LIFE CHANGES CHECKLIST

1. ELDER CARE AND FAMILY BILL PAYING AND PLANNING CHECKLIST OR FOR FAMILY OFFICE SERVICES
2. NEEDED TO EVERY SUCCESSION PLAN
3. 30 WAYS TO TRANSFER OWNERSHIP TO A SUCCESSOR
4. FINANCIAL PLANNING ENGAGEMENT DOCUMENT REQUEST
5. FAMILY BUDGET WORKSHEET
6. SELP-EMPLOYED RETIREMENT PLANS CHECKLIST
7. IRA REQUIRED MINIMUM DISTRIBUTION “KIT”
8. QUESTIONS A CLIENT SHOULD ASK THEIR FINANCIAL ADVISOR CHECKLIST
9. INVESTMENT POLICY STATEMENT TEMPLATE
10. SAMPLE TERM SHEET DESCRIPTIONS FOR BANK LOAN
11. GETTING MARRIED FINANCIAL PLANNING ISSUES CHECKLIST
12. TAX ISSUES WHEN CHANGING YOUR STATE OF RESIDENCE CHECKLIST
13. OBITUARY QUESTIONAIRE

ELDER CARE AND FAMILY BILL PAYING AND PLANNING CHECKLIST
OR FOR FAMILY OFFICE SERVICES

Bill paying and bookkeeping

- ☐ Preparation of a tax payments and bills due calendar to track due dates
- ☐ Collect all bills and ascertain their validity and accuracy
- ☐ Following up on bills that appear incorrect
- ☐ Write and mail checks for payments due in a timely manner. This should be done at least weekly or more often based upon circumstances. Note that it is recommended that payments be made without prior authorization for recurring expenses and amounts under a predetermined value such as $2,000. Permitted items over that that threshold would include the monthly rent or mortgage payment, real estate taxes, insurance, income taxes, and estimated tax payments. All payments can be reviewed by the client when they receive the monthly reports and copies of bills paid. If there is an incorrect payment, it can be followed up at that time
- ☐ Arrange for payroll to be paid to full, part time or household employees and reviewing time records
- ☐ Arrange for payment to independent contractors such as private duty nurses and reviewing time records
- ☐ Income expected to be received will be reviewed to ascertain that it is received or deposited timely. This will include Social Security checks, IRA withdrawals, bank and/or bond interest income and dividends and any other income usually received
- ☐ Receipts for prescriptions and other medical and health care expenses will be submitted where necessary for reimbursement and follow up on their payment
- ☐ Digital files of original invoices and receipts will be maintained and accessible by the client or their authorized representative
- ☐ A monthly listing of all disbursements and receipts along with copies of all invoices and bills will be provided to the client or caregiver generally during the first week of each month
- ☐ Year to date summaries by categories (a general ledger) will be provided each month along with the monthly transaction listings
- ☐ All bank accounts will be reconciled monthly and copies of all bank reconciliations and the statements will be sent monthly – either digitally, by access to our portal or by postal mail as the client requests
- ☐ All brokerage and fund accounts will be reviewed and reconciled and copies will be sent to client
- ☐ All transfers in and out of each brokerage or bank account will be traced for validity
- ☐ Preparation of all required tax reporting statements including 1099s and W-2 forms
- ☐ A review of insurance policies to determine whether coverage is adequate including workers' compensation, umbrella and liability insurance
- ☐ Telephone calls to and from client and their authorized family members as necessary

Investment oversight

- ☐ The types of investment alternatives will be discussed as funds become available. Suggestions will be made, but there will be no direct decisions by the CPA. Decisions will be made by the client along with their investment manager. The CPA should not have signatory power over any investment accounts unless they are properly licensed and are performing investment management services

Tax assistance

- ☐ Whatever information is needed for the client's tax returns will be collected as received during the year
- ☐ The CPA will not be responsible to prepare any tax returns unless specifically engaged to do so, but will pay the estimated taxes when due

Administrative services

- ☐ A dedicated checking account where CPA could sign the checks should be opened. This account should have an initial balance equivalent to about two months of expenses. As the balance declines it would be replenished
- ☐ No income will be deposited into the account maintained to pay bills. Rather, all income will be deposited into accounts that client controls and where the CPA is not a signatory. The CPA will have access to this account to review deposits and reconcile the balances
- ☐ If requested CPA can calculate the required minimum distributions from retirement accounts and arrange for their withdrawal and deposit into the client's account or the checking account CPA will maintain for the client if that is to be the source of the funding
- ☐ The CPA should use small business accounting and investment tracking software (such as QuickBooks and Quicken). The versions used should be owned by the CPA and will not be billed to the client unless the software providers change their policy and require the purchase of separate software packages for use in these services.
- ☐ Preprinted checks will be ordered and billed to the client. To get started, temporary checks can be printed by the CPA

Additional services available

- ☐ Arranging for ambulance service or transportation to and from physicians, therapists and similar care providers
- ☐ Arranging for physicians or others to come to client's residence to perform their services
- ☐ Arranging for prescriptions to be renewed
- ☐ Arrangements for haircuts and beauticians
- ☐ Scheduling Wheels on Meals if necessary
- ☐ Arranging for people to visit, read and socialize with client
- ☐ Arranging for a client's cat, dog or pet to go to the vet

Planning services that can be provided

- ☐ Financial planning services including goal setting, asset allocation, cash flow and budget management and possibly debt reduction

- ☐ Assisting the client in developing an investment policy statement and long term strategy, including segregating “rainy day” funds
- ☐ Investment management including discretionary investing
- ☐ Estate planning
- ☐ Tax planning
- ☐ Tax return preparation
- ☐ Assistance in establishing a back-up account in case of disability of the elder care client

NEEDED FOR EVERY SUCCESSION PLAN

Regardless of the method used in a succession plan ownership will be transferred to another owner. Needed before any transaction can be planned or consummated is the following:

- ☐ An estate plan for the owner
- ☐ A financial plan for the owner
- ☐ An analysis of the cash flow from the transfer to the owner
- ☐ An analysis of the cash flow from the successor and sources of the funds
- ☐ Valuation of the business
- ☐ Possibly a banker
- ☐ Due diligence reviews by successor
- ☐ Employee should be represented by an advisor – definitely an attorney and possibly an accountant and valuation specialist
- ☐ There should absolutely be a buy-sell agreement with strong restrictive covenants
- ☐ Compensation agreement for all owners that work in the business

This list is not a suggestion, it is a must do. Get it done!

30 WAYS TO TRANSFER OWNERSHIP TO A SUCCESSOR

Succession planning is serious business but many owners fail to prepare, either through inaction, disinterest, not knowing how to start or what to do, or other priorities. What they do is their concern even though lack of a plan combined with a sudden death or disability can cause much disarray for stakeholders or dissipated value for the owner's family.

For those that want to know somewhat how the process works, here are 30 ways ownership can be transferred to a successor. The following was abstracted from a speech I regularly present with this title.

1. Sell the stock
2. Gift the stock
3. Stock given as additional compensation
4. Stock and cash given as additional compensation
5. Nonqualified stock options
6. Incentive stock options
7. Restricted stock issuance
8. Stock options or restricted stock issued in tandem with cash
9. Golden parachutes
10. Phantom stock
11. Shareholders', members' or partners' agreements
12. Clauses in compensation agreements
13. Setting up a new business
14. Clauses in a will
15. Living trust combined with an option
16. Stock redemption
17. Installment sale
18. Self-canceling installment note
19. Installment sale to a "defective" grantor trust
20. Charity remainder trust
21. Grantor retained interest trust
22. Employee stock ownership plan
23. Sale-Leaseback
24. Preferred stock recapitalization
25. S election
26. A B stock recapitalization
27. Private annuity
28. Stock Split Up
29. Family Limited Partnership
30. Leveraged buy-out

Many of the above methods are usually used in combinations. Additionally, many can be done pre or post death – it just needs the proper contractual agreements. This list runs the gamut of simple to complex but there is always a way to get it done for a willing client.

A word of caution is that many of these methods are highly technical and provisions of the Internal Revenue Code and Regulations must be strictly adhered to. Additionally, in some cases it might be desirable to secure an IRS ruling.

The above should give you an understanding that these things do occur. It just needs the owner to initiate the process.

FINANCIAL PLANNING ENGAGEMENT DOCUMENT REQUEST

Initial document request and includes memo to client

Following are some things you can bring when we meet. This is not all-inclusive and you can bring anything else that might not be on the list that you think is relevant or that you want to discuss.

Item	**Reason for needing information**
1. Bring copies of your tax returns for last two years for me to look at – I do not need to keep the copies. Also, bring copies of W-2 forms reported on the returns.	This will show the amounts and sources of income; the amounts and types of deductions. It will show income from pensions, IRAs, annuities, Social Security, and installment sales. It will show ownership of real estate, partnerships, LLCs, S Corporations, security trading activity and loss carry forwards. It will separately show AMT items such as employer ISOs. In addition, the take home pay can be calculated quickly by looking at the W-2s. A quick look at the dividend and interest income can yield impressions of the risk tolerance and asset allocation, and if there are high concentrations of stock ownership.
2. If you have any mortgage or equity loans on your residence bring details such as term and interest rate. If you have a home equity line of credit available (whether or not you drew against it) and what are the terms.	Shows leverage and need to uncover reasons.
3. Details of any other debts including credit cards. Please bring the last statement for each account.	Shows level of responsibility toward their personal finances. Reason for debt might also uncover non-evident personal situations that need to be factored into planning.
4. Ages of your children, and their general financial situation.	Different planning if client needs to provide support, financial assistance or special help for children and/or grandchildren.
5. Information regarding anyone you are supporting, outside of those living in your house.	Important for planning.

6. Complete details of any annuities you have – including what you make annually from it – what the investments inside the annuity are– what you are guaranteed – the penalty for terminating the annuity – and how long you had it – and the title of the account – is it within an IRA or other tax sheltered retirement account	A financial asset that does not appear on tax return if distributions are not being made. Ask if any charity gift or immediate annuities. Source of or potential source of cash flow.
7. Bring the last bank and brokerage statements of each account you have, including dividend reinvestment plans. The statements should all be with the same closing date. For example if the last statements you have from most of your accounts are May 31, and one account is dated March 31 – then bring all the March 31 statements. Bring subsequent statements if major changes have occurred.	Need to know total financial assets; asset allocation; available cash; cash flow; general idea of risk tolerance, and a reflection of the type of advice they may be currently getting. This is part of picture. Also will need same information for tax-deferred accounts (see below).
8. Details of any pension income you are or will receive. What the survivor benefits are. If you are an active participant in an employer pension plan, the last statement provided to you would usually be sufficient.	Current or future source of cash flow.
9. Bring the last bank or brokerage statement of each retirement plan, IRA, Pension, 401k, and 403b account you have, also with the same closing date.	Need to know assets in tax deferred accounts or Roth IRAs. This will be combined with assets in non-tax deferred accounts to develop a holistic approach to client's cash and investable assets.
10. If you have employer securities in your 401k account, please bring cost details.	This would be important if you are contemplating terminating your employment and have the ability to rollover your 401k to an IRA or another qualified plan.

11. Bring your last participant statement if you are in an Employer Stock Option Plan (ESOP).	This should be part of your asset allocation and would be considered as part of a "concentrated" stock position.
12. If you have a concentrated stock position, i.e. more than 15% of your total financial assets in one company, please bring a schedule of the cost of those shares by number of shares, date purchased and amount.	If so, this will require special attention and special handling since occasionally client is emotionally attached to the investment. Will also need to determine the reason for the concentration.
13. Bring schedules of the expiration dates of all employer stock options and indicate if they are incentive stock options or non-qualified stock options.	This should be part of your asset allocation and would be considered as part of a "concentrated" stock position. Decisions will also have to be considered of when to exercise and any alternative minimum tax avoidance potential. Also considered will be whether there should be a "cashless" exercise.
14. If you have restricted stock from your employer, bring schedules indicating the date issued, cost and value when issued, vesting dates, and approximate current value.	This should be part of your asset allocation and would be considered as part of a "concentrated" stock position. Decisions will also have to be considered of when to exercise, whether a Section 83b election can be made (this election can only be made within 30 days of being granted the shares), and strategies and tax consequences upon vesting.
15. Bring details of cost of any shares you own through your employer's stock purchase plans.	This should be part of your asset allocation and would be considered as part of a "concentrated" stock position.
16. If you have any other cash, or stocks or bonds, please bring a listing, or the last bank or brokerage account statement for them.	Catch all in case there are accounts client does not consider being in any of the categories specifically listed in this document request.
17. Bring a copy of your current will for me peruse.	A 30-second look can determine if there are special bequests or needs for an heir. This will then need to be discussed. If client doesn't have a will, or has a very old will, that gives an impression of their attitude toward planning.
18. If you have granted anyone a power of attorney, please bring a copy of the power form.	This will be discussed very briefly.

19. Bring copies of any trusts you established, or are a beneficiary of, or are a trustee.	Special needs trusts. Inheritances. Structured legal settlements. Living Trusts (find out reason for establishment). Trusts established for benefit of client. Charity remainder trusts. Qualified Personal Residence Trusts. Grantor Retained Trusts. Anything of this sort.
20. Bring copies of any documents relating to estates you are a beneficiary of.	Inheritances that have occurred or that are in process or probate.
21. Details of any life insurance you, your spouse or partner have – including face, premiums, ownership and beneficiaries. This would include employer provided life insurance.	Look at type and amount of insurance and cash value and policy expiration date. Try to determine original purpose of insurance and current need and whether premiums are being paid; and ownership and if in a trust. If in a trust, tell client to check with attorney or accountant regarding Crummey letters.
22. If you have umbrella insurance coverage, please provide me with the amount .	This concerns your overall asset protection and liability for loss from an unanticipated disaster.
23. Copies of any financial agreements such as a divorce or marital separation agreement, prenuptial agreement, or employment contracts.	It is surprising how often these pop up, and they won't if client is not asked about it. If there are requirements for funding, ask client to check with advisors if they are properly and fully funded. This will not be covered at the meeting.
24. Your annual personal household and cash expenditures – a round ballpark number is all I need.	Cannot help on asset allocation if the cash flow needs are not known. This can be ball parked if client doesn't come prepared with this information. I take total income shown on tax return, add non-taxable income, then subtract the unspent income (such as bank CD income and DRIP dividends), 401k and flexible spending amounts on W-2, withholding taxes including FICA and Medicare. I then try to determine if savings were added to or reduced and factor this amount into the cash flow from the income. That should provide the amount available for spending for the year. This is reduced by the deductions on the tax return such as medical, mortgage interest, charity and other items on the return. Also, reduce the mortgage principal that has been repaid. This can take ten to fifteen minutes. This item can be saved if client comes prepared with this information. Note: In extreme cases, we suggest keypunching all of the client's transactions for the previous year or two, including credit card spending.

25. Details of any real estate you own – original cost, approximate additions, major repairs and renovations, and present value.	The tax return provides a road map of real estate owned and cash flow.
26. If you own a business, please bring the latest three years' financial statements and tax returns; and any stockholders, partners, members' agreements including buy-sell. Also bring a copy of any business appraisals during last ten years.	Depending on size of business, this could be a very important part of meeting. A business buy-sell agreement is similar to a will for an individual, but many businesses do not have one.
27. Also bring details of any business owned life insurance on you or partners, members or fellow stockholders.	Important to know and an indication of "value" of business.
28. Details of any other assets of value you have such as jewelry and art. If the items are covered by insurance, please bring the policies.	Surprising what can turn up. Painting that cost $10,000 can be worth a million bucks!!!

If you do not have everything, or if it is too difficult to get the information, do not spend a lot of time before the meeting creating the information. If it is needed for a future meeting, you will have time afterwards to get or recreate the information. The more info you bring the better, but it is more important to come to meeting and not to delay it.

Everything listed above is pertinent to our discussion, but we will only spend minimal time on some of the items. For instance, the information I could get from your will in a 30-second look could save a few minutes of questions and answers. A less than one-minute look at your tax returns will provide me with information that could take you 45 minutes of filling out an investment profile questionnaire. Note that I DO NOT need copies of anything to keep.

The above information request seems like a lot and might seem overly voluminous**. You should consider the meeting as something that might alter the course of the rest of your life, and the degree of financial security you should have.** In that case, shouldn't we use as much information as possible? The greater the input, the more applicable the output will be.

When we start our meeting, I will ask you why you came and what you hope to accomplish. Please try to jot this down before you come so your responses would flow easier and quicker. If you have broad financial security goals, also jot these down for you to use at our meeting. I do not want you to give me your notes – I will ask you questions and will mark down your replies in a way that I could use them to advise you. I will likewise provide you with no copies of my notes. You can however take any notes you want.

To maximize the benefits from our meeting, and to accomplish what we need to, the better prepared you are will result in a more efficient meeting. Keep in mind that our goal is to determine if your investment holdings and strategies are consistent with your goals, and if not, what tweaking or changes are in order.

Note that no estate or tax planning will be done at our meetings, and none should be inferred or expected. No investment advice will be provided other than asset allocation and financial security risk/reward discussions and none should be acted on without you discussing it with an investment adviser.

FAMILY BUDGET WORKSHEET

The following worksheet can be used to assist clients in preparing a family budget. Adapt as necessary. At the end is a brief section to calculate the change in the client's net worth.

Section 1: Items of expenditure or cash out flow	**Amount**
Financial payments:	
Repayment of debt	
Periodic savings or investment program	
Mortgage payment (principal and interest)	
Real estate taxes	
Rent	
Credit card fees and bank charges	
Household expenses:	
Food and groceries	
Telephone	
Cable	
Utilities: Gas, Electric and Water	
Garbage removal	
Cleaning	
Maintenance	
Repairs	
Gardening	
Lawn mowing	
Snowplowing	
Insurance premiums	
Life insurance, disability and long term care premiums	
Medical and health insurance	
Furnishings	
Alarm system	
Clerical and office costs:	
Postage	
Office supplies	
Computer costs	
Accountant and tax preparation	
Subscriptions, publications, books and downloads	
Health, entertainment and relaxation:	

Physicians and dentists	
Prescriptions	
Eating out	
Entertainment	
Travel and vacations	
Health club	
Weight loss programs	
Courses	
Massages	
Children's costs	
Allowances	
After school programs	
Tuition	
School room and board	
Day care	
Parties	
Summer camp	
Allowance	
Personal:	
Cash payments	
Clothing purchases	
Laundry	
Hair dresser, nails and barber	
Auto lease or loan	
Auto gas, maintenance and licenses	
Tolls and parking	
Auto insurance	
Local transportation and commuting	
Job related costs	
Gifts	
Charity	
Holiday tips	
Pet costs	
Other	
Income tax payments	
Pension and IRA	
Non discretionary items	
Alimony	

Total spent	
Take home pay or total cash inflow that you lived on	
Difference (Subtract total spent from take home pay) If a plus – good for you! If a minus – you have work to do	
Section 2: Change in net worth	
Add back investment items included above	
Repayment of debt	
Periodic savings or investment program	
401k or 403b deductions from payroll	
Pension and IRA	
Other employer savings programs you contributed to	
Net change in net worth If a plus – good! If a minus – you have serious work to do	

This worksheet can be used to calculate the change in net worth from take home pay. Just complete the Section 2 at the bottom.

The budgets above are for current expenses. To be factored in are special non annual or regular expenses such as a car purchase or home improvements. Also needed to take into account are rising costs due to inflation if the budget is for a prolonged period.

SELF-EMPLOYED RETIREMENT PLANS CHECKLIST

There are a number of retirement plans a self-employed person can establish. Some can be more applicable for a one person business and others where there are numerous employees. Some plans have annual fees and all have employee notification requirements. Here are some plans that can be established. Brian Lovett, CPA, JD assisted in the preparation of this checklist.

SIMPLE Plan IRA (Savings Incentive Match Plan for Employees), SIMPLE 401k and Safe Harbor 401k
Deadline to establish these plan: October 1 of the tax year.
Contribution deadline: Due date including extensions of the tax return for which the deduction is claimed. It is sooner for contributions by participants.
Maximum deduction for 2019: $13,000 plus $3,000 "catch up" amount for taxpayers over age 50. Additionally employer matching contributions can be made that will exceed these limits (see next section).
Employee coverage: There are choices for the employer, with one choice being that the employer must contribute 3% of compensation only for employees that elected to participate in the plan. Employee participation is completely voluntary. Note that the 3% can also be contributed for the owner of the business with no limit on compensation. With sufficiently high compensation, the total limit on the 2019 contribution could be $59,000 including the $3,000 catch up amount. This plan cannot be established if the employer has more than 100 employees.
IRS filing requirements: None for SIMPLE. A 401k must file a Form 5500 when assets exceed $250,000.

401k and Roth 401k
Deadline to establish plan: December 31.
Contribution deadline: Due date including extensions of the tax return for which the deduction is claimed. It is sooner for contributions by participants.
Maximum deduction for 2019: $19,000 plus $6,000 "catch up" amount for taxpayers over age 50. Additionally, employer matching contributions can be made that will exceed these limits.
Employee coverage: Voluntary, but where there are employees, the contributions for the owners could be limited based upon the employee participation, and there could be mandatory employer contributions for all eligible employers whether they participate or not.
IRS filing requirements: Form 5500 needs to be filed when assets exceed $250,000.

Solo 401k combined with a defined contribution plan
Deadline to establish plan: December 31.
Contribution deadline: Due date including extensions of the tax return for which the deduction is claimed. It is sooner for contributions by participants.
Maximum deduction for 2019: 401K portion: $19,000 plus $6,000 "catch up" amount for taxpayers over age 50. Defined contribution portion: approximately 20% of net business income or 25% of the owner's salary if paid by a corporation with a maximum of an additional amount to bring the total up to $56,000 from all sources including employer match and profit sharing but the over 50 catch up amount can bring this up to $62,000.
Employee coverage: This plan is designed for sole proprietors with no employees.
IRS filing requirements: Form 5500 needs to be filed when assets exceed $250,000.

SEP Plan (Simplified Employee Pension)
Deadline to establish plan: Due date including extensions for the tax year for which the deduction will be claimed. With extensions this can be as late as October 15 of the year following the year the deduction is claimed.
Contribution deadline: Due date including extensions of the tax return for which the deduction is claimed.
Maximum deduction for 2019: $56,000. No "catch up" contributions are permitted.
Employee coverage: Employees must be covered. Before setting up this plan, the participation requirements should be reviewed to see if this plan is advisable.
IRS filing requirements: None

IRA and Roth IRA
Deadline to establish plan: Due date (not including extensions) for the tax year for which the deduction will be claimed. This can be as late as April 15 of the year following the tax year.
Contribution deadline: Due date (not including extensions) for the tax year for which the deduction will be claimed.
Maximum deduction for 2019: $6,000 plus $1,000 "catch up" amount for taxpayers over age 50.
Employee coverage: Not applicable.
IRS filing requirements: None

Keogh (HR-10) money purchase, profit sharing and defined contribution pension plans
Deadline to establish plan: December 31 of the tax year.
Contribution deadline: Due date including extensions of the tax return for which the deduction is claimed.
Maximum deduction for 2019: $56,000. No "catch up" contributions are permitted.
Defined benefit plans: The Keogh format might be more appropriate for defined benefit plans. The use of profit sharing and money purchase Keogh plans have been replaced somewhat by the other plans mentioned above. The rules for defined benefit plans are intricate, technical and complicated but can be very rewarding. It is suggested that you meet with a retirement plan specialist to discuss if this would be beneficial for you.
Employee coverage: Employees must be covered. Before setting up this plan, the participation requirements should be reviewed to see if this plan is advisable.
IRS filing requirements: All of these plans must file a Form 5500 annually regardless of amount of assets.

Choosing the right plan depends on your financial circumstances, whether you have employees and the costs to establish and maintain the plan. Done properly, these plans can provide great tax benefits and defer substantial income tax. If you have self-employment income it is suggested that you discuss with your accountant or tax preparer how you might benefit from using any of the retirement plans outlined above.

IRA REQUIRED MINIMUM DISTRIBUTION "KIT"

This "kit" can be used to calculate the amount and timing of a client's first payment and two letters that can be used. Use this as a guide and double check everything before providing a final amount.

IRA Required Minimum Distribution Starting Date Table

	Sample 1	**Sample 2**	**Fill in your #**
Date of birth	June 1, 1949	Dec 1, 1949	
Date attained age 70	June 1, 2019	Dec 1, 2019	
Date attained age 70½	Dec 1, 2019	June 1, 2020	
Required beginning date	April 1, 2020	April 1, 2021	
Age during the calendar year age 70 ½ was attained (used for life expectancy purposes)	Age 70	Age 71	
Life expectancy to use if first distribution is made in year attained age 70 1/2	27.4	26.5	
Life expectancy to use if first distribution is made by April 1 in year after attained age 70 1/2	26.5	25.6	
IRA valuation date for first payment if payment made in year attained age 70 1/2	Dec 31, 2018	Dec 31, 2019	
IRA valuation date for first payment if payment made by Apr 1 in year after attained age 70 1/2	Dec 31, 2019	Dec 31, 2020	
Date second payment must be made by	Second payment must be made by December 31 of the year after IRA owner attained age 70 ½ regardless of which choice is made for first distribution. So it is possible for two RMDs in that year		
Thereafter one payment must be made each calendar year			

Uniform distribution table
(based upon the age of the IRA owner on their birthday in the year of the distribution)

(This table is not applicable where a spouse more than ten years younger is the designated beneficiary.)

Applicable Age	Divisor	Applicable Age	Divisor
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and older	1.9

Comment: Make sure you have copies of every designation of beneficiary form you provided to IRA, 401k, 403b or pension plan administrators or custodians

Sample Letter When There are Multiple IRA Accounts and Required Minimum Distribution will Come Out of Another Account

Comment: If you have multiple traditional IRA accounts, you can take your total distribution from any one of those accounts IRA. If you have multiple 403b accounts, you can take your total distribution from any one of those accounts. If you have multiple 401k accounts from former employers you CANNOT take the RMD from one account, but must take it from each account you have. If you have inherited IRAs, or employer pension plans you must check with an advisor about the proper RMD distribution policy.

Insert name and address of IRA Owner at top of letter

Account #____________________

Date____________________

Name of IRA Custodian_____________________________

Address____

City_____________________ State________ Zip________

Dear Sir or Madam:

Thank you for advising me of my required minimum distribution amount for the year _______.

Please be advised that I will take or have taken distributions from my other retirement accounts to satisfy the minimum distribution requirement.

Cordially,

____

Sample Letter to IRA Beneficiaries

Insert name and address of IRA Owner at top of letter

<u>Warning letter to seek professional assistance</u>

Dear________________________________,

You have been named as a beneficiary of my IRA.

You should seek personal guidance BEFORE you request or accept any distribution from the account.

You should not change the names on the account; and should not take, deposit or receive ANY distributions before getting advice. Doing the wrong thing could make the entire IRA taxable in the year of my death instead of allowing the distributions to be taxed over either your life expectancy or my remaining life expectancy, depending on when I died. Also, receiving any distribution can ruin your chances to have tax planning done for you or your family such as making a qualified disclaimer and considering using the IRA for asset protection.

I hope you make the most of this inheritance.

Good luck!

With love,

____

How to Give to Charity from Your IRA (And Avoid Taxes)

Originally posted at:
https://bottomlineinc.com/blogs/pay-less-tax-man/make-qualified-charitable-distribution-from-ira

If you are over age 70 ½ and are taking required minimum distributions (RMDs) from an IRA, giving to charity ***directly*** from the IRA is a good way to go for a variety of reasons. You can direct any portion of your distribution to be contributed directly to one or more charity–this is called a ***qualified charitable distribution*** or QCD. Such contributions would not be deductible, but the IRA QCD withdrawal would not be taxable for federal tax purposes.

This method would particularly benefit people who do not itemize or who would otherwise get no tax benefit from their charitable payment…those with low income where the IRA distribution would trigger a tax on Social Security benefits…or those in higher federal tax brackets who will not get a full benefit for their contributions.

Making a qualified charitable distribution would also reduce adjusted gross income, possibly benefiting Medicare premium payers and those in the highest tax brackets.

But (no shocker) there are caveats and rules that must be followed to get the best financial outcome not only for the charity but for you as well. Here are some of the rules (with thanks to my partner Brian Lovett, CPA, JD, who helped lay these out)…

- There is a maximum transfer under this method of $100,000 per year per taxpayer. Spouses can each make qualified charitable distributions of $100,000.
- The taxpayer must be over age 70 ½.
- QCDs can come only from traditional IRA accounts; they cannot come from an active SEP, SIMPLE, Roth IRA, 401(k) or 403(b) plan or any other type of pension or retirement plan. A QCD can be made from a completely inactive SEP, but I would check first with an advisor before doing that.
- The QCD must be paid directly to the charity by the IRA custodian.
- The charity must provide a contribution acknowledgement the same as for direct-from-taxpayer contributions.
- If you have a 401(k), 403(b) or other type of retirement plan that RMDs must be taken from and you want to make a QCD, one possibility is to roll the account over to an IRA and then make the QCD. ***Caution:*** There are other things to take into account when considering rolling over a 401(k) or other retirement plan to an IRA. For instance, a participant over 70 ½ who is still working and is not more than a 5% owner of the company sponsoring the retirement plan does ***not*** have to start RMDs…there are ERISA liability and bankruptcy protections for a qualified retirement plan that might be better for the participant than IRA protections…rolling over a retirement plan needs spousal consent under certain circumstances…if beneficiary designations differ between the accounts, the rollover would change them. Also, the retirement plan investments might be managed while the IRA would not be, and an investment advisor might then need to be engaged. Taxes are important, but how you manage your wealth and who you designate it to go to might be more important and would affect a greater portion of the net assets. Do not let taxes drive the cart.

- The QCD might be taxable as a retirement account distribution for ***state*** reporting. You would have to check your state's income tax rules.
- QCDs cannot be made to a donor-advised fund or private foundation; only directly to a public charitable organization.
- If the IRA includes nondeductible contributions, a special rule permits QCDs to be treated as coming fully from deductible funds without having to allocate the distribution between deductible and nondeductible contributions, as would be done if the RMD were made directly to the participant.
- If a QCD is made that includes nondeductible funds, there would be a charitable tax deduction to the extent of the nondeductible distribution if the taxpayer itemizes.

This, as with all potentially powerful but complex tax moves, should be discussed first with a knowledgeable tax advisor who will not only advise you on the tax issues but who will also consider the applicability to your entire financial plan.

QUESTIONS A CLEINT SHOULD ASK THEIR FINANCIAL ADVISOR CHECKLIST

This was originally a blog posted at www.partners-network.com .Many that have a financial advisor or investment manager get periodic updates and reasonably unlimited phone calls. However, I notice that many do not. Here are some questions to consider asking to determine how your money is being handled. If you know the answers to these questions, then good for you – it seems you are in good hands. Otherwise, ask these questions.

1. How often should I expect communications from you regarding my portfolio, its performance, and strategy or any changes in strategy?
2. Why don't you ever call me when there is a major drop in the stock market?
3. How does the present portfolio match up with the original plan or instructions that were discussed when you started managing my investments?
4. Why has there been no co-ordination by you or attempt to find out about my other investment portfolios?
5. What arrangements do I need to make with you now for my spouse if I die unexpectedly or become disabled?
6. Why should I recommend you and to whom?
7. Who decides what to buy in my portfolio, e.g. foreign vs. domestic or large and small cap, and how does the decision process work?
8. What is your fixed income strategy – the yield appears very low after deducting your fees?
9. It seems the fees I am charged are different than what we agreed to – can you explain your charges?
10. Why is there always a balance in my cash account and how come some of the purchases in my account are for very low amounts, and how often do you make purchases?

It's your money; it might be your future financial security and missteps might alter the plans you made for the rest of your life. Be a little involved. Ask these and any other questions that are on your mind.

When you get the responses, evaluate them to determine if this advisor is still the right person for you.

INVESTMENT POLICY STATEMENT TEMPLATE

This IPS has been prepared for guidance and illustration purposes by Edward Mendlowitz, CPA, Partner, WithumSmith+Brown, PC. No responsibility is assumed by the availability of the checklist. Any use should be coordinated with your financial advisor.

Name____

Date prepared or updated_______________________

Executive summary (brief summary what is in the IPS)

____

____

____

Purpose of the IPS (why you are preparing the IPS)

____

____

____

Goals and objectives (what you are trying to accomplish)

____

____

____

Risk management (description of your risk tolerance and how you feel about taking risks with your investments)

____

____

____

Players, roles and responsibilities (list people you will rely on, or use to assist you in developing and implementing your plan)

____

____

____

Criteria for selection of advisors (State the methods you will use to engage advisors)

____

____

____

Costs (Describe costs you expect to incur in addition to the advisors' fees. I would also include here the method of how your advisors will be compensated and how you feel about that method. For instance, will they receive an hourly fee, an annual fee, a transaction fee, a fee based on total assets under management, a fee based on performance of your investments or a commission for products you buy?)

____

____

____

Asset class allocation (This would require you to have some knowledge of the different ways of investing. It also needs you to understand the importance of asset allocating and why it is being done in a certain manner for you. You can ask your advisor for assistance in filling this in here)

____

____

____

Reallocation and rebalancing (reasons and timing of reallocation and rebalancing your assets)

____

____

____

Monitoring (how often you expect to receive information and in what format)

____

____

____

Tax objectives (How will taxes factor into your investments – the cash flow and location of your securities)

____

____

____

Review and oversight (the method and time frame should be established for you to review your portfolio's and your advisors' performance. While this is usually done on a continuous basis, there should be a set time for this to be discussed)

____

____

____

SAMPLE TERM SHEET DESCRIPTIONS FOR BANK LOAN

Term sheets are used for discussion purposes and when a lender makes a nonbinding offer to a customer. The term sheet is a summary of the pertinent conditions of the lending and is a guide to what the provisions of the loan will be.

Item	**Description**	**Sample term or amount**
Lender	Who the bank is	Bank's name
Customer	Who the borrower is	Customer's name
Co-Borrowers	Who additional borrowers are	Additional people and/or other companies with common ownership
Guarantors	Guarantors can be other entities owned by the same people that own the borrower and also the individual owners. The guarantees are usually jointly and severally.	Unlimited guaranty of payment by primary owners; and every other company owned by any of them
Working Capital Line of Credit		
Working Capital Line of Credit	Maximum amount that will be lent to provide working capital	$XXX,XXX
Maturity date or term	The due date of the loan	Usually 1 year after loan agreements are executed
Payments	When interest and principal is paid	Interest is usually paid monthly. The full principal and unpaid interest is due on the maturity date
Interest Rate	The cost of the money and the basis for determining it	Variable at a per annum rate equal to the sum of 3% plus the One-Month LIBOR (as published in *The Wall Street Journal*) based upon actual days elapsed over a 360-day year. As of today the interest rate on this facility would be X.XX%
Annual Facility Fee	"Points" paid upfront	1.0%
Prepayment penalty	Charge for early payment of loan	Usually not applicable for working capital loans

Real Estate Loan		
Loan Amount	Maximum amount that will be lent with a mortgage on the real estate	The lesser of i)$X,XXX,XXX, or ii) 80% of the fair market value of the real property
Maturity date or term	Due date or length of time of the mortgage	96 months (8 years)
Payments	When interest and principal are paid and the basis of calculation	This example assumes the payments will be made on the basis of a 20 year loan but the unpaid balance (referred to as a balloon) will be due in full at the end of the term (in this example 8 years). Principal will be paid equal to 1/240 of the original loan amount. At the end of the 96th month of the term, the outstanding loan balance will be due as a balloon payment. Interest will be paid monthly based on a variable rate determined similar to the terms stated above in the Working Capital Loan illustration. An alternative to the floating rate is a fixed rate with all monthly payments the same and paid over 8 years but based on a 20 year payment schedule (which is done to keep the monthly payments lower). On all loans that are not self-liquidation at the end of the term, a balloon payment will due representing the unpaid balance of the loan
Interest Rate	The cost of the money and the basis for determining it.	Variable at a per annum rate equal to the sum of 5% plus the One-Month LIBOR (as published in *The Wall Street Journal*) based upon actual days elapsed over a 360-day year. As of today the interest rate on this facility would be X.XX% The rate could also be fixed for the entire term (See info about Swaps below)
Facility Fee	“Points” paid upfront	2.0%

Prepayment penalty	Charge for early payment of loan	Usually applicable for commercial mortgages if prepaid within the five years or first half of the term. An example is 5% if prepaid during the first year; 4% if during 2nd year; 3% during 3rd year; 2% in 4th year; and 1% if in 5th year. In lieu of prepayment penalties higher upfront points are charged. An alternative is where a fixed interest swap (see explanation below) is purchased and then the penalty for prepayment any time before maturity is subject to market conditions.
Term Loan		
Loan Amount	Maximum amount that will be lent to provide funds for a specific purpose such to partially finance the acquisition of equipment	Up to $XXX,XXX
Term	Length of time of loan	Usually 60 months, but can vary based on circumstances
Payment	Equal consecutive monthly payments that include interest and principal	See above terms for Real Estate Loans
Interest Rate	The cost of the money and the basis for determining it	Could be fixed when the loan is taken out, or a variable rate similar to the terms above for the other loans.
Facility Fee	“Points” paid upfront	1.0%
Prepayment penalty	Charge for early payment of loan	See above terms for Real Estate Loans

Terms applicable for all types of loans		
Collateral	The security the lender has for repayment of the loan	A first lien on all business assets of the borrower that is presently owned and hereafter acquired. This would include accounts receivable, inventory and equipment. A first mortgage on business real estate and improvements, together with an assignment of rents and security interest upon all fixtures presently owned or acquired in the future. Additional requirements for real estate: Title insurance policy; life insurance on property owner; Phase 1 Environmental Audit Report; appraisal from an MAI appraiser; a real property condition assessment if property is over XX years old.
Cross collateralization and cross default	Guarantors can be other entities owned by the same people that own the borrower	Unlimited guaranty of payment by every other company owned by any of the owners
Representation and warranties	A guarantee that what the borrower told the bank to induce them to make the loan is true and correct	Self-explanatory. Also the bank might state specific items
Monitoring requirements	This refers to specific documents that are periodically provided to the bank. These monitoring requirements are occasionally included with the covenants (see next item)	Annual audited or reviewed financial statement by borrower's independent CPA (bank may want right to approve of CPA firm); Quarterly company prepared financial statements; Monthly or quarterly accounts receivable aging report; Monthly or quarterly covenant compliance certificate. Annual personal financial statement of all owners of a XX% or greater interest in the primary borrower. Right to send in an auditor once a year at borrower's expense

Covenants	Specific requirements that give the bank the right to call the loan if they are not met	Minimum tangible net worth; Minimum debt service coverage ratio; Maximum amount of additional borrowing; Maximum amount of salary, dividends or distributions to owners; Amount of subordinated debt. Right to have bank's attorney review any law suits against the borrower over $xxx,xxx at borrower's expense. Life insurance on primary owner of the borrower with bank named as a beneficiary. Property insurance of at least $xxx,xxx with bank named as loss payee
Expenses of loan	The bank's expenses that are paid by the borrower	Nonrefundable application fee or refundable application fee (no interest will be paid on these amounts); legal fees; collateral audit fees; appraisal fees; UCC, lien or mortgage filing fees; insurance costs and any other costs of the bank.
Swap	Swaps are a method that shifts interest rate risk. FYI, it is a derivative. This is a transaction that converts a variable or floating interest rate into a fixed rate, or a fixed rate into a floating rate. Swaps are usually not done directly with the bank but is arranged by the bank for a third party to accept the opposite end of the interest rate risk. Swaps eliminate the risk of floating rates becoming substantially higher than it was at the time the loan was taken out; or eliminates the risk of a fixed rate remaining much higher than a floating rate	The swap has a cost. Terminating a swap early can result in a gain or loss based on the current interest rates as compared to the rates when the swap was executed and depending upon which side of the risk you were on. The cost is based on market conditions of the differences between fixed rates and the variable or adjustable rate at the time the loan is received. If this becomes something you would be doing, it will be more fully explained at that time. Anyone doing a swap should make sure they fully understand their risks should it be necessary to terminate the swap early. Swaps are terminated when the loan is repaid in full.

GETTING MARRIED FINANCIAL PLANNING ISSUES CHECKLIST

This was posted as a blog at partners-network.com and is included here
in case you want to share with your clients.

People that are getting married generally do not spend as much time as they should to consider the financial issues. Here are a few things to ponder.

- ☐ Credit score and credit card debt
- ☐ Review each other's credit reports
- ☐ Joint or separate credit cards – each should have at least one card in their own name
- ☐ College loan debt
- ☐ Develop a joint plan to pay down existing debt
- ☐ Decide on joint ground rules for new credit card debt
- ☐ Owning a house – how it would be titled
- ☐ Joint or separate bank accounts
- ☐ Provide for each spouse to have their own spending money that does not have to be accounted for, and if necessary each should have a separate bank account
- ☐ Designate one spouse that will pay the household bills and the other should reconcile the bank account each month
- ☐ Change wills
- ☐ Change pension designations – IRAs and employer plans. Consider spousal rights
- ☐ Decide on joint retirement planning funding targets
- ☐ Consider having powers of attorney – make sure you each understand the significance of these powers
- ☐ Health care proxies and living wills
- ☐ Custodian accts from parents should be terminated
- ☐ Life insurance and ownership and beneficiary designations
- ☐ Care or provisions for a child born after death of a parent
- ☐ Health insurance
- ☐ Decide whether the spouse will legally change their name
- ☐ If name changed, follow through on driver's license, passport, professional license and similar items
- ☐ Make a decision to fie joint income tax returns
- ☐ Tax liens
- ☐ Judgments
- ☐ Discuss attitudes toward finances – spending, saving, budgeting and investing
- ☐ Talk about the possibility of needing to help a relative financially and the limits
- ☐ Decide together on long term financial goals
- ☐ Decide to discuss all major financial decisions
- ☐ Major or significant investment decisions or financial maneuvers should not be made without telling your spouse

Second marriage additional issues

- ☐ If you have a prenuptial agreement, follow up on implementation
- ☐ If current spouse is not to receive any inheritances from pension plans, that has to be stated in writing after the marriage by the spouse

- ☐ Consider having an “emergency” fund joint checking account
- ☐ Be aware that a joint or payable on death account passes outside of a will and the named party becomes the outright owner upon death
- ☐ Determine what would be left to surviving spouse and that if there are children from a prior marriage anything left to the spouse will eventually go to their children and not yours
- ☐ Make living arrangements post death in the marital residence or vacation or second residences
- ☐ Consider QTIP trusts
- ☐ Consider who is the trustee for your health care documents
- ☐ Make a decision to fie joint tax returns
- ☐ Make decision whether gifts will be split for tax filing

TAX ISSUES WHEN CHANGING YOUR STATE OF RESIDENCE CHECKLIST

When more than one residence is owned, a perplexing issue is determining the state or locality the owner is a resident of for tax purposes.

For many states, an individual can be a tax resident if they are either domiciled in that state or maintain a permanent place of abode in the state and spend more than 183 days during a calendar year in that state. Most states are aggressive in auditing this confusing area so it is important to follow the rules and do it right.

Many states and localities define when a person is considered domiciled in their jurisdiction and/or is a resident. They say that person is a resident for personal income tax purposes, unless for that year, such person maintains no permanent place of abode in the jurisdiction during the taxable year; maintains a permanent place of abode outside the jurisdiction during the entire year and spends in the aggregate not more than 30 days of the taxable year in the jurisdiction. In addition, some states and localities have a rule regarding presence in a foreign country.

Domicile is viewed as a state of mind and some of the questions that need to be answered are:

- Where do you really want to live and where is your “home?”
- Where do you want to spend most of your time and where do you spend your time?
- Where are your most precious and important possessions kept?
- Where are your business interests located and how active is your participation?
- Where does your family live?

When an individual does change their domicile, a taxpayer should consider doing the following:

- Change car registrations
- Change driver’s license
- Change voter registration ***and*** vote there
- Change passport
- Establish religious affiliations in the new area
- Establish social affiliations such as country clubs, dining clubs and other groups
- Move personal items including the near and dear things you have. Near and dear items include family photo albums and mementoes and valuable art
- Insurance policies should show your primary address in new state
- File for homestead exemption, if applicable
- File an affidavit of Domicile in new state, if applicable for that state
- Execute a new will and any applicable trusts with an attorney in the new state under that state’s laws
- Change credit card billing addresses
- Open local bank accounts and brokerage accounts and change all account addresses to your new address
- If you use a safe deposit box, open one in the new jurisdiction
- File non-resident tax returns in state you moved out of if you have business or employment income from that state

- Buy municipal bonds from new state and dispose of bonds from previous state

Failure to do most of the previous items will cause the jurisdiction to question whether a taxpayer has ***really*** changed their domicile. Each taxpayer's situation is different with their own distinct facts and circumstances so adapt the list to suit your circumstances.

Even if the jurisdiction agrees that a taxpayer has changed their domicile, the day count or 183 statutory day test is put into place. The jurisdiction's position in cases where taxpayers are being audited for residency is that every day has to be accounted for. In some cases, that could be extremely hard to do. Also, proving a negative is very difficult so taxpayers should keep contemporaneous diaries or detailed schedules. Third party documents such as grocery and credit card receipts, bills and airline tickets should be kept in order to verify where you were. The burden of proof for this is always the taxpayer's. Remember, any part of a day (with certain exceptions) in a jurisdiction counts as a day for residency purposes. The consequences of not having adequate records can be very costly.

It is also possible to be deemed a resident of more than one state or jurisdiction if residences are maintained in more than one jurisdiction making recordkeeping even more important. This can lead to excessive tax assessments and onerous penalties. Also note that depending on circumstances, both spouses do not have to be domiciled in the same state.

Many taxpayers' returns where a change of residence has occurred will likely be reviewed and possibly audited by the taxing authorities. Like all tax matters, planning and compliance must be done early and not started only when a response is necessary to a challenge by a taxing authority.

Barry Horowitz, CPA, MST, Partner in charge of our State and Local Tax group assisted in the preparation of this blog. If you have any questions or concerns about any residency issues, please contact Barry directly at 212.829.3211.

OBITUARY QUESTIONNAIRE

This was posted as a blog at partners-network.com and is included here
in case you want to share with your clients.

How will your obituary read? What accomplishments stand out and separate you from others? Was your outstanding event, job or business related to your family or your good deeds to others? Following is an outline for an obituary. Look it over and consider how yours will read, especially the charitable activities and accomplishments.

Introduction

- ☐ Full name
- ☐ Nickname
- ☐ Date of death and age
- ☐ Date of birth
- ☐ Place of birth
- ☐ City of residence at death
- ☐ Place of death
- ☐ Cause of death

Family

- ☐ Parents' names
- ☐ Spouse's name and how long married, and place of marriage
- ☐ Children and their spouses' names
- ☐ Grandchildren
- ☐ Siblings
- ☐ Non-married partner or companion
- ☐ Other relatives
- ☐ Friends of note
- ☐ Pets
- ☐ List who predeceased you with dates of death

Education and work

- ☐ Education: Schools, dates graduated, degrees
- ☐ Professional designations
- ☐ Honors, awards and special recognitions and accomplishments
- ☐ Publications
- ☐ Employment and/or business history – organizations, titles or positions
- ☐ Union activities
- ☐ Professional organizations
- ☐ Military service, branch, dates, highest rank, honors and awards and where served

Personal interests

- ☐ Places of residence
- ☐ Religious affiliation and activities
- ☐ Charitable organization activities and service
- ☐ Hobbies and sports

- ☐ Other interests
- ☐ Achievements
- ☐ Unusual attributes or features

Funeral and service

- ☐ Date, time and place of service
- ☐ Who will officiate
- ☐ Speakers, pallbearers and/or others participating in service
- ☐ Visitation dates, times and location
- ☐ Place of internment
- ☐ Name of funeral home
- ☐ Where to call for additional information

Concluding information

- ☐ Where memorial donations should be directed
- ☐ People or organizations to thank
- ☐ Favorite quotation, poem, thought or remark
- ☐ Closing comment

Additional information but not for obituary

- ☐ Location of photos that will be shown at service or in announcement
- ☐ People to advise about death and funeral
- ☐ Newspapers to send obituary to
- ☐ Location of funeral instructions
- ☐ Location of will
- ☐ Location of important papers executor will need