MURTHA CULLINA

NEWS ALERT

TRUSTS & ESTATES

We Made the List for You. Now Check it Twice!

By Lisa P. Staron | December 10, 2019

As the end of the year approaches, we are often swept up in the holiday rush and push aside our personal and financial planning to a later date. Here is a short list of reminders and strategies to help you continue to stay on track to achieve your goals.

1. Review required minimum distributions ("RMDs"). If you're 70½ or older, you must take RMDs from certain retirement accounts by December 31 or face a penalty equal to 50% of the sum you failed to withdraw. If you turned 70½ this year, you have until April 1, 2020 to take your first RMD without penalty. (*However, note that deferring your first RMD to 2020 will mean taking two RMDs in the same tax year, which could bump you into a higher income tax bracket*.) These rules also apply in the case of an inherited or "stretch" IRA. Generally, you must begin taking RMDs for inherited IRA assets by December 31 of the year after the year of the original owner's death, but certain exceptions may apply. Taking advantage of those exceptions can be a key planning strategy.

2. Reduce taxable income and rebalance investments. Work with your financial advisors to sell losing positions in taxable investment accounts as necessary to offset gains that have already been realized. Then review your asset allocation and, if necessary, rebalance your investment portfolio.

3. Max out company retirement plan contributions. In 2019, you can contribute up to $19,000 to your employer-sponsored retirement plan (i.e., 401(k), 403(b), most 457 plans, and the Federal government's Thrift Savings Plan). Employees aged 50 or older who participate in such plans can contribute an additional $6,000 in "catch-up" contributions. If you are not able to contribute the maximum, try to contribute enough to qualify for any matching contributions by your employer.

4. Review insurance coverage. Make sure you have adequate policies in place insuring your life, health, disability, business, and assets, including home and auto, which can help protect you and your family from unforeseen liabilities and expenses.

5. Review estate plans and beneficiary designations. Estate planning and beneficiary designations should be reviewed holistically and periodically to be sure that the plan you have in place is accurate and still appropriate. If you have questions about your documents or your overall plan, please contact your Trusts and Estates attorney at Murtha Cullina LLP.

6. Make gifts. The 2019 annual gift tax exclusion is $15,000. This exclusion is the amount of money (or the value of other assets) you can give away per person per year, tax-free. In addition, married couples can elect to "split gifts." By utilizing this strategy, married taxpayers can gift up to $30,000 to an unlimited number of individuals in 2019. On top of annual exclusion gifts, an unlimited gift tax exclusion is available for amounts paid on behalf of a person directly to an educational organization, but only for amounts constituting tuition payments. Amounts paid to health care providers for medical services on behalf of a person also qualify for the unlimited gift tax exclusion. Annual gifting is an excellent way to reduce the value of your gross estate over time, thereby lowering the amount subject to estate tax upon your date of death. Charitable and philanthropic gifts – whether outright, in trust, as a distribution from a qualified retirement plan, or through a donor advised fund or similar vehicle – should also be considered.

7. Fund your Health Savings Account. In 2019, those in high-deductible health-insurance plans can save as much as $3,500 in pre-tax dollars in a health savings account ("HSA"). For families, the figure is $7,000, and those aged 55 and older can continue to contribute an additional $1,000. Unlike a Flexible Spending Account, your HSA balance rolls over from year to year, so you never have to worry about losing your savings. If you are over age 65 and enrolled in Medicare, you can no longer contribute to an HSA, but you can still use the money for eligible out-of-pocket medical expenses.

8. Use your flexible spending dollars. Unused funds in a Flexible Spending Account ("FSA") are typically forfeited at year's end ("use it or lose it"), so make sure to spend them for eligible health and medical expenses by December 31. Some plans offer a "grace period" of up to 2 ½ months to use FSA money. Other plans may allow you to carry over up to $500 per year to use in the following year. Bottom line: Check with your employer to confirm your plan's deadlines so you don't lose any of your funds.

9. Check your credit and identity. With phishing schemes and online security breaches on the rise, you should periodically make sure that your personal information and credit has not been compromised. Under the Fair Credit Reporting Act, each of the national credit-reporting agencies is required to provide you with a completely free copy of your credit report, upon request, once every 12 months. Get yours at www.annualcreditreport.com.

10. Organize your records. Now is the time to gather and organize the documents and 2019 records that will be needed to prepare your tax returns in 2020. As part of that process, take care to shred documents that no longer need to be retained. The IRS suggests the following in connection with your income tax returns:

A. Keep records for 3 years if situations (D), (E), and (F) below do not apply to you.

B. Keep records for 3 years from the date you filed your original return or 2 years from the date you paid the tax, whichever is later, if you file a claim for credit or refund after you file your return.

C. Keep records for 7 years if you file a claim for a loss from worthless securities or bad debt deduction.

D. Keep records for 6 years if you do not report income that you should report, and it is more than 25% of the gross income shown on your return.

E. Keep records indefinitely if you do not file a return.

F. Keep records indefinitely if you file a fraudulent return.

G. Keep employment tax records for at least 4 years after the date that the tax becomes due or is paid, whichever is later.

On behalf of all of us at Murtha Cullina LLP, we wish you a happy holiday season and a healthy and prosperous New Year.

Richard A. Marone, Chair
860.240.6026
rmarone@murthalaw.com

Marcel J. Bernier
860.240.6087
mbernier@murthalaw.com

Alfred R. Casella
860.240.6048
acasella@murthalaw.com

Patrick D. Coughlin
203.653.5409
pcoughlin@murthalaw.com

George A. Dagon, Jr.
860.240.6039
gdagon@murthalaw.com

Christopher S. Fox
617.457.4082
cfox@murthalaw.com

Shera G. Golder
860.240.6188
sgolder@murthalaw.com

Robert A. Heinimann, Jr.
203.772.7781
rheinimann@murthalaw.com

Natale A. Messina
860.240.6027
nmessina@murthalaw.com

Lisa Newfield
203.772.7768
lnewfield@murthalaw.com

Lisa P. Staron
860.240.6175
lstaron@murthalaw.com

Suzanne Brown Walsh
860.240.6041
swalsh@murthalaw.com

Donna M. White
617.457.4133
dwhite@murthalaw.com

With more than 100 attorneys in six offices throughout Connecticut, Massachusetts and New York, Murtha Cullina LLP offers a full range of legal services to meet the local, regional and national needs of our clients. Our practice encompasses litigation, regulatory and transactional representation of businesses, governmental units, non-profit organizations and individuals.

MURTHA CULLINA
ATTORNEYS AT LAW

CONNECTICUT + MASSACHUSETTS + NEW YORK

MURTHALAW.COM

© Murtha Cullina LLP. | This material is intended for general information purposes only