FEATURED IN THIS ISSUE:

MONEY AT WORK

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Five Estate Planning Things You Need to Do Now

Everyone wants an estate plan, but not everyone has one.

Sadly, a recent Caring.com survey indicates that 67% of Americans are likely to die without an estate plan. It is recommended that everyone age 18 should have a basic estate plan in place.

Here are five key tasks you should complete right away to safeguard your family.

1. Designate health care and financial powers of attorney.

One of the main reasons everyone should have an estate plan in place is to ensure someone is designated to make health care and financial decisions on your behalf in the event that you are incapacitated.

2. Choose beneficiaries on your IRAs and 401(k)s.

If you do not have beneficiaries on these accounts, then they will go to probate. And probate can cost 4% to 7% of an estate, so if you don't want your family to pay tens, or even hundreds, of thousands of dollars in legal fees, you need to plan to avoid this. Designating beneficiaries is an easy and quick fix. Just make sure you update them if your beneficiaries pass or plans change.

3. Put in place transfer on death (TOD) designations.

If you have nonqualified assets, like a house or a joint investment account, then you will want to make sure it has a TOD in place. A TOD allows your assets to pass without probate. This is something many people often neglect to do. Understand that having a beneficiary will not avoid probate for these assets. You must take this additional TOD step.

4. Implement tax planning strategies.

An estate plan goes far beyond the documents listed above. Good estate planning, in my mind, involves being tax-smart and proactively positioning your assets to keep Uncle Sam out of what you have accumulated over all these years. I feel so strongly about this topic that I wrote a book about it — I Hate Taxes.

It is important to understand tax-efficient strategies like Roth conversions and setting up trusts to best plan for these tax opportunities. We would advise you to seek guidance from a retirement planning firm specializing in tax planning. Our firm has a list of over 50 tax-saving strategies that we look to implement for each of our clients. Many of those strategies can be found in the book I mentioned!

The other important tax to be aware of when considering transferring wealth is the estate tax. This is not a concern to many right now, considering the current limit before you have to pay estate tax is almost $13 million. However, even if you do not have that much wealth, I would still encourage you to start considering planning for estate taxes. Why? Because the estate tax limit will get cut in half in 2026 due to the expiration of the Tax Cuts and Jobs Act. And the estate tax limit has been well under $1 million as recently as 2001.

And remember, our country is more than $30 trillion in debt. Do you think they will find ways to get hardworking and smart people to pay more taxes? The way estate taxes work is that any money you have over the limit could be taxed at a 40% tax rate, leaving almost as much money to Uncle Sam as to your beneficiary. The good news? Through effective tax planning, you can find ways to avoid having Uncle Sam as a beneficiary when it comes to estate taxes.

5. Do your due diligence.

Lastly, if you are working with a financial planner, we suggest that you make sure your adviser works closely with an attorney to help ensure you get the right documents in place while avoiding things you do not need. We have seen that happen far too many times.

For example, some clients of ours attended a steak dinner held by an estate planning attorney who tried to sell them a $3,500 estate plan. Our clients met with the attorney with whom we work closely, and the clients walked out of those discussions paying only $750. The steak dinner attorney was trying to sell them something they did not need to make more money. So my point is: Make sure you do your due diligence and find a group you can truly trust.

Six Tasks That Can Help You Feel Better About Your Money

Not surprisingly, saving or earning more money was among Americans' top New Year's resolutions for 2024, according to a YouGov poll. Most people have probably already broken that by now, but that doesn't mean you can't still try to save more money this year. And you're more likely to succeed if you try to make small and gradual changes and find little ways to make big impacts.

For example, try writing down everything you spend every day for a week or a month. You'll probably find that even something as small as a $3 cup of coffee can add up to a big expense when multiplied across a month or an entire year.

Below are a few tips to consider for helping you save more money this year. They may seem obvious, but they are too often overlooked.

1. Make a budget.

No matter how simple it is, any set budget can help you save money in your everyday life. Those savings can be used to meet long-term goals like buying a home or paying down debt.

But just setting a budget isn't enough — you need to put effort into staying on track. In addition to keeping tabs on day-to-day expenses and income, a good budget should also include expenses that can be easily forgotten, such as annual car registration fees, holiday gifts or morning coffee runs.

A good tip for establishing a budget is to use the 50/30/20 rule — 50% for needs (such as housing, automotive and health care expenses), 30% for wants (like entertainment) and 20% for savings, investments and debt repayments. If you can allocate more than 20% of your income to savings and investments, you will be in a better position over the long term.

Writing down your activity in a journal can help you stay on track, and you can also utilize spreadsheets and budgeting apps. In addition, a family member or close friend who is aware of your budgeting goals can help keep you on track by holding you accountable.

2. Contribute to an emergency fund.

Would you be able to cover an unexpected $1,000 medical expense for yourself or your child, or pay for a new water heater when the old one suddenly breaks down? If not, you're not alone; many Americans would be unable to meet these types of emergency expenses.

That's why creating an emergency fund is so vital for your financial well-being. A useful rule is to calculate how much money you would need to cover three to six months of household expenses and use that as a target amount for your emergency fund.

3. Make a plan for managing debt.

Debt doesn't have to be something inherently shameful. It isn't necessarily your enemy. Just like when dieting, there are good calories and bad calories. Spending money is actually a normal and healthy occurrence, and at the end of the day, not all debt is bad for you. The problem arises when you don't pay it back on time.

Without a formalized plan for managing debt, you can incur greater expenses by making minimum payments on your credit cards and paying more each month than necessary. Or you may unnecessarily max out your credit cards altogether — hurting your credit score on top of spending more.

A debt consolidation loan through a trusted platform like Prosper can help you pay down high-interest credit card debt by combining the debts into a single loan with a fixed payoff schedule. You may also prefer to start off repaying small balances and then work up to paying off larger ones.

4. Stop paying for subscriptions you don't use and shop around for those you do.

How many subscriptions do you have? From streaming services to gym memberships, monthly subscriptions can add up quickly. According to Deloitte's 2023 Digital Media Trends survey, almost half of U.S. consumers believe they pay too much for streaming video on demand services, and about one-third of U.S. consumers plan to reduce the number of such services they use.

Even individual monthly payments of $10 or $20 for services you don't use that much can add up to hundreds of dollars per year. Check all of your credit card, debit card and spending accounts like Venmo for regular charges. There are also services that can do this for you.

Besides considering whether a subscription service is worth the cost, you can shop around to find a less expensive service. Or, just as you can negotiate directly with creditors on payment schedules, you can also negotiate directly with service providers to find ways to cut their subscription rates.

5. Avoid overusing credit cards.

Credit cards are extremely beneficial tools. If you are new to credit cards, you can build up your credit score and potentially benefit from rewards as you pay off your purchases. But those with high credit limits can encourage you to live beyond your means. Minimum payments generally cover only the interest on credit card bills, and when credit card debt is stacked on top of automotive or student loans, the burden can be very heavy.

Credit cards with low-balance transfer interest rates and strong rewards programs can help you reduce your credit card balances.

If you're looking to take control of your money, companies like Prosper have credit cards that welcome less-than-perfect credit, with no security deposit required, and offer generous credit lines you can access immediately.

6. Check your credit reports regularly.

Your credit profile can be accessed by lenders, landlords, potential employers and others — and any errors or ugly surprises can cause you to lose out on that dream purchase, a new apartment or the job you've always wanted.

You are entitled to free credit reports once a year from the three main credit bureaus (and you can easily request them at www.annualcreditreport.com). Just because everything looked fine last year doesn't mean you should forget about reviewing your credit report this year. Any errors that you notice must be dealt with as soon as possible.

Just because your New Year's resolution to save more money and improve your financial well-being this year might have collapsed already, the above tips are easy to adopt to get you back on track, and luckily, they don't require massive changes to your daily life.

Four Things to Know About Managing a Loved One's Finances

Taking over as the caregiver for a loved one can be stressful for many different reasons, and it comes with a lot of unanswered questions. When should I take over? What needs to be taken care of? What would make them happy? However, as you begin planning to take over medical or life decisions for your loved one, have you also considered what to do with their finances?

While this can be a difficult topic to broach, it's important. You have to be open and honest with family members and tackle it head on. At some point, many of us will be in charge of our parents' or elderly relatives' caregiving and finances. We should be preparing our strategies now so we are ready when it happens.

1. When is it time to help?

Have you been considering taking over as a caregiver for a loved one, but you're not sure if they are ready? There are a few simple things you can do to determine if it's time. When you visit, check for unopened mail or undeposited checks lying around. These both become very common. This could be a sign that they are no longer able to go to the bank or may not understand why they should. Are everyday activities becoming difficult for them?

If they start mentioning that they don't have any money or are asking for money, this might be a good time to start these conversations. It may be a daunting task at first, but it's important.

2. How to get the conversation started.

No matter when these discussions happen, they're going to be difficult. But avoiding them altogether can lead to major problems down the road for you and your loved one. Start by coming up with a strategy — don't go into this conversation without a plan. You don't want to upset your loved one or make them uncomfortable.

For many of us, discussing money is a very private issue. Reassure your loved one that this isn't about taking over their finances, it's to help set them up for future success.

Think about who you want to be included in this conversation. Other family members? Any friends? It might be beneficial to have an outside perspective to help ease any tension or give any pieces of professional advice. If you can get help from a financial adviser or an attorney who can lead you in the right direction, that is a great start.

3. Where to begin?

After you have these conversations, it is now time to take a closer look at your aging loved one's financial situation. This includes annual income, credit card debt and how much they receive in Social Security.

Make sure you have an understanding of their monthly expenses, how much money is coming in and how much is going out. How are they paying their bills? Are they automatic? Being paid online? Or are they using paper checks?

They might have a life insurance policy that you don't know about, and you don't want them to lose those benefits because it stops being funded. Gathering all of these documents and putting them somewhere secure is key.

4. Important questions to ask.

Does your loved one have an estate plan? If not, they should. Many people think you have to be wealthy to have one, and that is not the case. Whether they are a multimillionaire or they have only a few bucks in the bank, they need an estate plan. I always recommend my clients find a good elder law attorney. They can collect the correct documents for you and your loved one, ensuring you are making the decisions, rather than the state, should they pass away.

You also want to choose a healthcare power of attorney. This is something you would ideally want to do before it's too late so your loved one can pick that person on their own. This will ensure that you, or another family member, is legally empowered to view their medical records and decide where and how they are treated.

This is a critical part of an overall financial plan. You don't want something to happen to a loved one and be unable to legally decide for them even though you know their wishes.

Assessing the financial needs of a loved one will be easier with a good plan. Working with a financial adviser can help identify what needs to be done for your loved one and help reduce your out-of-pocket costs as a caregiver.

Wealth Transfer Is About More Than Just Money

Nearly every article on the Great Wealth Transfer discusses how the Silent Generation and Baby Boomers are poised to transfer about $84.4 trillion in assets through 2045, with $72.6 trillion going directly to heirs, according to Cerulli Associates.

But how the ultra-wealthy perceive wealth could have implications for others. Many goods and services, initially exclusive luxuries for the ultra-wealthy — such as electricity, indoor plumbing and refrigeration — are now taken for granted by the broader population. How the ultra-wealthy think about wealth today will shape how the broader world thinks about it tomorrow.

In the book Complete Family Wealth, co-authors James Hughes Jr., Keith Whitaker and Susan Massenzio recount a wise grandmother's words: "Our family has always been rich, and sometimes we've had money." This statement encapsulates a perspective long held in ultra-wealthy circles, now reaching a wider audience. True wealth for an individual, household or family lies in their well-being — a flourishing family unit.

You might wonder how to apply this concept in your own family. Complete Family Wealth provides a framework, The Five Forms of Family Capital, which we'll modify slightly for a more actionable approach to wealth transfer beyond just money. Additional insights can be gleaned from organizations like the UHNW Institute and ideas such as Wealth 3.0.

1. Cultural capital (spiritual capital): Reflects the family's shared vision (purpose, values and roles).

Economical: Order pizza, grab some scrap paper and dedicate a Friday night to drafting your personal, household or family vision. TFM defines vision as purpose plus values plus roles. Don't worry about getting it perfect, just get started.

Generous: Arrange a family retreat with an external facilitator, combining vacation elements with sessions to refine individual, household and family visions.

2. Human capital: Promotes the physical and mental health of family members.

Economical: Take a family walk or hike without phones (except one for emergencies). This is a simple way to enjoy one another's company and the benefits of exercise.

Generous: Enroll in fitness classes together (yoga, spin, boot camps, kickboxing, etc.). If a family elder can sponsor, even better. This is a fun way to emphasize the value of physical health.

3. Social capital: Strengthens a family's relationships and their ability to make decisions together.

Economical: Start a family book club or movie night, alternating choices among members. It's an opportunity to deepen discussions beyond the usual topics. Books we suggest starting with: Generations by Jean Twenge or The Good Life by Robert Waldinger and Marc Schulz. Movies could be Defending Your Life or Dead Poets Society.

Generous: Virtual family game night with a game-show host. This isn't as expensive as you'd think, and you can't beat the convenience of a company like Playful Humans. We've found 8 p.m. on a weekday night, planned four to six weeks in advance, as a universally doable time for all life stages.

4. Intellectual capital: Shares the collective knowledge, experiences and wisdom of the family.

Economical: Have someone in your family teach a class about what they know to the rest of the family. This could be Uncle John teaching everyone to hit a golf ball, Aunt Mary teaching about making the world's best cupcakes or Grandpa Pete teaching everyone to drive a stick shift.

Generous: Create a private family podcast. It has never been easier to record and edit audio and never been cheaper to preserve the audio in a way that it can be used later. All you need is some basic equipment/software, a passionate member of the family to do the interviewing and some willing subjects to be interviewed. Some of the questions we love are around wisdom: What has your life taught you about love, success, happiness, leadership, etc.?

5. Financial capital: Refers to cash, securities, real estate and other traditional assets.

This is a well-trodden path with plenty of complexity. Consult your financial team for tailored advice.

These initiatives all demand time investments. Consider dedicating 30 minutes to an hour a month preparing for your family's "wealth transfer." Reflect on the optimal allocation of your time across these capitals.

While most people focus 95% of their effort on financial capital, this alternative framework offers a broader perspective on legacy. What you choose to do with it is entirely in your hands.