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5 Estate Planning Steps To Benefit Your Elders

Estate planning normally involves strategies to preserve wealth for a family's younger generation. But it may also involve elderly relatives—your parents and in-laws or maybe an aunt or an uncle —who could use your assistance. Indeed, this older generation might need your help even more than your offspring who are already making their way in the world.

Consider these five steps to help your older relatives.

1. Have "the talk." As difficult as it can be to sit down with a parent to talk about money and end-of-life decision-making, there's really no alternative to having a candid discussion of these sensitive matters. Your mom and dad may not like what you have to say, but if you start by really listening, giving them the opportunity to provide their point of view, it could launch a productive discussion. Try to address tough issues such as the possibility of relocating to an assisted-living facility or a nursing home, and don't be surprised if things get heated and emotional. Including other family members, such as your siblings, in this discussion will also be helpful, and whenever possible, have the family meetings in person rather than over the phone.

2. Create a contact list. You've probably already done this for yourself, but compiling all of the names, addresses, phone numbers, and email addresses of crucial contacts for your older relatives can be particularly crucial. These could include financial advisors, attorneys, accountants, insurance agents, physicians, and dentists. These days, creating a digital version of the list and storing it on multiple computers makes the most sense.

3. Gather financial information. Along with a contact list, information about the relative's financial affairs and investment holdings is also essential. You'll want to know about bank and investment accounts, 401(k) or other retirement plan accounts and IRAs, life insurance policies, etc. Note current balances, account numbers, passwords, and information on Social Security benefits. You may find out that your relative has more assets than you'd thought. Use this information to formulate a plan for the future.

4. Create the necessary documents. Once everyone agrees on how to move forward, you may need to complement a will or other existing legal documents with new ones. And those your relative has may need to be revised or updated. Such documents may include:

- A will: The centerpiece of an estate plan controls how most worldly possessions—a house, cars, jewelry—will be distributed. A will also specifies an executor of the estate. This might be you, another relative, or

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Are You "Rich" Or Not? New Survey Hits The High Points

Do you consider yourself rich? If you own a couple of mansions, a fleet of luxury cars, and financial accounts reaching high into the millions, it may be easy to answer that question. But other well-to-do people might struggle with the issue of whether they are "rich" or not.

To get a better grasp of perceptions, Yahoo Finance recently posed a series of questions about personal wealth, to which more than 25,000 people responded. The survey concluded that people call themselves rich if they have a median income of $425,000 and a net worth of $5 million.

But this exercise also turned up other interesting results. For instance, the median amounts respondents required to consider other people rich were an income of $500,000 and a net worth of $10 million. In other words, more people called themselves rich than were actually rich by their own standards. On the other hand, it's noteworthy that people earning $300,000 a year with a couple of millions of dollars of assets didn't think themselves rich—far from it.

But even if you're not rich in your own mind, you may get there by sticking to a financial plan designed to increase personal wealth. And, if you're already rich, follow the same approach for preserving your status. We can help you make provisions for the future.

Watch Out For "Grandparent Scams"

It started innocently enough. Bill Frielander picked up the phone one recent morning at around 10 am. The person on the line said, "Hi Grandpa, it's Jason." To Bill, the voice sounded close enough to his grandson's that he didn't worry. The two chatted amiably a few minutes about family and school and nothing else in particular.

But then "Jason" dropped the hammer. He told Bill that he had been in a drunk driving accident in a neighboring state. Someone else had been injured and Jason needed $1,950 to keep his name out of the records. An attorney who was supposedly advising him could make it all go away for that fee. But Jason said he needed the money right away and that he was afraid to tell his parents. And he asked that Bill not tell anyone else about it because he was ashamed.

Bill was almost convinced and ready to ante up. But when the caller requested the money, there was something about his voice that made Bill pause. He had his wife call Jason's personal cellphone from her own phone while Bill was still talking to the person asking for money. It turned out Jason was safely at home, hadn't left the state in weeks and had not been in any accident. When Bill confronted the caller with this information, the imposter quickly hung up.

Bill was fortunate that he didn't fall for this "grandparent scam," but many others haven't been as lucky. Scammers are able to find out personal information and sound enough like the people they are impersonating to be believable. They target elderly people and pull on their heartstrings with a story about needing cash in a hurry.

If you get a call that sounds suspicious, the worst thing you can do is to help out the caller by referring to other confidential information (for example, the names and locations of other family members). Here's what the Federal Trade Commission (FTC) advises:

- Resist the urge to act immediately no matter how desperate the caller's plight appears to be.
- Verify the person's identity by asking questions a stranger couldn't answer.
- Call a phone number for your grandchild that you know is legitimate.
- Check out the story with trusted family members or friends even if you've been told to "keep it a secret."
- Don't wire money, send a check or money order, or use an overnight delivery service or courier to get cash to your "grandchild."
- Finally, the FTC advises consumers to report the incident at ftc.gov/complaint or call 877-FTC-HELP. ●

Four Smart Tools For College Savings

The cost of a college education isn't getting any cheaper. According to the College Board, average annual tuition and fees for a four-year public college for the 2016-17 school year was $24,930 for out-of-staters and a year at a private college cost $34,480. And those sobering price tags are increasing much faster than the overall cost of living.

To help you get ready for your child's expenses for higher education, consider these tax-favored techniques.

1. Section 529 plans. This has become far and away the most popular way for parents to save for college. These plans are operated by states and enable you to set aside almost unlimited funds for the future education of the beneficiaries you name—usually, your own kids. The money you contribute grows tax-deferred, and distributions you use to pay for tuition, fees, and other "qualified expenses" aren't taxed. If you opt for a plan from your own state, you might even be able to deduct your contributions on your state tax return. But some tax reform proponents have 529 plans in their sights, so you may want to lock in tax benefits now.

2. Custodial accounts. Before 529 plans, these were a standard way to save for college. You set up a custodial account under your state's Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA), and a custodian—probably you—manages the funds for the child's benefit until he or she reaches legal age in your state and gets access to the money.

That's a chief drawback to this approach—that just when your children are old enough to go to college, they can tap the money you've saved for whatever they like. There's also the "kiddie tax." Most investment income above an annual threshold ($2,100 for 2017) that a dependent child under age 24 receives will be taxed at the top tax rate of the child's parents.

3. 2503(c) trusts. This type of trust,

Finding The Balance For Retirement Draw-Downs

Victor and Jane Muratti, a computer analyst and schoolteacher married for more than 30 years, are nearing retirement. Over the years, they have accumulated a mosaic of investments, including stocks, corporate and municipal bonds, mutual funds, exchange-traded funds (ETFs), annuities, real estate, and master limited partnerships (MLPs). Some of these investments are in taxable accounts while others are in tax-deferred retirement plans and traditional and Roth IRAs.

Once they retire, the Murattis will begin drawing income from these various accounts, and after they reach age 70½, they'll have to start taking required minimum distributions (RMDs) from their retirement plans and IRAs. But they don't have a clue about the best way to create their retirement "paychecks."

It's a common situation and the circumstances will vary for every person or couple. However, one typical objective is to minimize federal income tax from investment transactions, while preserving as much wealth as you can for a lengthy retirement.

One way to do that is by paying attention to tax brackets. Income taxes are based on a graduated seven-bracket system, with different tax rates for each bracket. The more of your income that falls into lower brackets—and so is taxed at lower rates—the better. And to the extent that you can control how much income you receive, you could try to take just enough to fill up your current bracket without moving into the next, higher one. You can use this tax bracket management strategy throughout retirement.

But to benefit, you'll need to learn the basics for three different types of accounts you're likely to tap during retirement.

1. Taxable accounts: This category includes all of the investments you hold outside of retirement plans. You may have stocks, bonds, mutual funds and ETFs, as well as interest-bearing savings accounts and certificates of deposit (CDs). If you sell any of these at a gain, your profit will generally be taxed at the favorable rate for long-term capital gains—that is, gains on investments you've held for a year or more. The tax rate for long-term gains is 15%, or 20% if your income puts you in the top tax bracket for ordinary income. Most dividend income from stocks is also taxed at 15% or 20%. But interest from bonds and other investments is likely to be taxed at the higher rates for ordinary income.

2. Tax-deferred accounts: Within tax-deferred accounts such as 401(k) plans and traditional IRAs, capital gains and income from dividends and interest all can accumulate without being taxed. But once you start taking money out of these accounts during retirement, all or most of your withdrawals will be taxed as ordinary income. And when RMDs come along, some of the money *must* come out every year.

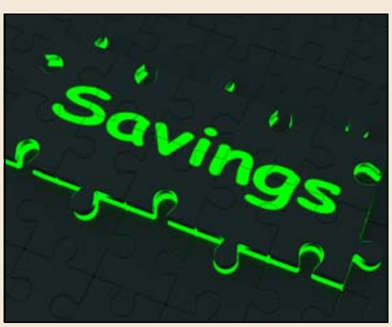
One kind of tax-deferred investment—annuities—may help you minimize taxes by postponing payouts until your income is lower during retirement. Deferred compensation from your company could offer similar tax benefits.

3. Tax-free accounts: Of course, no taxes are better than low taxes, and a Roth IRA may give you retirement income that isn't taxed at all. With a Roth IRA that you've had for at least five years, withdrawals after age 59½ are completely tax-free. Meanwhile, although interest income from most bonds is taxed at ordinary income rates, income from municipal bonds or municipal bond funds can be tax-exempt. These bonds could be a valuable part of your retirement portfolio.

When considering which account to draw from and in what order, a common strategy is to take RMDs first—because you must make those withdrawals—then tap your taxable accounts next, leaving assets in tax-deferred accounts to grow without being eroded by taxes for as long as possible. Finally, make tax-free withdrawals from your Roth IRA, which offers the additional advantage of not requiring distributions during your lifetime.

In addition, to the extent you can, you might practice tax bracket management, capping your taxable income at a level that will let you avoid moving into a higher bracket. So that even if you can't avoid taxes entirely during retirement, you may be able to keep them under control. ●

also called a minor's trust, is designed to provide funds for beneficiaries' college expenses. Like custodial accounts, 2503(c) trusts have been available for years but lately have taken a back seat to 529 plans.



With a 2503(c) trust, the income is taxed directly to the trust, so there's no kiddie tax problem, and assets aren't released to a beneficiary until age 21. However, because the trust tax brackets are narrow, you may still pay tax at a rate that's higher than the child's own tax rate.

4. CESAs. A Coverdell Education Savings Account (CESA) is like an IRA used for education instead of retirement. (It was originally called the "Education IRA.") Payouts for most college costs are tax-free. But the annual contribution limit is just $2,000—compared with much higher limits for 529 plans—and it hasn't budged in years.

But money in a CESA can be rolled over tax-free for the benefit of multiple beneficiaries. And unlike funds in a 529, which can be used only for higher education, money in a CESA may also go to pay tuition for private elementary and secondary schools. ●

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Registered Investment Adviser
A FINANCIAL PARTNERSHIP THAT FITS

Registered Investment Adviser
Four Commerce Park Square
23240 Chagrin Boulevard, Suite 880
Cleveland, OH 44122-5450
P: (216) 595-6400
F: (216) 292-4258
(877) 367-4926
www.hwfa.com

Cleveland — Columbus — Mentor

Steps To Benefit Your Elders

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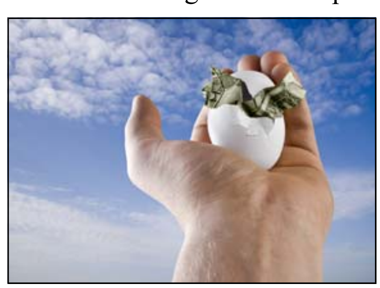
a professional you trust.

- Power of attorney: This document authorizes someone to act on behalf of the elderly person. The most common version is a durable power of attorney that will remain in effect if the person is incapacitated. This is a vital component of most estate plans.
- Living trust: A living trust can serve as a supplement to a will. The assets transferred to a living trust don't have to go through the probate process that may be required for possessions transferred through a will and that can be drawn out and expensive. In addition, assets in a living trust are shielded from public inspection.
- Living will/health care directives: These documents provide guidance for end-of-life decisions. You'll want to make sure your relative's doctors and others also have copies so they can act according to your loved one's wishes.



Finally, don't forget about beneficiary designations for retirement plans, IRAs, and life insurance policies—they supersede provisions in a will and are important to keep up to date.

5. Look for ways to minimize estate and gift taxes. Assets transferred to relatives or friends are shielded from federal estate and gift taxes both by unlimited marital deduction for gifts to spouses and a unified estate and gift tax exemption of $5.49 million in 2017 covering transfers to anyone who's not a spouse. Your older relative can also make yearly gifts of as much as $14,000 to multiple recipients.

Estate planning for an elderly relative will inevitably be intertwined with your own plan, so don't do things in a vacuum. Your professional financial advisor can steer you in the right direction. ●