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Collier Legacy Planning llc

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• Frozen Lemon Dessert •

With only five ingredients, Frozen Lemon Dessert makes a fantastic, cool dessert!

This recipe was given to us by a client who says his wife is a great baker. I can imagine if we all tried this recipe, we would all agree! —*Barb Schlaefer*

1 can regular Carnation milk, well chilled
1 cup sugar
2 lemons (approx. 1/3 cups juice)
15 to 20 graham crackers, crushed
Grated lemon rind

Pour milk into a large bowl and place bowl and beaters in the freezer until crystals begin to form around the edge.

Grate rind of one lemon.

Combine rind, juice, sugar, and set aside.

Reserve 1 tablespoon of graham cracker crumbs for topping.

Line a 9 x 13 cake pan with the rest of the graham cracker crumbs.

When crystals begin to form on the edge of your bowl of milk in the freezer, beat milk on high until very thick.

Add sugar/lemon mixture and beat only until well blended. (Overbeating may thin the mixture.)

Gently spread mixture over crumb crust, and top with reserved crumbs.

Freeze several hours or overnight.

Photo: Chris Haines, Wikimedia Commons

Legacy Planner

Retirement • Income • Medicare

Summer 2021

Photo by Ray Loth

Who Likes Paying Taxes?

By Raymond Loth

I am a little strange, I like paying my bills—even better is if I can pay them early! I figure that if a debt exists, then getting it paid off gives me both freedom of mind, and increased freedom with my future finances. That can also apply to taxes. Of course, we definitely don't want to pay more in taxes than we have to. So, here are a couple things to think about and discuss with your tax advisor and/or accountant.*

- **Is there a better and worse time to pay taxes?**
- **What options exist to manage contributions and taxes on my retirement accounts?**
- **Are there ways for some people to pay little to no income tax on retirement account withdrawals?**
- **What other strategies may be of benefit to you and your family?**

The truth is that taxes are rather complicated. Since I am a licensed insurance professional and NOT a tax advisor or CPA, my role and intention with this article is not to give you tax advice. We are very involved in the details of our clients current and future financial goals/strategies, and taxes are clearly an important part of that picture. This article will touch on a couple of aspects of these matters that may come up. My intention is not to provide you with specific answers, but rather with questions, which, I encourage you to discuss with your tax advisor.

HERE ARE A FEW QUESTIONS/TOPICS FOR CONSIDERATION:

• For those with modest income and some tax deferred savings—**

I often encounter retirees who are delighted to pay little or no income tax. Social Security is not automatically taxed, and then there is a standard deduction for income. As a result, some people find that even withdrawals taken out of retirement accounts may effectively be income tax free! It might be good to aware of your "taxable income" amount on IRS form 1040, line 11b. Sometimes it is "$0".

So, here's a question, that might be good for you… to ask your accountant: **Can I take MORE of my money out this year and still pay little or no tax on it???** *If so, it's like a gift card from the IRS that expires every Dec. 31st!!* Would you like to take advantage of that? You don't have to spend the money. If your accountant recommends that you take it out of your IRA account ("I.O.U.—IRS"), you can then put the money in your Non-qualified account ("I. *[don't]* O.U.—IRS")! Imagine if your accountant suggests taking $2000, $5000, $7,000, or more out of the account for consecutive years, how much you might save in future taxes. Future changes effecting tax liability could possibly include: changes in tax law, death of

"Who Likes Paying Taxes?" continues on the next page.

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"Who Likes Paying Taxes?" continued...

a spouse (hence your tax situation), future large purchase (hence liquidity needs), future tax rate for your beneficiary, etc.

• For those with increased income and significant tax deferred savings—

Maybe you are already paying plenty of tax, including possibly up to 85% on your Social Security. The last thing you want is to pay more in taxes. Some however believe that Government budget deficits may lead to higher taxes down the road—I'm not here to speculate on if/when/how that will look. How are some responding? **My good friend** (not really, but we did hang out together—twice!) **Ed Slott says:**

> **"always pay taxes at the lowest rates, we are in the lowest tax rates you'll ever see"**

Talk with your tax advisor about how the standard deduction, and other adjustments, lower your "taxable income", and if that leaves some headroom in your current tax bracket. Then you can ask if it might be good for you to **take advantage of current tax rates and *max out your current tax bracket*—either by taking an IRA ("IOU—IRS") withdrawal, or even by doing a ROTH conversion?** Maybe you shouldn't, but it may be worth asking. This may be particularly true for some older married couples given that the death of a spouse cuts future tax brackets, and the standard deduction for the surviving spouse, in half.

• For those with higher income, including self-employed—

It is important to pay attention to the details of actual tax law vs. what people say. I've received worried phone calls from clients about prospective tax changes… which were actually only being proposed for people *earning over $1 million a year!* That didn't include them.

Business owners may likely already have a company retirement plan, or you might want to inquire about the benefits and simplicity of a SEP or SIMPLE, and if you can also fund your individual IRA.

What though if you learn that you make too much money to deduct your Traditional IRA contributions, or contribute to a ROTH? You could… **Ask your accountant if you (and your spouse) can make a NON-deductible traditional IRA contribution.** You might want to also ask if you can then do an immediate ROTH conversion on those funds (since you've already paid the taxes!) **Now, the ROTH can grow and be withdrawn in the future, tax-FREE for qualified distributions!**

Another matter is the potential increase on your Medicare (part B and D) premiums for those with higher income, known as IRMAA.^ Currently married Medicare beneficiaries with MAGI above $176,000 could pay an extra $143.40/mo.; couples above $222,000 pay an additional $360.60/mo.; and so on. Remember, higher incomes may also be triggered when you start taking RMDs at 72. This could also potentially affect tax on your Social Security benefits. Regarding these two issues, ***Mr.Templin, in a 5/10/21 Wall Street Journal article, "Social Security: 6 Mistakes" suggests "The solution for both problems is to get money out of tax-deferred accounts early in retirement before you begin drawing Social Security and taking RMDs."*** You might talk to your accountant about this.

• Some other important questions for some to ask—

Should I be making contributions to a traditional or a ROTH IRA? How about ROTH conversions?

Can I contribute to an HSA? If your medical plan is HSA compliant you might avoid income tax on qualified withdrawals. Thanks to my HSA account, I paid no income taxes, and got a cash discount on my daughter's braces.

Should I be getting so much money from the IRS back every year? Often times retirees have withholdings set relatively high, likely because FICA taxes are no longer being taken out, and due to Social Security reduced taxation. Instead of getting your own money back from the IRS every spring, would you rather have a larger monthly check?

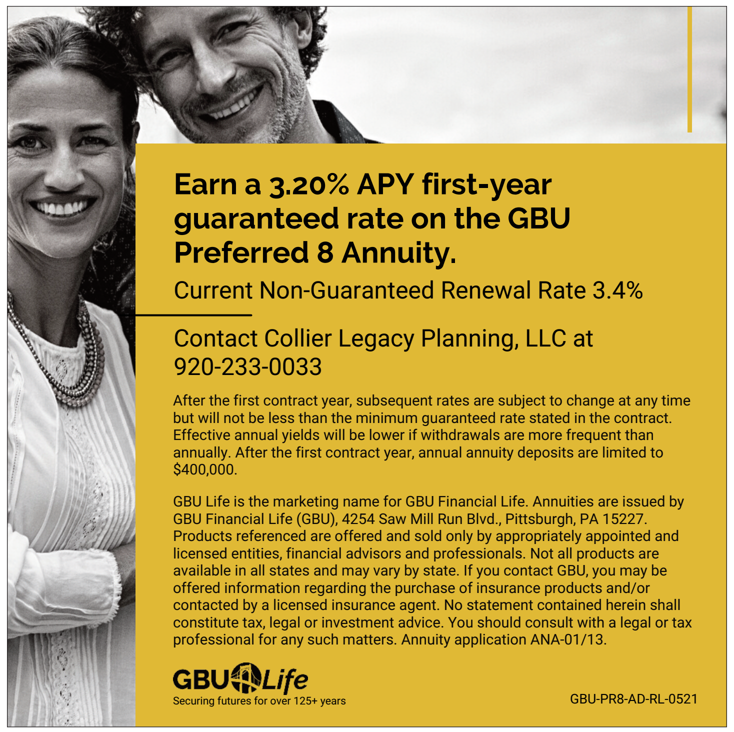
While taxes are complicated and I'm not here to give you "advice" on them, I do want to help you make informed decisions. I hope you and your tax advisor can find some ways to potentially reduce the very real dollars that you pay to the IRS. If so, you might even find that you (kind of) enjoy paying your taxes... especially if you can end up paying less, and have more of your own money to enjoy!! —*Raymond Loth*

Please be advised that Collier Legacy Planning llc. does not provide tax advice or guidance on issues surrounding IRS or state tax laws and regulations. This article should not be relied on as providing any advice other than encouraging you to consider your circumstances in communication with your tax advisor to achieve optimum planning and strategies for your circumstances and objectives.

* To be clear, I am not an accountant and Collier Legacy Planning llc. is not in the tax advising business. We therefore are not attempting to give tax advice—specific or in general. Our intention here is to acknowledge issues and questions that often come up from our clients and help direct you to the proper approach to getting reliable answers.

** This includes various retirement accounts including IRA, 401k, 403b, etc., as well as non-IRA annuities due to the inherent tax-deferred nature of these accounts. Please consult your tax advisor on any withdrawals relative to taxation and pre-59.5 age penalties.

^ Please note, our insert includes only the "Part B IRMAA" not "Part D"—See: www.medicare.gov › Pubs › pdf › 11579



"Good investing isn't necessarily about earning the highest returns, because the highest returns tend to be one-off hits that can't be repeated. It's about earning pretty good returns that you can stick with and which can be repeated for the longest period of time. That's when compounding runs wild. The opposite of this—earning huge returns that can't be held onto—leads to some tragic stories."

—Morgan Housel, "The Psychology of Money"

Case Study

Peace of Mind—with UPSIDE POTENTIAL

A couple who was transitioning to retirement was very concerned about stock market volatility and was referred to me. They had already moved most of their 401k into a safe money market account. In looking to the future, they wanted to avoid market risk, but also wanted to earn more than was available in low interest bank accounts.

They really like the upside potential of having growth linked to the S&P, but with a principal protected indexed annuity.* We also discussed the growth limitations, charges for excess withdrawals, etc. on these types of accounts. Common features of some of these types of accounts that appealed to them included: (1) principal cannot be lost due to market volatility; (2) no annual fees; (3) interest/earnings credited to the account (often annually) are also protected from future market volatility.

In addition to some other funds that they asked me to place for them, they decided to open an account with $160,000.

So, can you really earn attractive returns with these accounts? What kind of "upside potential" exists?

Well, in one very good year, the ***$160,000 earned and was credited $26,696.***** Now, the new balance of $186,696 was protected from market volatility. Let me be clear: earning 16.6% is an unusually good experience for this type of an account and is NOT indicative of average returns. During times of volatility or corrections, an indexed annuity could also have one or more years with 0% credited interest.

Clearly an indexed annuity can have very real "upside potential". Many people also *highly value the peace of mind* that comes from having this type of principal protected account. —*Raymond Loth*

* This example is not intended to be product or company specific, nor to explain actual terms and conditions of these types of accounts. This can only be provided in specific company approved materials, which are necessary before making any decisions. This is only intended as a brief, general example and therefore only shares some, but not all, features and aspects of what may or may not exist with such accounts.

** The example shown is for illustrative purposes only and is not guaranteed. Your actual experience and results will vary.

Annuities are long term financial products designed for retirement income and may not be suitable for everyone. They involve fees, expenses, and limitations, including surrender charges for early withdrawals. Some include optional riders and benefits that may come at additional cost. Annuity guarantees are backed by the financial strength and claims-paying ability of the issuing company. Annuity product and feature availability may vary by state.

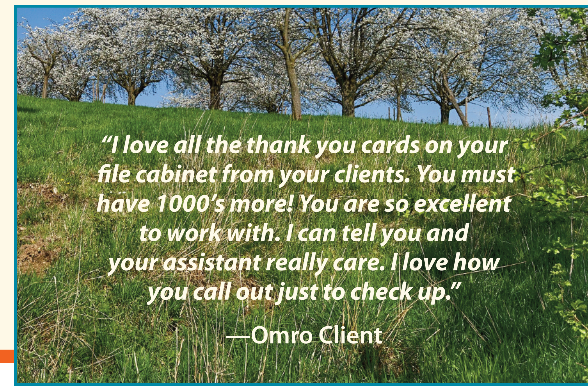


Photo: Johan Nevan, Wikimedia Commons

Ask the Professional…

How does CLP get paid?

Our office gets paid by the various companies that we represent for you. Hence, you do not pay us directly for our services. Since we are an independent office and are not supported financially by the companies that we represent (i.e. office space/staff, wages, healthcare, 401k plan, workers comp/disability insurance, unemployment insurance, etc.), they pay us a direct commission on the business that we direct to them.*

Does the payment structure of one company vs. another influence what we recommend to you? No, it does not. The quality of product and the respective company's service, culture, and stability drive our selections. Our specific recommendations are then based on your financial goals and best interest. This is driven by my core personal values. Please also consider:

—***In the Medicare field,*** the commission differences are likely negligible. Again, it is your needs and preferences that drive my recommendations. If I placed our 680+ Medicare clients on unsatisfactory plans, now in addition to unhappy clients (who will likely leave), I have a lot more work in the form of customer service. This would be a foolish business model, also unworthy of your referrals.

—***In the Retirement planning field,*** the above is also true. Furthermore, in "The Psychology of Money"', Morgan Housel suggests asking your financial professional what he/she does with his/her own money? That is a pretty good "truth test"! So, my answer? *All of my retirement savings accounts are with the very same companies that I recommend to my clients every day!*

Another very important way we get paid involves your referrals. For a number of years now we have done no real outside marketing for new clients. So **100% of our business has been coming from our existing clients and your referrals!** This allows us to keep our focus on caring for your needs, instead of on trying to find new clients. THANK YOU VERY MUCH! —*Raymond Loth*

* There are various pay structures in this industry, such as salaried, commission, fee-based, etc. Ultimately, consumers choose the advisors, financial products, and service models that fit their needs. Our clients know me as the owner and my staff personally. They also know how to find our same office of 12 years, where we will continue to be. They likewise appreciate that when you dial our phone number, you will not be sent to another office, city, state, or country.