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CONCIERGE FINANCIAL ORGANIZATION

April 2021 Newsletter

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MORE THAN MARCH MADNESS - CUMMINGS

A Financial Tool for People with Disabilities

By Scott Russell

For those who might not know, I broke my big toe playing soccer at the beginning of October. While obviously not a catastrophic injury, it was a bigger deal than I would have thought. Keeping from putting any pressure on your big toe is easier said than done. Of course, the Dr. gave me some tools to help; a rather fashionable blue medical walking shoe and crutches. While on crutches, I lost a little of my independence because I occasionally needed to ask for help from my family. The experience reinforced my admiration for those with life-long disabilities that are able to overcome them and keep amazingly positive attitudes.

Just like the tools the Dr. provided to heal my minor physical injury, it's important to give people with disabilities the right financial tools. One of those tools is an ABLE account. On December 19, 2014, the ABLE Act was signed into law and amended Section 529 of the Internal Revenue Service Code to create tax-free savings accounts for individuals with disabilities. By making accounts available to cover qualified disability-related expenses (e.g., education, housing and transportation), the law eases financial challenges faced by individuals with disabilities. You can fund the account with gifts, earnings and even unused 529 College Savings Plan monies. An important attribute of these accounts is the funds contributed into them will not negatively impact the person's eligibility for public benefits, such as Medicaid.

As with many tax advantaged savings tools, there are some caveats. There are contribution limits of $15,000 per year for each eligible person (possibly more if the owner has earned income) with state-mandated balance limits ranging between $235,000 and $500,000. There is also a balance limit of $100,000 that pertains to the SSI cash benefit. The ABLE Act currently limits eligibility to individuals with an age of onset of disability, before turning 26 years of age. A material downside is that upon the death of the owner, the state may file a claim to all, or a portion of, the funds in the account equal to the amount the state expended on the beneficiary through their state Medicaid program.

A common question is, "Which is better, an ABLE account or some type of Special Needs Trust?". Well…I'm sure you can guess my answer because you've heard it before, it depends. There are certainly some downsides to ABLE accounts that families need to understand before opening one but in some cases it might be a huge help in allowing a person with a disability to maintain financial independence.

At CFO, we collaborate with your family's other professional advisors (e.g., attorneys, accountants, etc.) to help you choose the correct financial tools to use and to ensure the rest of the family's financial plan is in alignment with them (e.g., beneficiary designations, gifting strategies, etc.).

Now, if someone could give my wife a tool to dial down my competitiveness on the soccer field, it might just keep me off the crutches in the future. :)

"Which is Better Peeps or Cadbury Egg"?

By: Tim Keeports, MBA

It's that time of year again…the great debate, "Which is Better: Peeps or Cadbury Egg"? Certainly, Easter provides us a time for solemn introspection and also time to recognize new life as our plants (or in my yard a myriad of weeds) come bursting in vigor. But back to the candy debate…

When I mentioned this at a recent staff meeting, the group split squarely as loving one, both, or neither. As I was shocked by those who believe "neither", it was time for some online research:

1) More than 2 billion Peeps are made annually -- enough to circle the earth 2.5 times

2) Peeps have been the best-selling, non-chocolate Easter candy for over twenty years

So, what then is the best chocolate treat at Easter; certainly, it must be the Cadbury Egg, right? With only 500 million Cadbury Eggs produced annually, the actual top seller in the United States is the Reese's Peanut Butter Egg. Oh, the horror -- chocolate and peanut butter! Having grown up in Europe where Cadbury is #1, I am appalled.

So, having rambled outside the scope of our original office debate, we invite you to click on this survey link and indicate your Easter candy preference:

http://www.surveymonkey.com/r/T73DDCR

PS - using this essential data, I will have an excuse to buy supplies for a taste test and will report back.

PPS - For those actually interested, my favorite Easter indulgence is to consume one Peep (must be Yellow) and one Cadbury Cream Egg at the same time and then slip into a sublime overdose of sugar. Just one of these sugar bombs carries me to next year…when again the great Peeps vs Cadbury Egg debate will rage again.

A Few Words About Required Minimum Distributions

by Robin Delaney

RMDs in 2020

Wasn't 2020 just a barrel of laughs? …NOT! I think we are all glad to have it in the rearview mirror. However, if you were required to take a minimum distribution (RMD) from your IRA account, it was a whispering breath of freshness to forego it, if you did not need to take it. This change also allowed your portfolio to grow in a year that surprisingly produced record investment returns!

RMDs in 2021

That was 2020, this is 2021. This year you must again take your regularly scheduled RMD. This year, the amount you are required to take is based on the usual calculation. You also do not have to make up any RMDs that you chose to not take last year as that amount is truly waived.

You should have been advised of the amount you must take by now. If not, please call our offices and we will cheerfully inform you of your requirement for this year.

RMDs in the future

The age at which you must begin taking RMDs was changed from 70 ½ to 72 if you were born after June 30, 1949. If you were born between July 1, 1949 and December 31, 1949, this will be the first year you are required to take a minimum distribution. However, you will have until April 1, 2022 to take this first distribution. If you put off the first distribution to 2022, you will then have to take two distributions in 2022. That is, your delayed 2021 distribution and your regularly scheduled 2022 distribution must be taken by December 31, 2022. After the first year you must take your distribution by the end of each calendar year.

There have been some other changes to the RMD rules if you should inherit an IRA account from someone other than your spouse. If the original owner of the IRA died in 2020 or beyond, you as the beneficiary can no longer stretch the distributions over your lifetime. Additionally, there is no longer a yearly RMD requirement for the inherited, non-spousal IRA. However, you must take all the funds out of the inherited IRA and pay taxes on those distributions, by the end of the tenth year following the original owner's death. These distributions may be taken out in any sequence that you wish.

Certain non-spouse beneficiaries may still stretch the inherited IRA over more than ten years, if one of the following conditions exist:

1. You as the beneficiary are disabled under the Strict IRA Guidelines at the time of the original account owner's death,

2. You are within ten (10) years of the original account owner's age,

3. You are a minor child of the original account owner (for the duration of your minority only, then ten years from the age of majority for your state of residence),

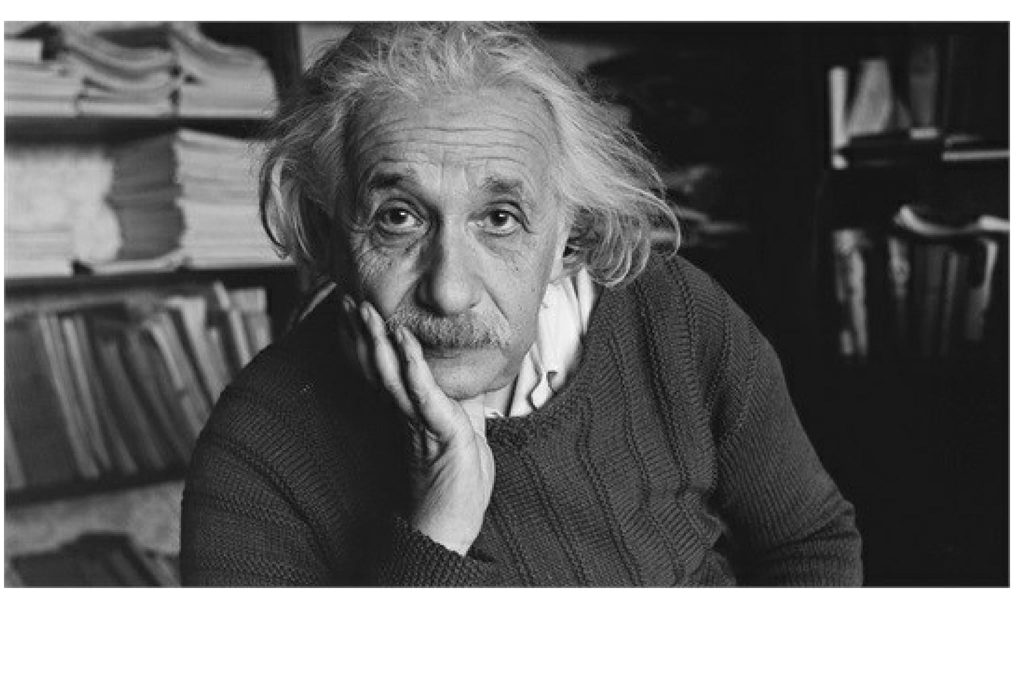
4. If you suffer from a chronic illness.

There is also a favorable change coming soon. The IRS has updated its life expectancy factors to reflect the longer life spans of Americans. This means that the factors will be larger resulting in lower Required Minimum Distributions for all ages. It is expected that the new tables will be used for all RMDs starting in 2022.

Quiz

What is the only thing more complicated than the Internal Revenue Code?

Hint:



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