AUGUST 2014

<u>Help, I've Fallen!</u>
When I conduct my "Rethinking Retirement' workshop, I stress several issues seldom addressed by financial advisors or 'do it yourselfer's. Because the focus of ***<u>Scheiber and Associates</u>*** has always been the protection of assets, I always tell my attendees they must prepare for a market correction. Supported by facts, one of the concepts I reinforce is that a percentage of income producing assets need to be in a completely safe haven. We don't want to be the person who has lost not only principal and interest, and is sitting at the bottom of the financial ladder, saying: 'Help I've Fallen, and I can't get up!'
Because stocks and bonds are not guaranteed, this is not the place for income producing assets we can't afford to lose. One of the common misperceptions is that a Variable Life or Variable Annuity plan is guaranteed against loss, and is also supported by the state "Guarantee Association". This is incorrect. Some Advisors don't know or don't reveal this to their clients.

.**<u>Help, I've Fallen (cont)</u>**
Such an event occurred this week. A woman I was working with said she wanted to visit her stockbroker about her Variable Annuity. I provided all of the information she needed to ask questions about the guarantees and insurance costs, fees, etc.
When she called me back she had decided to stay with the Variable Annuity. She said the stockbroker had told her she would never lose any income potential due to the market, and that the plan was completely 'guaranteed'.
Then the market fell 1100 points in a week. My question to her was 'what happens if the market destroys not only this product but the rest of what you have in the stock market?"
She replied 'My stockbroker said that won't happen. This is a brief correction on the way to 20,000 on the Dow."
I asked: "Did you get it in writing?" She said "no, the women in my coffee group swear by him."
HUH. I hope she can get up someday.

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The importance of economic knowledge …..requires a knowledge of the causes and cures of the business cycle; how can someone trained in philosophy or theology be sure they are not recommending a course of action that will make a problem worse?
<u>Woods, Ch3, pg 105, 'the Church in the Market"</u>

Rejoice, O young man, while you are young and let your heart be glad in the days of your youth. Follow the ways of your heart, the vision of your eyes; yet understand that as all of this, God will bring you to judgment. *<u>Ecclesiastes, 11, 9-10</u>*

WHAT IS A QUALIFIED RETIREMENT PLAN?

A qualified retirement plan is a program implemented and maintained by an employer or individual for the primary purpose of providing retirement benefits and which meets specific rules spelled out in the Internal Revenue Code. For an employer-sponsored qualified retirement plan, these rules include:

- *The plan must be established by the employer for the exclusive benefit of the employees and their beneficiaries, the plan must be in writing and it must be communicated to all company employees.*
- *Plan assets cannot be used for purposes other than the exclusive benefit of the employees or their beneficiaries until the plan is terminated and all obligations to employees and their beneficiaries have been satisfied.*
- *Plan contributions or benefits cannot exceed specified amounts.*
- *The plan benefits and/or contributions cannot discriminate in favor of highly-compensated employees.*
- *The plan must meet certain eligibility, coverage, vesting and/or minimum funding standards and provide for distributions that meet specified requirements.*
- *The plan must prohibit the assignment or alienation of plan benefits.*
- *Death benefits may be included in the plan, but only to the extent that they are "incidental," as defined by law.*

Qualified Retirement Plan Tax Advantages:

In order to encourage saving for retirement, qualified retirement plans offer a variety of tax advantages to businesses and their employees. The most significant tax breaks offered by all qualified retirement plans are:

- *Contributions by an employer to a qualified retirement plan are immediately tax deductible as a business expense, up to specified maximum amounts.*
- *Employer contributions are not taxed to the employee until actually distributed.*
- *Investment earnings and gains on qualified retirement plan contributions grow on a tax-deferred basis, meaning that they are not taxed until distributed from the plan.*

The bottom line is that the primary qualified retirement plan tax advantages - before-tax contributions and tax-deferred growth - provide the opportunity to accumulate substantially more money for retirement, when compared to saving with after-tax contributions, the earnings on which are taxed each year.

We are in danger of losing something solid at the core. We are losing that pilgrim and pioneer spirit of initiative and independence – that old fashioned Spartan devotion to duty, honor and country.
John F. Kennedy

What Is the Marital Deduction?

The marital deduction (I.R.C. Sections 2056 and 2523) eliminates both the federal estate and gift tax on transfers of property between spouses, in effect treating them as one economic unit. The amount of property that can be transferred between them is unlimited, meaning that a spouse can transfer all of his or her property to the other spouse, during lifetime or at death, and completely escape any federal estate or gift tax on this first transfer. However, property transferred in excess of the unified credit equivalent will ultimately be subject to estate tax in the estate of the surviving spouse.

The 2010 Tax Relief Act, however, provided for "portability" of the maximum estate tax unified credit between spouses if death occurred in 2011 or 2012.
The American Taxpayer Relief Act of 2012 subsequently made the portability provision permanent. This means that a surviving spouse can elect to take advantage of any unused portion of the estate tax unified credit of a deceased spouse (the equivalent of $5,000,000 as adjusted for inflation; $5,340,000 in 2014). As a result, with this election and careful estate planning, married couples can effectively shield up to $10 million plus (as adjusted for inflation) from the federal estate and gift tax without use of marital deduction planning techniques. Property transferred to the surviving spouse in excess of the combined unified credit equivalent will be subject to estate tax in the estate of the surviving spouse. If the surviving spouse is predeceased by more than one spouse, the additional exclusion amount available for use by the surviving spouse is equal to the lesser of $5 million ($5,340,000 in 2014 as adjusted for inflation) or the unused exclusion of the last deceased spouse.

What Requirements Apply to the Marital Deduction?

To qualify for the marital deduction, the decedent must have been married and either a citizen or resident of the U.S. at the time of death. In addition, the property interest (1) must be included in the decedent's gross estate, (2) must pass from the decedent to his or her surviving spouse and (3) cannot represent a terminable interest (property ownership that ends upon a specified event or after a predetermined period of time).

CHARITABLE GIVING

People give to charities for a variety of reasons. They give:

1. Because they have compassion for the less fortunate.
2. From a belief that they owe something back to society.
3. To support a favored institution or cause.
4. For the recognition attained by making substantial charitable donations.
5. To benefit from the financial incentives our tax system provides for charitable gifts.

According to the Giving USA Foundation, individual giving accounted for 72% of all contributions to charitable organizations in 2012.
Source: Giving USA Foundation™
Regardless of your reasons for giving, a careful review of the various ways to structure charitable gifts can help make your gifts more meaningful, both to you and to the charities you choose to support. A charitable gift is a donation of cash or other property to, or for the interest of, a charitable organization. The gift is freely given with the primary intention of benefiting the charity. Whether given during lifetime or after death, charitable gifts are eligible for a tax deduction, but only if made to a qualified charitable organization. For example, you may have a relative who has fallen on hard times, someone you choose to help with gifts of cash. While you may be motivated by charitable intentions in making these gifts, you cannot deduct them for either income tax or estate tax purposes. In general, qualified charitable organizations include churches, temples, synagogues, mosques and other religious organizations, colleges and other nonprofit educational organizations, museums, nonprofit hospitals, and public parks and recreation areas. Gifts to these types of organizations qualify for a federal income tax deduction if made during your lifetime or, if made after your death, can be deducted from the value of your estate for federal estate tax purposes. On the other hand, examples of noncharitable groups include labor unions, social clubs, lobbying organizations, chambers of commerce, for-profit groups and individuals. Gifts to any of these are not eligible for a charitable tax gift.

UPCOMING EVENTS.

1. September 18th, and 23rd Revisiting Retirement, Dangerfields Restaurant, Shakopee, 6PM.

2. September 30th, Owatonna Public Library, Social Security Information Seminar.

3. New Prague Office Opens. 111 W Main St New Prague, September 1.

4. October 16 and 23rd. Revisiting Retirement Workshop, Lakeside Supper Club, 6pm

To Register for the Dinner Seminars, Please call (800) 451-6117, and for the Social Security Workshops, call (800) 530-1402

Tools for Thought

❖ *After 21 years in the insurance business, I finally did it. I finally decided to open an office in downtown New Prague. Someone might ask, 'after all of these years, why now?' The decision was not an easy one. Since my early days with the Knights of Columbus, and subsequent work in the estate planning and Medicare fields, not having a brick and mortar office seemed to be an asset. I could drive to Iowa, North Dakota, outstate Minnesota, Wisconsin, and yes even once to Ohio to obtain clients and run my business.*

What has changed? The most important change has been the decision to focus on work in the New Prague area. Because in my practice is unique, offering solutions not commonly seen in this area, I am different than all of the stockbrokers in town. Because I am independent in my estate planning and insurance practice, I can offer plans and ideas that weren't 'washed through the bureaucracy' of some of the other practitioners of my craft.

The decision to leave the road, and become more community focused was also driven by my membership in the New Prague Chamber. There is a need for a practice like this, and in the future I will write more about it. So, after September 1st, come visit Scheiber & Associates at 111 West Main Street, New Prague!

Why Should You Attend a Workshop Offered by 'Scheiber and Associartes'!

This fall, ***Scheiber and Associates"*** are offering a series of workshops. The first is our 'Rethinking Retirement' workshop. This workshop focuses on issues regarding financial safety, protection of assets from nursing homes, and how to leverage assets to do a bigger job than the funds allocated to the plan. We also talk about what to do with CD and other underperforming assets.
These are usually dinner seminars at local restaurants, and the last about 90 minutes.

The second type of workshop is the Social Security Workshop. This workshop is held at libraries or meetings rooms in the area. In this workshop we cover issues regarding the claiming of social security benefits. At the conclusion of this workshop I offer a free analysis and report on each person's social security strategy, including a recommended claiming strategy. This meeting lasts about an hour.

The third meeting is our Breakfast meetings. They are held at local Perkins. They last about an hour, and I discuss current issues and explore strategies to help with current planning.

And now you can visit me at my New Prague Office at 111 West Main Street!

SEE YOU OUT THERE!

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