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Brought to you by Paul Gydosh, Paula Tarpey and industry peers, *Master Your Financial Success* brings you insights into the most significant areas of your financial life. Use this book to guide you through your toughest, yet most fulfilling retirement, family and legacy decisions.



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Managing Director, Kensington Wealth Partners

Paul Gydosh has served clients spanning four decades. As the Managing Director of Kensington Wealth Partners, Ltd., Paul provides financial counsel and implementation strategies for wealth preservation and transfer. He has been listed in *WORTH Magazine* as one of the top 250 financial advisors in America in multiple years, Top Advisor for Doctors by Medical Economics, and has been quoted in multiple media forums including *Fortune Magazine*, *Kiplingers*, *Financial Planning Magazine*, and others.

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Paula D. Tarpey

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Paula believes in the process of planning and the value to each individual and family. Once she is assured the analytics are sound, she has a bias to action. Paula enjoys taking personal responsibility for our clients' financial well-being.

Paula has been honored with national speaking engagements on the topics of financial planning case design, charitable giving techniques, and practice management. Prior to joining Kensington Wealth, Tarpey worked in commercial, private, and investment banking; using this

prior experience as greater breadth and depth for the benefit of all she serves.

Tarpey received a bachelor's degree in Finance from Miami University in Oxford, Ohio. She holds the Series 7 securities registration through the Financial Industry Regulatory Authority (FINRA). Tarpey is married, has two children, and lives in Lewis Center, Ohio. She serves her community through her work with the Delaware County Foundation and Women Giving Together. She also has two rescue dogs, and in her free time she enjoys fitness training, watching sports, and spending time with family and friends.



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MASTER YOUR FINANCIAL SUCCESS

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**AUTHORS PLACE
— PRESS —**

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This book highlights important industry regulations and concepts. Please review these resources and concepts and consult your tax, financial, and legal professionals before implementing or making changes in a retirement plan.

Annuities are long-term retirement savings or income vehicles. There are fixed and variable annuities available; variable annuities are sold by prospectus. An investor should carefully consider the investment objectives, risks, charges, and expenses of the variable product and its underlying investment options carefully before investing. The prospectus contains this and other information about the variable product and its underlying investment options. Always read it carefully before investing.

TARPEY BOOK DEDICATION

Financial planning, as we define it, is all about sharing and caring. Sharing knowledge and gaining understanding. Then caring deeply in the lives of each client we serve to cause action to help them achieve their life goals.

I feel so lucky to be part of their lives and see their dreams become reality. It is my hope that our work has allowed them to sleep better at night. My relationships with our clients have certainly enhanced my life each and every day.

I want to thank Paul Gydosh, my partner, for taking me into his practice those many years ago – and sharing his knowledge and passion for life and serving others. It is a privilege to be a partner of this practice and I for one am forever grateful. We truly enjoy working with each other every day.

Writing this book has been inspiring and a chance to share in the good work my fellow co-authors are doing across the country to help families live their best lives.

This book is dedicated to my family. My parents taught me a strong work ethic that I apply to everything I do. They told me stories of my grandparents who worked hard to provide for their families in good times and bad – putting the needs of the family first.

I would also like to thank my husband Steve, and my children, Nick and Lauren, for their love and support. They have taught me patience, to enjoy the journey of life, and to laugh at myself once in a while.

Paula D. Tarpey

INTRODUCTION

The authors of this book came together and unanimously agreed that we wanted to give back by educating others how to address several meaningful areas that impact everyone's financial planning lives. We are hopeful you will learn something new and be inspired to action at the same time, as even the best intentions that are never implemented can prove worthless, if not tragic.

Please use your newfound knowledge as power to plan for yourself and for those you care about most. It is through your personal improvement that our book becomes a success. We appreciate you reading it, and more importantly, we value the results you gain from it.

It was truly an honor and a journey for each of us to write this book alongside our peers. Without sounding too boastful, each of us is not only an extremely knowledgeable financial planning generalist but also an expert in the specific area in which we each wrote our chapter. It has been an opportunity for growth of our breadth of knowledge as we continuously absorb strategic advice from each other—an experience that propels us to improve the impact on and engagement with our clients.

To our clients, thank you for trusting us and allowing us to serve you all these years. Without you, this book would not have been possible.

To our staff, your unwavering dedication means the world to our clients as well as to us. For that we extend our sincere and genuine appreciation for all that you do.

To our families, thank you for your support not only through the process of writing *Master Your Financial Success*, but day in and day out

as we built our careers. We have greatly appreciated your understanding during those long days and sleepless nights spent serving our clients.

And to our readers, go forth and strive to “Master Your Financial Success.” We wish you the very best and wholeheartedly thank you for reading our book.

Please note that all authors of this book are registered representatives of Lincoln Financial Advisors Corp.

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CHAPTER THREE

FINANCIAL PLANNING FOR TODAY'S UNIQUE FAMILY

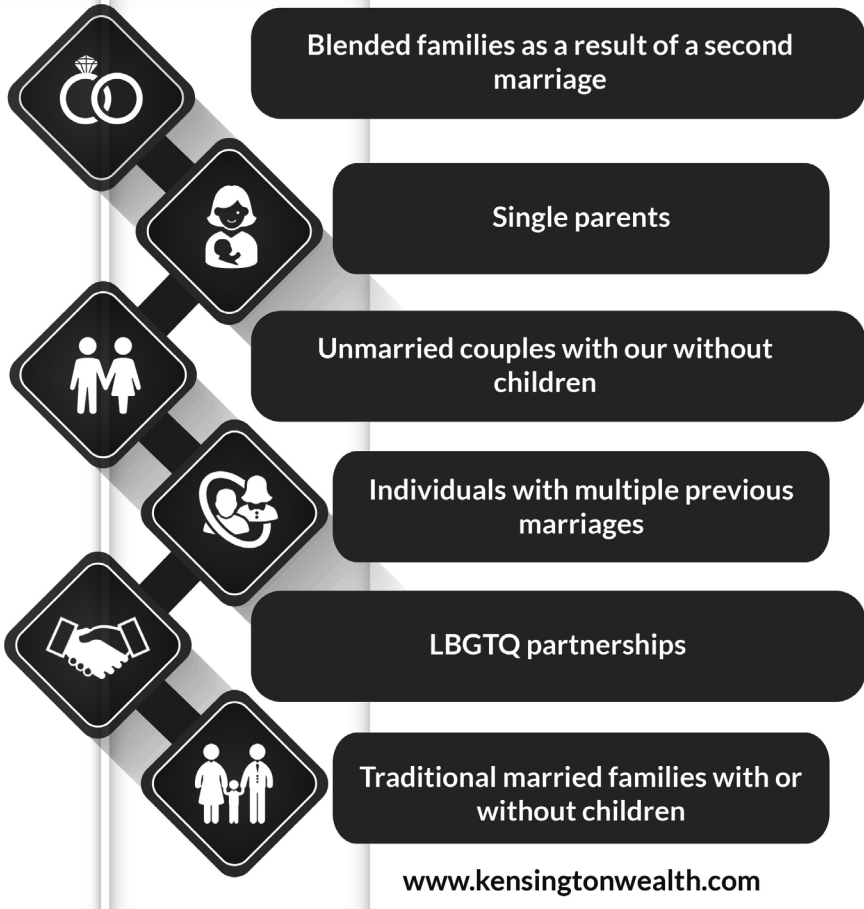
By Paula D. Tarpey

SECTION ONE: DEFINING TODAY'S FAMILY

There is no one definition of family today. There is a new version of the modern American Family.

We know from our own families and communities that today many Americans are single parents, and there are many same-sex or heterosexual couples who choose not to marry. In 2016, the Bureau of Labor Statistics reported that almost half of adults today do not live with a spouse. There are also young adults who live with their parents or grandparents, or blended families as a result of a second marriage.

WHO IS TODAY'S FAMILY?



Another growing trend among many of our clients is that they have opened their doors to children now in their twenties, thirties, and forties that have experienced setbacks in life. Unemployment, divorce, unaffordable medical care, children with illness, and other issues are causing a number of young adults, who, a generation ago, would have struggled madly, to now seek aid from those who provided it best earlier in life.

The media, seemingly daily, shares the statistics and stories of our one-parent families and their potential financial challenges. According to a Pew Research Center analysis of recently released American Community Survey (ACS) and Decennial Census data, fewer than half of US kids younger than eighteen today are living in a home with two married, heterosexual parents in their first marriage. Four in every ten new marriages today involve remarriage.

Even in movies and entertainment we see the evolution of the traditional family. Television shows like *Modern Family* and *Parenthood* show the realities of what family means today. We all remember our old favorite shows like *Full House*, *The Brady Bunch*, or *Different Strokes* that also recognized the non-traditional family, even many years ago.

PLANNING FOR TODAY'S FAMILY

Why is planning important to these unique family structures? Well, frankly, planning is important to every family structure. In many ways, planning for these non-traditional families is no different than any other family. Planning is critical to achieve the vision you have for you and your family.

Planning is also especially important as laws and company benefits have not kept up with the change in family structure. Just as the laws surrounding same-sex marriage have recently changed, they could change again. Your use of planning and documents allows you to take control and leave as little to state law interpretation as possible. Overall, planning allows you to take responsibility for your modern family because nobody else is going to help you through this process.

UNIQUE CHALLENGES THAT REQUIRE THOUGHTFUL PLANNING

What are some unique challenges that require thoughtful planning? For non-married families, both same-sex and heterosexual families have

challenges within areas of estate planning, income tax planning and retirement planning.

In estate planning, non-married couples do not have the same legal protection afforded to married spouses today. Additionally, they are not eligible for unlimited marital estate deduction as married couples are today. This means they don't have the ability to gift or transfer assets and ownership of assets without triggering taxation.

On income tax planning, non-married couples have more narrow tax brackets than married filers. This results in the fact that most non-married couples have a bigger income tax bill than married couples. Married couples with a large difference in incomes enjoy a marriage bonus, whereas married couples with higher dual incomes could see higher income taxes.

When it comes to retirement planning there are also specific challenges. Unmarried couples cannot contribute to spousal IRAs, and they are not able to treat inherited IRAs or qualified plans from their partner as their own. They must utilize a stretch strategy by withdrawing income over their life expectancy or pay a significant tax on any lump sum received through an inheritance. And today they must claim their own Social Security benefit; they are not eligible for spousal or survivor benefits under the Social Security system.

As an example, we have a client couple, John and Paige, living in an eastern state, who have lived together for over three decades and are unmarried. This particular couple is a high net-worth couple who own multiple homes together.

Under current law, John is not eligible for survivor benefits from Paige's government pension, and Paige will not receive a survivor benefit from John's Social Security. Proper planning is essential to mitigate these deficiencies.

YOUR PLANNING TEAM

Who should be on your planning team to help you take action in the areas you have identified? Your financial planner is typically your quarterback to help you identify your goals, detail your current situation and identify actions, and most importantly help you take action to get it done. Obviously you also need help from your estate attorney and your accountant.

Specifically, your estate attorney is going to be responsible for drafting the estate documents to put your words into action. Consider involving adult children in the planning process, as some of it may clearly involve them. The more your family is aware of your intent, the smoother your planning will go.

SECTION TWO: ACCOUNT TITLING AND CO-MINGLING OF ASSETS AND DEBTS FOR UNMARRIED COUPLES OR SECOND MARRIAGES

For many couples who choose not to marry or for couples who have just entered into a second marriage, discussion of financial matters starts with candid discussion. Both parties of the couple come to the conversation with different backgrounds, they were raised by different parents, they have different feelings about money and debt, and, consequently, their feelings about financial matters will differ.

FINANCIAL CONVERSATION STARTERS FOR TACKLING



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Any financial conversation should start very candidly. You should discuss your attitude toward money; determine where you agree and where you differ. Looking at the big picture, it is important that the two of you determine what type of lifestyle you want together. For example, is a vacation home important to one? Is travel important to another? How do you feel about debt? Or carrying a mortgage into retirement?

We find in our financial planning practice when we are counseling with a couple, unmarried or not, many have very different views when it comes to a mortgage. If they were raised by a family who felt it was very important to pay off their mortgage before retirement, that is an objective that is equally important to them today.

If both partners are working outside of the home, it is important to know how to manage day-to-day cash needs. Do you contribute equally or by some percentage of income earned? Do you maintain a joint checking account or have separate accounts?

For second marriages, how does the non-birth parent share in the expenses of children? It is important to talk about these issues up front so they do not cause miscommunication or disagreement later down the road. However, we believe one key decision to be made early in your relationship is whether to combine your finances or continue to manage them separately.

Note that, as we alluded to earlier, though, unmarried couples have less legal protection. If you combine your finances and your relationship ends, there are few legal guidelines to help you unravel your comingled assets.

OPTIONS FOR TITLING OF ASSETS

Titling of assets is a key financial aspect for any couple. Let's explore some options for titling of assets. However, it should be known that these options vary by state. These options should be explored by an attorney who is reviewing your assets and objectives.

Your options for titling would include owning assets separately, owning assets jointly with rights of survivorship, or jointly as tenants in common. Jointly with rights of survivorship titling provides you both with the ability to access all of the account at any time. You could also title your assets in a revocable living trust, although practically speaking, this can be cumbersome.

One other option available in many states is to own separate property with a transfer of death or payable on death provision. These allow the transfer of your separate property to your partner upon your death and avoid probate. However, as noted, TOD or POD options are not available in every state.

THE ISSUE OF DEBT

Another key financial issue is debt. If you are an unmarried couple, living together does not make you responsible for your partner's debts. However, if you choose to share debt obligations remember one rule, that with shared credit and shared debt come shared liability. Most debt is considered joint and severable, which means that either party is responsible for the entire debt. One other consideration is that individual credit ratings will reflect on each if you decide to share credit.

One practical solution for titling and other issues faced by unmarried couples is to enter into a cohabitation agreement. A cohabitation agreement, similar to a prenuptial agreement for married couples, is simply a contract that states how you plan to share assets, debts, and any property you have now or in the future.

It outlines the legal and forcible terms of your arrangement, which sets out in advance conditions for terminating or making changes to the agreement. This avoids any surprises or expectations and provides you with an opportunity to know your partner a little better.

You and your partner should start by drafting a checklist of all the possible issues. Make sure to include expectations of support or inheritance and what to do in the event of an emergency. Discussing the contract can be a great way to explore some difficult ideas about responsibility and commitment and how these manifest materially.

Once you have established a list of issues and how you would address them, you need to consult with an attorney in your area. When interviewing attorneys, do not hesitate to ask the attorney what charge would be applied to draft such an agreement, and make sure they have a good understanding of your needs.

SECTION THREE: NAMING BENEFICIARIES ON YOUR ACCOUNTS

For the modern family, beneficiary designations are a very important tool. Beneficiary designations are the least expensive way to designate who is to receive certain assets; actually it is free. Specifically, IRAs, annuities, life insurance, and qualified retirement accounts have named beneficiaries.

You can name anyone you choose to be a beneficiary of your account. When you name a beneficiary, the assets will go to whom you choose and the assets bypass other estate documents like a will or trust and will also avoid probate. If you have no beneficiary named, the asset becomes part of your probate estate, and your estate documents or state law will determine who receives that asset.

One of the most flexible provisions of naming beneficiaries is that it is changeable. You can change a beneficiary designation as many times as you choose between today and the day you pass. Single parents, second marriages, and unmarried couples all have certain issues involving beneficiaries.

SINGLE PARENTS

Beneficiary designation should be a big concern to single parents with young children. Minor children are not allowed to own or manage an asset; that is, children under eighteen years of age should not be the beneficiary of your assets.

However, as every single parent needs to determine who would care for their children if something happened to them, that same person may not be the same person who would be responsible for managing assets on your children's behalf. In other words, your preferred guardian may not be your preferred money manager.

Unless you make proper provisions today for your beneficiary designations, the probate court could take over management of your

assets for the benefit of your children until your child becomes an adult. Then, in most states once those same children are eighteen without a trust as a beneficiary, there is no control of the assets if you pass. And even the best-intentioned eighteen year old could blow through the money.

One of the best choices for the beneficiary designation for your minor children is to consider setting up a trust. This trust, which would only come to be at your passing, would name a custodian for your assets for the benefit of your children. This trust could be customized to allow the trustee to provide assets for your children for the benefit of their health, maintenance, education, and welfare and could also preserve these assets for their long-term use.

You should know if you have children with special needs, they may need a specific special needs trust to provide for them. Their issues are unique as they have certain parameters regarding qualifying for governmental aid. Make sure your attorney, who might draft this type of trust document, is aware of the special challenges with special needs children.

SECOND MARRIAGES

Naming beneficiaries in second-marriage situations has its own unique challenges. Many partners in second marriages want to take care of their new spouse for their lifetime but want their assets to ultimately pass to their children of their previous marriage.

Another concern for a spouse in a second marriage is that divorce from their first spouse does not prevent unattended beneficiaries. As an example, we had a client who had divorced his first wife many years earlier and was remarried to Stephanie in Arizona. Unfortunately, David was struck with cancer and died prematurely. He had never named a new beneficiary on his 401(k) through his employer.

The beneficiary designation on his 401(k) was still his first wife. The courts ruled in this case that divorce did not prevent the unintended

beneficiary, and his first wife did receive the assets as a beneficiary of the 401(k) account. The Supreme Court of the United States has affirmed this in additional case law.

Another key question for couples in a second marriage is how do you recognize the passing of a birth parent should they pass before their stepparent? How do you recognize their passing to their kids if the second spouse retains all the assets until they pass? Again, this is a special circumstance where a trust could be very helpful in solving this need.

Spouses in a second marriage could consider naming a trust as beneficiary of their life insurance. This trust could be established to provide for the surviving spouse until their passing, whereby the remaining assets are then passed to the children of the first marriage.

Insurance can be a helpful tool to provide some inheritance to the passing of their first birth parent. If using life insurance to solve this need, make sure to use permanent life insurance product to assure that the coverage will be there whenever needed. Term insurance cannot be relied upon, as it is never assured that the person will die during the term of the policy.

A specific provision within a will that addresses some of these beneficiary concerns is called a QTIP Provision. QTIP is an abbreviation for Qualified Terminable Interest Property. How does a QTIP work to control property?

When the first spouse dies, the survivor gets what is called a “life estate” in the assets that are left to the QTIP trust. The survivor is entitled to any income the assets of the trust produce, and in the case of real estate, the survivor is entitled to its use. Only a surviving spouse can be named as the life beneficiary. The survivor does not, however, have full ownership of the trust assets and cannot sell them or give them away.

The QTIP trust can establish very broad provisions for their use. Again, the surviving spouse can use these assets for their health, maintenance,

education, welfare, using income, and/or principal for their use for the rest of their life.

When the second spouse dies, QTIP trust assets go to the final beneficiary named in the trust. Commonly, the final beneficiaries are children from the other spouse's previous marriage.

Each spouse that is a party to a second marriage can set up a QTIP trust leaving assets to the other interest. Though somewhat complex in nature, a QTIP trust is considered an important component of any estate plan.

UNMARRIED COUPLES

There are two main issues for unmarried couples with beneficiary designations. Specifically, if no beneficiary is named on an account, a surviving spouse is generally what is considered the default beneficiary. An unmarried partner will not be the default beneficiary. This is why beneficiary forms and designations for unmarried couples are even more important.

The second significant issue for unmarried couples is that beneficiary designations to their partners do not defer income tax liability. Beneficiary designations to a surviving spouse of IRAs and retirement assets to each other at death, do defer income tax liability. Unmarried beneficiaries face immediate taxation and other tax implications of leaving retirement assets to someone who is not your spouse.

SECTION FOUR: SOCIAL SECURITY

UNMARRIED COUPLES

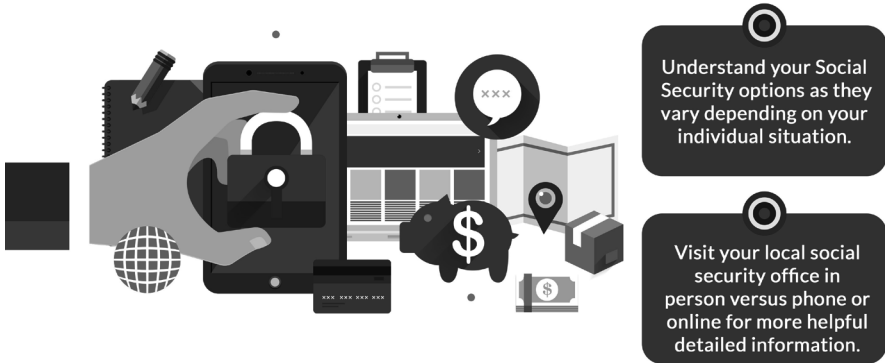
Adults who live together but are not married are not eligible for their partner's survivor's retirement or Social Security benefit. This is true even if their children are dependents of both. Marriage benefits from Social Security can be substantial, especially when a couple has a large disparity in earnings. A non-working spouse may receive up to half of the primary breadwinner's Social Security benefit as a spousal benefit.

There are several solutions for unmarried couples in this situation. If one partner stays home to take care of the home and children, the other partner could employ them and they would thus earn their own Social Security credits. Taxes and FICA would be paid on the wages and in some states there would be other costs and taxes, but it is worth exploring, particularly if the stay-at-home partner just needs a few more credits to be eligible for their own Social Security benefit.

Another solution may be available if either partner had been married before. If either partner had been in a marriage previously, they could potentially get benefits from an ex-spouse's Social Security if their prior marriage lasted ten years. This includes retirement and survivor Social Security benefits. The key to this is the ten-year-marriage requirement.

It should be noted, to begin collecting retirement Social Security benefits from an ex-spouse, the ex-spouse has to have filed for their own Social Security retirement benefit.

SOCIAL SECURITY TIP



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For advice on how best to maximize your Social Security benefits, contact your local Social Security administration office. As a financial planner I recommend an in-person visit to the Social Security administration office, as these associates tend to be more helpful when you are talking to them in person versus talking to them on the phone or visiting the Social Security Administration website.

SAME-SEX MARRIED COUPLES

The US Department of Justice ruling in August 2015 treats married same-sex couples equally across the country when determining eligibility for Social Security benefits. However, there is a potential problem for same-sex couples wanting to claim Social Security benefits and meeting the marriage duration requirement if they recently married and live in former non-recognition states. This could result in some couples being denied Social Security spousal benefits.

SECTION FIVE: CORPORATE BENEFITS AND PENSION ELECTION OPTIONS

UNMARRIED COUPLES

When many employers offered domestic partner benefits, it was because same-sex couples could not get married. Under current law, as same-sex partners won the right to marry, some employers are dropping their domestic partner coverage. If you are not married, you may or may not have the option of adding your partner to your corporate health benefit or your corporate pension benefits to get a joint and survivor monthly retirement benefit.

If a single-life retirement pension benefit is all that is available to you, consider using life insurance to re-inherit your partner for those possible pension benefits if you pass before they do. Again, in this instance make sure to use permanent life insurance products like Universal Life or Variable Universal Life so that it fits your long-term planning needs that may not be met through traditional term insurance.

Many same-sex couples did not choose joint and survivor benefits, as they were not able to when they elected their pension benefit. If you are already receiving your pension and are now married or will soon be married to your same-sex partner, look into whether your pension has reversion rights.

Reversion rights allow the pensioner the ability to change their pension election after they originally elected a single-life pension. This reversion provision could also apply to single parents who are looking to remarry, or divorced or widowed couples looking to remarry.

This reversion could also work in reverse and allow a widow or widower the choice to revert from the original, joint-pension election to a single-life pension election upon the passing of their spouse. This would provide a higher lifetime pension to the now-single partner.

It should be noted that pension benefits are considered a joint asset if earned during a marriage, therefore divorced parents may be sharing some of their pension benefits with an ex-spouse even if remarried.

SUMMARY

While every family needs to plan for their financial future, the changing picture of today's family provides unique opportunities for planning. Proper planning ensures that you exert the most control on your financial future for today and at your passing. Proper planning seeks to optimize future income streams like a pension or Social Security and reduce tax or probate costs. Don't let inaction impact the financial security of your family or leave you vulnerable to ever-changing laws.

The first step is clear communication with your unique family and your planning team. Your planning team, including your financial planner, estate attorney, and adult children should help you make your financial vision a reality.

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As partner and Chief Operating Officer at Kensington Wealth Partners, Ltd., Paula Tarpey focuses on the implementation of strategies for wealth accumulation, preservation, and transfer. In her two decades of serving clients, she ensures that all clients' financial plan objectives are met. She cares about each client and takes personal responsibility for their financial well-being.

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