INA PATEL'S FINANCIAL NEWS DIGEST

MONEYLINE

Successor Beneficiaries And IRA Distributions

Courtesy of Ina Patel, LUTCF®, CLTC®

The SECURE Act of 2019 changed the regulations regarding beneficiaries of retirement accounts. Most beneficiaries no longer can stretch out their inheritance over their lifetime. They have only 10 years in which to withdraw the assets of their inherited traditional IRA or Roth IRA.

Beneficiaries are not required to make withdrawals in years one through nine following the death of the original account owner. However, by the end of the 10th year all of the funds must be withdrawn.

The beneficiary may name a successor beneficiary, to inherit the account if the original beneficiary dies during the 10-year period.

Under the prior regulations, if the first beneficiary died, then the successor beneficiary, regardless of age, could continue to stretch the required minimum distributions (RMD) over the remaining life expectancy associated with the original beneficiary. That is no longer the case.

The SECURE Act defined a class of eligible designated beneficiaries (EDBs) who can stretch out payments if they are the original beneficiaries. These EDBs include spouses and minor children of the account owner, disabled or chronically ill persons, and persons not more than 10 years younger than the original owner. However, these EDBs are not allowed to stretch out RMDs when they are successor beneficiaries. If you think this change impacts you, please consult a tax advisor.

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Get free local TV channels by buying a digital TV antenna. If you live in an urban area, you may need only an indoor antenna that hooks up to a single TV to pick up over-the-air programming. You may need to experiment with its position for the best reception. If this doesn't work, an attic antenna might—installed on a metal pole inside your attic and connected to your home-media wiring. But roofing materials, fluorescent lights and computers may affect reception. For rural areas and places not close to broadcast towers, an outdoor or whole-house antenna is best—but it requires anchoring to the outside of your home's roof, plus grounding of its wires. Antenna costs generally range from $10 to $150, depending on type and quality.

Source: Clark.com

Real estate commissions may be negotiable. About one-quarter of agents say they would consider adjusting their commission if asked. If you are selling a home, especially in a hot real estate market, talk to multiple agents and ask how they split commissions with buying agents—and whether they will make an adjustment. Also ask if they would agree to be paid by the hour for their work—some agents will do this.

Source: The New York Times

"Contentment makes poor men rich; discontentment makes rich men poor."
—Benjamin Franklin

Retirement Tips For Singles

By Alina Tugend, Kiplinger's Personal Finance

As her parents grew older, Carol Marak saw how they relied on their three children for care and knew that wouldn't be an option for her. Without a partner or children, she would have to build a different future for herself.

Marak, 69, of Dallas, decided she had to learn as much as possible about how to age without close relatives to lean on. As one prong of that effort, in 2016 she started the private Facebook group Elder Orphans. It now has close to 10,000 members who offer each other advice, resources and sometimes a shoulder to lean on. "It just keeps growing," says Marak.

The number of solo seniors, as many prefer to be called, keeps growing. For them, here are some key financial considerations:

Crunch the numbers. Will your savings be enough to generate the retirement income you'll need? Start by adding up your retirement savings and then figure what your expenses will likely be in retirement. A financial professional can help you determine those numbers or you can use one of the many online retirement calculators that are available for free from banks and investment firms.

Consider your insurance needs. For example, long-term care insurance could be helpful, "and is something I tend to talk about more with clients without spouses or children," says Jessica Howe, a CFP in Portland, Ore. But because long-term care insurance becomes more expensive as you get older — or sometimes is impossible to buy after a certain age — you'll want to purchase it in your 50s and early 60s.

Disability insurance can be even more important than life insurance for singles without immediate families. "If no one is depending on them, dying isn't going to leave anyone in the lurch," Howe says. "But if they become disabled in the height of their earning years, they will still have to support themselves."

Get legal documents. Financial and legal directives, such as powers of attorney and health care proxies, are important for designating someone to carry out financial and medical decisions for you if you become incapacitated. "These legal documents — which are critical for anyone, but especially for those who don't have a family advocating for them — are your voice and allow you to make decisions all the way up to the end," says gerontologist Mary Jo Saavedra.

Howe tells her clients that if a relative or friend is unavailable to serve as a financial power of attorney, a professional fiduciary, such as an accountant, lawyer or trust company official, might be a good option.

Determining who will speak for you medically can be even trickier. The first and most basic step is to fill out an advance directive outlining what sort of life-sustaining treatments you do or don't want. The directive should be easily accessible for your doctors and anyone you've chosen to be involved in your health care.

Everyone also needs a health care proxy or surrogate with whom to think about and discuss your future health care choices. If possible, name a second person as a backup surrogate.

Inflation Agitation

By Jill Schlesinger, Tribune Content Agency

The American Rescue Plan is now law, which means that to combat a once in a century pandemic, the US government will have pumped more than $5 trillion into the $21 trillion economy over the course of 12 months. For all of the benefits of pushing money into the wallets of households and businesses, what could be the downside of the spending?

Glad you asked. As economists and analysts are lauding efforts to help low to middle income consumers, they are keeping a watchful eye on prices. After all, it stands to reason that prices will rise from last year's abnormally low levels, once the economy reopens and people spend their rescue money and/or savings that they have accumulated.

Consumers are sensing a sea change in prices, according to the New York Fed's latest survey. Inflation is expected to increase above 2% over a one-year and three-year time horizon, and investors' actions in the bond market indicate similar concerns. (When inflation rises, it is not good for bonds, because the fixed interest that you earn buys you less.)

Expectations can be self-fulfilling because if you are worried that you will be paying more for housing, gas, groceries and utilities, you may ask for higher wages. That in turn might cause businesses to charge more for goods and services, which could change inflation dynamics. Officials are brushing aside these worries. Federal Reserve chair Jerome Powell said he didn't expect prices to increase to the point "where they would move inflation expectations materially above 2%." When asked about whether trillions of dollars of government spending would spark inflation, Treasury Secretary Janet Yellen said, "I really don't think that's going to happen."

Mark Spindel, the CIO of the DC Retirement Board explained why Powell and Yellen do not seem worried. Inflation may rise, but "mostly as a result of very depressed numbers from the pandemic." Spindel projects that "in the medium term, inflation will settle back around 2% as it has been for most of the past generation."

Diane Swonk, Chief Economist at Grant Thornton adds "much of the rest of the world is still fighting deflation instead of inflation. This will act as another offset to inflation in the U.S." If inflation does rise, Yellen says that the Fed has "tools to deal with that," though some of those tools have not yet been tested.

I have heard from some who are ready to throw in the towel on their bond positions, due to inflation expectations. Not so fast. Spindel advises investors "to think about their portfolios in a long-run, balanced way. If we are right that inflation remains reasonably well behaved, I think bond allocations can provide some needed diversification," even if rates remain relatively low going forward.

"Many people like to start a new hobby when they retire. Hunting and gathering might be a good choice for you."

Pandemic-related pet scams have cost pet owners more than $3 million. Pet scams reported to the Better Business Bureau have more than doubled since the beginning of the pandemic. Scammers have taken advantage of the fact that pet adoptions rose dramatically in many parts of the US as COVID lockdowns and isolation took hold, leading more people to search online to find companions. *Self-defense:* Check out online comments about breeders and sellers…see a pet in person before sending money…do reverse image searches (by using a site such as TinEye.com) to find out if posted pictures are lifted from data bases…compare prices for the pets online to find out reasonable costs…check out animal shelters online—even if your local shelter do not have adoptable animals, another one might.
Source: Better Business Bureau, BBB.org

"Gratitude is not only the greatest of virtues, but the parent of all the others."
— Sir Winston Churchill

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Ways To Trim Your Energy Bill

By Lisa Gerstner, Kiplinger's Personal Finance

A big cost of owning a house is what you spend on energy, but Uncle Sam offers tax breaks for energy-efficient home upgrades that can lower utility bills.

For existing primary residences, putting in energy-efficient windows and doors, furnaces, air conditioners, insulation, water heaters, roofs and other items qualifies you to take a tax credit, depending on the improvement. The credit is currently set to expire at the end of 2021, and a lifetime cap of $500 applies to the total value of credits you can get in all tax years after 2005.

You can snag a more lucrative tax credit for certain renewable-energy systems on new and existing residences, including second homes. Congress recently extended the tax break; now you can get a 26% credit for projects placed in service by the end of 2022, or 22% for projects placed in service in 2023. Check for state and local incentives and rebates, too.

Here is a list of several upgrades that qualify for a federal tax credit and can pay off over time in energy savings.

Insulation and air sealing. Tax credit: 10% of the cost of bulk insulation and air-sealing materials (installation costs are not eligible).

Heating and air conditioning. Tax credit: Up to $300 for qualifying central air conditioners and air-source heat pumps; up to $150 for qualifying gas, oil or propane furnaces and boilers.

Windows. Tax credit: 10% of the cost of any Energy Star–certified windows (not including installation), up to $200. Energy Star skylights and doors are also eligible for a 10% credit.

Water heaters. Tax credit: Up to $300 for qualifying gas, oil, propane or electric heat pump water heaters.

Solar panels. Tax credit: 26% for solar projects placed in service by the end of 2022 or 22% for projects placed in service in 2023.