GREAT PLAINS

Trust and Asset Management

FOURTH QUARTER 2019 *Because Money Matters.®*

Annual Gifting

The annual gift tax exclusion was indexed for inflation beginning in 1997. The 2019 amount is $15,000 per person. This means that you can give anyone up to $15,000 without breaking rules or incurring tax. The $15,000 amount can be given to an unlimited number of people. In addition, you can make unlimited gifts in the form of tuition and other qualified educational expenses and medical expenses if you pay the learning institution or the care provider directly.

If you have appreciated stock that you would like to gift to relatives or donate to a charitable organization and avoid paying capital gains tax, please let GPTC know by December 15th so that we can make sure this is taken care of for you prior to December 31st.

The Queen of Soul's Estate Battle

We often hear of celebrities that have many handlers including personal assistants, agents, managers, attorneys, tax preparers, and financial consultants; yet for whatever reason, they die without an estate plan. As was widely reported, this was the case when the Queen of Soul, Aretha Franklin, passed away last year.

When a person dies without a will or trust document, his or her assets are forced through the judicially supervised probate process. This means that assets are distributed according to state laws that vary across the country. This can sometimes lead to results that the decedent never would have wanted. For example, an estranged child, sibling, parent or even that long lost 8th cousin might inherit.

In Aretha's case, nearly a year after she passed away, three handwritten documents were discovered in her home. They appeared to be written by her and that she intended them to serve as wills. Approximately half of the states accept holographic wills with varying requirements.

The first step in Aretha's situation was to submit the will to probate where a hearing was held in front of a judge, and not surprisingly, there were parties that objected. This means that the parties will have to battle it out with evidence and witnesses in an attempt to determine Aretha's intent. Aretha also left scribbles and parts that were difficult to read. This too will lead to further litigation.

> *"When a person dies without a will or trust document, his or her assets are forced through the judicially supervised probate process."*

In any event, settling her estate continues to be a long and drawn out process which will also be very expensive. Most of these problems could have been avoided with proper estate planning. If you learn from her mistakes and create an estate plan for yourself, you can spare your loved ones of the same fate. ❖

Catch a man a fish, and you can sell it to him. Teach a man to fish, and you ruin a wonderful business opportunity.
~ Karl Marx

I am an optimist. It doesn't seem too much use being anything else.
~ Winston Churchill

Year-End Retirement Planning Reminders

- Required Minimum Distributions (RMDs) must be taken by December 31st for applicable IRAs and Qualified Plans.
- As a reminder, GPTC can work with terminated plan participants to arrange rollovers to new IRAs. Plan sponsors should contact their account executive for assistance.
- Deferrals to 401(k) plans for 2019 must be initiated by December 31st; however, due to some payroll cycles, funds may not reach plans until 2020. The maximum deferral amount for 2019 is $19,000 ($25,000 if age 50 or over).

Why Recessions Aren't All Bad

The word "Recession" throws fear into many investors' thinking. The definition of recession is a slow economic period where gross domestic product declines and unemployment increases for two or more quarters. According to the National Bureau of Economic Research, the last recession lasted over eighteen months and ended in June 2009. (We all remember the Mortgage crisis). Typically recessions occur every four years on average and they come usually without warning. The truth is, recessions are a natural part of the business cycle and can actually be good for the economy and well-prepared investors. Often by the time we know we're in a recession it's usually close to the end. Market volatility is a fact of economic life, but the cycle of lower prices for a time can offer an excellent opportunity to buy stocks "on sale." After every recession in the past 100 years, the stock market has recovered to new all-time highs.

There is a lot of talk in the press about the next pending recession. When it does actually happen, remember that adding to your investments at lower prices translates into higher long-term returns. It gives money managers an opportunity to reposition your portfolios for future success. Avoid the impulse to abandon your investing strategy as history is on your side. ❖

Qualified Charitable Distributions

An often overlooked tax strategy with respect to required minimum distributions from IRAs and charitable intention can be found in a Qualified Charitable Distribution (QCD).

QCDs allow taxpayers 70.5 years of age or older to make a charitable contribution directly from an IRA and exclude it from gross income for tax purposes. Because income from a charitable distribution "bypasses" the taxpayer's 1040, QCDs can be used to keep adjusted gross income (AGI) and taxable income within a desired range. This can prevent income from reaching certain thresholds for income tax purposes. QCDs count toward the required minimum distribution for the year. Married individuals filing a joint return may exclude up to $100,000 from each spouse's IRA.

GPTC can assist you in making sure that payment is made directly to a charitable organization. You should consult with your tax preparer to confirm eligibility and whether or not this would be beneficial to you. QCDs should be requested by December 15th. ❖

Rollover IRA Basics

What is a Rollover IRA?

A Rollover IRA is an investment vehicle that enables you to move retirement assets from an employer's qualified retirement plan to an IRA. A Rollover IRA was designed for people who are leaving their job or retiring and are receiving money accumulated in an employer-sponsored plan.

What is the advantage of a Rollover IRA?

A Rollover IRA may allow you to defer current taxes and penalties on the distribution you would take from an employer's pension plan.

What is a direct rollover?

A direct rollover occurs when you direct your current employer to make your distribution or withdrawal check payable directly to the financial institution holding

your rollover IRA. You will be held responsible to pay any taxes and penalties on any amount that is made payable directly to you.

Are my investment options the same in my Rollover IRA?

GPTC will work with you to develop an overall strategy that builds a diversified portfolio that might actually provide more investment options tailored to your needs than your previous plan offered. Among other things, this will incorporate your income needs, risk tolerance, and overall objectives.

What are the taxes and penalties if I take a distribution from my current employer and do not reinvest the money in an IRA?

A 20% mandatory federal income tax withholding will be required immediately on any amount made payable to you. The distribution will be reported on your federal income tax return as ordinary income. Also, if you are under the age of 59 ½ you will have to pay a 10% early withdrawal penalty.

If I reinvest the amount made payable to me can I recover the 20% mandatory withholding?

You have 60 days after receipt of the distribution to reinvest the distribution in an IRA in order to avoid paying taxes and penalties. You must replace the 20% tax withheld with your own savings once reinvested. You will receive credit for the 20% tax withholdings toward your income tax liability when you file your tax return.

For Example:

If you were to receive a $30,000 distribution, but received only $24,000 because 20% was withheld for federal income taxes, you still must make a rollover contribution of $30,000 ($24,000 distribution amount plus $6,000 of your own savings, to cover the taxes withheld) to avoid taxation. You would then receive a tax credit of $6,000 on your federal income tax return.

Can I withdraw the assets in my Rollover IRA?

You have total access to the monies invested in your Rollover IRA. However, if you decide to withdraw monies from your IRA, the withdrawal will be taxed at your current income tax rate plus a 10% early withdrawal penalty if you are younger than 59 ½.

At what age must I start taking distributions from my Rollover IRA?

You must begin taking distributions from your Rollover IRA no later than April 1 of the year after reaching age 70 ½. These distributions are known as Required Minimum Distributions or RMDs. You must take an RMD every year after reaching age 70 ½. Your RMD calculation is based on the previous year-end IRA balance and a factor based on your current age.

For assistance or questions concerning an IRA rollover or a current contribution, please contact Great Plains Trust at 1-888-529-2776 or 913-831-7999. We would be happy to assist you.