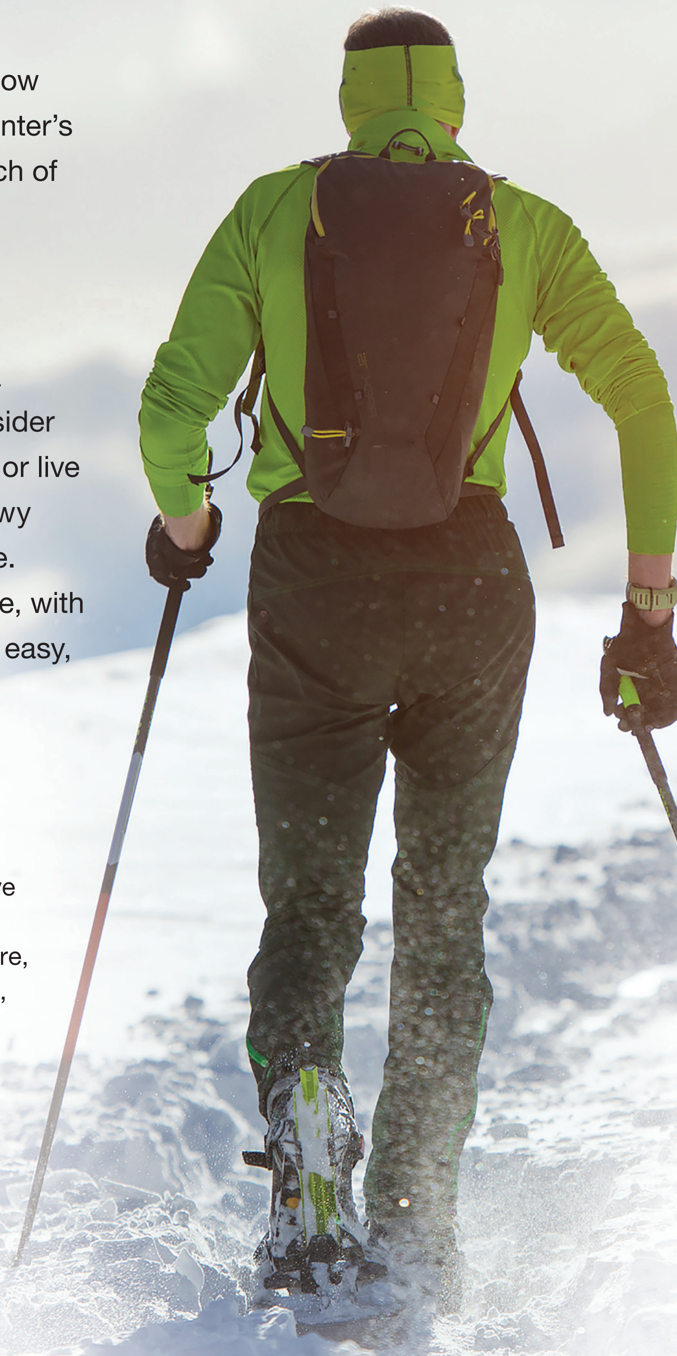
Showing Up for Your Community

Sometimes giving back to the community isn't about material things, but "people power." You might help serve at a fundraiser dinner, mind the cashbox at a benefit art auction, lead tours at a local museum, or act as a general volunteer for any number of local organizations.

There are just as many ways to give back as there are people, animals, and causes in need of assistance. Contact the organization you'd like to give your time to and ask them how you can help. Charities, schools, museums, and other organizations may be looking for someone like you.

Cultivating these opportunities can be an eye-opening experience, but giving your time and energy to others also has the power to expand your world in refreshing ways. The connections that you create can help you establish a sense of rootedness after a tough season, and over time, they might just become their own reward.

A WALK ATOP THE SNOW



Can you picture it? The season's first snow dancing on the air, the bracing bite of winter's wind against your brow, the gentle crunch of snow under your snowshoes—

Wait, snowshoes?

That's right! What better way to take in the winter-cloaked splendor of nature than with a refreshing stroll atop the snow? Many may consider snowshoeing a sport for those who are fit, young, or live in colder climates. But even if you don't live in a snowy region, you might one day find yourself traveling to one. Or you might just be curious about the sport. In any case, with a little preparation and research, snowshoeing can be an easy, healthy, and surprisingly affordable winter activity.

SNOWSHOEING FOR FUN AND FITNESS

In the winter months, it can be challenging to find ways to stay active. One of the biggest draws of snowshoeing is how approachable it is, regardless of ability. Much like hiking, your wintery excursions can be tailored to match your interests and fitness level. But that's not all. Snowshoeing is also considered a low-impact activity, making it attractive for all ages. So, whether you love leisurely walks around town, a more remote stroll through nature, or an arduous backcountry hike, snowshoes can be your wintery companion. Unlike skiing, snowshoeing can be done anywhere you would normally walk during the warmer months. Remember, it may be wise to speak with your medical professional before starting any new physical activity or sport.[1]

HOW TO GET STARTED

For those new to walking atop the snow, the best way to start is to rent a pair of snowshoes, dress warm, and take the plunge. You'll want to start somewhere relatively flat and familiar. From there, just start moving! The joy of snowshoeing is that it is almost exactly like walking. Some individuals may need to widen their stride slightly to account for the additional footgear, but otherwise, it's as simple as that.

If you've ever gone skiing only to be shocked at the cost of lift tickets and equipment rental, there's more good news. Gear is relatively low-priced and includes snowshoes, warm waterproof boots, and warm winter clothing. Here's a quick tip: Thick, moisture-wicking socks are crucial to enjoying yourself. Pack a spare pair; you'll be glad you did.[2]

SOCIAL OR SOLO?

For those who want to commune with nature on their own, snowshoeing easily provides the means to do so. But first, a word of caution: Before any solo excursion, make sure someone knows where you intend to start your trek and when you plan to return. Much like hiking, it's always a good idea to keep an insulated water bottle and mobile phone with you on your adventure.

For those looking for a more social experience, consider a snowshoeing class or group excursion. These days, the majority of ski resorts offer lessons, and many mountain towns also offer snowshoe tours that are beginner-friendly.[3]

The U.S. National Park system is another great winter option. Parks such as Yosemite, for example, offer ranger-led snowshoe tours that can help you feel like you're on your own, even as you experience the grand majesty of the most beautiful winter spots in America.[4]

So this winter, if you're looking for an activity that's sure to get you out of the house and active, keep snowshoeing in mind. It might just become your new favorite winter sport.

1. Snowshoemag.com, 2020
2. Snowshoemag.com, 2019
3. Snowshoeing.com, 2019
4. NPS.gov, July 17, 2019

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