Dear Friends,

Congress recently passed-and the President signed into law-the SECURE Act, landmark legislation that may affect how you plan for your retirement. Many of the provisions go into effect in 2020, which means now is the time to consider how these new rules may affect your tax and retirement-planning situation.

Here is a look at some of the more important elements of the SECURE Act that have an impact on individuals. The changes in the law might provide you and your family with tax-savings opportunities. However, not all of the changes are favorable, and there may be steps you could take to lessen their impact.

Repeal of the maximum age for traditional IRA contributions:

Before 2020, traditional IRA contributions were not allowed once the individual attained age 70. Starting in 2020, the new rules allow an individual of any age to make contributions to an IRA, if the individual has compensation, which generally means earned income from wages or self-employment.

Required minimum distribution age raised from 70 to 72:

Before 2020, retirement plan participants and IRA owners were generally required to begin taking required minimum distributions, or RMDs, from their plan or IRA by April 1 of the year following the year they reached age 70.

For distributions required to be made after December 31, 2019, for individuals who attain age 70 after that date, the age at which individuals must begin taking distributions from their retirement plan or IRA is increased from 70 to 72. In addition, certain individuals working past age 72 may be able to defer RMDs even further.

Under the old rules, anyone with money in an IRA was forced to take RMDs after turning age 70. Those rules still apply to those who had turned 70 by the end of 2019. For anyone who hadn't turned 70 by then, the SECURE Act now delays those required distributions until after reaching age 72.
Partial elimination of stretch IRAs:

For deaths of plan participants or IRA owners occurring before 2020, beneficiaries (both spousal and non-spousal) were generally allowed to stretch out the tax-deferral advantages of the plan or IRA by taking distributions over the beneficiary's life or life expectancy (in the IRA context, this is sometimes referred to as a "stretch IRA").

However, for deaths of plan participants or IRA owners beginning in 2020, distributions to most non-spouse beneficiaries generally are required to be distributed within ten years following the plan participant’s or IRA owner's death. So, for those beneficiaries, the "stretching" strategy is no longer allowed.

Exceptions:

Exceptions to the 10-year rule are allowed for distributions to (1) the surviving spouse of the plan participant or IRA owner; (2) a child of the plan participant or IRA Owner who has not reached majority; (3) a chronically ill individual; (4) a disabled beneficiary; and (5) any other individual who is not more than ten years younger than the plan participant or IRA owner.

Those beneficiaries who qualify under this exception generally may take their distributions over their life expectancy (as allowed under the rules in effect for deaths occurring before 2020).

Charles P. Hahn, CFP®, ChFC Lincoln Financial Advisors

CRN2889173-010220

The content of this material was provided to you by Lincoln Financial Advisors Corp. for its representatives and their clients. Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax information as it relates to your personal circumstances.

Managing an Inheritance

Brought to you by Charles P. Hahn in conjunction with Lincoln Financial Advisors*

An inheritance in the form of cash, real property, jewelry or stocks can enrich your life in many ways. Oftentimes, bequests from an estate are intended to help move the heir forward financially, or to keep a prized possession within the family. To fully realize the value of an inheritance, consider how the assets affect your overall financial plan.

The key to successfully managing any inheritance is to plan before you act. Certain types of inheritances may require you to make some decisions right away, but it’s crucial to be conservative in your actions and allow yourself some time to grieve. Then, work with financial advisors to maximize the value of your
inheritance and decide whether to keep it, share it, invest it or liquidate it. Your options depend on your personal and financial circumstances, long-term goals and the type of inheritance involved.

**Fast Money Cash:**

Fast Money Cash inheritances are the simplest assets. Your financial planner can help you determine the impact the money could have on your short- and long-term goals. This will help you refine your financial objectives, such as your approach to retirement income, college funding or real estate.

If you receive a cash inheritance, keep in mind that probate information is publicly available, so you may receive unwanted solicitations for investment schemes. Seek counsel from a qualified and financial advisor before risking any money. You may want to place the funds in a certificate of deposit or money market account until you can first meet with your advisors.

In addition, consider placing investments where your exposure to personal or professional liability claims is limited. You should consider consulting a tax attorney if the inheritance substantially increases the size of your estate.

**Family or Company Stocks:**

Many people leave their favorite stocks as a birthright to an heir. Perhaps the stocks are emotionally valued because grandpa worked for the company or they supported grandma's lifestyle. But when deciding whether to keep stocks, it's crucial to determine if they're an appropriate asset for you relative to your personal investment philosophy. Consider how the stock affects your investment portfolio's diversification profile, risk exposure and tax bracket. If you inherit stocks, most capital gains can be lessened by re-valuuing the stock to the date of the grantor's death.

For example, if your grandmother purchased stock for a $10 base and the stock is worth $150 today, the capital gain would be assessed on the difference of $140 if the stock were sold. But if she passed away and left the stock to you, the base value of the stock is $150, adjusted to the day of her death. This decreases capital-gains liability by the time you receive the stock.

**Property Values:**

If you inherit real property, its value as an asset or liability is largely determined by whether you plan to live in, rent or sell it. To understand the cost factors involved, review the property and tax laws pertaining to the asset, along with any maintenance fees or out-of-state property management costs.
Then, balance that against any rental income, if applicable. If you want to sell the property, consider the capital-gains implications and the time and cost of waiting to liquidate it at the best price.

Jewelry and Collectibles:

Most people inheriting jewelry or collectibles value them as family heirlooms, not as assets. These items usually hold great sentimental value. They are not liquid assets that you want to sell quickly, if at all. Keep in mind that these valuables need to be protected. While an estate planning attorney can determine a valuation for each item, for insurance purposes you should consider getting a neutral, certified evaluation. You may also need to obtain a separate insurance rider against loss. Jewelry and collectibles appreciate, so be sure to update your insurance every three to five years. Working with your advisory team and using strategic planning can help you preserve and enhance your inheritance.

If you expect that some assets may eventually be passed on to you, you may want to speak with the grantor to determine the optimal way to receive the gift or bequest to increase its value to your estate and to decrease tax liability.

*The content of this material was provided to you by Lincoln Financial Advisors for its representatives and their clients. This article may be picked up by other publications under planner's bylines.

About Chuck Hahn

Chuck Hahn, CFP® is a registered representative and investment advisor representative of Lincoln Financial Advisors Corp., a broker-dealer (member SIPC) and registered investment advisor, 108 N Main Street, Mansfield, OH, 44902; (419) 522-4333, offering insurance through Lincoln affiliates and other fine companies. This information should not be construed as legal or tax advice. You may want to consult a tax advisor regarding this information as it relates to your personal circumstances. The content of this material was provided to you by Lincoln Financial Advisors for its representatives and their clients.

CRN-2784904-101919

Exp. 10/22

Using Charitable Trusts in Your Retirement Planning

Brought to you by Charles P. Hahn in conjunction with Lincoln Financial Advisors*

Land “rich” and cash "poor." That describes Jim and Angela in a nutshell. While they actually live quite comfortably on their professional incomes, they are getting closer to retirement age and are looking for ways to supplement the income they expect from their employers' retirement plans.

By far the largest asset they own is a tract of unimproved real estate that Angela received from her parents. Part of her family's former farm, the property is located in a prime new development area, which has made its value increase over the past few years. But the land provides no current income.
**What Can They Do?**

Angela could sell the land to a developer now or at retirement and invest the proceeds in income producing investments. Either way, she and Jim would lose a substantial portion of the property's appreciation to capital gains tax.

A better strategy might be to establish a charitable remainder trust (CRT). To implement this strategy, Angela would transfer the land to an irrevocable trust created to provide lifetime payments to her and Jim. At the death of the surviving spouse, the trust property would be transferred to a charitable organization Angela has named in her trust agreement.

With a CRT, generally the trustee can sell the trust property and reinvest the proceeds without having to pay any immediate tax on the gain. Thus, Jim and Angela would have more money invested toward retirement than if they had sold the land and invested the proceeds themselves. Jim and Angela could invest their tax savings outside of the trust to produce additional income.

**Income Options:**

A CRT can be structured either as an annuity trust or as a unitrust. The type of CRT chosen determines how payments from the trust are calculated. If Angela chooses a charitable remainder annuity trust (CRAT), she and Jim will receive annual payments of a set percentage of the trust's initial fair market value. The percentage must be at least 5% and cannot exceed 50%.

A charitable remainder unitrust (CRUT) would pay Jim and Angela an annual income based on the fair market value of the trust property, revalued each year. Again, the percentage must be at least 5% and cannot exceed 50%. If the trust investments perform well, the income will increase. Some people prefer to use a CRUT because it can provide a hedge against inflation. CRUTs also can accept additional gifts; CRATs cannot.

**Two other CRUT features that might appeal to Jim and Angela are the option to limit the annual payments to the trust's income in any year when the trust's income is less than the fixed percentage amount (a net-income CRUT or NICRUT) and the ability to include a “makeup” provision (a net-income makeup CRUT or NIMCRUT). The makeup provision would require the trustee to make higher payments in years in which the trust income exceeds the fixed percentage amount, to the extent that payments in prior years were less than the fixed percentage.**

How would these features help Jim and Angela? When they establish the CRUT, Angela could transfer the land and Jim could transfer a small amount of income-producing investments or cash to be invested. The trust could hold the land until Jim and Angela are ready to retire, paying them the income from the
investments in the meantime. Then, the trustee could sell the appreciated land and invest in securities that would produce a current income for their retirement.

Even if the investment income exceeds the fixed percentage set for their CRUT, the makeup provision would require the trustee to pay the excess to Jim and Angela to compensate for the earlier years of low income.

**Protection, Too:**

A CRT also may offer some protection from creditors. Depending on the laws of their state, inserting spendthrift clauses in their trust agreement could protect the trust property from creditors. (In some states, spendthrift protection is applied automatically by statute.) Jim and Angela should be aware; though, that certain states extend spendthrift protection only to trust beneficiaries other than the trust grantor(s).

A charitable remainder trust can be used to help accomplish numerous financial planning objectives. However, complex legal requirements must be met to secure many of the benefits a CRT offers. You'll want to consult with your professional advisor before deciding to use a CRT in your financial planning. And, if you decide to establish a CRT, seriously consider using an experienced professional trustee, such as a bank or the charity itself, to administer your trust.

*The content of this material was provided to you by Lincoln Financial Advisors for its representatives and their clients. This article may be picked up by other publications under planner’s bylines.*

**About Chuck Hahn**

Chuck Hahn, CFP® is a registered representative and investment advisor representative of Lincoln Financial Advisors Corp., a broker-dealer (member SIPC) and registered investment advisor, 108 N Main Street, Mansfield, OH, 44902; (419) 522-4333, offering insurance through Lincoln affiliates and other fine companies. This information should not be construed as legal or tax advice. You may want to consult a tax advisor regarding this information as it relates to your personal circumstances. The content of this material was provided to you by Lincoln Financial Advisors for its representatives and their clients.

CRN-2036321-022218