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FEE ONLY FINANCIAL PLANNING

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UCCESS

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Estate Planning for Complicated Family Situations

Divorce and remarriage, blended families, children with disabilities, or even a financially irresponsible child can complicate estate planning to the point where procrastination is tempting. If any of these situations apply to you, the reality is you should have a well-thought-out estate plan in place.

If You Are Divorced

One of your top priorities is updating your beneficiaries, last will, trusts (along with the executor/trustee), durable power of attorney, and healthcare proxy. Likewise, because you no longer have the benefit of combining your estate and inheritance tax exemptions with a spouse, you may need to consider more strategic estate planning.

If there are children involved, you have even more decisions to make, including guardians of any minor children. Typically, you will not want your former spouse or his/her new blended family to receive any of your assets.

While you can name anyone as your beneficiary on life insurance policies, annuities, retirement accounts (if permitted by your plan), IRAs, and health savings accounts, your children typically cannot receive these funds until they turn 18. In the meantime, your children's appointed guardian, such as their surviving parent, could be designated by the court to manage these monies until they reach adulthood. Proper estate planning can avoid any mishandling of those funds and provide you with the reassurance that your children will be protected.

One way to ensure this outcome is to set up a trust with an appointed trustee, such as a grandparent, aunt, or godparent.

If You Have Remarried

Remarrying can often complicate estate planning — particularly when at least one spouse has children from another marriage. The first step is to sit down with your spouse and discuss what you both feel is fair for each other and your children. Because of state marital estate laws, unless you have a prenuptial agreement in place, your current spouse has legal entitlement to up to half of your estate, regard-

Continued on page 2

5 Steps to Protect Your Spouse

Many surviving spouses have been financially blindsided due to poor planning that could have been easily prevented. The following steps will ensure your spouse is taken care of upon your death:

Update Wills: While any jointly-owned property is theirs, they're only entitled to up to half of your individual assets unless you specify otherwise in your will.

Review Beneficiaries on Retirement and Other Accounts: Many assets require a beneficiary for disbursement. Make sure yours are appropriate for your situation.

Make Jointly-Owned Debt a Priority: While your spouse isn't required to pay any debt owned in your name only, he/she is still liable for jointly-owned bills, which could prove financially crippling.

Make Sure There's Enough: Will your spouse have enough to survive on once you're gone? If you come up short, consider obtaining a new life insurance policy or even a more aggressive investment plan.

Identity Theft: Leave a note reminding your spouse to report your death in writing to the three main credit-reporting bureaus. This prevents identity thieves from extending your credit line, making purchases, and opening new accounts. ❍❍❍

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Estate Planning

Continued from page 1

less of what your will designates.

Assuring your surviving spouse is provided for while leaving a legacy for your children can be a frail matter; it's important to have a plan intact to assure both your spouse and children receive what you intend. You might consider a trust, such as a marital trust, qualified terminable interest property trust (QTIP), or irrevocable life insurance trust (ILIT) to provide lifetime income to your surviving spouse, while simultaneously ensuring your heirs receive the remaining proceeds.

If You Have A Special Needs Child

Understandably, parents of a special needs child are often so distracted with accommodating their children's immediate needs that important financial matters are overlooked. The consequences of putting off estate planning are far worse in these situations.

The two most important factors to consider are preserving your child's eligibility for Medicaid and other essential benefits while continuing to provide the best possible lifestyle for him/her. However, without a proper action plan, an inheritance could disqualify your special needs child from vital benefits.

To avoid this situation, parents often leave special needs children out of the inheritance equation, listing other siblings or a designated guardian as heirs with the intention that the heirs will provide for their special needs child. The truth is, misuse of these intended funds is always a possibility, as intentions and reality often do not mesh. A much more reassuring path is to consider a special needs trust, which can assure that your child continues to qualify for medical benefits while providing a sound financial future.

An Irresponsible Adult Child

It's quite common for parents to worry that a child could get into serious trouble when presented with a large sum of money. This depends on a variety of factors, such as age at the time of inheritance, lifestyle, or even addiction issues. Consider establishing a trust — such as a spendthrift trust or even an incentive trust — where the appointed trustee can limit your child's inheritance to several installments throughout the course of his/her lifetime (even on an annual basis if you so wish), place conditions such as good behavior on the disbursements, or even appropriate the funds for something as specific as college tuition.

Please call to discuss this topic in more detail. ❍❍❍

Giving Back

Leaving behind a legacy is important to many people. A charitable giving strategy can provide a number of tax-saving benefits, ultimately preserving more of what you're able to leave behind.

There are many ways to build charitable giving into your estate plan. Here are just a few items to consider:

✔ **Lifetime Giving**: In addition to the rewarding experience of donating, you'll enjoy the added benefit of tax deductions as well. If you're concerned with exceeding state or federal estate tax exemptions, lifetime giving is an advantageous option, since you reduce your taxable estate while also receiving a current income tax deduction.

✔ **Charitable Trust:** There are several types of charitable trusts that are mutually beneficial for your selected charities as well as you and your family. Estate tax savings, income tax deductions, and even income payments are all possibilities while benefitting your favorite causes. For example, a charitable remainder trust (CRT) is a private fund you can establish to provide yourself or selected beneficiaries with taxable income over a designated number of years. After your death, the remainder is passed to your chosen charities tax free. Your contributions are tax deductible based on the projected remainder value allocated for charity.

✔ **Private Foundation:** This is an entity run in your name and funded throughout your lifetime, enabling you to endow others while deducting these contributions on your federal tax return. This can be an especially attractive option for people with a high net-worth or highly appreciated assets.

If you have many current and upcoming expenses, such as paying off debt, saving for your children's college education, or saving for retirement, beginning a charitable giving strategy now may not be feasible. There are still ways to donate after your death:

✔ **A Gift in Your Will:** Simply request that your last will be drafted or revised to include your chosen organizations. This not only benefits the causes near and dear to you, but also helps reduce or eliminate estate taxes.

✔ **Retirement Accounts:** Because retirement accounts are among the highest-taxed assets in your estate, listing your favorite charities as the beneficiary could be a good estate tax savings route (although you may need your spouse's written consent). The charities are not subject to income or estate taxes, enabling them to put your entire gift to good use. ❍❍❍

Take Time to Reassess

Periodically, you should reassess your portfolio, finding ways to increase your comfort level with your stock investments. Consider the following tips:

Develop a stock investment philosophy. Approach investing with a formal plan so you can make informed decisions with confidence, knowing you have carefully considered your options before you invest.

Remind yourself of why you are investing in stocks. Write down your reasons for investing in each individual stock, indicating the long-term returns and short-term losses you expect. When market volatility makes you nervous, review your written reasons for investing as you did. That reminder should help keep you focused on the long term.

Monitor your stock investments so you understand the fundamentals of those stocks. If you believe you have invested in a good company with good long-term prospects, you are more likely to hold the stock during volatile periods.

Review your current asset allocation. Revisit your asset allocation strategy, comparing your current allocation to your desired allocation. Now may be a good time to rebalance your portfolio, reallocating some of those stock investments to other alternatives.

Determine how risky your stocks are compared to the overall market. You can do this by reviewing betas for your individual stocks and calculating a beta for your entire stock portfolio. Beta, which can be found in a number of published services, is a statistical measure of how stock market movements have historically impacted a stock's price. By comparing the movements of the Standard & Poor's 500 (S&P 500) to the movements of a particular stock, a pattern develops that gauges the stock's exposure to stock market risk. Calculating a beta for your entire portfolio will give you a rough idea of how your stocks are likely to perform in a market decline or rally. If your stock portfolio is riskier than you realized, you can take steps to reduce the risk by reallocating.

Keep in mind the tax aspects of selling. While you may be tempted to lock in some of your gains, you may have to pay taxes on those gains if the stocks aren't held in tax-advantaged accounts. You'll have to pay at least 15% capital gains taxes (0% if you are in the 10% or 12% tax bracket) on any stocks held over one year. If your gains are substantial, it may take longer to overcome the tax bill than to overcome a downturn in the market.

Consider selling stocks if you have short-term cash needs. If you are counting on your stock investments for short-term cash needs, such as to supplement your retirement income in the next couple of years or to pay for your child's college education, look for an appropriate time to sell some stock. With short-term needs, you may not have time to wait for your stocks to rebound from a market decline.

Don't time the market. During periods of market volatility, investors can get nervous and consider timing the market, which typically translates into exiting the market in fear of losses. Remember that most people, including professionals, have difficulty timing the market with any degree of accuracy. Significant market gains can occur in a matter of days, making it risky to be out of the market for any length of time.

Remember that you are investing for the long term. Even though short-term setbacks can give even the most experienced investors anxiety, remember that staying in the market for the long term, through different market cycles, can help manage the effects of market fluctuations.

Please call if you'd like help implementing strategies that may make you more comfortable with your stock holdings. ❍❍❍

4 Reasons for Goal-Focused Investing

The fact is, investing isn't just about making your money work for you. It's about making your money work for you for a particular purpose. In other words, you need a goal. Here are four specific reasons why a goal-focused approach to investing is important.

Because It Puts You in Control — When you first start investing, it's easy to get overwhelmed. You may feel like you have little control over what happens to your money. No matter how careful you are, you could lose what you invest. But if you take a goal-focused approach to investing, you're not just watching the value of your portfolio rise and fall based on the whims of the market. You are making specific decisions designed to help you reach specific goals.

Because It Will Be Easier to Save — Saving money just to save money is no fun for most people. Having concrete goals can turn saving from an abstract concept to a concrete step you need to take to achieve a certain aim. And studies have shown that the better you are at setting goals, the more you're likely to save.

Because You'll Be Less Focused on How Others Are Doing — A little competition is healthy, but when it comes to investing, it can get risky. If your father-in-law is bragging about the great return he got on his investments, it can be tempting to drop your plan and copy his moves. But if you're investing toward a goal with a clear plan, you'll be able to congratulate your relative on his success while staying focused on your own needs.

Because It Will Help You Weather the Ups and Downs of the Market — The market goes up and the market goes down. Sometimes, it goes way, way up or way, way down. Just like a roller coaster, these peaks and dips can make your stomach do flip flops, especially when your life savings is on the line. But having a goal-focused approach can help you cope with those ups and downs. If you know you won't need your money for another 30 years, you can handle some volatility today. But if you're going to need your money in the next couple of years, you can select less volatile investments so the day-to-day movements of the market won't stress you out.

If you need help setting your own investing goals, please call. ❍❍❍

Distributing Personal Possessions

Organizing and planning an estate is not a simple process, but don't forget to leave instructions for your personal possessions.

✔ **Take time to think about who should receive treasured personal possessions.** You might want to detail your wishes in a separate letter to your heirs.

✔ **Ask your heirs what possessions are important to them.** Otherwise, you may inadvertently give a treasured possession to one child without realizing its importance to another child.

✔ **Don't distribute assets based on arbitrary criteria.** You don't necessarily have to give your jewelry to your daughter or your tools to your son.

✔ **Devise a method for heirs to distribute personal possessions.** You probably won't want to decide how every personal possession should be distributed. After you have determined how to distribute your most valued possessions, detail a method for heirs to distribute the rest of your possessions. It can be as simple as having heirs take turns selecting items or flipping a coin if more than one person is interested in an item. ❍❍❍

Financial Thoughts

When adults were asked about what areas of personal finance worried them the most, 17% said they worried about retiring without having saved enough money. And 60% of non-retirees didn't think their retirement savings were on track (Source: Annuity.org, January 10, 2023).

In 2021, 86% of teens were interested in investing, but 45% said they didn't invest because they didn't feel confident. About 75% of American teens lack confidence in their knowledge of personal finance. (Source: Annuity.org, January 10, 2023).

Adults with a bachelor's degree are 42% more likely to be doing okay or better financially in comparison to those without a high school degree (Source: Annuity.org, January 10, 2023).

Money-related stress in 2022 is at its highest since 2015. It's been gradually growing in the last several months, affecting younger generations more acutely than others. Personal finance statistics by age group highlight that over 80% of respondents younger than 43 reported deep concern about money, while financial stress gradually decreased for respondents aged 43 and up (Source, American Psychological Association, 2022). ❍❍❍