FIDUCIENT
Advisors
Helping Clients Prosper

2021 Financial Planning Guide

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Firm at a Glance

We make investment consulting personal. Where others may check the box and dispense generic advice, we deliver high-touch, tailored service. And where others may offer a bewildering array of services, we focus on one thing: ***helping clients prosper***. Guided by our ethical and fiduciary responsibility, we put clients' interests first. With clients and offices across the nation, we are positioned to provide personalized service, wherever you may be. We strive to bring humanity to prosperity.

A culture defined by five core values:

1. **Aligned Interests.** We strive to place your interests above our own.
2. **Intellectual capital**. We offer practical solutions to complex challenges.
3. **Integrity.** We do the right thing for the right reason.
4. **Excellence.** We seek to exceed expectations.
5. **Stewardship.** We are dedicated to safeguard the capital and trust of our clients.

Approx. $225 Billion

in Assets Under Advisement

Business Lines

Defined Contribution
Defined Benefit
Private Clients
Nonprofit Organizations
Endowment/Foundation
Financial Institutions

180 Associates

60+ Investment Consultants
40+ Research Professionals
30 Partners

Pensions&Investments BEST PLACES TO WORK IN MONEY MANAGEMENT 2020

Firm Recognition & Expertise

Ranked #1 - Top 50 Institutional Consulting Teams
BARRON'S[1]

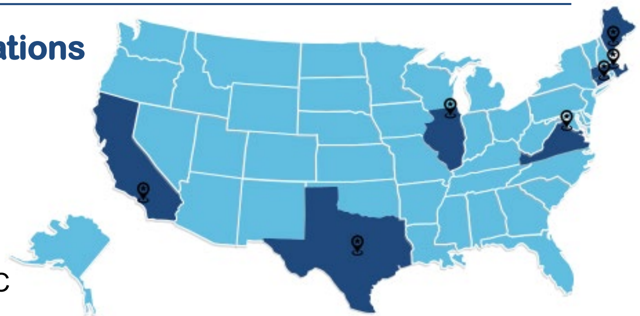
Top 25 Worldwide Consultants
PENSIONS & INVESTMENTS[1]

Top 15 RIA Financial Advisor
FINANCIAL ADVISOR[1]

Authored **five books** on investment management

Seven Locations

Chicago
Hartford
Austin
Boston
Los Angeles
Portland, ME
Washington, DC



Clients in 47 states

Unless otherwise noted, all data is as of December 31, 2020. *See disclosure page at end of document.

Seeing the Bigger Picture

A thoughtfully constructed financial plan takes a holistic view of wealth management and understands how each puzzle piece interacts with the others.

Notable Updates for 2021

The Consolidated Appropriations Act, 2021 (CAA)

In late December 2020, the Consolidated Appropriations Act (CAA) was signed into law; the Act combined the $1.4 trillion omnibus spending bill with the $900 billion stimulus package to address the COVID-19 pandemic. The Act (which spanned more than 5,500 pages) included a number of notable provisions:

General Relief

- Provided a second round of non-taxable "recovery rebates" of $600 per eligible taxpayer ($1,200 for married filing jointly) plus an additional $600 per qualifying child, subject to certain income limitations
- Reinstated supplemental unemployment benefits (Federal Pandemic Unemployment Compensation (FPUC)) of $300 per week for up to 10 weeks between December 26, 2020 and March 14, 2021

Employer Provisions

- Clarified loan forgiveness and the deduction of qualified expenses under the Paycheck Protection Program (PPP)
- Extended the CARES Act employee retention credit for qualified wages paid through June 30, 2021
- Expanded the employment tax credit for COVID-related sick leave and family leave

Employee Provisions

- Extended employees' repayment of deferred social security taxes to the period of January 1, 2021 through December 31, 2021 (versus April 30, 2021)
- The Act allows plan sponsors to implement the following voluntary changes for employee flexible spending accounts (FSAs):
    - Expand the carryover period for unused FSA funds in 2020 and 2021 to be carried over to the next plan year
    - If the plan has a grace period, extend the grace period for unused 2020 and 2021 FSA plan year funds from 2½ months to 12 months

Notable Updates for 2021

Charitable Provisions from the CARES Act Extended for 2021

- Extended the increased itemized deduction limit for cash contributions to qualified public charitable organizations up to 100 percent of the taxpayer's adjusted gross income (cash contributions to donor-advised funds, private foundations and supporting organizations do not qualify for this increased limit)
- Extended the CARES Act provision for the $300 above-the-line deduction for cash contributions to qualified charitable organizations (for taxpayers who do not otherwise itemize deductions); this deduction is increased to $600 for married taxpayers filing jointly

Lower Hurdle for Deducting Medical Expenses

The CAA permanently made the threshold for itemizing unreimbursed medical expenses to 7.5 percent of a taxpayer's adjusted gross income (the AGI threshold was previously slated for 10 percent for 2021)

Qualified Disaster Relief Distributions

The CAA included temporary tax relief for withdrawals from certain retirement plans for taxpayers in federally declared disaster areas for major disasters (excluding COVID-19) declared from January 1, 2020 through February 25, 2021

- Such distributions are limited up to $100,000 and must be made by June 25, 2021
- Such distributions may be repaid within a three-year period after the date of distribution or may be recognized as income ratably over a period of three years

Note: The CAA did not extend the relief provided by the CARES Act for retirement withdrawals made by taxpayers impacted by the COVID-19 pandemic

Notable Updates for 2021

Increased Likelihood for Near-Term Tax Reform?

With Democrats winning both U.S. Senate seats in the January 5, 2021 Georgia run-off elections, Democrats effectively gained control of the U.S. Senate (with Vice President Kamala Harris serving as a decisive tie-breaking vote); as a result, Democrats will now control both houses of Congress, which increases the chances of a Biden administration pursuing – and perhaps achieving – various tax proposals impacting:

- Top Federal Income Tax Rate for Individuals
- Social Security (OASDI) Payroll Taxes
- Long-Term Capital Gains & Qualified Dividends
- Itemized Deductions
- Estate & Lifetime Gift Tax Exemption
- Corporate Income Tax Rate

Tax reform, if enacted, might wait until 2022, given that legislation tied to fighting the COVID-19 pandemic will likely take precedence over tax legislation. The odds of tax reform being applied retroactively appear small; of the six major rate increases since 1980, only the 1993 increases were made on a retroactive basis (passed August 1993, but made effective as of January 1, 1993).

Changes Ahead for the SALT Deduction?

The Tax Cuts and Jobs Act (TCJA) limited the itemized deduction for state and local taxes (SALT) to $10,000, effective as of 2018.

Senator Chuck Schumer of New York, the Senate's majority leader, has noted that addressing the SALT deduction would be a top legislative priority. It is unclear whether a Democratic-led Congress might look to increase or completely repeal the limit (cap).

Tax Reform?

A Biden administration coupled with Democratic control of both houses of Congress increases the chances for broader tax reform, although centrist Democrats in the Senate could act to moderate current tax proposals. While tax changes could potentially be implemented on a retroactive basis, many tax practitioners think tax reform, if enacted, likely would not become effective until 2022.

	Current	Biden Tax Proposal
Top Individual Federal Income Tax Rate	Currently 37%	Restore the top rate to the pre-TCJA level of 39.6% for taxable incomes above $400,000
Social Security Payroll Tax	Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) tax (6.2%) is not collected on earnings above $142,800 (2021 earnings limit)	Collect additional OASDI tax on earnings above $400,000; this would effectively create a “donut hole” for the OASDI tax
Long-Term Capital Gains & Qualified Dividends	Top federal tax rate of 20%, plus 3.8% Net Investment Income Tax (NIIT)	Tax at the top (proposed) ordinary income rate of 39.6% for taxpayers with incomes > $1 million
Itemized Deductions	Itemized deductions generally provide a tax benefit equivalent to a taxpayer’s income tax bracket	Limit the tax benefit of itemized deductions to 28% for taxpayers earning more than $400,000 Restore the Pease limitation on itemized deductions for taxpayers earning more than $400,000
Estate & Gift Tax Exemption	$11.58 million per person for 2020 $11.70 million per person for 2021	Reduce the estate exemption to “historical norms” – unclear whether the target amount might be $3.5 million or $5 million + per person Increase the top federal estate tax rate from 40% to 45%
Corporate Income Tax Rate	21%	Raise to 28%

2021 Federal Tax Provisions

Federal Income Tax Brackets

Marginal Tax Rate	Single Filers	Head of Household	Married Filing Jointly	Trusts and Estates
10%	0 - 9,950	0 - 14,200	0 - 19,900	0 - 2,650
12%	9,951 - 40,525	14,201 - 54,200	19,901 - 81,050	
22%	40,526 - 86,375	54,201 - 86,350	81,051 - 172,750	
24%	86,376 - 164,925	86,351 - 164,900	172,751 - 329,850	2,651 - 9,550
32%	164,926 - 209,425	164,901 - 209,400	329,851 - 418,850	
35%	209,426 - 523,600	209,401 - 523,600	418,851 - 628,300	9,551 - 13,050
37%	523,601 +	523,601 +	628,301 +	13,051 +

Source: Tax Foundation. October 2020

Alternative Minimum Tax (AMT)

	AMT Exemption	AMT Exemption Phaseout
Single and Head of Household	$73,600	$523,600
Married Filing Jointly	$114,600	$1,047,200

The AMT exemption is reduced by $0.25 for each dollar that a taxpayer's Alternative Minimum Taxable Income (AMTI) exceeds the phase-out threshold

Long-Term Capital Gains Tax Rates

Taxable Income:

Rate		Taxable Income
0%	<	$40,400 Single $54,100 Head of Household $80,800 Married Filing Jointly
15%	***between***	$40,401 - 445,850 Single $54,101 - 473,750 Head of Household $80,801 - 501,600 Married Filing Jointly
20%	>	$445,850 Single $473,750 Head of Household $501,600 Married Filing Jointly

2021 Federal Tax Provisions

Standard Deduction vs. Itemized Deductions

Taxpayers may take the greater of the standard deduction or total itemized deductions

Standard Deduction

- $12,550 Single
- $18,800 Head of Household
- $25,100 Married Filing Jointly

Itemized Deductions

- Medical expenses greater than 7.5 percent of adjusted gross income are deductible
- SALT Deduction capped at $10,000 for *the sum of*: 1) property taxes *and* 2) *greater of* state and local income taxes *or* sales taxes
- Home mortgage interest on mortgages up to $750,000. (*Note: Mortgages before12/15/2017 up to $1 million grandfathered.)*
- Charitable contributions (subject to AGI limits based on contributed property & receiving charity)

"Must Know" Healthcare Taxes

Net Investment Income Tax (NIIT):

3.8%

On the *lesser of* net investment income *or* Modified AGI above threshold:

$200,000 for Single/Head of Household
$250,000 for Married Filing Jointly

Note: These threshold amounts are not indexed for inflation.

Investment income includes, but is not limited to:

- Interest
- Dividends
- Capital Gains
- Rental/Royalty Income
- Non-Qualified Annuities
- Business involved with Financial Trading
- Passive Activities

Medicare Surtax:

0.9%

On *earned* income above:
$200,000 for Single
$250,000 for Married Filing Jointly

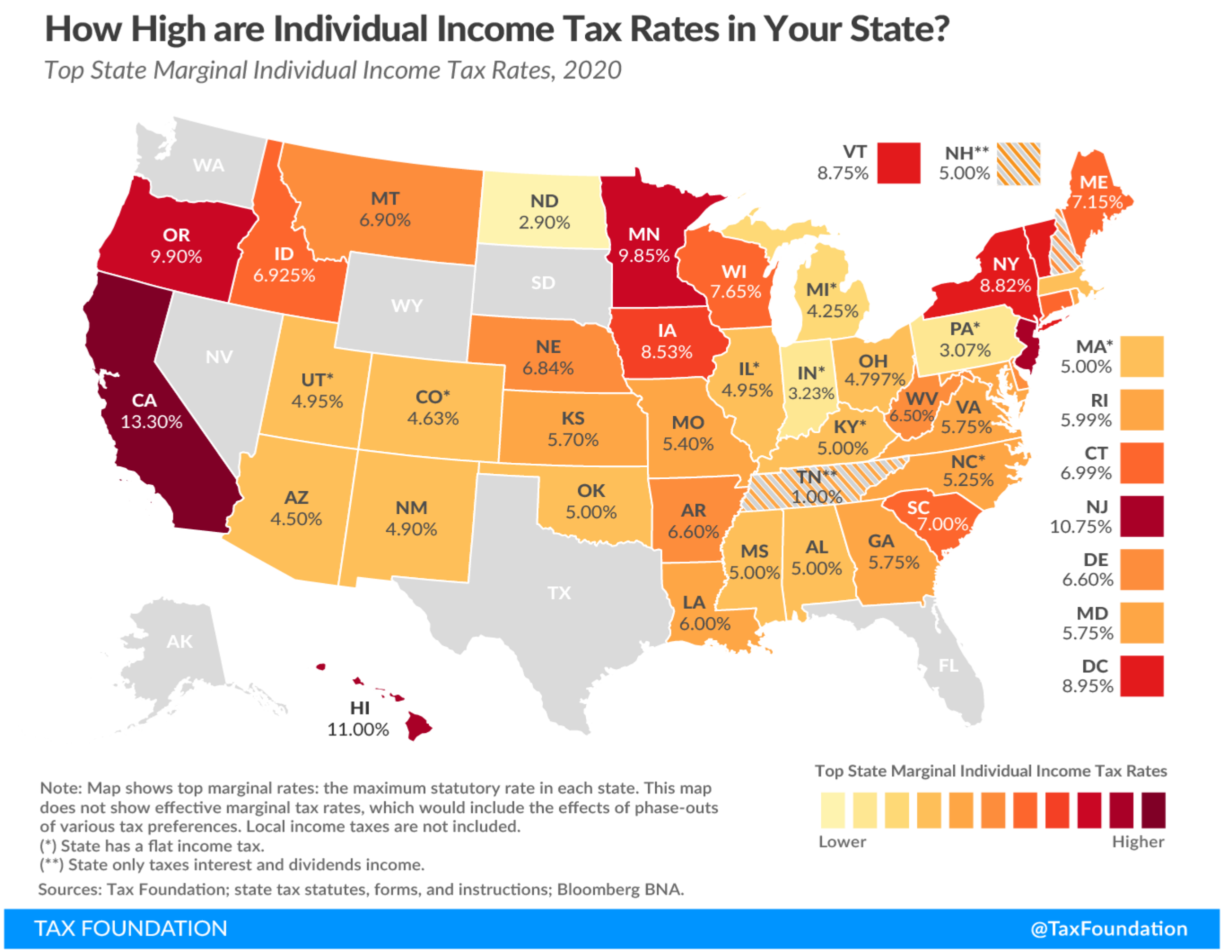
Note: These threshold amounts are not indexed for inflation.

State Tax Provisions

41 States with individual income taxes

2 States that only tax dividends and interest (New Hampshire, Tennessee)

7 States with no individual income tax (Alaska, Florida, Nevada, South Dakota, Texas, Washington, Wyoming)



Asset Location

Planning Tip

- The taxation of portfolio income varies by asset class. Taxable bond and REIT income is taxed unfavorably at ordinary income rates, while equity dividends are taxed favorably at lower qualified dividend rates.
- An investor who has a combination of taxable accounts, Traditional 401(k)/IRAs and Roth 401(k)/Roth IRAs can optimize a portfolio's allocation to minimize tax drag, thereby enhancing long-term after-tax returns.

More Tax-Efficient

Municipal Bonds	Income is federally tax-exempt and may be state tax-exempt
Energy-Infrastructure MLPs	Higher yields but mixture of return of principal & qualified dividends
Equities, Low-Turnover	Qualified dividends with limited capital gains
Equities, High-Turnover	Qualified dividends but may produce higher capital gains
Taxable Bonds, Low Yields *(TIPS, Int'l Bonds, Core US Bonds)*	Lower yields but taxed as ordinary income
REITs	Non-qualified dividends with capital gains
Taxable Bonds, High Yields *(High Yield & EM Bonds)*	Higher yields and taxed as ordinary income

Less Tax-Efficient

Accelerated Charitable Giving

Planning Tip

The charitable giving landscape changed substantially in 2018, as the Tax Cut and Jobs Act nearly doubled the standard deduction but capped the state and local tax (SALT) deduction at $10,000 and eliminated “miscellaneous two percent itemized deductions.” Due to the new changes, taxpayers should evaluate if a portion of charitable giving would not produce a tax benefit.

Taxpayers might benefit from **accelerating (“bunching”) charitable gifts** to maximize itemized deductions in a single tax year while taking the standard deduction in other years. This planning strategy can be particularly effective for charitably-inclined taxpayers without deductible medical expenses (> 7.5 percent of AGI) and with no/minimal mortgage interest.

Scenario #1: Married Filing Jointly, Level Annual Charitable Giving	2021 - 2024	2021 – 2024 TOTAL
Mortgage Interest	$9,000	**$36,000**
State & Local Tax (SALT)	$10,000	**$40,000**
Charitable Gifts	$30,000	**$120,000**
Itemized Deduction Total	**$49,000**	**$196,000**
***Greater of:* Itemized Deductions *or* $25,100 Standard Deduction**	**$49,000**	$196,000

Scenario #2: Married Filing Jointly, Accelerated Charitable Giving	2021	2022 - 2024	2021 – 2024 TOTAL
Mortgage Interest	$9,000	$9,000	**$36,000**
State & Local Tax (SALT)	$10,000	$10,000	**$40,000**
Charitable Gifts	**$120,000**	$0	**$120,000**
Itemized Deduction Total	**$139,000**	**$19,000**	**$196,000**
***Greater of:* Itemized Deductions *or* $25,100 Standard Deduction**	**$139,000**	**$25,100**	$214,300

In the above example, the couple’s itemized deductions before charitable gifts total $19,000 (mortgage interest + SALT). Since the MFJ standard deduction is $25,100, the first $6,100 of charitables will not produce a tax benefit.

*In Scenario #2, the couple accelerates charitable giving into a single year (2021) to maximize itemized deductions and takes the standard deduction in subsequent years (2022-2024). **The composition of itemized deductions is the same under both scenarios, yet Scenario #2 produces a greater tax deduction of $18,300 over the four-year period.***

Charitable Giving Vehicles

Planning Tip: Donor-Advised Funds vs. Private Foundations

There are numerous considerations to evaluate whether a donor-advised fund or a private foundation (or a combination) might be an effective charitable giving vehicle. The table below provides an abbreviated comparison.

	Donor-Advised Fund	Private Foundation
Start-up Time	Immediate	May take several weeks or months
Start-up Costs	None	Legal and other fees
Initial Contribution/ Minimum	Varies by sponsor, but often as low as $5,000 - $10,000	No minimum, though due to start-up and ongoing administrative expenses, a larger starting balance (several million dollars) is generally advisable
Minimum Grant to Charity	Varies by sponsor, but often as low as $50-$100	No minimum
Ability to Give Anonymously	Yes, donor can choose whether to give publicly or anonymously	No, IRS Form 990 must report gifts
Ongoing Administrative Expenses	Varies by sponsor, but typically starts ~0.60%	Various tax & other expenses
Underlying Investment Expenses	Varies by sponsor, with some investment options as low as 0.03%	Varies based on investments chosen & advisor
Tax Deduction for Gifts	Up to 60% of AGI for cash gifts Up to 30% of AGI for long-term securities	Up to 30% of AGI for cash gifts Up to 20% of AGI for long-term securities
Annual Distribution Requirement	None	IRS requires minimum 5% annual distribution based on prior year’s net average assets
Tax Reporting	Handled by the sponsor; donors do not report charitable grant activity	Responsible for tax filings and must annually file IRS Form 990
Excise Taxes	None	1.39% of net investment income

Qualified Charitable Distributions

Planning Tip

The Qualified Charitable Distribution (QCD) provision may be beneficial for individuals who are charitably inclined and who would receive a greater tax benefit from the standard deduction rather than itemized deductions.

- Taxpayers can gift up to $100,000 from an IRA directly to 501(c)(3) charities
  - Donor-advised funds, private foundations and supporting organizations are *not* eligible recipients under the QCD rules
- Taxpayers must be over age 70½ at the time of the QCD
- The distribution does *not* count as income and does *not* count as a charitable deduction
- The distribution counts towards satisfying the RMD for that tax year
- This strategy may have the added benefit of reducing Adjusted Gross Income (AGI) which may result in lower Medicare premiums, depending on the taxpayer's income
- *Note: The IRA custodian will provide a 1099-R noting the amount of the distribution; however, the amount of the QCD will not be clearly identified. Total IRA distributions (QCD and non-QCD) should be reported on line 4a of the Form 1040 tax return, while the taxable amount of total IRA distributions (line 4b) should exclude the value of any QCD. The IRS advises to write "QCD" next to line 4b, if applicable. Be sure to communicate to your tax advisor if a QCD was made.*

Note: While the SECURE Act pushed back the beginning RMD age to 72 (for those turning age 70½ after 2019), ***the QCD rules were not impacted by the SECURE Act.***

Concentrated Stock Positions

Taxable investors holding highly appreciated, concentrated stock positions might consider various strategies to reduce single stock risk exposure.

Available Choices	Pros & Cons
Continue to Hold Position	High-risk / potentially high reward; position is potentially subject to extreme swings
Sell a Portion/All of the Position	Reduces concentration risk, but may result in significant capital gains taxes
Hedge Exposure with Options	Requires rolling options contracts over time; may be very costly and options on the stock may be thinly traded
Gift to Family Member or Friend	May be some benefit if family member/friend is in a lower tax bracket, but cost basis carries over; may require using a portion of lifetime gifting exemption
Gift to Charity	Efficient way to reduce risk but tax deduction effectively provides only a $0.37 federal benefit for each $1.00 gifted; best suited for investors who are already charitably inclined
Exchange Fund	Provides a means to diversify risk exposure without triggering a taxable event

Exchange Fund – Mechanics & Details:

- Exchange fund provider states the fund's objective and chooses which securities to accept to track chosen benchmark
- Exchange fund must invest at least 20 percent of fund in "qualifying assets" (typically real estate, real estate partnerships, commodities)
- Investor must be both accredited investor and qualified purchaser with more than $5,000,000 of investments
- Investor contributes appreciated security to exchange fund and receives an interest in the diversified pool, based on the amount of the contributed stock; investor retains the cost basis associated with the contributed position
- Investors may have limited redemption provisions (varies based on the exchange fund) and should consider the fund's expenses, which may include redemption fees if investment interest is withdrawn in the first several years
- Investors who stay invested in the exchange fund for more than seven years can withdraw a diversified basket of stocks; investors exiting the exchange fund prior to seven years are returned the originally contributed stock

Qualified Opportunity Zones

The Tax Cuts and Jobs Act (enacted in December 2017) contained a provision with special tax incentives for taxpayers making investments in economically distressed communities ("opportunity zones")

- A taxpayer may defer realized gains on appreciated property (typically a capital gain) by investing the "deferred gain amount" (DGA) in a qualified opportunity fund ("QOF")
- Among other requirements, a Qualified Opportunity Fund must hold at least 90 percent of its assets in property located within a Qualified Opportunity Zone (QOZ)
- Once the DGA has been invested in a QOF, the gain is deferred until *the earlier of:* the date the investor sells the QOF investment *or* December 31, 2026
  - A QOF investment must have been made by December 31, 2019 to receive the special seven-year holding tax benefits
  - A QOF investment must be made by December 31, 2021 to receive the special five-year holding tax benefits

Regulatory Update:

The IRS published finalized regulations, TD 9889, effective January 13, 2020, providing the following amendments:

- Allows a taxpayer to invest the entire gain amount from the sale of business property without regard to losses
- The beginning of the 180-day investment period is changed from the end of the year to the date of sale of each asset. Entities (partnership, S-Corp, Estates, and Trusts) have the option to start the 180-day investment period on the date the entity's tax return is due (not including extensions)

Qualified Opportunity Fund (QOF) Holding Period	Tax Benefits	
	Deferred Gain Amount (DGA)	Qualified Opportunity Fund (QOF)
Less than 5 Years	Deferral of gain	n/a
Between 5-7 Years	Deferral of gain, *plus* gain reduced by 10 percent of the deferred gain amount	n/a
More than 7 Years	Deferral of gain, *plus* gain reduced by 15 percent of the deferred gain amount	n/a
More than 10 Years	*Not applicable since the latest potential date for gain deferral is December 31, 2026*	Taxpayer can elect to fully exclude the QOF's gain

Tax Planning Checklist

What we are doing to help clients

1. Tax-Aware Investing/Asset Placement
2. Tax-Efficient Securities and Active Management Considerations
3. Tax Loss Harvesting/Thoughtful Rebalancing
4. Tax-Aware Recognition of Capital Gains
5. Capital Gain Dividend Distribution Analysis

How your tax advisor can help

1. Recognition and Timing of Income
2. Timing and Target Amount for Charitable Gifts
3. Evaluating the Potential Benefits of a Roth Conversion
4. Review Estimated Tax Withholding
5. AMT Considerations
6. Manage State and Local Income Tax Deductions
7. Review Property Tax Deductions
8. Additional State Tax Considerations

Areas where we can offer perspective

1. **Evaluating and Minimizing Capital Gain Implications** amid a portfolio repositioning considering factors such as potential step-ups in cost basis, asset placement, etc.
2. **Evaluating Family Gifting Strategies** according to desired gifting goals and, once determined, coordinating the gifting transfers.
3. **Gifting Long-Term Appreciated Securities** rather than cash for charitable contributions, which avoids capital gains taxes on the appreciated securities.
4. **Charitably Gifting the Required Minimum Distribution of an IRA**, which avoids the IRA distribution being treated as taxable income.
5. **Weighing the Differences between a Lump Sum Option or Annuity** income stream for Defined Benefit Plan or Cash Balance Pensions.
6. **Evaluating Tax Bracket Breakpoints and Stock Volatility** when minimizing single stock concentrations.
7. **Reviewing Social Security** income options.

Retirement Planning 101

15% Target annual investment savings*
(employee contribution + employer match)

4-7% Americans' average annual savings rate**

70-85% Approximate income replacement ratio for estimating future retirement expenses

1 in 3 Number of workers who will have saved enough for a comfortable retirement by age 67**

Common Retirement Mistakes

- Retiring too early / Saving too little
- Filing for early (reduced) Social Security benefits despite expected longevity
- Assuming too little or too much risk pre- and/or post-retirement
- High concentration risk with individual securities or company stock
- Attempting to time the market
- Underestimating future healthcare expenses
- Spending beyond one's means, particularly early in retirement

Factors that might require individuals to save more for retirement and/or delay retirement

- Starting to save/invest too late
- Investing portfolio assets too conservatively (lower expected returns require greater savings)
- Anticipating a life expectancy well beyond actuarial calculations
- Experiencing a significant portfolio drawdown shortly before retirement

** General rule of thumb; target savings rate may be higher or lower depending on age, existing savings, anticipated retirement.*
*** Source: Aon "The Real Deal: 2018 Retirement Income Adequacy Study"*

Retirement Contribution Limits

Retirement Benefit Limits

	2020	2021
Contribution Limits for 401(k)/403(b) Plans	$19,500	$19,500
Age 50+ Catch-up	$6,500	$6,500
Contribution Limits for SIMPLE IRA Plans	$13,500	$13,500
Age 50+ Catch-up	$3,000	$3,000
Contribution Limits for IRAs	$6,000	$6,000
Age 50+ Catch-up	$1,000	$1,000
Contribution Limits for Defined Benefit Plans	$230,000	$230,000
Contribution Limits for SEP IRA and Solo 401(k) Plan	$57,000	$58,000

Modified Adjusted Gross Income (MAGI) Limitations for IRA Contributions

	2020	2021
Traditional IRA		
Single, Head of Household	$65,000 - 75,000	$66,000 - 76,000
Married Filing Jointly	$104,000 - 124,000	$105,000 - 125,000
Roth IRA		
Single, Head of Household	$124,000 - 139,000	$125,000 - 140,000
Married Filing Jointly	$196,000 - 206,000	$198,000 - 208,000
Roth Conversions	None	None

Source: Internal Revenue Service

Retirement Planning Updates

The SECURE Act

The "Setting Every Community Up for Retirement Enhancement Act" was attached to a fiscal year 2020 appropriations bill and was passed by Congress in late December 2019. The Act represents one of the more significant pieces of retirement legislation to be passed over the last decade, with a number of notable changes.

Select Provisions for Individuals:

	Old Provision	New Provision	Applicability
IRA Contributions	*No contributions to IRAs after age 70½*	No longer an age limit; contributor must have earned income	Tax year 2020 and beyond
Starting Age for Required Minimum Distributions (RMDs)	*Age 70½*	Age 72	Age 72 provision for individuals who had not yet reached 70½ as of 2019
RMDs for Inherited Retirement Accounts	*Beneficiaries can take RMDs based on their life expectancy*	With limited exceptions, beneficiaries are required to fully withdraw assets within 10 years after account owner's death	Beneficiaries of account owners who died after 2019
Penalty-Free Withdrawal for Birth/Adoption	*10% early withdrawal penalty for individuals under age 59½ (with some exceptions)*	Individuals can withdraw up to $5,000 penalty-free within 12 months after a birth or qualified adoption of a child	Tax year 2020 and beyond

Retirement Planning Updates

The "Stretch IRA"

The SECURE Act largely eliminated the "stretch IRA" as most beneficiaries will now be required to fully withdraw inherited retirement account assets within 10 years of the account owner's death, whereas previously such beneficiaries could take withdrawals based on their life expectancy.

Many future heirs of IRAs, such as grandchildren, will be required to drain the accounts within 10 years of receiving the IRA, but some individuals will still be able to stretch payouts over decades.

Who is still eligible for the longer payout period:

- Heirs of IRAs whose original owners died *before* 2020
- Surviving spouses
- Chronically ill or disabled heirs
- Heirs within 10 years of age of the original owner
- Minor children of the account owner, up to the age of majority or age 26 if the child is still in school; at that point, the 10-year payout begins

Source: The Wall Street Journal, SECURE Act, Ed Slott

Beneficiaries do not need to withdraw inherited assets each year over the 10-year period. As such, beneficiaries may consider deferring withdrawals until a given tax year when taxable income will be lower.

Planning For A Long Retirement

The Challenge: Individuals are living longer, and forward-looking returns are likely to be lower than in the past.

If you're 65 today, the probability of living to a specific age or beyond

Average life expectancy at age 65

Year	Women	Men	Difference
1990	84.1	80.1	4.0
2016	85.7	83.2	2.5
2090	89.5	87.5	2.0

Source: Social Security Administration, Period Life Table, 2016 (published in 2019), JPMorgan Asset Management

Saving For Retirement

Types of Savings Accounts

Account Examples	**Individual/Joint/Trust accounts**	**Pre-Tax 401(k), Traditional IRAs (funded with deductible contributions)**	**Roth 401(k), Roth IRAs**
Taxable Income	Interest, Dividends and Capital Gains	Account Withdrawals	Earnings/Withdrawals not taxable
Tax Deductions	Contributions Not Tax-Deductible	Contributions Tax-Deductible	Contributions Not Tax-Deductible
Contribution Limits	None	Yes, specific to type of account	Yes, specific to type of account

Ways to maximize retirement savings:

1. Maximize contributions to Retirement Plans (401(k), 403(b)), deferring at least your company's match
2. Maximize after-tax assets in your portfolio:
   - Maximize contributions to after-tax accounts
   - Consider Backdoor Roth IRA contributions
   - Consider Roth IRA conversion
3. Consider establishing a Spousal IRA
4. If self-employed, maximize retirement savings by contributing to a SEP-IRA, Keogh, Defined Benefit Plan or Solo 401(k)

On Track For Retirement?

Use the table below to assess current retirement savings
- Household income is assumed to be gross income (before tax and savings)
- Go to the intersection of your current age and your closest current household income
- Compare your current savings to the savings checkpoints below
- Example: For a 40-year-old with a household gross income of $100,000, current savings should be approximately $290,000

	Current Household Annual Income (Gross)					
Age	**$50,000**	**$100,000**	**$150,000**	**$200,000**	**$250,000**	**$300,000**
25	-	60,000	150,000	260,000	375,000	510,000
30	15,000	120,000	255,000	420,000	600,000	750,000
35	45,000	200,000	390,000	600,000	850,000	1,050,000
40	80,000	***290,000***	540,000	840,000	1,150,000	1,440,000
45	125,000	400,000	720,000	1,100,000	1,500,000	1,860,000
50	175,000	530,000	945,000	1,420,000	1,925,000	2,400,000
55	235,000	690,000	1,215,000	1,820,000	2,425,000	3,030,000
60	310,000	880,000	1,530,000	2,280,000	3,050,000	3,780,000
65	405,000	1,130,000	1,950,000	2,900,000	3,875,000	4,800,000

Model Assumptions

10%* Annual Savings Rate

6.0% Pre-Retirement Return

5.0% Post-Retirement Return

2.25% Inflation Rate

Retirement age –
Age 65 Primary earner
Age 62 Spouse

30 Years in Retirement

**10 percent is approximately twice the U.S. average annual savings rate*

Source: J.P. Morgan Asset Management, 2018 Guide to Retirement

Traditional vs. Roth Accounts

Investors should review objectives and marginal income tax bracket to evaluate whether to contribute to a Traditional retirement account, a Roth retirement account, or a combination of both.

	Traditional IRA	Traditional 401k/403b	Roth IRA	Roth 401k/403b
Tax Benefits	Tax-deferred growth		Tax-free growth and tax-free qualified withdrawals	
Tax Deduction	Contributions may be tax-deductible depending on AGI	Yes, for current year contributions	No, funded with after-tax contributions	
Taxation of Withdrawals	Taxed as ordinary income		Qualified withdrawals are tax-free	
Early Withdrawal Penalties	With limited exceptions, withdrawals prior to age 59½ result in a 10 percent penalty (in addition to the distribution being treated as ordinary income)		Contributions can be withdrawn penalty-free while earnings are taxable and may be subject to a 10 percent penalty	The earnings portion of a non-qualified distribution will be taxable and may be subject to a 10 percent penalty
Income Limits for Contributions	No, but deductibility is subject to income limits	None	Yes	None
Age Limits for Contributions	As of 2020, none	None	As of 2020, none	None
Eligibility to Contribute	Must have earned income	Actively employed	Must have earned income	Actively employed
Deadline to Contribute	April 15th of the following tax year	December 31st	April 15th of the following tax year	December 31st

Tax Diversification: Individuals may consider utilizing a combination of both Traditional and Roth retirement accounts as a 'tax hedge' given uncertainty over future income tax rates.

Additional Roth Considerations

Planning Tip: Backdoor Roth Contributions

If a taxpayer's income is higher than the noted thresholds for contributing to a Roth IRA, a taxpayer may fund a Traditional IRA with a "non-deductible" contribution. This contribution may, in turn, be converted to a Roth IRA tax-free, provided the taxpayer does *not* have any other holdings in a Traditional IRA. If a taxpayer has an outstanding Traditional, SEP or SIMPLE IRA balance, a portion of the conversion will be treated as taxable income.

Example:

- John is a single taxpayer, age 55, with a modified adjusted gross income of $450,000 which prevents him from directly contributing to a Roth IRA.
- John currently has a 401(k) but no Traditional IRA.
- John makes a $7,000 non-deductible contribution to a Traditional IRA and leaves the entire contribution in cash.
- John waits 30+ days and then converts the non-deductible contribution to a Roth IRA.
- Since John had no Traditional IRA holdings and only converted a non-deductible contribution (which had no earnings over the 30-day period), the conversion is not taxable.

Planning Tip: Roth Conversions

Unlike income limits for Roth IRA contributions, there are no such income limitations for completing a Roth conversion. Taxpayers should recognize that converting a Traditional IRA to a Roth IRA typically produces taxable income. Individuals should evaluate their income tax picture to compare how their current tax bracket might compare to a future tax bracket:

- Individuals might consider a partial conversion where income is recognized up to a certain tax bracket.
- For ultra-high net worth individuals that will otherwise have a taxable estate, a Roth conversion may be beneficial as it reduces the size of the taxable estate by the amount of taxes paid on conversion while eventually leaving a favorable asset to heirs (i.e. inheriting a Roth IRA is preferable to inheriting a Traditional IRA).

Source: Social Security Administration (2017 OASDI Trustees Report)

Roth Conversions: Pros & Cons

	Maintain Pre-Tax IRA Balance / No Roth Conversion		Convert Pre-Tax IRA to Roth IRA	
Income Tax On Roth Conversion	Not applicable	+	The amount of the conversion creates taxable income, but such income could potentially be offset by charitable gifts	?
Additional Contributions	If above AGI limits, deductible contributions to pre-tax balance disallowed; however, non-deductible contributions are allowed	−	If the entire pre-tax IRA balance is converted, creates opportunity for Backdoor Roth IRA contributions without additional tax impacts	+
Required Minimum Distributions	In retirement, RMDs must be taken from account, reducing the overall balance	−	After Roth conversion, RMDs from the Roth IRA will not be required for the original account owner	+
Income Tax	Distributions are subject to income tax at ordinary income rates	−	Roth IRA distributions are not subject to income tax	+
Estate Tax	Account balance at death subject to estate tax	−	Account balance at death subject to estate tax	−
Post-Death Beneficiary Income Tax	RMDs to beneficiaries subject to income tax	−	RMDs to beneficiaries not subject to income tax	+

Retirement Planning Checklist

Preparing for a comfortable retirement requires diligence and discipline

Review What Has Changed
- Tax Laws
- Retirement Goals
- Health/Longevity

Assess whether Savings are "On Track"
- Compare current savings versus checkpoints
- Review portfolio allocation and asset location
- Look for opportunities to increase/optimize savings across account types
- Determine if retirement goals need to be adjusted

Plan Ahead
- Periodically review estate plans
- If nearing retirement, review Social Security benefits and determine an appropriate claiming age/strategy
- Enroll for Medicare prior to age 65

Review Beneficiary Designations
- Periodically review beneficiary designations to ensure listed beneficiaries are as intended
- Especially important upon life events such as marriage, divorce, birth/adoption, etc.

of the general population don't have a plan in place

Source: Fidelity Investments "Retirement Mindset Study"

4 in 10 workers
6 in 10 retirees
have tried to calculate how much monthly income is needed in retirement

Source: 2020 Retirement Confidence Survey (RCS)

Social Security Considerations

The Basics and What You Can Do:

When

You may start receiving your Social Security retirement benefits as early as age 62 or as late as age 70.

You can apply for benefits no more than four months in advance of your benefit start date.

How

You can apply for retirement benefits or spousal benefits directly online at https://www.ssa.gov/benefits/forms/

Amount

Check your Social Security statement for a current estimate of your benefits at https://www.ssa.gov/myaccount/retire-calc.html

Consider

Your monthly benefits will be permanently reduced if you start any time before your "full retirement age." Conversely, your monthly benefits will be increased if you start after your "full retirement age."

Source: SSA.gov

Social Security Considerations

Full Retirement Age (FRA) vs. Early Retirement vs. Late Retirement

Year of Birth *	Full Retirement Age (FRA)
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Early Retirement

- Retiree can elect to receive benefits as early as age 62 (**For a retiree taking benefits five years early, the reduction = 30 percent**)
- For the first 36 months, the FRA benefit is reduced by 5/9th of one percent for each month before full retirement age (FRA).
- Beyond 36 months, the FRA benefit is further reduced by 5/12th of one percent for each early month.

Delayed Retirement Credit

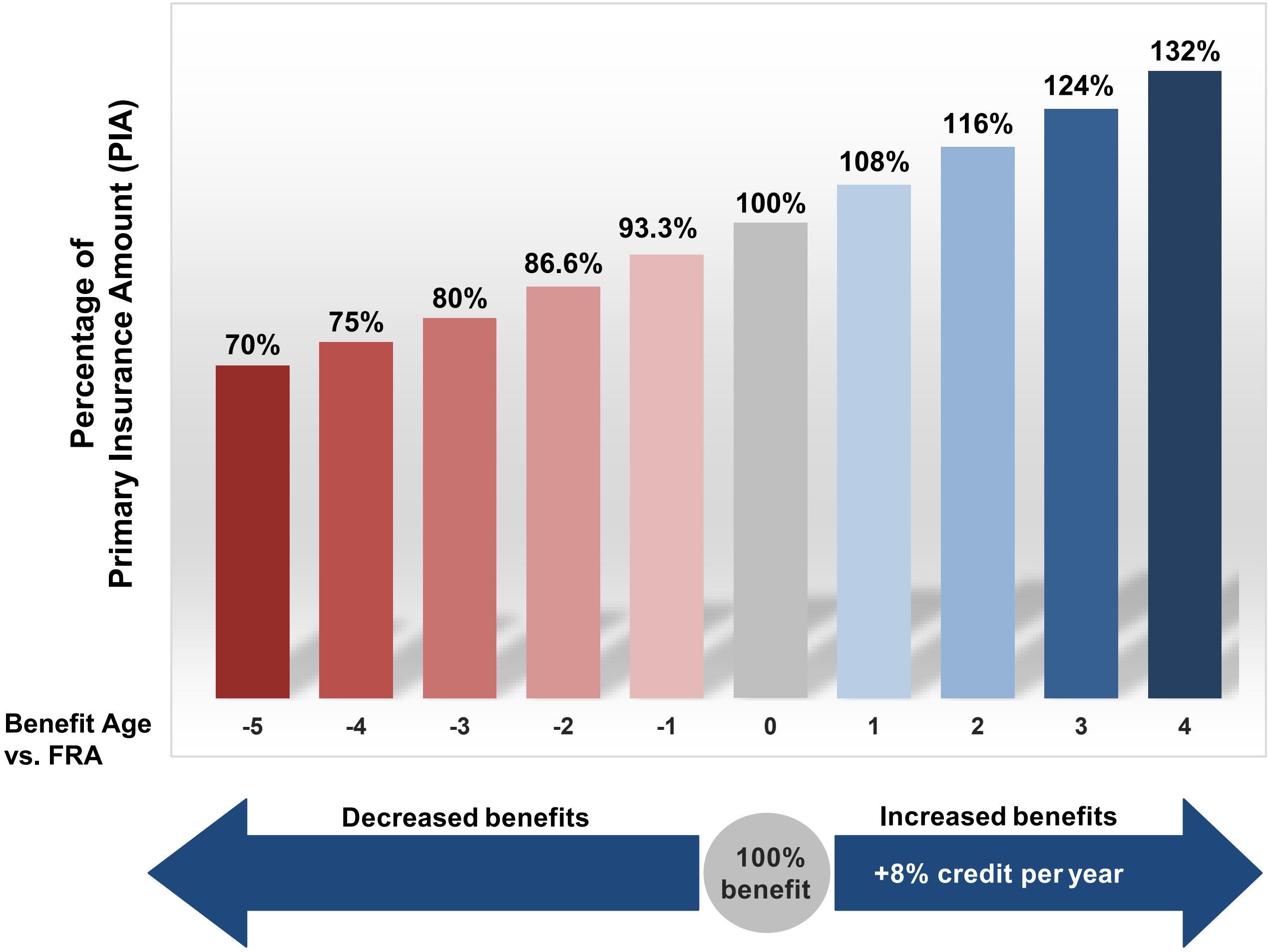
(i.e. Benefits after FRA, up to age 70)

Year of Birth	Credit per Year
Before 1937	Varies
1937-38	6.50%
1939-40	7.00%
1941-42	7.50%
1943 and later	8.00%

Source: SSA.gov – "Early or Late Retirement?"
** Persons born on January 1 of any year should refer to the previous year*

Early Versus Delayed Benefits

Full Retirement Age (FRA) vs. Early Retirement vs. Late Retirement



Notes:

1) PIA = Primary Insurance Amount, which reflects the benefit available at Full Retirement Age (FRA).

2) Benefits are permanently reduced for benefits commencing before Full Retirement Age.
   - *For the first 36 months prior to FRA, the benefit is reduced by 5/9th of one percent for each month before full retirement age (FRA).*
   - *Beyond 36 months, the benefit is further reduced by 5/12th of one percent for each early month.*

3) Delayed retirement credits apply for benefits deferred past Full Retirement Age, up to age 70.
   - *For individuals born in 1960 or later, FRA is age 67 with a maximum possible deferral period of three years (maximum +24 percent improvement).*

Choosing When To Begin Benefits

Four Key Factors for Evaluating when to Collect Retirement Benefits

- Life expectancy (single or joint)
- Spousal benefits
- Income needs
- Changes in employment

Consider taking benefits earlier if…	Consider taking benefits later if…
You are no longer working and find it difficult to cover annual expenses.	You are still working and make enough to impact the taxability of your benefits.
You are in poor health and do not expect the surviving member of the household to make it to average life expectancy.	You are in good health and expect to exceed average life expectancy.
You are the lower-earning spouse and your higher-earning spouse can wait to file for a higher benefit.	You are the higher-earning spouse and want to be sure your surviving spouse receives the highest possible benefit.

Choosing When To Begin Benefits

Income Earned ***Before*** Full Retirement Age (FRA)	Income Earned ***During*** the Year of Full Retirement Age (FRA)	Income Earned ***After*** Full Retirement Age (FRA)
• For retirees collecting Social Security benefits before FRA, Social Security will take back $1 of benefits for every $2 over the earnings limit. • For 2021, the earnings limit before FRA is $18,960.	• During the year you reach FRA and up to the month you reach FRA, Social Security will deduct $1 of benefits for every $3 over the earnings limit. • During this year, Social Security only counts earnings that you receive before the month you reach FRA. • For 2021, the earnings limit in the year of FRA is $50,520.	• There is no earnings limit after an individual reaches full retirement age.

Note: Benefit reductions due to the earnings limit are only temporary, as the monthly benefit will be recalculated upon full retirement age to give credit for previously withheld payments.

Taxable Portion of Social Security Benefits	Taxable Income: Single, Head of Household	Taxable Income: Married Filing Jointly
0%	Less than $25,000	Less than $32,000
Up to 50%	$25,000 - 34,000	$32,000 - 44,000
Up to 85%	Over $34,000	Over $44,000

Evaluating A "Breakeven Age"

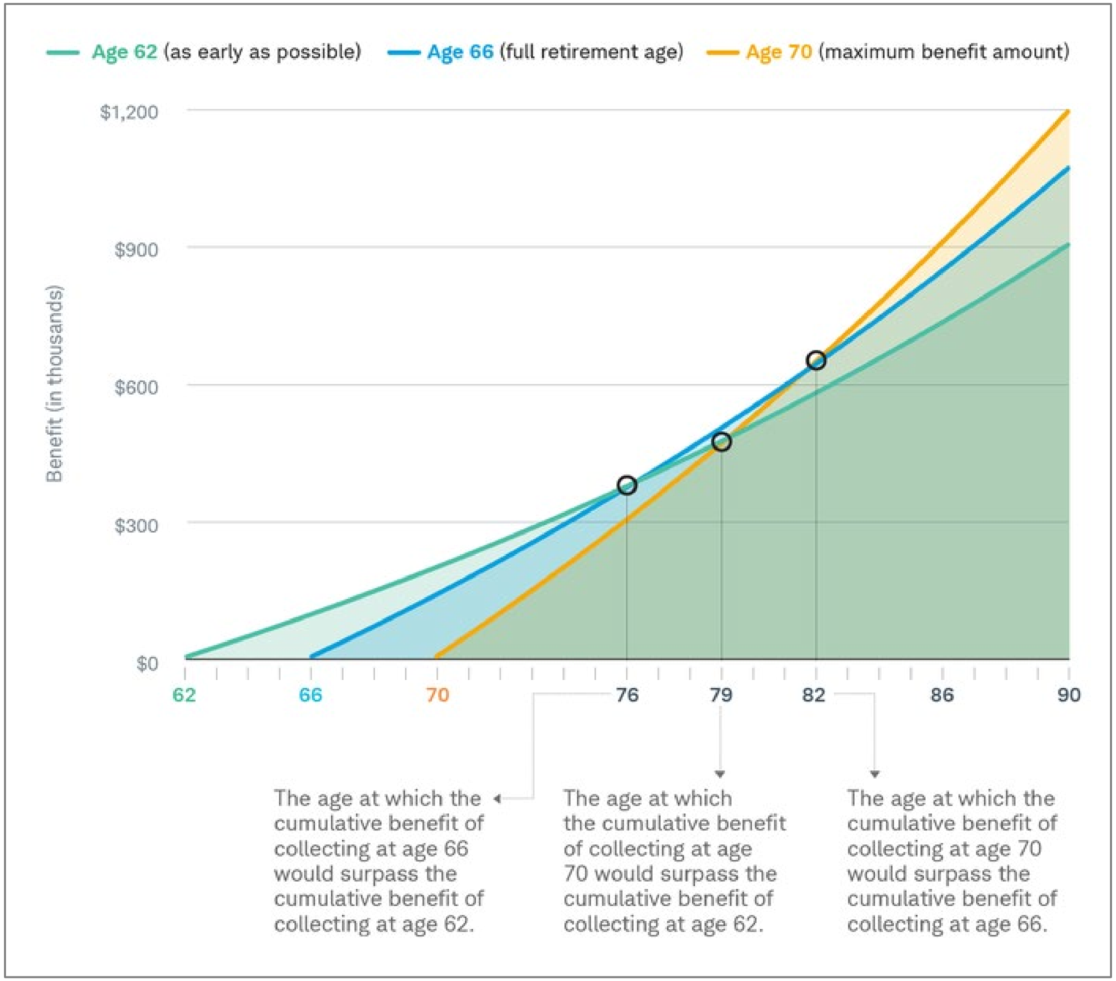
Early Retirement vs. Full Retirement Age (FRA) vs. Late Retirement

Hypothetical Scenario:

Social Security Monthly Benefits
Age 62: $2,250 / mo
Age 66: $3,000 / mo
Age 70: $3,960 / mo

Source: Charles Schwab – "Social Security FAQs" (January 2020)

Source: SSA.gov. Hypothetical benefits assume the retiree was age 62 in 2010, age 66 in 2014 and age 70 in 2018, and began collecting benefits in January of each year. Benefits are increased by 2.5% annually to account for inflation. This is a hypothetical scenario; other factors should also be considered to determine when to start benefits.



Spousal & Family Benefits

Upon starting Social Security retirement benefits, some members of your family may also be entitled to receive benefits from your Social Security earnings record or you may qualify to receive benefits from their earning record.

Spousal Benefits

Start between spouse's age 62 and FRA:

- Permanently reduces monthly benefit
- May be affected by the earnings test if still working

Start after spouse's FRA, receives the greater of:

- 50 percent of your monthly benefits based at your FRA (no delayed credit)
- Spouse's FRA personal monthly benefit with delayed credit

Children Benefits

Eligible children, including biological, adopted, stepchildren, and/or dependent grandchildren may also be eligible for benefits, provided they meet the following qualifications:

- Unmarried and
- Under age 18 or
- Age 18-19 and full-time student (no higher than grade 12) or
- Greater than age 18 and disabled from a disability that started before age 22

***<u>Maximum Family Benefit</u>**: If one of your children also qualifies for benefits, generally the total amount you and your family may receive is about 150 to 180 percent of your full retirement benefit.*

Ex-Spouse Benefits

You may be entitled to benefits from your ex-spouse's record if you meet the following qualifications:

- Marriage lasted more than 10 consecutive years
- You have not remarried
- You and your ex-spouse are at least age 62

An Ex-Spouse benefit does <u>not</u> affect the benefit you or your family may receive.

Source: SSA.gov

Understanding Medicare

- **Part A (Hospital Insurance)**
  - Free for people age 65 and older who paid payroll tax for 40+ quarters (about 10 years)
  - Helps cover in-patient hospital care, skilled nursing facility care, hospice care and home health care

- **Part B (Medical Insurance)**
  - Anyone eligible for Part A is eligible to enroll in Part B and pay a monthly premium
  - Helps cover doctor and health care services, outpatient care, home health care, preventive services and durable medical equipment

- **Part C (Medicare Advantage)**
  - The private health insurance alternative to ‘Original Medicare’ (Parts A & B), which might also include Part D coverage
  - If enrolling in Medicare Advantage, must still enroll in Parts A & B and pay the Part B premium; also will sign up and pay for the chosen Medicare Advantage plan

- **Part D (Prescription Drug Coverage)**
  - Run by private insurance companies that follow rules set by Medicare
  - Helps cover the cost of prescription drugs
  - Once total drug costs (between what you and the plan have spent) reach $4,130 (2021 limit), enrollee will pay no more than 25 percent of the drug price (this is often referred to as the ‘donut hole’ of Part D coverage)

Important Dates To Remember

Medicare benefits generally do not require annual enrollment. Key dates for enrollment and changes are highlighted below.

Date	Notes
Initial Enrollment Period	Seven-month period: initial enrollment period begins three months prior to the month turning age 65 and ends three months after the month turning age 65 Individuals who do not sign up during the IEP may be subject to a late enrollment penalty
General Enrollment Period	January 1 – March 31 Those missing the Initial Enrollment Period can sign up during this period; coverage will subsequently start July 1
Medicare Advantage Open Enrollment	January 1 – March 31 (only for individuals who already have a MA plan) If enrolled in a Medicare Advantage plan, enrollee can: • Switch to a different Medicare Advantage plan • Drop Medicare Advantage plan and return to Original Medicare • Sign up for Medicare Part D (if returning to Original Medicare)
Annual Open Enrollment Period	October 15 – December 7 Individuals can join, switch, or drop a plan for coverage beginning January 1
Special Enrollment Period	Individuals with certain qualifying life events (losing health coverage, moving, getting married, having a baby, or adopting a child) may be eligible to sign up during a Special Enrollment Period
January 1	New coverage begins; monthly premium adjustments go into effect

Source: Medicare.gov

Choosing Medicare Coverage

	Original Medicare (Parts A & B)	Medicare Advantage (Part C)
Care Options	• Visit any doctor that accepts Medicare; in most cases, no referral is needed for a specialist	• Must use doctors only in plan network (most commonly HMO or PPO network); a referral may be needed to visit a specialist
Costs	• Monthly premiums determined by income. • No annual out-of-pocket maximum • Usually pay 20 percent of Medicare-approved amount after meeting deductible	• Still must pay Part B premium (and, if applicable, Part A premium) in addition to the plan's premium • Varying out-of-pocket costs, but will not pay additional costs in a year after reaching plan limit
Coverage	• Part A and Part B included • Part D may be added separately • Supplemental (Medigap) coverage allowed	• Plans must cover all services Original Medicare covers and may offer additional benefits • Prescription drug coverage (Part D) is included in most plans • Cannot buy or use separate supplemental coverage • May include additional services not covered by Original Medicare such as dental, vision, and hearing care
Additional Notes	• May be preferrable for those wanting greater provider choices • According to the Kaiser Family Foundation, 93 percent of primary physicians participate in Medicare (however, 30 percent of primary care doctors are not accepting new Medicare patients)	• May be cheaper than Original Medicare with additional Medigap coverage • May be beneficial for those with low medical usage

"Think of it as choosing between ordering the prix fixe meal (Medicare Advantage) at a restaurant, where the courses are already selected for you, or going to the buffet (original Medicare), where you must decide for yourself what you want." – AARP

MAGI & Medicare Premiums

Modified Adjusted Gross Income (MAGI) Thresholds for Additional Medicare Part B Premiums

- With higher reported Modified Adjusted Gross Income (MAGI), additional premiums are added to taxpayers receiving Medicare
- Adjusted Gross Income (AGI) is found on the first page of a tax return. The most applicable deductions added back to calculate MAGI are: one-half of self-employment tax, passive income/loss, IRA contributions and taxable Social Security payments.
- 2019 tax return filed in 2020 determines 2021 Medicare premiums.

Single Filers	Married Filing Jointly	Part B Monthly Premium (2021)
$0 - 88,000	$0 - 176,000	$ 148.50
$88,001 - 111,000	$174,001 - 222,000	$ 207.90
$111,001 - 138,000	$222,001 - 276,000	$ 297.00
$138,001 - 165,000	$276,001 - 330,000	$ 386.10
$165,001 - 500,000	$330,001 - 750,000	$ 475.20
$500,001 +	$750,001 +	$ 504.90

Source: Centers for Medicare & Medicaid Services

Options to Lower MAGI

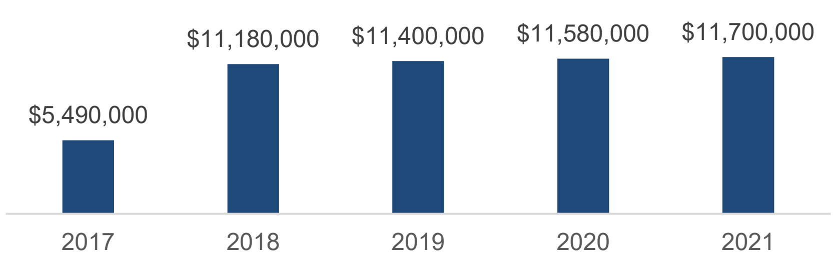
- Spend from taxable accounts, minimize amount withdrawn from a tax-deferred account
- Make a Qualified Charitable Distribution from an IRA
- Harvest losses in taxable accounts to offset realized capital gains

Estate Planning Updates

Federal Estate Planning Limits

	2020	2021
Estate Exclusion	$11,580,000	$11,700,000
Maximum Estate Tax Rate	40%	40%
Lifetime Gifting Exemption	$11,580,000	$11,700,000
Maximum Gift Tax Rate	40%	40%
Annual Exclusion Gift	$15,000	$15,000
Annual Gifting Limit to U.S. Citizen Spouse	Unlimited	Unlimited
Annual Gifting Limit to Non-U.S. Citizen Spouse	$157,000	$159,000

Estate Exclusion & Lifetime Gift Tax Exemption



No Clawback

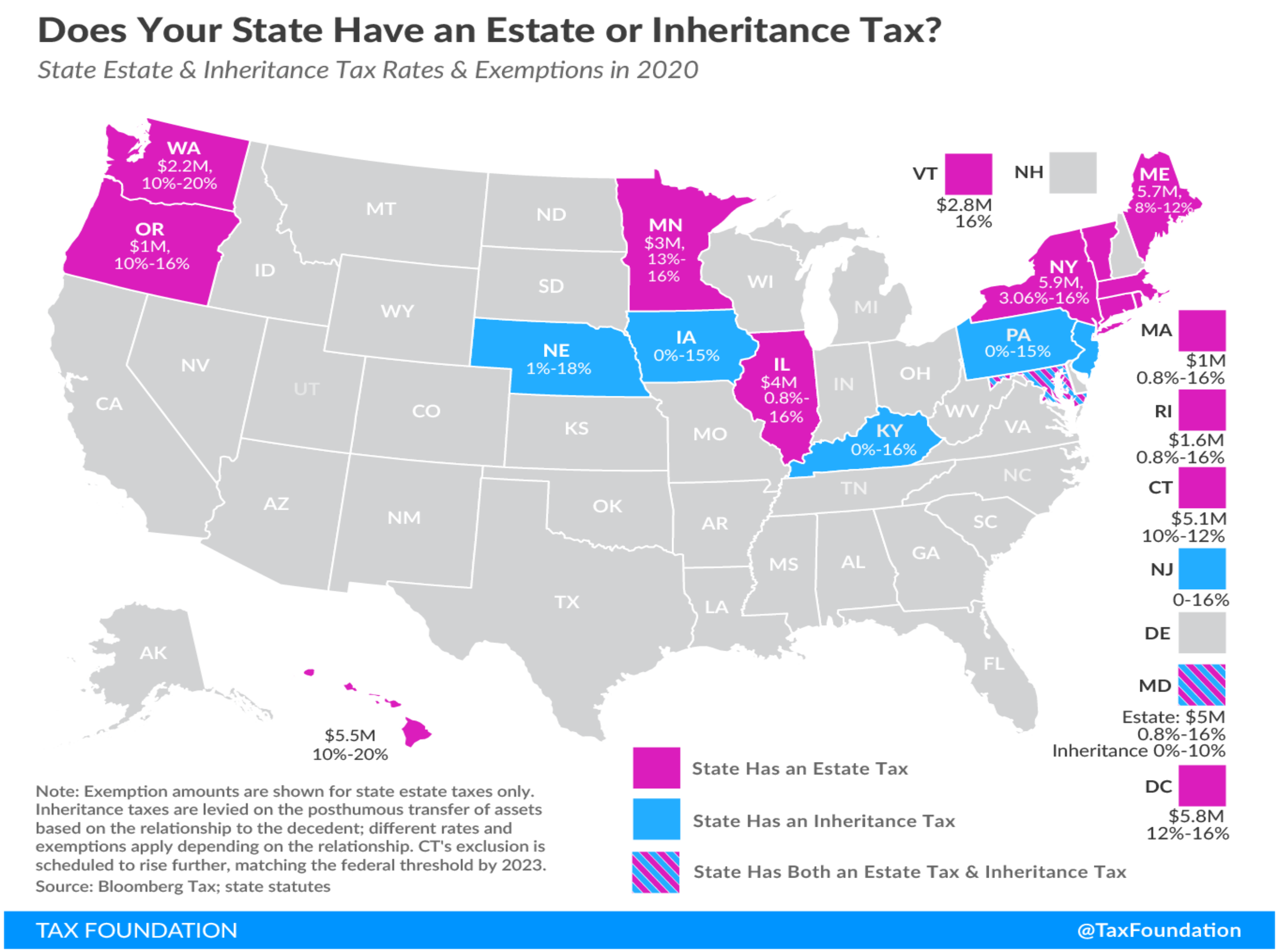
- The Tax Cuts and Jobs Act (TCJA) significantly increased the estate exclusion amount (presently $11.70 million for 2021), though there had been concern that individuals taking advantage of the higher exclusion amount might one day owe additional tax for prior gifts, should the estate exclusion decrease after 2025.
- Last November, the Treasury Department and IRS issued final regulations that individuals utilizing the increased gift and estate tax exclusion amounts from 2018 to 2025 would *not* be adversely impacted after 2025, should the exclusion revert to pre-2018 levels.
- ***Key Takeaway:*** Individuals who have – or are likely to have – a taxable estate *and* who have sufficient assets for retirement may want to consider gifting additional assets to loved ones while the exclusion amount stands at an increased level.

Estate Planning Updates

Don't Forget Estate Tax at the State Level!

Many states have estate exclusions far below the federal level which may result in state estate taxes.

Older estate plans should be reviewed to ensure trust provisions incorporate current federal and state estate tax limits.



Guide To Estate Planning

Level One (Must Haves)	Level Two (Considerations)	Level Three (Advanced)

Level One (Must Haves)

Planning for and documenting the transfer of assets with minimized tax and transfer cost. Review upon life events (marriage, divorce, birth, adoption, etc.)

- A Will appoints guardians for your children and spells out specifically how you want your property split
- A Living Trust avoids probate, allows for privacy, and designates how assets are to be divided upon your death
- A Healthcare Power of Attorney allows you to designate a Healthcare agent to make healthcare decisions in the event you are unable to make decisions for yourself
- A Financial / Property Power of Attorney allows you to designate an agent to make financial decisions in the event you are unable to make decisions for yourself
- Joint accounts transfer to a designated person upon death, it is important to review co-ownership provisions and the titling of accounts
- Some assets (such as IRAs, Life Insurance, and Annuities) pass to your designated Beneficiaries. It is very important to periodically review beneficiary designations and coordinate with the overall estate plan.

Level Two (Considerations)

Further enhance the direction of assets, minimize Estate Taxes or increase Asset Protection

- The Spousal Lifetime Access Trust (SLAT) has become a popular estate planning strategy to take advantage of current lifetime gift tax exemptions ($11.7 million each)
- Grantor Retained Annuity Trusts (GRAT) seek to pass assets to beneficiaries free of estate and gift tax that have appreciated over the IRS Section 7520 interest rate
- Explore Charitable Trust, Donor-Advised Fund and Foundation Options
- Since Life Insurance is not necessarily estate tax-free, consider establishing an Irrevocable Life Insurance Trust
- Qualified Personal Residence Trust (QPRT)
- Intra-Family Loans can provide family members lower borrowing rates than traditional financing options
- Special Needs Trusts ensure the proper passing of assets to ensure beneficiaries with special needs are not disqualified from entitled benefits

Level Three (Advanced)

For Complex Estate Tax Issues or Liability Concerns

- Domestic and Offshore Asset Protection Trusts offer those in high liability fields of work and those with high estate tax brackets options to reduce liability
- Self-Cancelling Notes allow the exchange of property for periodic payments based upon mortality
- Family Limited Partnerships and Family LLC's provide legal, financial, and tax structure to family businesses

Concept Check: Portability

Portability allows you to use your spouse's unused estate tax exclusion. While portability was made permanent for federal estate tax purposes, you should check if your resident state also allows for portability of a deceased spouse's unused estate exclusion. In the event your resident state does not allow for portability, it may make sense for both spouses to have assets in their respective name (or trust's name) up to the resident state's estate exclusion amount.

How Assets Pass Upon Death

FIDUCIENT Advisors

Probate vs Non-Probate Assets

Probate is a public-court process that helps settle legal and financial matters upon death according to a will, if written.

Court costs, length of time, the lack of privacy and family disagreements are all potential issues that may arise within the probate process. With proper estate planning, you can limit the amount of assets that pass through probate.

How assets pass upon death

Assets That Bypass Probate			Probate Assets
Jointly Held Assets	**Assets w/ Beneficiaries**	**Assets held in Trust**	Individually-owned assets with no beneficiary (ex. cars, home, bank account and personal belongings). Assets titled Tenancy in Common
Joint Accounts JTWROS Tenancy by the Entirety	Retirement Accounts IRA and Annuities Transfer on Death Life Insurance	Trust Agreements	**Last Will & Testament**
To Joint Owner	**To Named Beneficiary**	**To Trust Beneficiary**	**To Will Beneficiary**

Digital Assets: *Nearly all 50 states have passed a version of the Uniform Law Commission's Fiduciary Access to Digital Assets Act, Revised that legally allows for an executor, trustee, etc. to access a deceased's digital accounts. Consider discussing your digital estate with your attorney and the potential need to share online access information with your executor.*

Source: Uniform Law Commission, 2019

How Assets Pass Upon Divorce

Marital vs Non-Marital Assets

Estate planning is not divorce planning. Without a pre- or post-nuptial agreement, marital assets are subject to equitable division in a divorce proceeding.

Effective for divorces finalized after January 1, 2019, alimony payments will no longer be tax-deductible by the paying spouse and will not be added to the taxable income of the receiving spouse.

How assets pass upon divorce

Marital Assets	Non-Marital Assets
Property Acquired During Marriage	**Property Acquired Before Marriage**
Any property, real or personal, the couple acquires during the course of the marriage, regardless of title or who paid for it. Typical examples include: • Retirement and Investment Accounts • Pensions • Homes and Vacation Homes	Any property, real or personal, acquired prior to the marriage, also including specific instances of property acquired during the course of the marriage by one spouse. Typical examples include: • Inheritances • Gifts • Any property owned prior to marriage
Subject to Equitable Division	**Not Subject to Equitable Division**

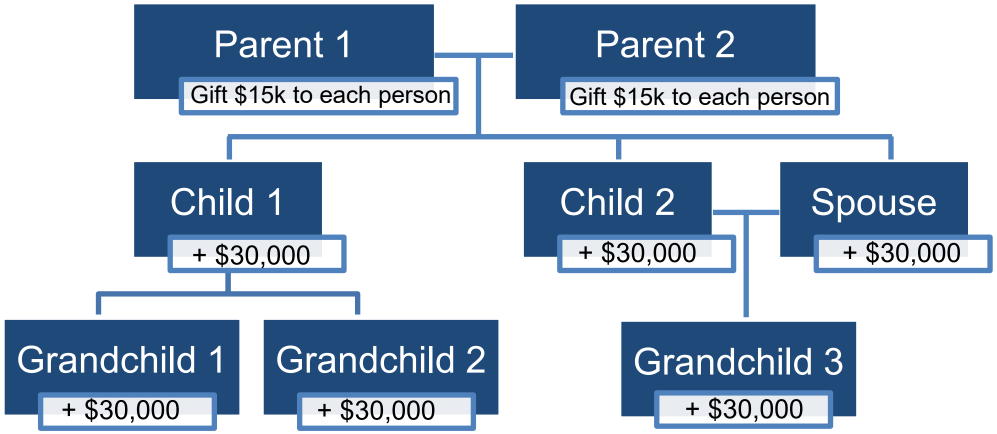
Tainting of Assets: *Non-marital assets may be tainted during the course of a marriage and may be treated as marital assets in a divorce proceeding. For example, if a spouse deposits a personal inheritance into a joint account or uses income from an inheritance to support the couple's lifestyle, this non-marital asset may be treated as a marital asset.*

Tax Advantages Of Gifting

Individuals who are likely to one day have a taxable estate should consider annual exclusion gifts as a means to reduce the size of the estate.

The current annual gift exclusion enables a donor to transfer up to $15,000 per donee; gifts above $15,000 are allowed but may require using a portion of one's lifetime gift tax exemption and may require filing a gift tax return. Consider consulting an estate planning attorney on the proper titling of gifts and evaluate ideal savings/investing vehicles for the donee(s).

Additionally, tuition payments made directly to an educational institution and payments made directly to a healthcare provider for a person's medical care do not constitute gifts (and thus do not count toward the $15,000 annual exclusion gift limit). Given the considerable expense often associated with private school or college, direct tuition payments can serve as a meaningful planning opportunity to reduce the size of a taxable estate.



Example:

Each donor can individually gift to each donee $15,000 per year, which equates up to $30,000 gifted to each recipient annually (from a couple).

In this example, the parents (the first generation) are able to transfer $180,000 tax-free each year to their heirs to reduce the size of their total estate, which may produce significant estate tax savings.

Grantor Retained Annuity Trust

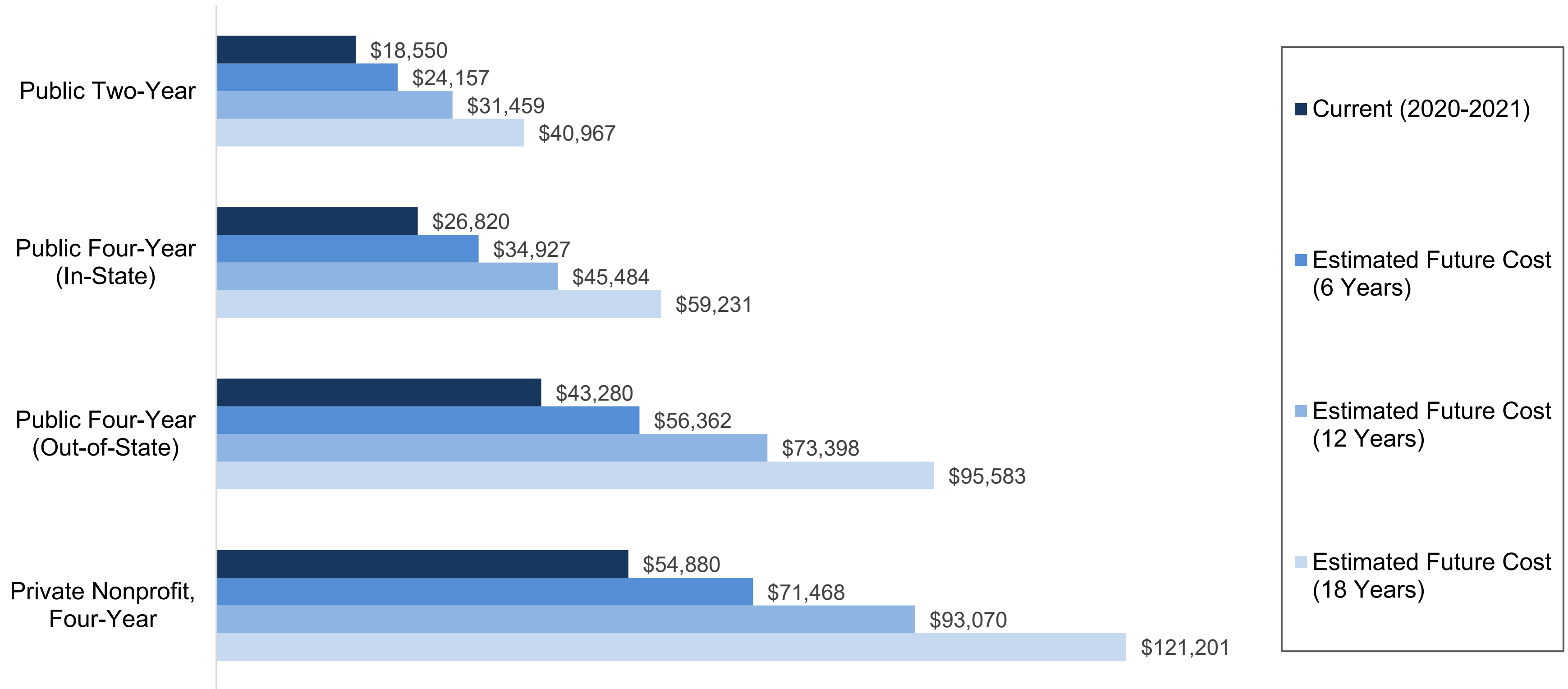
Individuals with assets in excess of the estate exclusion (currently $11.70 million per person) might consider this strategy as an opportunity to potentially transfer additional assets to beneficiaries on a gift and estate tax-free basis. The current low interest rate environment makes this a particularly attractive planning opportunity.

	Notes & Logistics
Trust Funding	• Grantor executes a legal document specifying the trust provisions and the term of the trust • Grantor funds the trust (‘GRAT’) with cash and/or securities
During the Trust Term	• The GRAT pays out an annuity to the grantor over the trust’s specified term • Portfolio income generated during the term of the trust flows back to the grantor
End of the Trust	• If the GRAT outperforms the ‘hurdle rate’ (IRS Section 7520 rate), the GRAT will have remaining assets that will pass estate tax-free to the named beneficiaries
Additional Notes	• The value of the gift at funding (if any) = fair market value of contributed assets *less* the actuarial present value of the annuity, as determined by the IRS Section 7520 rate (often referred to as the ‘hurdle rate’) • Grantor may create a ‘zeroed-out GRAT’ whereby the fair market value of assets contributed to the trust matches the actuarial present value of the annuity • If the grantor dies during the term of the GRAT, the GRAT assets revert back to the grantor’s estate and would potentially be subject to estate tax • 7520 rate = 0.6% as of January 2021; for perspective, 7520 rate stood at 3.6% as of December 2018

Education Planning

With college costs steadily rising, a four-year education has become an increasingly expensive proposition. Over the last 10 years, published tuition and fees and room and board (TFRB) expenses have increased 15 percent above inflation for public four-year institutions and 17 percent above inflation for private nonprofit four-year institutions.

Average Estimated Full-Time Undergraduate Expenses (2020-2021)



Current expenses via College Board's "Trends in College Pricing and Student Aid 2020." Calculations for estimated future college expenses assume a 4.5 percent annualized increase.

Saving For College

<u>Assumptions:</u>

- Annual cost of college is $40,000 per year
- Annual cost of college increases by 4.5 percent per year
- College savings (529 Plan, etc.) annualize at 6 percent per year
- Parent(s)/Guardian(s) wish to fully fund college education

Years until College	$0 Beginning Balance	$10,000 Beginning Balance	$25,000 Beginning Balance	$50,000 Beginning Balance	$75,000 Beginning Balance	$100,000 Beginning Balance
18	$912	$836	$723	$533	$344	$154
17	$957	$879	$762	$566	$370	$174
16	$1,008	$927	$805	$602	$399	$196
15	$1,065	$980	$854	$643	$432	$221
14	$1,130	$1,042	$909	$689	$469	$248
13	$1,204	$1,112	$973	$742	$511	$280
12	$1,291	$1,194	$1,047	$803	$559	$315
11	$1,394	$1,290	$1,134	$875	$616	$357
10	$1,516	$1,405	$1,239	$961	$684	$406
9	$1,666	$1,546	$1,366	$1,066	$765	$465
8	$1,852	$1,721	$1,524	$1,195	$867	$538
7	$2,092	$1,946	$1,727	$1,362	$997	$631
6	$2,411	$2,246	$1,997	$1,583	$1,168	$754
5	$2,858	$2,664	$2,374	$1,891	$1,408	$925

Hypothetical illustration only. Actual results may vary based on a variety of factors (annual performance of savings, annual college cost increases, etc.). Analysis assumes no taxes. These returns are hypothetical and do not represent returns earned by clients of DiMeo Schneider & Associates, L.L.C.

College Savings Options

529 Plan

- Tax-free investing and distribution for qualified college education expenses***, as well as distributions up to $10,000 per child per year for K-12 expenses and cost of apprenticeship programs, and up to $10,000 for qualified student loan repayments (lifetime limit).***
- With limited exceptions, non-qualified withdrawals are taxed as ordinary income *plus* a 10 percent penalty on the earnings.
- Can change beneficiaries.
- Investment allocation can be changed up to twice per year for previously invested funds.
- No income limits for contributors. Special provisions allow for up to five years of annual gift exclusions to be made within a single year ($75,000 as individual, $150,000 as a couple).
- 49 states and the District of Columbia offer a 529 plan; 34 states offer resident tax benefits
  - **Illinois**: IL taxpayers can deduct up to $10,000 (single) or $20,000 (married filing jointly) per year for aggregate contributions to Illinois 529 plans. Rollovers – contributions only, not earnings – from other state 529 plans also qualify for the deduction.
  - Seven tax parity states offer taxpayers a deduction for contributions to *any* state's 529 plan:
    - Arizona, Arkansas, Kansas, Minnesota, Missouri, Montana and Pennsylvania
  - Seven states currently have a state income tax, but do *not* offer a deduction for contributions:
    - California, Delaware, Hawaii, Kentucky, Maine, New Jersey and North Carolina

Custodial Account (Uniform Gifts to Minors Act/Uniform Transfer to Minors Act)

- Funds must be used for child's benefit, not necessarily for college
- **High impact** on financial aid eligibility
- Child assumes full control at age of majority (generally age 18 or 21)
- Under the "kiddie tax" rules (for dependent children under age 19, or full-time college students under age 24), unearned income above $2,200 is generally taxed at the parent's income tax rate

Morningstar 529 Plan Ratings (2020)

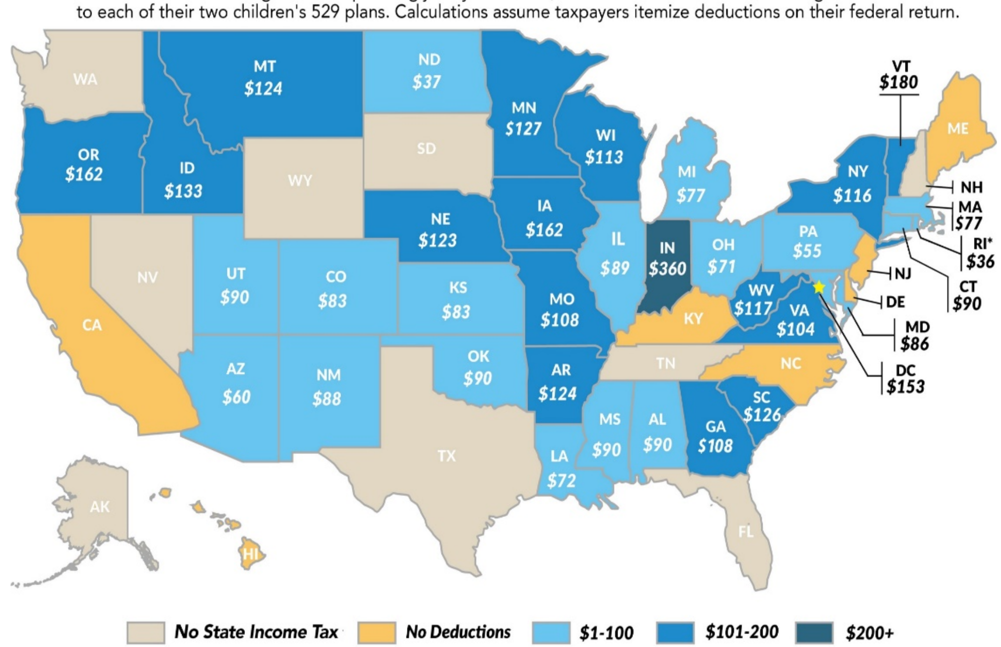
Gold-Rated Plans (3)	State
Bright Start Direct-Sold College Savings Plan	IL
Michigan Education Savings Program	MI
my529 Plan	UT

Silver-Rated Plans (11)	State
T. Rowe Price College Savings Plan	AK
ScholarShare College Savings Plan	CA
MD Kasemeyer College Investment Plan	MD
Minnesota College Savings Plan	MN
MOST Missouri's 529 College Savings Plan	MO
The Vanguard 529 College Savings Plan	NV
New York's 529 Program	NY
College Advantage 529 Savings Plan	OH
Oregon College Savings Plan	OR
Pennsylvania 529 Investment Plan	PA
Invest529	VA

Individuals can contribute to any 529 plan (not limited to the resident state plan). If your resident state does not offer a meaningful tax deduction or tax credit for 529 plan contributions, consider a plan that has low fees and a broad range of investment options.

Websites such as Savingforcollege.com can be a helpful resource for comparing 529 plans.

Estimated tax savings for a couple filing jointly with $100,000 in taxable income contributing $100/month to each of their two children's 529 plans. Calculations assume taxpayers itemize deductions on their federal return.



*The state of Rhode Island caps deductions at $1,000 for married couples filing jointly

Source: Savingforcollege.com State Tax 529 Calculator

Guide To Risk Management

A thoughtful risk management (insurance) plan requires periodic evaluations to reassess objectives and sufficiency of coverages.

Life Insurance	Review the reasons, necessity and beneficiaries of life insurance policies as circumstances and objectives may have changed since the original purchase.
Disability Insurance	Disability Insurance generally replaces up to 60 percent of income in the event of disability and can vary upon length. It is important to understand the definition of disability in your policy and whether it covers your own-occupation or any-occupation, particularly for those who are in careers with high specialization (ex. Surgeon, Medicine, Construction, etc.).
Property & Casualty Insurance	It is important to review your Auto and Homeowners policies to ensure you are adequately covered. Purchasing an umbrella liability policy to augment existing home and auto policies may be beneficial. Umbrella insurance can help protect against major claims and lawsuits. It is advisable to purchase a coverage amount that equals current net worth (at a minimum) and perhaps also factors in anticipated future increases to net worth.
Health Insurance	It is important to review coverage options, particularly for those who are retiring early. Insurance options are available on healthcare exchanges while eligibility for Medicare begins at age 65. While Medicare provides basic medical coverage, purchasing additional coverage such as a Medigap or a supplemental policy may make sense.
Long-Term Care Insurance	Protects against prolonged illness, accident and disability – not covered by traditional health insurance. It may be advantageous to start the conversation at age 50, review by age 60 but likely no later than age 70.

Property & Casualty Insurance

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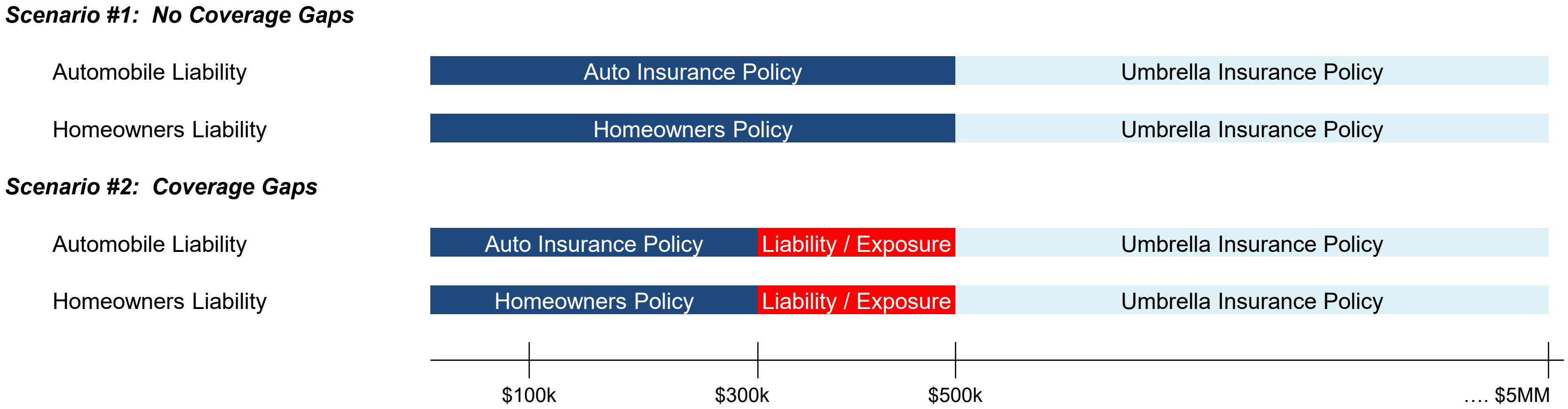
Common mistakes

1. Failing to understand policy coverage terms
2. Purchasing coverage that does not cover the full replacement or fair value of an asset
3. Not revisiting/updating coverage as net worth changes over time

Umbrella Liability Coverage

Provides additional liability coverage against judgments in lawsuits in excess of primary home and auto insurance liability coverages



Art, Jewelry and Collectibles Insurance

- Insure art, jewelry and collectibles with adequate insurance coverage with your property and casualty provider.
- In the case of modern artwork, more timely appraisals may be needed to keep pace with potentially rapidly changing values.

John Smith, Modern Painter
Painting X
Purchased 01/01/2018
Fair Value $30,000

John Smith, Modern Painter
Painting Y; Painting Z
02/28/18 Sale $200,000;
05/01/18 Sale $400,000

John Smith, Modern Painter
Painting X
06/30/18 New Fair Value
$250,000

Health Insurance

Insurance costs have increased by 740 percent since 1984 – picking the right insurance plan matters*

Types of Plans	Description
Health Maintenance Organization (HMO)	Typically, less expensive annual premiums, lower-to-no deductible, out-of-network doctors are not covered, and many plans require primary care physician to provide a referral to see a specialist.
Preferred Point Provider (PPO)	Premiums tend to be higher, higher deductible, out-of-network doctors/hospitals may be covered, and specialists can generally be seen without a referral from a primary care physician
High Deductible Health Plan (HDHP)	Lowest monthly premiums of the main plans, higher annual deductibles and out-of-pocket maximum limits, and ability to contribute to a Health Savings Account

Medical Savings Plans

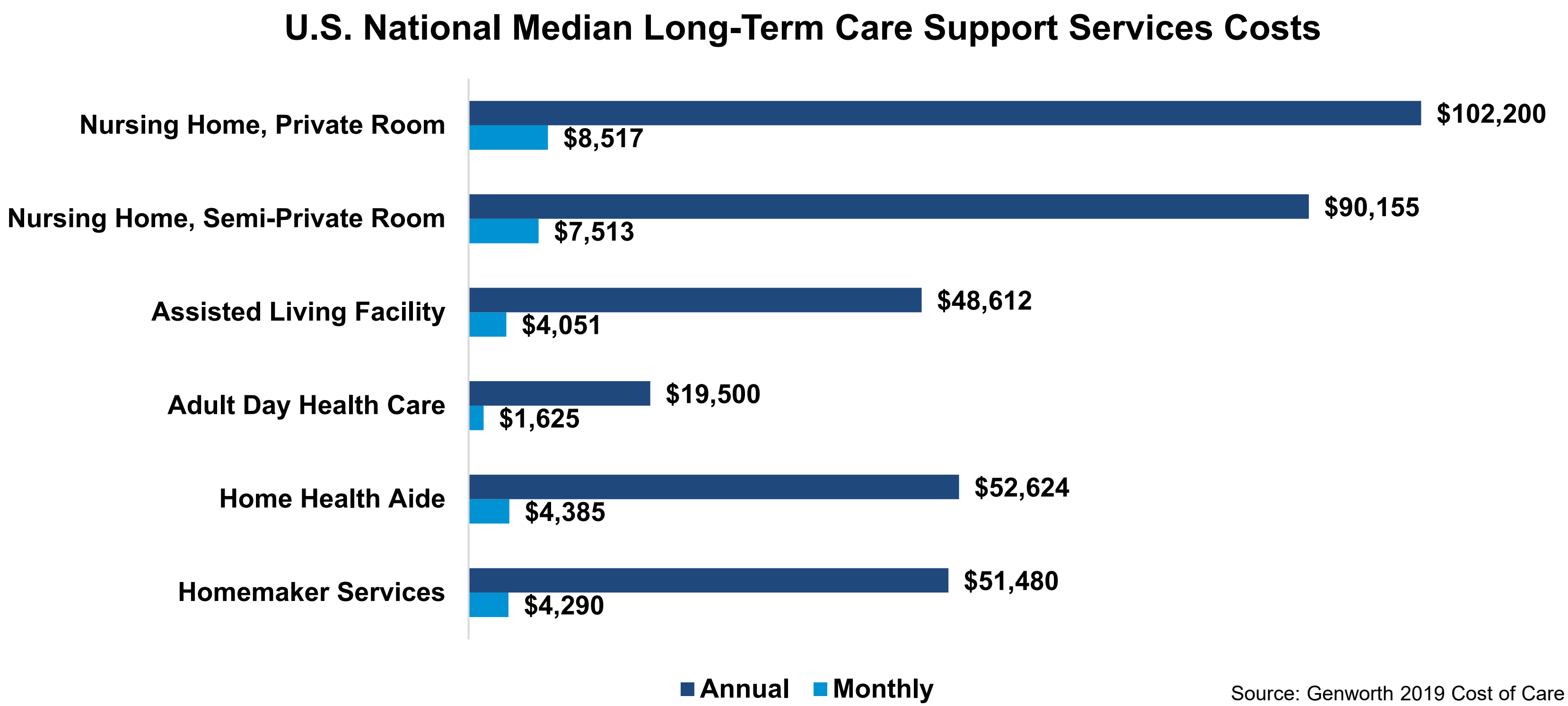
- Health Savings Account (HSA)
  - Available only to individuals covered by a qualified High Deductible Health Plan (HDHP)
  - Contributions limited to $3,600 self / $7,200 family; additional $1,000 limit for age-55+ catch-up contributions
  - Contributions are tax-deductible
  - Earnings grow tax-free and distributions for qualified medical expenses are tax-free
  - Unused balances roll over to the next year

- Flexible Savings Plan (FSA)
  - Available to individuals with benefits package from employer
  - Pre-tax payroll deduction; contributions limited to $2,750
  - Unused annual balances are forfeited, unless employer offers rollover

**Source: Analysis of Bureau of Labor Statistics Consumer Expenditures Survey by data company Clever*

Long-term Care Insurance

With 10,000 Baby Boomers turning age 65 every day, cost of care is increasing to keep up with demand.



Source: Genworth 2019 Cost of Care Survey

Ways to Cover Long-Term Care Needs

1. Medicare (max 100 days) and Medicaid
2. Self-Insure
3. Long-Term Care Insurance
4. Hybrid Life Insurance/Accelerated Death Benefits

LONG-TERM CARE INSURANCE

Long-Term Care Insurance generally covers:

- Skilled care – licensed therapists, nursing homes, rehabilitation services
- Custodial care – home health aides, companion services
- Assisted living and sheltered care
- Adult day care and hospice care
- Care coordination services

When to buy:

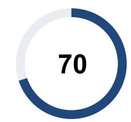
- Consider at age 50, no later than age 70
- Before developing medical issues that might disqualify coverage

When to begin benefits:

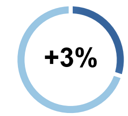
- Qualifying for long-term care benefits generally involves assistance with two of the Activities for Daily Living (ADLs): Dressing, eating, toileting, bathing, transferring and continence

Other considerations:

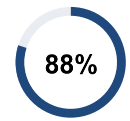
- Premium payment amounts are not guaranteed and may increase significantly after purchase
- Policyholders may be able to deduct a portion of premium payments (as medical expense, subject to the floor of 7.5 percent of AGI as itemized deduction)
- Most long-term care policies have a waiting period before benefits kick in (typically 90 days). All costs during waiting period are out-of-pocket.



At least 70 percent of people over 65 will require some form of LTC services and support during their lifetimes

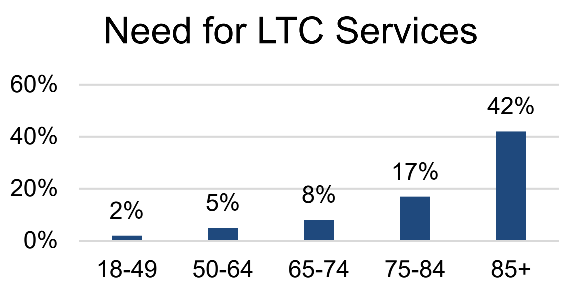


Annualized increase in the cost of care since 2016



The cost of nursing home care that individuals are responsible for after Medicare

Source: Genworth 2020 Cost of Care Survey



Source: American Association for Long-Term Care Insurance

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Cybersecurity

PREVENT

1. ***Strong Passwords:*** Use a combination of numbers, symbols and letters to form a long, complex password. Use unique passwords for each online login and regularly change all passwords.
2. ***Multi-Factor Authentication:*** If available, enable two-factor authentication for email, social media, financial accounts, etc. This functionality sends a one-time code to a mobile device to verify access, thus preventing unauthorized parties from accessing your account without the code.
3. ***Secure Wi-Fi Network:*** Avoid unsecure access to public Wi-Fi networks, such as in coffee shops, airports, hotels, etc. A virtual private network (VPN) creates a personal, private network across public networks.
4. ***Cautiousness with targeted telephone calls:*** Avoid divulging any banking or personal information to a caller over the phone and do not give in to pressure to take immediate action. The IRS and law enforcement agencies will not call you. Beware of the question "can you hear me" which leads to the recording of you saying "yes" to authorize unwanted charges, etc.
5. ***Safe Surfing***: Only open emails, attachments, and links from people you know. Pay attention to a website's URL; hover over any links to see where they lead.

DETECT

1. ***Account Review***: Open your credit card bills and bank statements right away. Check carefully for any unauthorized charges or withdrawals and report them immediately.

2. ***Review Your Credit Report:*** By law, you can obtain a free credit report every 12 months from www.annualcreditreport.com. According to the Federal Trade Commission, this is the only authorized source for the free annual credit report (though it will not include your FICO score). You should review your credit report for any discrepancies (unauthorized accounts, etc.).

REACT

If you have been a victim of identity theft:

- File a report with the local law enforcement agency.
- File Form 14039 (Identity Theft Affidavit) with the Internal Revenue Service.
- Contact one of the three credit bureaus (Equifax, Experian, TransUnion) to report the crime and freeze credit. Once one of the credit bureaus issues a fraud alert, the other two bureaus are automatically notified.

Fraud Prevention

Excerpts from "10 Things You Can Do to Avoid Fraud" by the Federal Trade Commission (FTC)

Spot imposters	Scammers often pretend to be someone you trust, like a government official, a family member, a charity or a company you do business with. Don't send money or give out personal information in response to an unexpected request — whether it comes as a text, a phone call or an email.
Talk to someone	Before you give up your money or personal information, talk to someone you trust. Con artists want you to make rushed decisions. They might even threaten you. Slow down, check out the story, do an online search, consult an expert — or just tell a friend.
Don't believe caller ID	Technology makes it easy for scammers to fake caller ID information, so the name and number you see aren't always real. If someone calls asking for money or personal information, hang up. If you think the caller might be telling the truth, call back to a number you know is legitimate.
Consider how you pay	Credit cards have significant fraud protection built in, but some payment methods don't. Wiring money through services like Western Union or MoneyGram is risky because it's nearly impossible to get your money back; that's also true for reloadable cards (like MoneyPak or Reloadit) and gift cards (like iTunes or Google Play). Government offices and honest companies won't require you to use these payment methods.
Be skeptical of free trial offers	Some companies use free trials to sign you up for products and bill you every month until you cancel. Before you agree to a free trial, research the company and read the cancellation policy. Always review your monthly statements for charges you don't recognize.
Sign up for scam alerts: *ftc.gov/scams*	Get the latest tips and advice about scams sent right to your inbox. If you spot a scam, report it at ftc.gov/complaint. Your reports help the FTC and other law enforcement investigate scams and bring criminals to justice.

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Disclosures

Fiducient Advisors was formerly known as DiMeo Schneider & Associates, L.L.C.

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