Financial Life Planning

Cost of Credit & IRA Estate Planning

SAGE Private Wealth Group
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Exciting Update!
SAGE would like to announce the promotion of Andy Zimmer, COO, to Partner!
"Andy's unparalleled commitment to our vision and his energetic and tireless nature have contributed tremendously to building our firm's culture of Honesty, Integrity, Accountability and the Pursuit of Excellence." said Khaled Taha, Managing Partner.
Andy joined SAGE in 2016 as Chief Operating Officer. His primary responsibilities with SAGE include business operations, supervision, risk management, recruiting and hiring. He is also a member of the firm's Investment Committee and Leadership Teams.
"I'm proud to be a part of such an extraordinary team and with a forward-thinking company that supports and encourages excellence. My passion for my work and for bettering the lives of our clients, our firm and of our team members is what excites me most" said Andy Zimmer, Partner and COO.

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SAGE Financial Life Planning

A new year is underway, and with it comes optimism and excitement for setting new (or renewing) resolutions for the upcoming year. One resolution that's always on our list is to review and update our Financial Life Plans.

Sadly, only one in four Americans has a written financial plan[1]. Comprehensive Financial Life Planning is not just for the wealthiest of clients, it can benefit families at all asset levels and with varying degrees of complexity in their financial lives. Having a written financial plan can lead to better money habits, improved risk management and a heightened confidence.

There are several reasons a comprehensive Financial Life Plan makes sense:

It will help you create and detail your financial goals
Establishing high level goals such as wealth accumulation, wealth preservation or enjoying a comfortable retirement are good beginning points, but by themselves lack specificity. Detailed goal setting and monitoring serves to provide a clear path with milestones and checkpoints that can help you achieve more predictable outcomes.

It will help you determine if your goals are practical, given your specific resources and timeline
At SAGE, once your specific goals have been defined, your Wealth Advisor works with you to determine an appropriate path, a playbook on how your goals can be achieved and how potential obstacles can be overcome.

There are several important questions that require consideration, to include; how much will you need to save and what types of investment solutions will be most appropriate? Also to consider, how much risk is required in order to achieve your goals and, as importantly, how comfortable are you with volatility in your portfolio? Clients learn quickly that among the most precious of commodities is time.

[1] Godbout,T. (2018 Oct 5). Why Don't More Americans Have a Financial Plan? www.asppa.org

It will help you prioritize your budget
Establishing quantitative and qualitative goals that are specific and custom to you will make prioritizing your budget a lot easier. Budgeting is often overlooked by higher earners but is an important part of a well-designed plan, even for those families with considerable excess income. Those on a fixed or declining income can be particularly impacted by life events and market volatility. Unlocking the full potential of your income is an important exercise and can be an eye opening experience.

It can expose mistakes you may be making
Financial Life Planning is an ongoing process and a partnership. SAGE is a learning organization and we are committed to continuous improvement. We work closely with our clients to help educate them on the importance of practicing good financial habits and discovering better and more efficient ways of managing their personal finances.

It will allow you to track your progress towards your goals
A regular review of your plan will allow you to ascertain if you are on course to meeting your wealth and legacy goals. It also helps determine if adjustments are in order based on changes in the environment or changes in your personal financial situation.

It will expose risks to your plan
Understanding the events and circumstances that pose the greatest threat to your plan's success is an important part of the planning process. Planning for potential risk and uncertainty in advance can help provide reassurance for you and your family.

It will provide you a better outlook and greater confidence
Our lives can be complex and unpredictable. Establishing a Financial Life Plan puts you in control. We are excited to continue the journey with you.

We act with purpose, are intentional with our advice, and serve as a catalyst to help you create your lasting legacy.

SAGE PRIVATE WEALTH GROUP

The Cost of Credit

All calculations assume constant monthly payments over the life of the loan, monthly calculation of interest on the remaining unpaid principal, and no prepayment.

This information is provided for illustrative purposes only. The actual amount of interest you'll pay on a loan will depend on several factors, including the amount you borrow, the interest rate, the repayment term, and loan conditions.

Sometimes you need to borrow money, especially to pay for a large purchase such as a home or a car. It's easy to focus on your monthly loan payment, but to appreciate how much borrowing money might really cost, you also need to consider the amount of interest you'll pay over time. The following tables illustrate the total interest paid over the life of three common types of loans that have a fixed annual interest rate and a fixed repayment term: mortgage loans, auto loans, and personal loans.

Mortgage loans

A home is often the biggest purchase you'll ever make. Loan repayment terms vary; this chart illustrates the total interest paid over a 30-year repayment term.

Loan amount	3%	4%	5%	6%
$250,000	$129,444	$179,674	$233,139	$289,595
$350,000	$181,221	$251,543	$326,395	$405,434
$450,000	$232,999	$323,413	$419,651	$521,272
$550,000	$284,776	$395,282	$512,907	$637,110
$650,000	$336,553	$467,152	$606,163	$752,948
$750,000	$388,331	$539,021	$699,418	$868,786

Auto loans

You may take out a loan to buy a new or used vehicle. Loan repayment terms vary; this chart illustrates the total interest paid over a 60-month repayment term.

Loan amount	2%	4%	6%	8%
$15,000	$775	$1,575	$2,400	$3,249
$20,000	$1,033	$2,100	$3,199	$4,332
$25,000	$1,292	$2,625	$3,999	$5,415
$30,000	$1,550	$3,150	$4,799	$6,498
$35,000	$1,808	$3,675	$5,599	$7,580

Personal loans

A personal loan is unsecured, meaning that no collateral is required, so the interest rate on this type of loan is typically higher than for a secured loan. Loan repayment terms vary; this chart illustrates the total interest paid over a 36-month repayment term.

Loan amount	6%	8%	10%	12%
$8,000	$762	$1,025	$1,293	$1,566
$10,000	$952	$1,281	$1,616	$1,957
$12,000	$1,142	$1,537	$1,939	$2,349
$14,000	$1,333	$1,794	$2,263	$2,740
$16,000	$1,523	$2,050	$2,586	$3,131

Is It Time to Review Your IRA Estate Planning Strategies?

The SECURE Act ushered in changes that may have a dramatic impact on IRA estate planning strategies. Account owners may want to review their plans with their financial professionals.

There are costs and ongoing expenses associated with the creation and maintenance of trusts.

The Setting Every Community Up for Retirement Enhancement (SECURE) Act, which was passed in December 2019 as part of a larger federal spending package, included a provision that warrants special attention from those who own high-value IRAs. Specifically, the "stretch" IRA provision — which permitted nonspouse beneficiaries who inherited IRAs to spread distributions over their lifetimes — has been substantially restricted. IRA owners may want to revisit their estate planning strategies to help prevent their heirs from getting hit with higher-than-expected tax bills.

The old "stretch" rules

Under the old rules, a nonspouse beneficiary who inherited IRA assets was required to begin minimum distributions within a certain time frame. Annual distributions could be calculated based on the beneficiary's life expectancy. This ability to spread out taxable distributions over a lifetime helped minimize the annual tax burden on the beneficiary. In the past, individuals could use this stretch IRA strategy to allow large IRAs to continue benefiting from potential tax-deferred growth for possibly decades.

Example: *Consider the hypothetical case of Margaret, a single, 52-year-old banking executive who inherited a million-dollar IRA from her 85-year-old father. Margaret had to begin taking required minimum distributions (RMDs) from her father's IRA by December 31 of the year following her father's death. She was able to base the annual distribution amount on her life expectancy of 32.3 years. Since she didn't really need the money, she took only the minimum amount required each year, allowing the account to continue growing. Upon Margaret's death at age 70, the remaining assets passed to her 40-year-old son, who then continued taking distributions over the remaining 13.3 years of Margaret's life expectancy. The account was able to continue growing for many years.*

The new rules

As of January 2020, the rules for inherited IRAs changed dramatically for most nonspouse beneficiaries.[1] Now they generally are required to liquidate the account within 10 years of the account owner's death. This shorter distribution period could result in unanticipated and potentially large tax bills for high-value inherited IRAs.

Example: *Under the new rules, Margaret would have to empty the account, in whatever amounts she chooses, within 10 years. Since she stands to earn her highest-ever salaries during that time frame, the distributions could push her into the highest tax bracket at both the federal and state levels. Because the account funds would be depleted after 10 years, they would not eventually pass to her son, and her tax obligations in the decade leading up to her retirement would be much higher than she anticipated.*

Notable exceptions

The new rule specifically affects most nonspouse designated beneficiaries who are more than 10 years younger than the original account owner. However, key exceptions apply to those who are known as "eligible designated beneficiaries" — a spouse or minor child of the account owner; those who are not more than 10 years younger than the account owner (such as a close-in-age sibling or other relative); and disabled and chronically ill individuals, as defined by the IRS. The 10-year distribution rule will also apply once a child beneficiary reaches the age of majority and when a successor beneficiary inherits account funds from an initial eligible designated beneficiary.

A word about trusts

In the past, individuals with high-value IRAs have often used what's known as conduit — or "pass-through" — trusts to manage the distribution of inherited IRA assets. The trusts helped protect the assets from creditors and helped ensure that beneficiaries didn't spend down their inheritances too quickly. However, conduit trusts are now subject to the same 10-year liquidation requirements, so the new rules may render null and void some of the original reasons the trusts were established.

What can IRA account owners do?

IRA account owners should review their beneficiary designations with their financial or tax professional and consider how the new rules may affect inheritances and taxes. Any strategies that include trusts as beneficiaries should be considered especially carefully. Other strategies account owners may want to consider include converting traditional IRAs to Roths; bringing life insurance, charitable remainder trusts, or accumulation trusts into the mix; and planning for qualified charitable distributions.

[1] For account owners who died prior to December 31, 2019, the old rules apply to the initial beneficiary only (i.e., successor beneficiaries will be subject to the 10-year rule).

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IM AFRAID THERE'S NOTHING I CAN PRESCRIBE FOR PERSONAL FINANCIAL DISORDER.

Is there any way to stop getting unwanted robocalls?

Whether it's a helpful announcement from your child's school or an appointment reminder from a doctor's office, getting robocalls has become an everyday occurrence. Unfortunately, robocalls are also used by criminals to collect consumers' personal and financial information and/or conduct various scams.

The good news is that consumers have won additional protections against unwanted robocalls under the Telephone Robocall Abuse Criminal Enforcement and Deterrence (TRACED) Act. One of the main goals of the law is to make it easier for consumers to avoid unwanted robocalls by:

- Requiring all carriers to implement caller-ID technology at no additional cost to consumers
- Making it easier for law enforcement to prosecute illegal robocallers and increasing penalties for robocall violations
- Creating an interagency task force to study and improve government prosecution of robocall violations

Even when these new protections are implemented, it will take some time to eliminate unwanted robocalls. In the meantime, here are some things you can do to protect yourself:

- Don't answer calls when you don't recognize the phone number.
- If you pick up an unwanted robocall, hang up right away and avoid answering "yes" or "no" questions, providing personal information, or pressing a number to "opt out."
- Consider signing up for a robocall blocking service. Many phone service providers now offer robocall blocking solutions at no additional charge, or you can download additional robocall protection through a third-party app.
- Register your phone number on the National Do Not Call (DNC) Registry, which removes your number from the call lists used by legitimate telemarketing companies. Keep in mind that registering with the DNC Registry will result in your getting fewer calls from legitimate telemarketers, but it won't stop illegal robocallers from contacting you.