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# Loose Change®

a penny saved is a penny earned

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## Dealing with Uncertainty

Knowing that market volatility is inevitable is one thing, but when it actually happens, remaining calm and staying focused on the long term is a different thing. That's when it makes sense to revisit these basic long-term investing principles:

### Don't Panic

Do not get too excited when the market is high, and don't get too discouraged when it drops. Resist the urge to overcorrect. Selling in a panic means you'll have less invested in the future to generate dividends or participate in any potential recovery.

### Stay Invested

Even the experts cannot predict when markets may turn. Trying to "time the market" usually leads to poor decisions.

### Stick to Your Strategy

When a sailor encounters rough seas, he will keep a steady hand on the tiller and his eyes on the horizon. In investing, the equivalent is to maintain a good, balanced mix of assets aligned with your needs, goals, time horizon and risk tolerance.

### Diversity*

Your financial professional can help ensure that your portfolio includes a healthy mix of investments that align with your personal situation. By owning a diverse variety of assets, you may be able to create a portfolio that is somewhat shock resistant.

### Rebalance

Market fluctuations can throw the mix of investments out of line with your objectives. A big market drop can also offer the chance to add investments at sale prices.

### Be Patient

While nothing in life is guaranteed, history shows us that major stock market declines are historically followed by recoveries to new highs. Sometimes it takes weeks, and sometimes it takes years. But every major bear market so far, through 2019, eventually recovered and reached new highs.**

**Diversification cannot eliminate the risk of investment losses. Past performance won't guarantee future results. An investment in stocks or mutual funds can result in a loss of principal.*

*** https://www.morningstar.com/features/what-prior-market-crashes-can-teach-us-in-2020*

## New Charitable Giving Incentive

During the COVID-19 pandemic, Congress recognized the need to boost charitable contributions. So, they included a section in the CARES Act to encourage Americans to open their wallets to those in need.

Their solution: A $300 "above the line" deduction. That means you can deduct up to $300 for cash donations to qualified charities – and you don't have to itemize your deductions to do it.

This $300 deduction does not apply to contributions to donor advised funds. Nor does it apply to contributions of anything other than cash.

The CARES Act also raised the allowable limit on cash donation deductions for charities from 60% to 100% of adjusted gross income. That means that you can actually donate up to an entire year's AGI to charity, if you want – as long as you do it in cash.

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## Safe Deposit Box Tips

Safe deposit boxes are one way to keep valuable documents and other items safe offsite.

**Here are some items you might consider keeping in your safe deposit box:**

- Deed and title documents;
- Paper stock and bond certificates;
- Vaccination records;
- Birth and adoption certificates;
- Marriage and death certificates;
- DD-214s and other military records;
- Precious metals;
- Social Security cards.

**What *not* to keep in a safe deposit box:**

- Original copy of your will;
- Cash (no FDIC protection);
- Advance directive and power of attorney documents;
- Drugs;
- Firearms and ammunition;
- Hazardous chemicals.

# The Need for Long-term Care

Everyone values their independence, but sadly, as we get older or experience medical setbacks, we may need help with daily living tasks. According to the Department of Health, 7 out of 10 people turning 65 today will need long-term care during their lifetime and 20% of those will need care for five years or longer.*

**Long-term Care Costs**

The high cost of long-term care can deplete most people's savings quickly. According to LongTermCare.gov, the nationwide median cost of a semi-private room in a skilled nursing facility is $7,698 per month, totaling $92,376 per year. This cost is not covered under private medical or disability insurance or even Medicare. Medicaid provides some benefits, but only after your assets are spent down to poverty levels.

**Long-term Care Insurance**

For those who are concerned about these statistics, there may be a place to turn for some help. Long-term care insurance policies are available to help cover the cost of care. Policies vary greatly, offering different benefits and prices.

Some examples of the type of care these policies can help cover include: in-home help, adult day care, assisted living or nursing home facilities and even in-home safety modifications.

**Is it for You?**

Many factors play into the decision to buy a long-term care policy. First thing to consider is your financial situation. Or, maybe you want coverage to help you to be able to preserve your assets for your spouse or as an inheritance for loved ones. Are you concerned about becoming a burden to family members? Maybe you want to feel comforted knowing you have the coverage, if needed.

Premiums increase significantly with age and you will have to health-qualify, so don't wait too long to decide.

* *https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html*

# Avoid Tax Surprises in Retirement

Too many people underestimate the effect of taxes on their retirement income. But with proper planning, there may be ways to help reduce your tax exposure.

**Practice Tax Diversification**

Tax diversification means dividing your assets into three different buckets:

**1. Taxable.** Examples include credit union or bank savings accounts and brokerage accounts. Gains and income are taxable in the current year. Long-term gains and dividends are taxed at lower rates.

**2. Tax-deferred.** These include traditional IRAs, 401(k)s and 403(b)s. In these accounts, income and capital gains are generally deferred until you take money out. Withdrawal amounts get taxed as ordinary income and if taken before age 59½ an additional 10% tax penalty may apply.*

**3. Tax-free.** You can build up your tax-free bucket by contributing to Roth accounts or by converting traditional IRA assets into Roth assets. You'll pay income taxes on the balance you convert, but growth in your Roth account is tax-free from that point.

**Avoid the Social Security Tax Trap**

Many retirees are shocked to discover that up to 85% of their Social Security benefits are taxable if their income rises above a certain threshold. To help prevent this, minimize taxable income, and maximize any income that is tax-free, while taking Social Security.

Your financial and tax professionals may be able to help you to structure your retirement income, potentially reducing tax exposure while preserving your Social Security benefits.

* *The CARES Act suspended the 10% early withdrawal penalty for 2020.*

# Does Delaying Social Security Make Sense for You?

Did you know that every year you delay starting Social Security benefits increases your eventual monthly check by 8%, in most cases.* If you get your full retirement benefits at age 66, waiting until you are 70 will increase your monthly benefit by 32%.

**Should You Delay Benefits?**
If you have significant health problems that are likely to shorten your life expectancy it may make sense to take benefits early. But, if you don't need Social Security income to live on, the conventional wisdom is to delay starting Social Security benefits.

**Reasons to Delay Benefits:**

▪ Social Security benefits are guaranteed Social Security by the U.S. government. Once your Social Security benefits are locked in, they aren't subject to market risk.

▪ The government grants a cost-of-living adjustment (COLA) each year that increases Social Security benefits. Those COLA adjustments start at age 62, and you benefit from them whether or not you claim benefits at the time.

▪ The 8% credit you can earn each year by waiting is significantly higher than current interest rates. It would be difficult for you to get that kind of return from ordinary investments – and it wouldn't be guaranteed.

**Now or Later**
Remember, there's no benefit to putting off benefits after age 70, when your benefit amount is maxed out. If you decide to retire at age 68 instead, you'll retain the 8% annual increase to date, however it accrues monthly, so your birthday affects the final amount.

Alternatively, if you start Social Security retirement benefits is age 62, which is the earliest age allowed, your checks will be reduced by 27% — 30% if you were born in 1960 or later.

Don't forget that if you are taking Social Security and have other income some of your benefits may be taxable.

Deciding when to start taking Social Security retirement benefits is a big decision that cannot be changed, so consult your financial and tax professionals in advance.

** Those born prior to 1943 may receive a slightly lower benefit by waiting. https://www.ssa.gov/planners/retire/delayret.html*

## Widowed Parents and Taxes

Life can be turned upside down in a minute. A car accident could result in someone becoming a widow(er). That type of event changes everything, including your tax filing status. Here's a brief overview of what any recently-widowed parent should know.

**Filing Status**
You may retain the married filing jointly status for the year in which your spouse died, even if you filed separately. This is important, because it lets you keep a much higher standard deduction, which is $24,800 in 2020.

After that, you may be able to file as qualifying widow(er) with a dependent child status for up to two years. This would allow you to retain the same standard deduction as married filing jointly.

**Who Qualifies?**
General requirements for filing as a qualifying widow(er) with a dependent child are:

- You must have qualified for married filing jointly status in the year of your spouse's death;
- You have a dependent child, stepchild, or adopted child (not foster child) living with you, or temporarily at school, and you pay over 50% of the costs of your home;
- You have not remarried.

As with all things taxes, it is important to consult your tax advisor in this situation.

# Tax Tips for Recently Widowed

**Claim Your Tax Refund**
You may be entitled to your deceased spouse's tax refund.

**Sell Your Home**
If you have a highly appreciated marital home, consider selling it within two years. This preserves a much larger $500,000 capital gains exclusion than the $250,000 exclusion available to single filers.

**Assess Life Insurance Needs**
Your life insurance needs may have changed. Meet with your financial professional to review your new situation.

**File as Head of Household**
If you were able to file as a Qualifying Widower for two years you'll have to change your tax filing status in year three. If you are providing support to a child, grandchild, sibling or other relative, you may qualify for head of household status. This is normally preferable to filing as a single taxpayer.

**Social Security**
If you were both taking a Social Security income benefit at the time of your spouse's passing, you will now only be receiving one of those benefits. However, the new benefit should be the larger of the two.

**Remarriage**
Remarriage in the same year as one's spouse died would require the widow(er) to file as either married filing jointly with their new spouse or married filing separately. With either, a married filing separately tax return would need to be filed for the deceased spouse.

## Bunching Deductions

The Tax Cuts and Jobs Act doubled the standard deduction, which affected many people who had few deductions because they are better off taking the standard deduction.

**A Possible Solution**
That's where bunching deductions comes in. Here's generally how it works: By paying two years' worth of qualifying deductible expenditures before year's end you may be able to exceed the standard deduction and deduct those expenses on your 2020 return. Then next year, take the standard deduction. Alternatively, you can push deductions into next year and take the standard deduction this year. Some deductions that qualify include:

**Charitable Giving -** Rather than making your usual contribution every year, it may make more sense to make a double contribution every other year – or a triple contribution every third year.

**Medical Expenses -** If your medical expenses are in excess of 10% of your adjusted gross income, you can deduct them. So, it may make sense to schedule that elective surgery before year's end—or next year, if you expect higher medical expenses.

**Property taxes -** You could pre-pay property taxes that have been assessed, but this deduction is capped at $10,000.

# Year-End Tax Saving Strategies for Business Owners

As the year draws to a close, it's time to maximize your current year tax deductions and other tax planning opportunities. Here's a brief checklist of moves you can make now to help reduce current or future tax exposure:

**Pre-pay Business Expenses**
You may be able to reduce your 2020 tax bill by pre-paying certain 2021 business expenses before year's end. For example, you can renew subscriptions, pay ahead for advertising, business insurance premiums, rent, business licenses, and other items that don't extend more than 12 months. Some other year-end moves that can save taxes include:

**Maintenance**
Repair broken equipment and physical plant items by the end of the year.

**Invest**
Buy business equipment and get it into service by year's end. You can take first-year deductions on capital equipment purchases of up to $1 million. This includes vehicles and trucks over 6,000 pounds.

**Maximize QBI Deductions**
If you meet certain income limits, owners of S corporations, partnerships and sole proprietorships may deduct up to 20% of qualified business income (QBI). For tax year 2020, eligibility for the deduction begins to phase out at income levels of $163,300 for single filers and $326,600 for joint filers.*

**Contribute to Retirement Accounts**
Make matching contributions to employee 401(k)s.

**Contribute to Health Savings Accounts (HSAs)**
Employer contributions to employee HSAs, including your own, are deductible to the employer.

**Deduct Losses**
The CARES Act made it easier to take deductions for losses in 2018, 2019 and 2020, to help improve cash flow for struggling businesses. See your tax professional for details.

**Give to Charity**
Donated equipment, computers or inventory may provide a useful year-end tax deduction.

Book your appointment with your tax professional well before the end of the year, so you don't have to scramble.

* *Exceptions apply for certain service businesses.*

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FINRA
Financial Industry Regulatory Authority

# ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

July 24, 2020

Reference: **FR2020-0702-0026/E**

Org Id: 20999

1. Loose Change NovDec 2020

Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

David Y. Kim
Associate Principal Analyst

aec

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