February 2023 - NEWSLETTER

The G.O.A.T. (Tom Brady) is Retiring Again?

by: Bill Cummings, CPA/PFS

On February 1, 2023, Tom Brady announced his retirement from football and the Tampa Bay Buccaneers. Known as, “The Greatest of All Time” (GOAT), this was the second time he retired. It was exactly a year earlier, February 1, 2022, that he announced his first retirement. He “un-retired” 40 days later to play for the Bucs this past year.

Why did Brady come back after announcing his retirement? He had set many records over his 23 years in the NFL, including 7 Super Bowl wins. What more did the 45-year-old quarter back have to prove? He has a reported net worth of $250 million and has a job offer from Fox Sports to earn $375 Million as a football analyst. He clearly did not come back for the money. I think it’s a phycological phenomenon; it’s all he knows.

As a Financial Advisor, I often have clients who are like Tom Brady and never want to retire even though they have the money to do it. I relay to my non-retired clients that I don’t care for the term ‘retirement’. I teach them that my job is to help them get to the point where working is optional. That means RETAINING enough money to have the freedom to do what they want. I find clients fall into three categories when they have the freedom to do what they want:

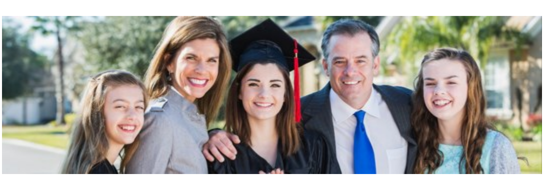
- They keep working at their current career, as they love what they do. One client told me it makes her feel more “relevant”.
- They take on an ‘encore’ career or job. That is, they find a new gig, like volunteering or working part-time.
- They walk away from any form of traditional work to travel, spend time with family and friends, or to take on a new hobby.

Helping my clients get to the point where they have the freedom to do what they want is rewarding and one of the reasons I love my career. No matter which of the three categories you might fall into, your entire CFO team is here to support you and to help you maintain your desired standard of living, so you have the freedom to do what you want.

Oh…and Tom Brady, if you read this article, we have just a few openings for new clients this year, so give me a call anytime at 813-374-9676. I promise I will not be biased and ask you to come back and play again for my favorite team.

A Lessor Known Fact About Florida Pre-Paid College Plans

by: Scott Russell, CFP®



For parents, the decision about whether to use the Florida Pre-Paid College Plan versus a 529 Plan to help fund their child’s higher education is sometimes a difficult one. The former provides more certainty (e.g., locking in current rates) but with more restrictions (e.g., most beneficial when attending schools within the Florida public university system). The latter provides less certainty (e.g., outcome depends on investment returns and the annual increase in the cost of higher education) and less restrictions (e.g., can be used for most higher education institutions). The 529 Plan also has the potential for a higher benefit depending on investment returns and as a result of the SECURE Act 2.0 the long-term potential (15+ years from 2024) ability to convert any unused portions into a Roth IRA. Confusing – you bet!

Unfortunately, there is no blanket ‘right’ answer for parents. It all depends on their financial circumstances, risk tolerance, and what they envision for their child(ren). We often help our clients (both parents and grandparents) evaluate which option is best for their individual scenario. This article is not meant to provide an in-depth dive into the factors to consider, but rather a highlight of somewhat lessor known options for families that choose to use the Florida Pre-Paid College Plan.

In most cases, if you do not use the benefit of your Florida Pre-paid College Plan within the stated window and you don’t transfer the plan to another qualified family member, you are entitled to a refund equal to the payments made, less any fees, usage and refunds. The major negative to this is the fact that you do not receive interest on your payments. Therefore, parents purchasing the plan upon the birth of their child and requesting a refund 20+ years later will have lost out on a material amount of earnings those monies could have potentially produced.

There are exceptions to this though in the case of death or disability of the beneficiary. I’ll focus on a situation involving a disability. If the beneficiary (e.g., your child) is deemed to be disabled, either caused genetically or via circumstances, to the extent that pursuing higher education is not feasible, then you may be entitled to a refund of what the value of the benefits would be if used at the time the claim is filed.

Below is an example of the financial impact of successfully filing such a claim:

Within a year of the child’s birth, the parents made a one-time lump sum payment of $11,849 to pre-pay 4 years of university tuition, local fees, and one year of dormitory expenses. If a claim is filed and approved when the child reached age 21, the plan owner would receive $25,313.70 back, versus only receiving back the original $11,849 minus fees.

The amounts in the above scenario would change based on the current cost of state tuition, local fees, and housing expenses. That said, it’s obvious an approved claim would provide a significant material benefit and be well worth the time to file.

Although I recommend speaking directly with the folks at Florida Pre-Paid College Plan, below are the requirements to file a claim (needed prior to the expiration of the plan) that were relayed to me:

1. Letter from a doctor on the doctor’s letterhead that includes the child’s name, the disability and that it prevents the child from pursuing higher education.
2. Letter from the owner of the plan that due to the child’s disability, he/she is filing a Death or Disability Claim.

I realize the above situation only applies to a limited number of families. That said, most of us know a family with a child with special needs preventing them from pursuing higher education. If you do, and you feel comfortable doing so, it might be worth having a kind discussion with them about this unique “lesser-known fact”. An additional item to pass on is that more and more universities are now offering wonderful programs for students with special needs. Many of those programs have grants available for these students, but if not, there is a potential for the applicable tuition to be paid for with a Florida Pre-Paid College Plan.

If you have any questions concerning this topic, or anything else, please give me a call.

SECURE Act 2.0 – An Overview

By: Ruth E. “Robin” Delaney, CFP®, CLU, ChFC, ADPA

On December 29th of last year, President Biden signed the SECURE Act 2.0 into law. This large bill contains 143 new provisions that affect retirement savings accounts of all kinds. I will outline those changes that will have an impact on you, our client, as many of the provisions relate to retirement plan sponsors. These provisions have varying effective dates and there are some clarifications to the law that are needed. Hence, we will be issuing expanded articles on many of those provisions.

Required Minimum Distributions

The first change that you may already have heard of is the change in the age at which Required Minimum Distributions (RMD) must begin. If you were born in the years 1951 to 1959, you must begin taking your RMD at age 73. If you were born in 1960 or later, you must begin taking your RMD at age 75. And the penalty for failing to take your RMD is reduced from 50% to 25% starting in 2023. The 25% is further reduced for timely correcting the oversight. (The word timely needs further clarification.)

Qualified Charitable Contributions

The second change is related to RMDs in that Qualified Charitable Contribution (QCD) rules are changing. If you have attained the age of 70½ you are eligible to make QCDs. In 2023, the maximum distribution to charity is capped at $100,000. This amount will be increased for inflation in later years. Some more esoteric options have been made available which will be discussed in future newsletters.

Plan Catch-up Contributions

Catch up contributions for IRAs and Employer Plans will also be increased starting in 2024. The $1000 catch up for IRAs will be indexed to inflation starting in 2024. For Employer Plans, effective in 2025, if you are between the ages of 60 and 63 you will be able to make larger catch-up contributions to your plan. For 401(k)s, you can contribute the greater of $10,000 or 50% more than the “regular” employer match. For SIMPLE IRAs, these limits will be the greater of $5,000 or 50% more than the “regular” employer match.

Roth Contributions

There are several changes to Roth IRA and Roth 401(k) rules which will be discussed in greater detail in a subsequent article as there is a lot of guidance that needs to be forthcoming to properly implement these changes.

529 Plan Changes

Beginning in 2024, you can roll any leftover monies in 529 accounts to a Roth IRA up to a lifetime maximum of $35,000, provided the plan has been in existence for at least 15 years. You or the beneficiary of the 529 account are eligible for this option. More to come on this.

Miscellaneous Changes

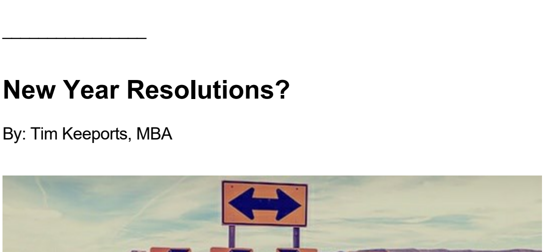
Here is a list of some of the other salient changes made by this law:

- Hardship Distributions from plans have been made easier.
- Spousal beneficiary rules have been expanded. A whole new article will be forthcoming on this topic.
- Access to Achieving a Better Life Experience (ABLE) Act accounts significantly increased.

This is just the tip of the iceberg and not all the changes will affect you or be of interest. We will keep you informed as these changes become effective and clarifications are made by the Congress and the Internal Revenue Service.

New Year Resolutions?

By: Tim Keeports, MBA



Resolutions…we all make them, and some follow through. I was reminded of this while walking with friends on Bayshore Boulevard. There were A LOT of people out exercising. Naturally someone commented, “Oh those are just the resolutionists (is that word?) …and they’ll likely be gone in another month or so”.

That brought another thought to mind. What’s on my personal must do list for 2023? One thing I need to do is to update my Estate Plan. In fact, where IS my Will? Do I have a Durable Power of Attorney (POA) reflecting my relationships with family? Would they know where to find these documents? During client reviews, we advise Estate Plans be provided to CFO so copies can be stored in our online, secure vault. While I also have a folder, I’ll admit that it whistled slightly when I opened it. Shoemaker’s children, anyone?

Estate Plan and Purpose: to achieve your legacy goals and lessen stress on your family and friends during an already challenging period.

We explain that these documents are critical while alive and of sound mind, to ensure your wishes are being followed (i.e., POAs and Medical Directives) and in death (a Will) so you can guide how legacy is handled. These documents are a roadmap of how assets are distributed and who makes “decisions” for your personal and financial affairs.

Below is a simple framework for those wondering about the titles and purpose of these documents. Please discuss with your Advisor to confirm we have your important documents stored for future need.

POAs: empower an identified person to make financial decisions in the event you are unable to make them for yourself. These powers end upon your death. There are different types of POAs with “durable” and “medical” most relevant.

Will: establishes how assets are distributed to your stated beneficiary. Note that IRAs, Pension Plans, Annuities and Life Insurance contracts follow the beneficiary designation form, important documents to maintain.

Living Will: establishes what care is/is not acceptable and who makes decisions if you are incapacitated or near the end of your life. For young adult children, this would enable parents to remain able to direct medical decisions.

Trusted Contact: a designated person we can contact should the account holder(s) not be reachable within a reasonable time frame. Can be used to confirm health status or concerns about diminished capacity or highly unusual account activity.

Should you need help making decisions about a POA, Medical POA, Will, Living Will, and/or Trusted Contact, your Advisor can assist. Appointing a designated POA or an executor for your Will, makes the job much less daunting and eases these responsibilities.

We typically recommend working with an attorney to draft your legal and estate documents. Our advisors can provide options for an attorney based on your needs. They also have estate planning checklists available, and we typically cover this during annual reviews. The final piece of the puzzle would be to complete our CFO Family Clarity Guide, where you can very specifically lay out your wishes.

Beyond basic needs, trusts can be considered to leverage or enhance the efficiency and privacy of your estate. Your advisor can make sure these pieces align with the rest of your Financial Plan you developed for you and your family. An Estate Plan is the most effective way to transfer wealth to future generations and the four components discussed above should be reviewed and maintained if there are life changes or address changes (especially to a new state). Tax and legal changes can also dictate when an Estate Plan should be reviewed.

It really is time for me to also become a resolutionist and update my own Estate Plan and account Trusted Contact.

William Cummings
bill@ourcfoteam.com
813-374-9676

Concierge Financial Organization
Partner

http://www.ourcfoteam.com