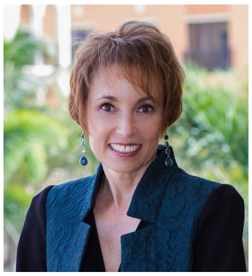

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Legacy Family Office is built around your family and your needs, and intently focused on simplifying your complex financial matters. We help families preserve wealth across generations.

If you would like to discuss the unique challenges facing your family, please contact our experienced team at Legacy Family Office.

Then and Now

In 2003, the U.S. was emerging from the dot-com recession, unemployment rates were peaking during a jobless recovery, and online shopping was becoming more popular. Twenty years have passed, and here's how some things have changed — one pandemic and two recessions later.

	Average mortgage rate (30-year fixed)[1]	Unemployment rate[2]	E-commerce sales (percent of total retail)[3]	Personal saving rate (percent of disposable income)[4]	Average credit card interest rate[5]
2003	6.32%	6.1%	1.7%	6.1%	12.89%
2023	7.18%	3.8%	15.4%	3.5%	22.16%

Sources: 1) Freddie Mac, 2023 (August); 2) U.S. Bureau of Labor Statistics, 2023 (August); 3) U.S. Census Bureau, 2023 (Q2); 4) U.S. Bureau of Economic Analysis, 2023 (July); 5) Federal Reserve Board, 2023 (Q2)

Much Ado About RMDs

The SECURE 2.0 Act, passed in late 2022, included numerous provisions affecting retirement savings plans, including some that impact required minimum distributions (RMDs). Here is a summary of several important changes, as well as a quick primer on how to calculate RMDs.

What Are RMDs?

Retirement savings accounts are a great way to grow your nest egg while deferring taxes. However, Uncle Sam generally won't let you avoid taxes indefinitely. RMDs are amounts that the federal government requires you to withdraw annually from most retirement accounts after you reach a certain age. Currently, RMDs are required from traditional IRAs, SEP and SIMPLE IRAs, and work-based plans such as 401(k), 403(b), and 457(b) accounts.

If you're still working when you reach RMD age, you may be able to delay RMDs from your current employer's plan until after you retire (as long as you don't own more than 5% of the company); however, you must still take RMDs from other applicable accounts.

While you can always withdraw more than the required minimum, if you withdraw less, you'll be subject to a federal penalty.

Four Key Changes

1. Perhaps the most notable change resulting from the SECURE 2.0 Act is the age at which RMDs must begin. Prior to 2020, the RMD age was 70½. After passage of the first SECURE Act in 2019, the age rose to 72 for those reaching age 70½ after December 31, 2019. Beginning in 2023, SECURE 2.0 raised the age to 73 for those reaching age 72 after December 31, 2022, and, in 2033, to 75 for those who reach age 73 after December 31, 2032.

When Must RMDs Begin?

Date of Birth	RMD Age
Before July 1, 1949	70½
July 1, 1949, through 1950	72
1951 through 1959	73
1960 or later	75

2. A second important change is the penalty for taking less than the total RMD amount in any given year. Prior to passage of SECURE 2.0, the penalty was 50% of the difference between the amount that should have been distributed and the amount actually withdrawn. The tax is now 25% of the difference and may be reduced further to 10% if the mistake is corrected in a timely manner (as defined by the IRS).

3. A primary benefit of Roth IRAs is that account owners (and typically their spouses) are not required to take RMDs from those accounts during their lifetimes, which can enhance estate-planning strategies. A provision in SECURE 2.0 brings work-based Roth accounts in line with Roth IRAs. Beginning in 2024, employer-sponsored Roth 401(k) accounts will no longer be subject to RMDs during the original account owner's lifetime. (Beneficiaries, however, must generally take RMDs after inheriting accounts.)

4. Similarly, a provision in SECURE 2.0 ensures that surviving spouses who are sole beneficiaries of a work-based account are treated the same as their IRA counterparts beginning in 2024. Specifically, surviving spouses who are sole beneficiaries and inherit a work-based account will be able to treat the account as their own. Spouses will then be able to use the favorable uniform lifetime table, rather than the single life table, to calculate RMDs. Spouses will also be able to delay taking distributions until they reach their RMD age or until the account owner would have reached RMD age.

How to Calculate RMDs

RMDs are calculated by dividing your account balance by a life expectancy factor specified in IRS tables (see IRS Publication 590-B). Generally, you would use the account balance as of the previous December 31 to determine the current year's RMD.

For example, say you reach age 73 in 2024 and have $300,000 in a traditional IRA on December 31, 2023. Using the IRS's Uniform Lifetime Table, your RMD for 2024 would be $11,321 ($300,000 ÷ 26.5).

The IRS allows you to delay your first RMD until April 1 of the year following the year in which it is required. So in the above example, you would be able to delay the $11,321 distribution until as late as April 1, 2025. However, you will not be allowed to delay your second RMD beyond December 31 of that same year — which means you would have to take two RMDs in 2025. This could have significant implications for your income tax obligation, so beware.

An RMD is calculated separately for each IRA you have; however, you can withdraw the total from any one or more IRAs. Similar rules apply to 403(b) accounts. With other work-based plans, an RMD is calculated for and paid from each plan separately.

For more information about RMDs, contact your tax or financial professional. There is no assurance that working with a financial professional will improve investment results.

New Life for Your Old Insurance Policy

Life insurance can serve many valuable purposes. However, later in life — when your children have grown, you've retired, or you've paid off your mortgage — you may think you no longer need to keep your coverage, or perhaps your coverage has become too expensive. You might be tempted to abandon the policy or surrender your life insurance coverage, but there are other alternatives to consider.

Term vs. Perm

If you have term life insurance, you generally will receive nothing if you surrender the policy or let it lapse by not paying the premiums. However, depending on your age, your health status, and the time left in the term, you may be able to extend the coverage or convert the policy to a permanent policy. The rules for extension and conversion vary by policy and company.

On the other hand, if you own permanent life insurance, the policy may have a cash surrender value (CSV), which you can receive upon surrendering the insurance. If you surrender your cash value life insurance policy, any gain resulting from the surrender (generally, the excess of your CSV over the cumulative amount of premiums paid) will be subject to federal and possibly state income tax. Also, surrendering your policy prematurely may result in surrender charges, which can reduce your CSV.

Exchange the Old Policy

Another option is to exchange your existing permanent life insurance policy for either a new life insurance policy or another type of insurance product. Under the federal tax code, this is known as an IRC Section 1035 exchange.

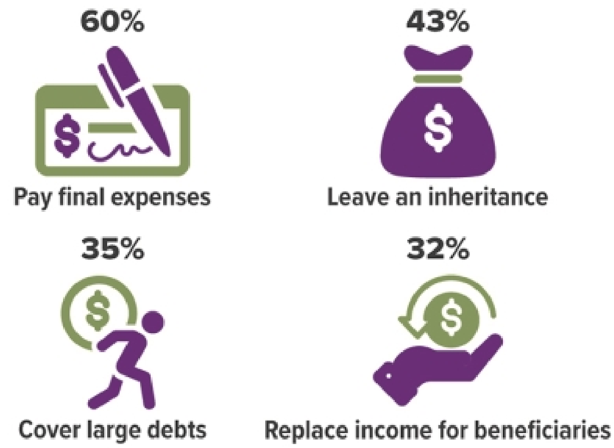
The exchange must be made directly between the insurance company that issued the old policy and the company issuing the new policy or contract. The rules governing 1035 exchanges are complex, and you may incur surrender charges from your current life insurance policy. In addition, you may be subject to new sales, mortality, expense, and surrender charges for the new policy.

Here are some options for a 1035 exchange.

Lower the premium. If the premium cost of your current life insurance policy is an issue, you may be able to lower the premium by reducing the death benefit, which would not require an exchange. Or you can try to exchange your current policy for a policy with a lower premium cost. However, it's possible that you may not qualify for a new policy because of your age, health problems, or other reasons.

Why Buy Life Insurance?

Although life insurance has traditionally been viewed as a way to replace income after the death of a wage earner, consumers are more likely to give other reasons for purchasing coverage.



Source: NerdWallet, 2022 (multiple responses allowed)

Create an income stream. You may be able to exchange the CSV of a permanent life insurance policy for an immediate annuity, which can provide a stream of income for a specific period of time or for the rest of your life. Each annuity payment will be apportioned between taxable gain and nontaxable return of capital. You should be aware that by exchanging the CSV for an annuity, you will be giving up the death benefit, and annuity contracts generally have fees and expenses, limitations, exclusions, and termination provisions. Also, any annuity guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

Provide for long-term care. Another option is to exchange your life insurance policy for a tax-qualified long-term care insurance (LTCI) policy. Any taxable gain in the CSV is deferred in the long-term care policy, and benefits paid from the tax-qualified LTCI policy are received tax-free. Keep in mind that if an LTCI policy does not accept lump-sum premium payments, you would have to make several partial exchanges from the CSV of your existing life insurance policy to the LTCI policy provider to cover the annual premium cost. A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. Carriers have the discretion to raise their rates and remove their products from the marketplace.

Whatever option you choose, it may be wise to leverage any cash value in your unwanted life insurance policy to meet other financial needs.

How to Kill Your Zombie Subscriptions

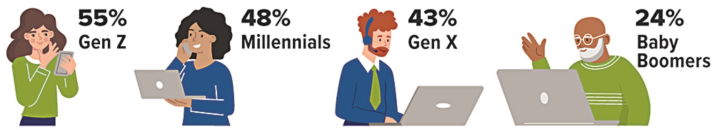
In a 2022 survey, consumers were first asked to quickly estimate how much they spend on subscription services each month, then a while later, they were directed to break down and itemize their monthly payments. On average, the consumers' actual spending was $219 per month, about 2.5 times as much as the $86 they originally guessed.[1]

Zombie subscriptions are auto-renewing services that people sign up for then forget about or rarely use. Some common examples include mobile phone and internet plans, television, music, and game streaming services, news subscriptions, meal delivery, language courses, and health/fitness memberships (digital and in person).

New types of services are rolling out every day, which is just one reason why subscription costs can creep up on you. But with inflation cutting into your purchasing power, getting rid of a few unnecessary recurring charges could help balance your household budget.

Conduct an audit. Some subscriptions are billed annually, so you may need to scrutinize a full year's worth of credit card statements. Plus, if you purchased a subscription through an app store on your smartphone, the name of the service won't be specified. So when you notice a recurring charge that you can't identify, try looking for a list of subscriptions in your device's settings.

Share of consumers who forgot about subscriptions but still paid for them, by age group



Source: C+R Research, 2022

Use an app. One in 10 consumers said they rely on banking and personal finance apps to track their spending on subscription services. There are several popular services that can be used to scan account statements for recurring costs and remind you to cancel unwanted subscriptions before they renew automatically — if you are comfortable sharing your financial information.

Some companies make it difficult to cancel unwanted subscriptions by requiring a call, hiding the phone number, and/or forcing customers to wait to speak to a representative. If you find this practice frustrating, help may be on the way. The Federal Trade Commission has proposed a new rule that requires companies to make it just as easy to cancel a subscription as it is to sign up.

1) C+R Research, 2022

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