

# LET'S TALK MONEY<sup>®</sup>

November/December 2022

## Plan Carefully Around an Inheritance

You've probably heard stories about athletes and other famous people squandering their wealth and ending up broke and in debt. Spending money irresponsibly without having a strategy can quickly reduce millions of dollars to zero. If you receive an inheritance, planning with the aid of your financial and tax professionals can help you preserve your windfall and honor your benefactor's legacy.

### Avoid Emotional Decisions

The death of a loved one can cause a variety of emotions: shock, grief, sadness, and others. Before you make any decisions about what to do with an inheritance, take time to reflect on your loved one's life and contributions while you process the loss.

### Consider Your Options

Inheriting substantial assets can be life changing but only if you plan carefully. Your short- and long-term goals can help you determine your best options for using your new-found wealth.

You could:

- ❖ Pay off debt
- ❖ Build up your emergency fund
- ❖ Retire your mortgage
- ❖ Put money in a college fund
- ❖ Add to your investments
- ❖ Give to charity

### Last Will and Testament



### Assemble a Team

Put together a team of professionals to help you make prudent decisions that take taxes into account. The team might consist of your tax advisor, financial professional, an estate planning attorney, and your insurance agent. You could also add a real estate professional if you plan to buy or sell property.

### Beyond Cash and Investments

An inheritance often includes a house and its contents. Once you've chosen the items you want to keep, you'll need to find a way to dispose of the rest. Start by obtaining an appraisal for anything valuable, such as jewelry, artwork, or antiques.

Ask the appraiser to recommend a buyer who might want to purchase some of these items. Then hold a garage sale or contact an estate liquidation company to dispose of the remaining contents of the house.

### Don't Forget to Treat Yourself

Set aside some of your inheritance to spend on yourself. You're more likely to stick with your plan for your windfall if you don't feel deprived.



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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Insurance Version

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## End-of-Year Tax Moves

During the holiday bustle, income taxes may be the last thing on your mind. But, if you want to lower your tax bill, you have until December 31st to employ certain strategies that can help. Your tax and financial professionals can provide helpful suggestions.

### Check Your Withholding

If your 2021 tax bill was higher than expected, you might need to increase your tax withholding. The IRS's Tax Withholding Estimator can tell you if you should file a new Form W-4 to have additional money withheld from your pay.

### Bunch Medical Expenses

If you've already met the deductible for your health and dental insurance plans and you plan to itemize this year, consider scheduling elective surgery and medical and dental procedures that you planned for early next year before December 31.

If you've also had major medical expenses during 2022, you may be able to deduct unreimbursed expenses that exceed the 7.5% of the adjusted gross income threshold.

### Donate to Charity

You can take a tax deduction for charitable donations of cash or goods. For items such as clothing, furniture, etc., estimate the fair market value (what the item might sell for at a thrift or consignment shop) to come up with a donation amount. Donated items worth more than \$5,000 (art, antiques, etc.) require a written appraisal.

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## Give to Charity with a Donor-advised Fund

If you want to donate to charitable organizations before the December 31st deadline but haven't decided where you want your donations to go, consider a donor-advised fund (DAF). With a DAF, you contribute cash, securities, life insurance, money in retirement accounts, or other assets and take an immediate tax deduction in the year you make your donation.

### What Happens to the Donated Funds?

Funds can be invested for tax-free growth until you're ready to select charities to receive the funds. Generally, you can recommend the investment strategies that will be employed. Once you're ready to select the charities to receive your donation, you'll be able to decide whether the organization(s) will be given the entire donation at once or spread out over time.

### What Are the Choices?

Your donation can support any IRS-qualified public charity that you choose. The DAF will ensure that your funds are used for charitable purposes. Keep in mind, though, that while the DAF typically will give the funds to the charities you've selected, the final decision rests with the sponsoring fund. There are many donor-advised fund providers, so take time to consult your financial and tax professionals.



# Keep a Lid on Your Holiday Spending

It's easy to get carried away and spend too much during the holidays. Before your holiday spirit leads you into debt, look for ways to control your expenses.

## Start with a List

Make a list of all the people on your gift list. It might include family, friends, coworkers, and people who perform services for you. Decide on a budget and either assign an amount to spend on each person or determine the total amount you can afford to spend.

## Streamline Giving

Everyone's budget is tight around the holidays. Cut down on purchasing individual gifts by having a "Secret Santa" at work. Perhaps adults in the family also would appreciate not having to exchange gifts anymore.

## Leave Credit Cards at Home

Limit yourself to using cash only, which will help prevent overspending. Decide what you want to buy for the people on your list before you shop. Don't be tempted by sales that lure you to stores you didn't intend to visit.



## Be Cautious with Shopping Online

Avoid blowing your budget by sticking to your gift list and budget. Ignore suggestions for other items that might appear on a website.

# Inheriting a House

The decision of what to do with a house that passes to you as a part of an inheritance may be an emotional one, especially if it was your childhood home. While you have options, having the house appraised by a qualified appraiser and consulting your legal and insurance professionals should be your first steps.

## 1. Sell the House.

You'll receive a step-up in basis to the home's value at the date of the owner's death. If you sell the house for its assessed value, you won't owe capital gains tax on the sale. However, if you sell the house later at a higher price, you'll owe capital gains tax on the difference between the selling price and your stepped-up basis.



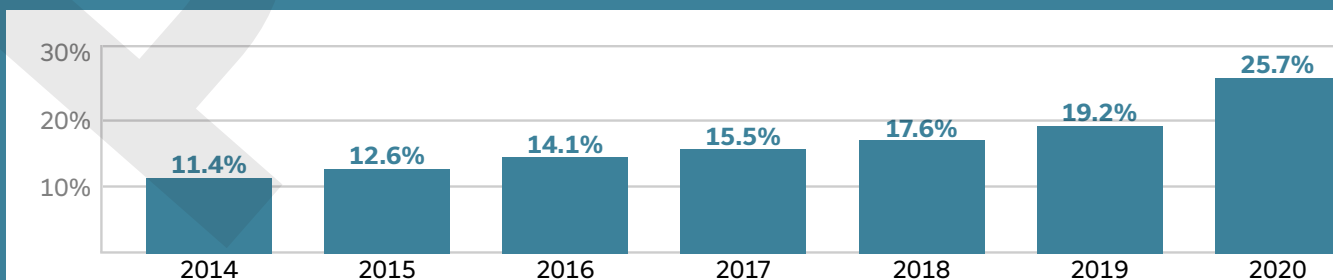
**2. Become a Landlord.** Renting out the house can provide extra income, but you'll be responsible for maintenance and property taxes. Be aware of IRS rules regarding rental property and deductible expenses.

**3. Make It Your Home.** You could choose to live in the house yourself. Make sure you have an emergency fund in place to cover unexpected expenses.

# More People are Shopping Online

Holiday retail trends over the past seven years have constantly been growing. Online shopping's share in the total holiday revenue wasn't projected to reach the 25.7% share until 2024 — indicating the effect the pandemic had on ecommerce growth.

## The Share of Ecommerce in Total Holiday Retail Revenue (2014-2020)



Source: DigitalCommerce360.com



# Claiming Life Insurance Benefits

The beneficiary of a life insurance policy is a person or entity specifically named in the policy to receive the policy's proceeds. The benefit may be paid to one or more people, a charitable organization, a trust, or a business. A beneficiary designation supersedes any instructions contained in a will.

## If You're a Beneficiary

If you're the beneficiary of a life insurance policy, ideally, the policyholder will have given you the name of the insurance company and the policy number. If you don't have that information, your own insurance agent may be able to help you track it down. Alternatively, the insurance industry maintains an online database that you can search for information.

## What You'll Need

You'll have to submit a certified copy of the death certificate, along with claim forms, to the insurance company. Claim forms generally are available online or directly from the company if you don't have access

to a computer or a printer. You can request multiple copies of the death certificate from the funeral director. Unless the policy has lapsed or there are questions surrounding the death, your claim should be processed relatively quickly.

## Taking Proceeds

You have several options for receiving life insurance proceeds:

❖ **Lump Sum** You'll receive the entire death benefit as a single amount. If you have an immediate need for the money — for example, to pay off a mortgage, fund a college education or finance retirement — a lump sum payment may be a good option.

❖ **Specific Income Provision** The insurance company pays you principal and interest on a schedule that you determine.

❖ **Life Income Option** You receive a guaranteed income for life. The income amount will depend on the death benefit, your gender, and your age at the time of the insured's death.

❖ **Interest Income Option** The company holds the insurance proceeds and pays you interest on them. The death benefit goes to a secondary beneficiary upon your death.

Before you decide how you want to take life insurance proceeds, talk with your financial professional. Together, you can design a strategy for taking proceeds based on your short- and long-term goals.

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## ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

August 04, 2022

Reference: **FR2022-0726-0119/E**

Link Reference: FR2022-0519-0128

Org Id: 23568

1. LTM 2022 NovDec - Insurance

Rule: FIN 2210

6 Pages

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury  
Principal Analyst

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