



Wealth Matters Newsletter

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Financial Gifts: What You Need to Know

During holiday seasons, you might think about different types of gifts for family members or for your favorite charity. A financial gift is certainly a generous offering, but it may also be something to think about come tax time.

This article is designed to give you an overview of things you may want to consider when making a gift in the here and now, while touching on longer-term tax relevance for both you and the recipient. We'll also cover some estate considerations for gifts you make now and as part of your future legacy.

Remember, the concepts highlighted here are for illustrative purposes only and are not a replacement for real-life advice. Please contact a tax or legal professional before implementing an estate strategy or modifying your existing approach. If you would like an introduction to a professional from our network, please let us know.

Giving to the Family

If you've done well, it makes sense that you might want to extend your good fortune to your loved ones. You may also seek to make sure that when you're sharing that wealth, you're following the Internal Revenue Service (IRS) guidelines.

You've likely heard about the gift tax and want to make your gifts while managing any taxable situation. This is your responsibility as the IRS puts the onus for taxes on the giver. If a gift is a taxable event and you don't pay, the responsibility may fall to the beneficiaries after the giver's death in the form of estate taxes. These rules are in place to prevent an individual from simply, say, giving their entire fortune away before they pass.

Exceptions for Spouses

In many instances, gifting rules are different for a spouse. Gifts between spouses are unlimited and generally exempt from the gift tax. There's one notable exception, though. If your spouse is a non-U.S. citizen, there's a limit to those gifts, up to \$157,000 per year. (This is the limit for 2020; it's linked to inflation.)

The gift limit for non-spouses is \$15,000, and it applies to both cash and non-cash gifts. So, if you bought your son a \$15,000 motorcycle, it's the same as writing a \$15,000 check to your daughter or bequeathing \$15,000 in stocks to your niece. Spouses have their own separate gift limit. For example, your spouse could also write each child a \$15,000 check from the account you share together.

Education and Healthcare

The gift tax doesn't apply to funds for education or healthcare. So, if your son breaks his leg riding that motorcycle, you can write a check to the hospital. If your daughter goes back to college to become a naturopath, you can write a college tuition check. However, this only works if you make the check out to the institution directly; if you write the check to your beneficiaries (i.e., your children), you might incur the gift tax.

The Lifetime Gift Tax Exemption

What if you were to go over the limit? The lifetime gift tax exemption would go into effect, and the rest would be reported as part of the lifetime exemption.

Unlike the annual exemption, the lifetime exemption is cumulative. For 2020, that lifetime exemption is \$11.58 million. Your spouse has their own \$11.58 million lifetime exemption.

These examples are for illustrative purposes. You may want to consult with a financial professional who can provide some information on estate strategies and gift-giving approaches.

Giving to Charity

Direct Gifts

According to Giving USA 2020, Americans gave an estimated \$449.64 billion to charity in 2019. That was one of the highest totals in the more than 60 years since the report was first published.

Americans give to charity for two main reasons: to support a cause or organization they care about or to leave a legacy through their support.

When giving to charitable organizations, some people elect to support through cash donations. Others understand that supporting an organization may generate tax benefits. They may opt to follow techniques that can maximize both the gift and the potential tax benefit. Here's a quick review of a few charitable choices:

Direct gifts are just that—contributions made directly to charitable organizations. Direct gifts may sometimes be deducted from income taxes, depending on your individual situation. Charitable gifts can take many forms, such as:

- The donation of stocks and bonds
- A gift of personal luxury items for a charity auction
- Tickets, gift certificates, or vouchers for goods or services such as travel or art events
- A simple check written directly to the charity or nonprofit organization of your choice

Charitable Gift Annuities

Charitable gift annuities are not related to the annuities offered by insurance companies. Under this arrangement, the donor gives money, securities, or real estate, and in return, the charitable organization agrees to pay the donor a fixed income. Upon the death of the donor, the assets pass to the charitable organization. Charitable gift annuities enable donors to receive consistent income and potentially manage their taxes.

Pooled Contributions

Pooled-income funds pool contributions from various donors into a fund, which is invested by the charitable organization. Income from this fund is distributed to the donors according to their share of the fund. Pooled-income funds can enable donors to receive income, manage their tax burden, and make future gifts to charity.

Gifts in Trust

Gifts in trust enable donors to contribute to a charity and leave assets to beneficiaries. Generally, these irrevocable trusts take one of two forms. With a charitable remainder trust, the donor can receive lifetime income from the assets in the trust, which is then passed to the charity when the donor dies. In the case of a charitable lead trust, the charity receives the income from the assets in the trust, which passes to the donor's beneficiaries when the donor dies.

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with these rules and regulations.

Donor-advised funds are funds administered by a charity to which a donor can make irrevocable contributions. This gift may have tax considerations, which is another benefit. The donor also can recommend that the fund make distributions to qualified charitable organizations.

Don't Do It Alone

While you may be happy with your current gifting strategy, it's also possible that you're ready for a more advanced strategy to take into account all the ways you give back. Let's talk about how you can maximize your giving and all the benefits it may offer. We welcome the opportunity to help you assess the approach that may work best for you.

Sources Available Upon Request

Perfect Timing Doesn't Equal Perfect Results

By Marc C. Shaffer

Skip the bad days? It sounds like a great concept.

How many of you would choose to skip right over 2020? If only we all had perfect foresight – both in life and with finances.

Here's one thing we know about investment markets: in election years, years where we experience a pandemic, years that are filled with big news and years that are calm...they fluctuate.

It's easy to look back in time and think you should have made one financial decision over another, but it can be a dangerous mental game to play, especially when it leads you to try timing the market.

How many good moments in life would we miss by skipping a day that seemed bad? How much opportunity would we miss by stepping out of the investment markets because things seem bad? **Potentially, quite a lot.**

A recent study, which analyzed the hypothetical growth of \$10,000 invested in the S&P 500 Index from January 1, 1980 through August 31, 2020, found that if you missed out on just the best five days over that period, your return could be 38% lower than its fully invested potential return.

Missed out on the best 50 days over that period? You could be 93% lower.

Wow!

How would you ever know which five or fifty days could be the most costly out-of-the-market days over a 40 year period?

Staying on the sidelines waiting for a "bad day" to jump in at a deal could have a dramatic impact on your investment portfolio as well.

Another study found that just one out of every 20 trading days closed at a price that would have been considered the absolute lowest. If you're looking for how things could have gone better, you'll probably find an answer, but is it valuable?

The study showed that when comparing the strategy to buy at the lows vs. dollar cost averaging of investing the same amount every month, buying at the lows only outperformed the alternative by less than one percent.

That's a lot of work and potential for costly mistakes for such a low result.

Volatility, market sentiment, emotional investors—these are factors of investing you can't change or accurately predict. A level of risk will always come with investing, so minimizing the impact of outside factors and not letting your own emotions get in the way are key.

It doesn't take investing at a bargain price to reach your investment goals. By following a disciplined approach to your investment plan, which takes into account your goals, time horizon and risk tolerance level, combined with an understanding of the economic landscape and investment strategy, you can design an investment plan to help meet your needs.

Market timing calls for knee-jerk reactions to current events and quick decisions that may have no basis in research. A disciplined strategy calls for patience and sound analysis.

If outside factors cause you to want to make big changes in your investment portfolio, it may mean you need to take a closer look at how your investment strategy was designed and why you don't feel confident in the measures you've already taken.

Working with a financial professional who can help you navigate the investment markets and develop an investment strategy that helps meet your needs can alleviate the need for you to do day-to-day portfolio management tasks.

Have you considered finding a professional who can manage these details for you?

Stepping Up and Giving Back: What You Can for Your Community

The Ties That Bind

For people around the world, 2020 was a strange and lonely year. Many of us will remember it as a time of loss of family members, jobs, social lives, or even homes.

Cultural shifts, the fast pace of modern life, and other complexities, compounded by the practice of social distancing, might leave us feeling like true community is something from "the good old days" that will never return. In the wake of such a difficult year, we may find ourselves at a loss as to how to move forward and create a "new normal."

But move forward we will.

One step toward healing is to build (or rebuild) stronger connections within your local community.

That word "community" can mean many different things. It can be your city, town, or neighborhood. It can be your church, hobby, or social club. Whatever it means to you, a community that's meant to build and nurture the bonds between us is something we may all benefit from, especially these days.

As financial professionals, we believe in the power of helping others move toward their goals. If our neighbors are in trouble, it not only feels good to help them out, but it also gives us the comfort of knowing that they might step up, should we ever need help.

If you're thinking about ways to strengthen your own sense of connection to your community in 2021 and beyond, here are a few ideas to consider. Some may work for you today, and some may be better suited for a time after an effective COVID-19 vaccine has been widely distributed.

Something from the Oven

How you build connections depends on the scale of your community.

It's possible that you might be giving back to one, a few, or many. One tried-and-true way to create a sense of belonging is to offer something to eat.

Food brings people together. Bringing a baked dish or dessert to your neighbors is a good way to connect, whether those neighbors are moving in, facing a difficult time, or you just want to say hello. If you bake, garden, or can vegetables, you might start by offering some of your bounty.

Some people may be nervous about food that is not professionally prepared or packaged, so another thought could be to bring a gift card to someone in need or offer a restaurant delivery to someone who can't leave their home. There are many ways to make gifts of meals happen!

On a larger scale, organizing or donating to a food drive, or fundraising meal can be a rewarding and fun way to contribute.

Emptying the Closet

In the colder months, the homeless and those lacking economic support may have trouble staying warm.

Clothing and blanket drives can help bridge the gap for those in need. As a side benefit, donating your unwanted items also gives you an opportunity to downsize, simplify, and clear your cluttered closets.

You can bring your neighbors into the process. A big donation drive in the winter makes for a nice counterpart to a benefit community sale in the summer (great for raising money for a common cause). If a community-wide sale is problematic or prohibited where you live, ask around locally to find a venue for your sale. Community centers, Veterans of Foreign Wars (VFW) halls, or churches may be willing to let you use their parking lots, especially for a good cause.

Showing Up for Your Community

Sometimes giving back to the community isn't about material things, but "people power." You might help serve at a fundraiser dinner, mind the cashbox at a benefit art auction, lead tours at a local museum, or act as a general volunteer for any number of local organizations.

There are just as many ways to give back as there are people, animals, and causes in need of assistance.

Contact the organization you'd like to give your time to and ask them how you can help. Charities, schools, museums, and other organizations may be looking for someone like you who wants to volunteer in a safe environment.

Cultivating these opportunities can be an eye-opening experience, but giving your time and energy to others also has the power to expand your world in refreshing ways. The connections that you create can help you establish a sense of rootedness after a tough season, and over time, they might just become their own reward.

AROUND THE OFFICE



Community Involvement



"For it is in giving that we receive." —St. Francis of Assisi

Mike Searcy spent time ringing bells for The Salvation Army on behalf of The Rotary Club of Naples. Many charitable organizations reported that donations were down in 2020, including toy drives that benefit from having drop boxes in stores.

We are thankful for the organizations who are working so hard to help those in need and for the opportunity to volunteer with them!



Ryan Brooke joined fellow Lee's Summit Downtown Rotary Club members to volunteer for Christmas in the Park. There is no cost to enjoy the light show, but voluntary donations are accepted and they go to benefit 36 local charities. Since 1987, more than \$1 million has been raised.

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