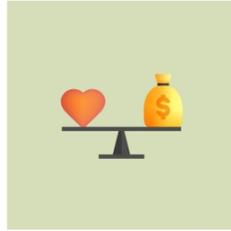




The Joy of Giving

Christmas is a Great Time for Gratefulness

How to Give Like a Billionaire When You Don't Have Billions to Give



wealth to philanthropic or charitable causes.

Although the Giving Pledge only invites billionaires to join, "it is inspired by the example set by millions of people at all income levels who give generously — and often at great personal sacrifice — to make the world a better place."^{**}

You don't have to be a billionaire to embrace the spirit of the Giving Pledge: When people come together to give, regardless of wealth, they can improve the lives of others.

Decide which causes matter most to you

Giving Pledge billionaires are a diverse group, coming from 23 countries and ranging in age from their 30s to their 90s. While they're all dedicated to philanthropy, they support many different causes.

For example, Giving Pledge member Sara Blakely pledged to help empower women to prosper when she signed the pledge in 2013. She has since donated money to build homes for impoverished families and funded entrepreneurial programs for girls.

One of the newest signers of the Giving Pledge, Robert F. Smith, focuses on causes that support equality for African Americans. In May 2019, he told graduates of Morehouse College that he was paying off their student loans via a grant that is worth an estimated \$40 million.

What causes are you passionate about? What are your values? Do you want to make an impact locally or globally? Aligning the causes you support with what's meaningful to you can help deepen your long-term commitment to giving back.

Write down why you are giving

Director and producer George Lucas and his wife Mellody Hobson joined the Giving Pledge in 2010. Like other members, they wrote a statement explaining why they wanted to join and what they intended to accomplish.

"My pledge is to the process," Lucas wrote; "as long as I have the resources at my disposal, I will seek to raise the bar for future generations of students of all ages. I am dedicating the majority of my wealth to improving education."^{**}

Lucas fulfilled part of this pledge by creating the George Lucas Educational Foundation to transform education through innovation.

Writing down your own intentions can help clarify your philanthropic goals and serve as a reminder of the impact your gift could have.

Inspire and learn by going public

The Giving Pledge hopes to "inspire conversations, discussions, and action, not only about how much, but also for what purposes/to what end."^{**}

Even if you normally prefer to keep your charitable work private, being open about the causes you support might help inspire others to give back.

Other perks of going public include being able to exchange ideas and lessons learned with others, and the opportunity to meet people in your community or around the world who share your commitment.

Connect generations through giving

A major goal of the Giving Pledge is to encourage long-term family giving that will help make the world a better place for generations to come.

Sharing your passion for helping others with your children or grandchildren can be especially rewarding. Setting family goals, choosing worthy causes, and volunteering together are ways that you can help unite generations and make philanthropy part of your family's legacy.

^{*} To learn more about the Giving Pledge and those who have signed it, visit givingpledge.org.

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Zoom! Another year has flown by. As many of us reflect upon where did the year go, how about reflecting upon how much was accomplished over the past year. What positive things are we thankful for? What negative events occurred that we can learn from? Above all, how thankful are we for the greatest Gift ever?

Have a Merry Christmas!

December 2019

Take This Quiz: The Social Security Retirement Earnings Test

Estate Planning: Consider the Tax Basis of Gifted or Inherited Property

Should I sign up for an identity theft protection service?

Protecting Yourself Against Identity Theft





Take This Quiz: The Social Security Retirement Earnings Test



This quiz covers only some basic rules. For more information about other retirement earnings test rules, visit the Social Security Administration website, ssa.gov.

Can you work and receive Social Security retirement benefits at the same time? Yes, but the Social Security Administration (SSA) will apply an earnings test. Part or all of your monthly benefit may be withheld if you earn too much.

To help avoid surprises, take this quiz to find out what you know — and don't know — about Social Security earnings test rules.

Questions

1. The retirement earnings test applies only if you are receiving Social Security benefits and are...

- a. Under age 62
- b. Under full retirement age
- c. Full retirement age or older
- d. Age 70 or older

2. Which of the following types of income count toward the earnings test?

- a. Wages earned as an employee and net self-employment income
- b. Pension and retirement plan income
- c. Interest and dividends
- d. Both a and b
- e. All of the above

3. Benefits that are withheld are lost forever.

- a. True
- b. False

4. The earnings test may affect family members who are receiving which types of benefits?

- a. Disability benefits
- b. Spousal benefits
- c. Dependent benefits
- d. Both b and c

5. What special rule applies to earnings for one year, usually the first year you claim Social Security retirement benefits?

- a. A monthly earnings limit applies to any earnings after you claim retirement benefits.
- b. Earnings during the first year after you claim retirement benefits can't be counted if you retired after 40 years of continuous employment.
- c. Earnings during the first year after you claim retirement benefits will not reduce your Social Security benefit if you retired from a government job.

Answers

1. b. If you have not yet reached full retirement age (66 to 67, depending on your year of birth), your Social Security retirement benefit may be reduced if you earn more than a certain annual amount.

In 2020, \$1 in benefits will be deducted for every \$2 you earn above \$18,240. In the calendar year in which you reach your full retirement age, a higher limit applies. In 2020, \$1 in benefits will be deducted for every \$3 you earn above \$48,600. Once you reach full retirement age, your earnings will not affect your Social Security benefit.

The SSA may withhold benefits as soon as it determines that your earnings are on track to surpass the annual limit. The estimated amount will typically be deducted from your monthly benefit in full, so you might not receive benefits for one or more months before they resume.

2. a. Only earned income, such as wages from an employer and net self-employment income, count toward the earnings limit. Unearned income — such as other government benefits, investment earnings, interest, pension and retirement plan distributions, annuities, and capital gains — doesn't count.

3. b. Benefits that are withheld are not really lost. Your benefit will be recalculated at full retirement age to account for the months benefits were withheld. You'll receive the higher benefit for the rest of your life, so assuming you live long enough, you'll eventually recoup the total amount you previously "lost."

4. d. Benefits paid to family members (such as your spouse or dependent children) based on your earnings record may also be reduced if you're subject to the earnings test. The earnings test does not apply to disability insurance benefits.

5. a. Many people retire mid-year and have already earned more than the earnings limit. So in the first year you claim retirement benefits, a monthly earnings test may apply, regardless of your annual earnings.

For example, let's say that you claim benefits at age 62 on September 30, 2020 and have already earned more than the 2020 earnings limit of \$18,240. Then, you take a part-time job that pays you \$1,000 per month for the rest of the year. You'll still receive a Social Security benefit for October, November, and December because your earnings are less than \$1,520, the monthly limit that applies in 2020.



Estate Planning: Consider the Tax Basis of Gifted or Inherited Property



An asset's tax basis can be important when deciding whether to make gifts now or transfer property at your death. When you make a gift of property during your lifetime, the recipient generally receives your basis in the property. When you transfer property at your death, the recipient generally receives a basis equal to the fair market value of the property as of the date of your death. The difference can substantially affect the amount of taxable gain when the recipient sells the property.

Tax basis can be important when deciding whether to make gifts now or transfer property at your death. This is because the tax basis of the person receiving the property depends on whether the transfer is by gift or at death. This, in turn, affects the amount of taxable gain subject to income tax when the person sells the property.

What is tax basis?

The tax basis of an asset is used when determining whether you have recognized a capital gain or loss on the sale of property for income tax purposes. (Gain or loss on the sale of property equals the difference between your adjusted tax basis and the amount you realize upon the sale of the property.) When you purchase property, your basis is generally equal to the purchase price. However, there may be some adjustments made to basis.

What is the tax basis for property you receive as a gift?

When you receive a gift, you generally take the donor's basis in the property. (This is often referred to as a "carryover" or "transferred" basis.) The carryover basis is increased — but not above fair market value (FMV) — by any gift tax paid that is attributable to appreciation in value of the gift. (Appreciation is equal to the excess of FMV over the donor's basis in the gift immediately before the gift.) However, for the purpose of determining loss on a subsequent sale, the carryover basis cannot exceed the FMV of the property at the time of the gift.

Example: Say your father gives you stock worth \$1,000 and the gift incurs no gift tax. He purchased the stock for \$500. Your basis in the stock, for the purpose of determining gain on the sale of the stock, is \$500. If you sold the stock for \$1,000, you would have gain of \$500 (\$1,000 received minus \$500 basis).

Now assume that the stock is only worth \$200 at the time of the gift and you sell it for \$200. Your basis in the stock, for the purpose of determining gain on the sale of the stock, is still \$500, but your basis for determining loss is \$200. You do not pay tax on the sale of the stock. You do not recognize a loss either. In this case, it would have been better if your father had sold the stock (and recognized the loss of \$300 — his basis of \$500 minus \$200 received) and then transferred the sales proceeds to you as a gift.

What is the tax basis for property you inherit?

When you inherit property, you generally receive an initial basis in property equal to the

property's FMV. The FMV is established on the date of death or on an alternate valuation date six months after death. This is often referred to as a "stepped-up" basis, since basis is typically stepped up to FMV. However, basis can also be "stepped down" to FMV.

Example: Say your mother leaves you stock worth \$1,000 at her death. She purchased the stock for \$500. Your basis in the stock is a stepped-up basis of \$1,000. If you sold the stock for \$1,000, you would have no gain (\$1,000 received minus \$1,000 basis).

Now assume that the stock is only worth \$200 at the time of your mother's death. Your basis in the stock is a stepped-down basis of \$200. If you sold the stock for more than \$200, you would have gain.

Make gift now or transfer at death?

As the following example shows, tax basis can be important when deciding whether to make gifts now or transfer property at your death.

Example: You purchased land for \$25,000. It is now worth \$250,000. You give the property to your child (assume the gift incurs no gift tax), who then has a tax basis of \$25,000. If your child sells the land for \$250,000, your child would have taxable gain of \$225,000 (\$250,000 sales proceeds minus \$25,000 basis).

If instead you kept the land and transferred it to your child at your death when the land is worth \$250,000, your child would have a tax basis of \$250,000. If your child sells the land for \$250,000, your child would have no taxable gain (\$250,000 sales proceeds minus \$250,000 basis).

In addition to tax basis, you might consider the following questions:

- Will making gifts reduce your combined gift and estate taxes? For example, future appreciation on gifted property is removed from your gross estate for federal estate tax purposes.
- Does the recipient need a gift now or can it wait? How long would a recipient have to wait until your death?
- What are the marginal income tax rates of you and the recipient?
- Do you have other property or cash that you could give?
- Can you afford to make a gift now?

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Should I sign up for an identity theft protection service?

Unfortunately, data breaches are now normal, everyday occurrences in our society. As a result, many companies are offering services to help you protect your personal information. If you want an extra layer of protection, an identity theft protection service is a good option. However, the term "identity theft protection service" can be misleading. The reality is that no one service can safeguard all of your personal information from identity theft. What most of these companies actually provide are identity theft monitoring and recovery services.

A monitoring service will watch for signs that an identity thief may be using your personal information. This typically includes tracking your credit reports for suspicious activity and alerting you whenever your personal information (e.g., Social Security number) is being used. The recovery portion of the service usually helps you deal with the consequences of identity theft. This often involves working with a case manager to help resolve identity theft issues (e.g., dealing with creditors or placing a freeze on your credit report). And depending on the level of protection you choose, the service may

also provide reimbursement for out-of-pocket expenses directly associated with identity theft (e.g., postage, notary fees) and any funds stolen as a result of the identity theft (up to plan limits). Identity theft protection services usually charge a monthly fee. Entry-level plans that provide basic protection (e.g., Social Security number and credit alerts) can cost as little as \$10 a month, while plans that offer more advanced features (e.g., investment account monitoring) will cost more.

Keep in mind there are steps you can take on your own to help protect yourself against identity theft, such as:

- Check your credit report at least once a year for errors
- Periodically review your bank and debit/credit card accounts for suspicious charges/activity
- Obtain a fraud alert or credit freeze if necessary
- Have strong passwords, use two-step authentication, minimize information sharing, and be careful when shopping online

PROTECTING YOURSELF AGAINST IDENTITY THEFT



Be Vigilant

- Check your credit report at least once a year for errors
- Periodically review your bank and debit/credit card accounts for suspicious charges/activity



Consider a Fraud Alert or Credit Freeze If Necessary

- A fraud alert requires creditors to take extra steps to verify your identity before extending any existing credit or issuing new credit in your name
- A credit freeze prevents new credit and accounts from being opened in your name



Stay One Step Ahead

- Maintain strong passwords or consider using a password manager
- Consider using two-step authentication when available
- Minimize information sharing and be wary of requests for personal information, whether received in an email, letter, or phone call
- Beware of scam websites and only use secure connections when shopping online