Money Matters!

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Tennyson C. Shifley, CLU®, ChFC®, CAP®
Financial Advisor
Shifley and Associates
801 Staghorn Lane
Waxhaw, NC 28173-7563
Phone:(704) 846-8871
tenny@shifleyassociates.com
shifleyassociates.com

Whether you're a Wall Street whiz or someone who thinks a bear market is just a grizzly's shopping spree, rest assured! We're here to unravel financial mumbo jumbo and turn those financial mysteries into understandable financial concepts. So sit tight, grab your popcorn, and start reading! Oh, and call us anytime--we love your questions!

Remember that you can find 2024 Key Tax Numbers (Summary and Comprehensive) on our website, along with timely financial articles, useful calculators, and informative videos. Check it out!

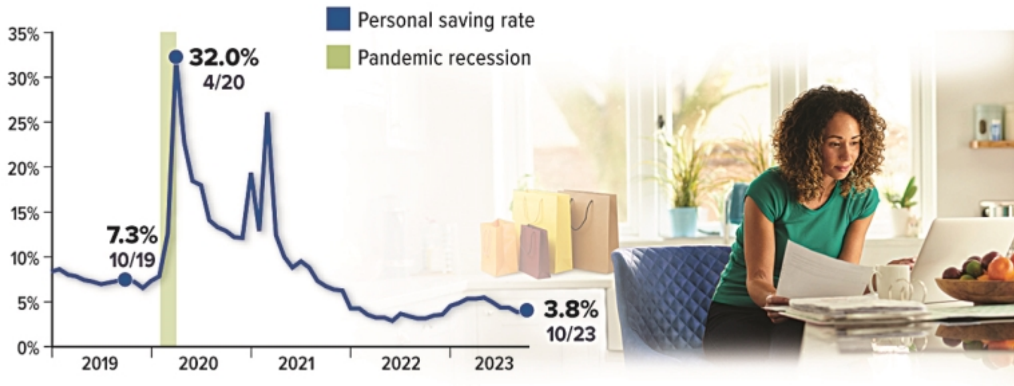
We are grateful for your continued referrals, introductions, and your confidence! If any of your family or friends have financial concerns or questions, or have recently had a death in the family, we would be happy to talk with them. While we can't guarantee that we will accept everyone as clients, we will gladly spend a few minutes on the phone with them to try to help.

Tenny, Glen, Lois, and Andrew

Saving Less? You're Not Alone

The U.S. personal saving rate — the percentage of personal income that remains after taxes and spending — was 3.8% in October 2023. The saving rate spiked to an all-time high during the pandemic, when consumers received government stimulus money with little opportunity to spend, but fell quickly as stimulus payments ended and high inflation ate into disposable income. The current level is well below pre-pandemic saving rates.

A low personal saving rate means there is less money available on a monthly basis for saving and investment. However, many households still have pandemic-era savings, and the low rate indicates consumers are willing to spend, which is good for the economy. The question is how long this spending can be sustained.



Sources: U.S. Bureau of Economic Analysis, 2023; Bloomberg, October 10, 2023

Beware of These Life Insurance Beneficiary Mistakes

Life insurance has long been recognized as a useful way to provide for your heirs and loved ones when you die. While naming your policy's beneficiaries should be a relatively simple task, there are a number of situations that can easily lead to unintended and adverse consequences. Here are several life insurance beneficiary traps you may want to discuss with a professional.

Not naming a beneficiary

The most obvious mistake you can make is failing to name a beneficiary of your life insurance policy. But simply naming your spouse or child as beneficiary may not suffice. It is conceivable that you and your spouse could die together or that your named beneficiary may die before you and you haven't named successor beneficiaries. If the beneficiaries you designated are not living at your death, the insurance company may pay the death proceeds to your estate, which can lead to other potential problems.

Death benefit paid to your estate

If your life insurance is paid to your estate, several undesired issues may arise. First, the insurance proceeds likely become subject to probate, which may delay the payments to your heirs. Second, life insurance that is part of your probate estate is subject to claims of your probate creditors. Not only might your heirs have to wait to receive their share of the insurance, but your creditors may satisfy their claims out of those proceeds first.

Naming a minor child as beneficiary

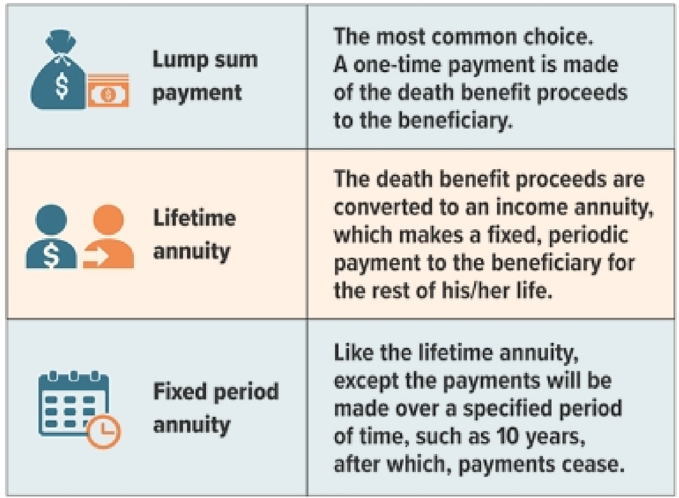
Insurance companies will rarely pay life insurance proceeds directly to a minor. Typically, the court appoints a guardian — a potentially costly and time-consuming process — to handle the proceeds until the minor beneficiary reaches the age of majority according to state law. If you want the life insurance proceeds to be paid for the benefit of a minor, you may consider creating a trust that names the minor as beneficiary. Then the trust manages and pays the proceeds from the insurance according to the terms and conditions you set out in the trust document. Consult with an estate attorney to decide on the course that works best for your situation.

Disqualifying a beneficiary from government assistance

A beneficiary you name to receive your life insurance may be receiving or be eligible to receive government assistance due to a disability or other special circumstance. Eligibility for government benefits is often tied to the financial circumstances of the recipient. The payment of insurance proceeds may be a financial windfall that disqualifies your beneficiary from eligibility for government benefits, or the proceeds may have to be paid to a government entity as reimbursement for benefits paid. Again, an estate attorney can help you address this issue.

Life Insurance Payout Options

Most life insurance policies offer several options to the policy beneficiary, including:



Lump sum payment	The most common choice. A one-time payment is made of the death benefit proceeds to the beneficiary.
Lifetime annuity	The death benefit proceeds are converted to an income annuity, which makes a fixed, periodic payment to the beneficiary for the rest of his/her life.
Fixed period annuity	Like the lifetime annuity, except the payments will be made over a specified period of time, such as 10 years, after which, payments cease.

Creating a taxable situation

Generally, life insurance death proceeds are not taxed when they're paid. However, there are exceptions to this rule, and the most common situation involves having three different people as policy owner, insured, and beneficiary. Typically, the policy owner and the insured are one and the same person. But sometimes the owner is not the insured or the beneficiary. For example, mom may be the policy owner on the life of dad for the benefit of their children. In this situation, mom is effectively creating a gift of the insurance proceeds for her children/beneficiaries. As the donor, mom may be subject to gift tax. Consult a financial or tax professional to figure out the best way to structure the policy.

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.

While trusts offer numerous advantages, they incur up-front costs and often have ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax advisors before implementing such strategies.

Key Retirement and Tax Numbers for 2024

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2024.

Estate, gift, and generation-skipping transfer tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2024 is $18,000, up from $17,000 in 2023.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2024 is $13,610,000, up from $12,920,000 in 2023.

Standard deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2024, the standard deduction is:

- $14,600 (up from $13,850 in 2023) for single filers or married individuals filing separate returns
- $29,200 (up from $27,700 in 2023) for married joint filers
- $21,900 (up from $20,800 in 2023) for heads of households

The additional standard deduction amount for the blind and those age 65 or older in 2024 is:

- $1,950 (up from $1,850 in 2023) for single filers and heads of households
- $1,550 (up from $1,500 in 2023) for all other filing statuses

Special rules apply for an individual who can be claimed as a dependent by another taxpayer.

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $7,000 in 2024 (up from $6,500 in 2023), with individuals age 50 or older able to contribute an additional $1,000. The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges *(see table).* For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges *(see table).* The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

MAGI Ranges: Contributions to a Roth IRA

	2023	2024
Single/Head of household	$138,000–$153,000	$146,000–$161,000
Married filing jointly	$218,000–$228,000	$230,000–$240,000
Married filing separately	$0–$10,000	$0–$10,000

MAGI Ranges: Deductible Contributions to a Traditional IRA

	2023	2024
Single/Head of household	$73,000–$83,000	$77,000–$87,000
Married filing jointly	$116,000–$136,000	$123,000–$143,000

Note: The 2024 phaseout range is $230,000–$240,000 (up from $218,000–$228,000 in 2023) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered. The phaseout range is $0–$10,000 when the individual is married filing separately and either spouse is covered by a workplace plan.

Employer-sponsored retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $23,000 in compensation in 2024 (up from $22,500 in 2023); employees age 50 or older can defer up to an additional $7,500 in 2024 (the same as in 2023).
- Employees participating in a SIMPLE retirement plan can defer up to $16,000 in 2024 (up from $15,500 in 2023), and employees age 50 or older can defer up to an additional $3,500 in 2024 (the same as in 2023).

Kiddie tax: child's unearned income

Under the kiddie tax, a child's unearned income above $2,600 in 2024 (up from $2,500 in 2023) is taxed using the parents' tax rates.

SoSEPPs Allow Penalty-Free Access to Retirement Savings at Any Age

You're probably aware that a 10% penalty tax generally applies to distributions from qualified retirement plan accounts prior to age 59½, unless an exception applies; however, you may not be aware of the exception that allows retirement account holders to access their savings at any age, penalty-free.[1] Specifically, this exception allows distributions through a series of substantially equal periodic payments (SoSEPPs). Also known as the 72(t) strategy, SoSEPPs are subject to strict and complicated rules, so it may be best to proceed with caution.

SoSEPPs explained

Under the SoSEPP rule, you can take distributions from IRAs and most work-based plan accounts in a series of regular payments calculated using a specific method over a certain period of time. The payments must be taken at least annually and continue for a minimum of five years or until you reach age 59½, whichever is later. You may also be allowed to establish an installment arrangement — quarterly or monthly, for example — that totals the required payment each year. With respect to work-based plans, SoSEPPs can be used only after you separate from service from the employer maintaining the plan.

You may use one of three methods for calculating the payment — the required minimum distribution (RMD) method, the fixed amortization method, or the fixed annuitization method. Distribution amounts are based on your life expectancy or that of you and your beneficiary. To calculate the correct amount, you'll need to determine which method to use and then choose a life expectancy table (found in IRS Publication 590-B), interest rate (for the amortization or annuitization methods only), and account valuation date.

The IRS permits a one-time change from either the amortization or annuitization method to the RMD method. Otherwise, if you change from one distribution method to another or fail to take the required amount in any given year, the 10% penalty (plus interest) will generally apply to not only the current year's distribution(s) but to all prior SoSEPP distributions.[2]

Note that you cannot make additional contributions to the account nor take payments other than the SoSEPPs during the required period. Additionally, if the account balance reaches zero before the required time period is up, no penalty will apply.

Although it may be comforting to know you can access your retirement account penalty-free at any age, calculating and managing SoSEPPs is a complex process. Mistakes can be costly. For these reasons, you may want to seek the guidance of a qualified tax professional before making any decisions.

1) There is a 25% penalty for distributions from SIMPLE IRAs taken within the first two years of participation.

2) The 10% penalty, plus interest, does not apply if the change was due to death, disability, or another IRS-approved reason.

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