

Planning Your Financial Future

Atlas Brown Family Wealth Management

Famous People Who Failed to Plan Properly



It's almost impossible to overstate the importance of taking the time to plan your estate. Nevertheless, it's surprising how many American adults haven't done so. You

might think that those who are rich and famous would be way ahead of the curve when it comes to planning their estates properly, considering the resources and lawyers presumably available to them. Yet there are plenty of celebrities and people of note who died with inadequate (or nonexistent) estate plans.

Most recently

The Queen of Soul, **Aretha Franklin**, died in 2018, leaving behind a score of wonderful music and countless memories. But it appears Ms. Franklin died without a will or estate plan in place. Her four sons filed documents in the Oakland County (Michigan) Probate Court listing themselves as interested parties, while Ms. Franklin's niece asked the court to appoint her as personal representative of the estate.

All of this information is available to the public. Her estate will be distributed according to the laws of her state of residence (Michigan). In addition, creditors will have a chance to make claims against her estate and may get paid before any of her heirs. And if she owned property in more than one state (according to public records, she did), then probate will likely have to be opened in each state where she owned property (called ancillary probate). The settling of her estate could drag on for years at a potentially high financial cost.

A few years ago

Prince Rogers Nelson, who was better known as **Prince**, died in 2016. He was 57 years old and still making incredible music and entertaining millions of fans throughout the world. The first filing in the Probate Court for Carver County, Minnesota, was by a woman claiming to be the sister of Prince, asking the court to appoint a special administrator because there was no will or other testamentary documents. As of November 2018, there have been hundreds of court filings

from prospective heirs, creditors, and other "interested parties." There will be no private administration of Prince's estate, as the entire ongoing proceeding is open and available to anyone for scrutiny.

A long time ago

Here are some other notable personalities who died many years ago without planning their estates.

Pablo Picasso died in 1973 at the ripe old age of 91, apparently leaving no will or other testamentary instructions. He left behind nearly 45,000 works of art, rights and licensing deals, real estate, and other assets. The division of his estate assets took six years and included seven heirs. The settlement among his nearest relatives cost an estimated \$30 million in legal fees and other related costs.

The administration of the estate of **Howard Hughes** made headlines for several years following his death in 1976. Along the way, bogus wills were offered; people claiming to be his wives came forward, as did countless alleged relatives. Three states — Nevada, California, and Texas — claimed to be responsible for the distribution of his estate. Ultimately, by 1983, his estimated \$2.5 billion estate was split among some 22 "relatives" and the Howard Hughes Medical Institute.

Abraham Lincoln, one of America's greatest presidents, was also a lawyer. Yet when he met his untimely and tragic death at the hands of John Wilkes Booth in 1865, he died intestate — without a will or other testamentary documents. On the day of his death, Lincoln's son, Robert, asked Supreme Court Justice David Davis to assist in handling his father's financial affairs. Davis ultimately was appointed as the administrator of Lincoln's estate. It took more than two years to settle his estate, which was divided between his surviving widow and two sons.

Atlas Brown, Inc.
Bradley A. Glotzbach
Senior Relationship Manager
Preston Pointe
333 E. Main Street, Suite 400
Louisville, KY 40202
502-271-2925
baglotzbach@atlasbrown.com
www.atlasbrown.com

January 2019

Key Retirement and Tax Numbers for 2019
Talking to Your Teen About Money
How can I protect my personal and financial information from credit fraud and identity theft?
Cartoon: Happy New Year

Atlas BROWN
FAMILY WEALTH MANAGEMENT

Key Retirement and Tax Numbers for 2019



Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2019.

Employer retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$19,000 in compensation in 2019 (up from \$18,500 in 2018); employees age 50 and older can defer up to an additional \$6,000 in 2019 (the same as in 2018).
- Employees participating in a SIMPLE retirement plan can defer up to \$13,000 in 2019 (up from \$12,500 in 2018), and employees age 50 and older can defer up to an additional \$3,000 in 2019 (the same as in 2018).

IRAs

The combined annual limit on contributions to traditional and Roth IRAs increased to \$6,000 in 2019 (up from \$5,500 in 2018), with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2018	2019
Single/head of household (HOH)	\$63,000 - \$73,000	\$64,000 - \$74,000
Married filing jointly (MFJ)	\$101,000 - \$121,000	\$103,000 - \$123,000
Married filing separately (MFS)	\$0 - \$10,000	\$0 - \$10,000

Note: The 2019 phaseout range is \$193,000 - \$203,000 (up from \$189,000 - \$199,000 in 2018) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.

The modified AGI phaseout ranges for individuals to make contributions to a Roth IRA are:

	2018	2019
Single/HOH	\$120,000 - \$135,000	\$122,000 - \$137,000
MFJ	\$189,000 - \$199,000	\$193,000 - \$203,000
MFS	\$0 - \$10,000	\$0 - \$10,000

Estate and gift tax

- The annual gift tax exclusion for 2019 is \$15,000, the same as in 2018.
- The gift and estate tax basic exclusion amount for 2019 is \$11,400,000, up from \$11,180,000 in 2018.

Kiddie tax

Under the kiddie tax rules, unearned income above \$2,200 in 2019 (up from \$2,100 in 2018) is taxed using the trust and estate income tax brackets. The kiddie tax rules apply to: (1) those under age 18, (2) those age 18 whose earned income doesn't exceed one-half of their support, and (3) those ages 19 to 23 who are full-time students and whose earned income doesn't exceed one-half of their support.

Standard deduction

	2018	2019
Single	\$12,000	\$12,200
HOH	\$18,000	\$18,350
MFJ	\$24,000	\$24,400
MFS	\$12,000	\$12,200

Note: The additional standard deduction amount for the blind or aged (age 65 or older) in 2019 is \$1,650 (up from \$1,600 in 2018) for single/HOH or \$1,300 (the same as in 2018) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

Alternative minimum tax (AMT)

	2018	2019
Maximum AMT exemption amount		
Single/HOH	\$70,300	\$71,700
MFJ	\$109,400	\$111,700
MFS	\$54,700	\$55,850
Exemption phaseout threshold		
Single/HOH	\$500,000	\$510,300
MFJ	\$1,000,000	\$1,020,600
MFS	\$500,000	\$510,300
26% rate on AMTI* up to this amount, 28% rate on AMTI above this amount		
MFS	\$95,550	\$97,400
All others	\$191,100	\$194,800

*Alternative minimum taxable income

Talking to Your Teen About Money



Parents play an important role in shaping their children's financial behaviors and attitudes toward money.

You probably feel comfortable talking to your teen about things like school, sports, and clothing. But how do you feel about talking about money? While it may be a tricky topic to broach, odds are that your teenager will rely on you to learn basic financial management skills. And the teenage years can be a critical learning period. According to a report by the Consumer Financial Protection Bureau, it's important to establish strong financial decision-making habits in the teen years because it will help your child better navigate his or her financial life as an adult.¹

Prepare your teenager for the financial challenges of adulthood by talking to him or her about the following topics.

Handling an income

Whether your teen earns an allowance from you or works a part-time job, he or she will need guidance on what to do with the income. Set some expectations regarding your teen's pay. How much of it will be discretionary? Will your teen start contributing to his or her share of a monthly cell phone bill, or would you prefer for your child to set aside a portion of each paycheck for college?

When your teen earns his or her first paycheck, take time to sit down and review the information on the pay stub or online statement. Help your child understand what certain terms mean, such as gross pay, net pay, federal income tax, state income tax, Social Security tax, and Medicare tax. Show your teen how income taxes can affect take-home pay.

Building a budget

Help your teen learn to be accountable for his or her finances by developing a spending plan. Start by listing all sources of regular income (e.g., an allowance or earnings from a part-time job). Next, ask your teen to identify regular expenses. Depending on what you and your child have agreed on, that might include car insurance, a cell phone bill, or clothing expenses. Take the total expenses and subtract them from your teen's total income.

If this exercise shows that your child won't have enough income to meet his or her expenses, help your teen come up with a plan for making up the shortfall. Suggest ways to earn more money or cut back on expenses, but resist the temptation to bail out your teen. The point of establishing a budget is to give your child a taste of what it's like to earn an income and pay expenses without running out of money.

Setting and saving for financial goals

In the past, your teenager probably came to you for money to pay for items that he or she wanted. Now that your teen has a steady source of income, it's time for him or her to make purchases independently. Your child may be ready to start saving for larger goals such as a new computer or a car and longer-term goals such as college. Encourage your teen to save by putting these goals in writing to make them more concrete. Consider offering incentives, such as matching what your teen saves toward a long-term goal. For example, for every dollar your child sets aside for college, you might contribute 50 cents or more.

Remember to praise your teen for showing responsibility when a goal is reached. Your approval, as well as the sense of accomplishment your teen will feel, can help reinforce healthy savings habits.

Getting familiar with credit

While credit card companies require an adult to co-sign a credit card agreement before they will issue a card to someone under the age of 21, you shouldn't ignore the credit card issue altogether. Teach your teen about establishing and maintaining good credit. Explain how credit card interest is calculated and emphasize the importance of paying bills on time. Don't be afraid to share your experience using credit with your child — personal examples can be a great way to help him or her learn.

Becoming a smart shopper

Encourage your teenager to spend money wisely. Teach your child to ask questions before making a purchase, such as:

- Why do I want this item? Am I buying something because I really want it, or because all of my friends have it?
- Can I really afford this item?
- Do I need to buy this item now, or can I set aside money to buy it at a later time?
- Am I getting a good deal on this item, or should I shop around for a more affordable alternative?

Remember that talking to your teenager about money now can help him or her establish a more financially stable future.

¹ Report Brief: Building Blocks to Help Youth Achieve Financial Capability, Consumer Financial Protection Bureau, September 2016

Atlas Brown, Inc.

Bradley A. Glotzbach
Senior Relationship Manager
Preston Pointe
333 E. Main Street, Suite 400
Louisville, KY 40202
502-271-2925
baglotzbach@atlasbrown.com
www.atlasbrown.com

IMPORTANT DISCLOSURES

The discussions and opinions in this letter were written by an independent third party and are protected by copyright. This document has been provided for general information purposes, and is not intended to provide investment advice. Atlas Brown makes no representation about the accuracy of the information in this document or its appropriateness for any given situation. Atlas Brown cannot guarantee the completeness of this information and is not responsible for the use of this information by receiving parties. This document is not meant as a source of any specific investment recommendations, and makes no implied or expressed recommendations concerning the manner in which any client's accounts should or would be handled.



How can I protect my personal and financial information from credit fraud and identity theft?

In today's digital world, massive computer hacks and data breaches are common occurrences. And chances are, your personal or financial information is now susceptible to being used for credit fraud or identity theft. If you discover that you are the victim of either of these crimes, you should consider placing a credit freeze or fraud alert on your credit report to protect yourself.

A credit freeze prevents new credit and accounts from being opened in your name. Once you obtain a credit freeze, creditors won't be allowed to access your credit report and therefore cannot offer new credit. This helps prevent identity thieves from applying for credit or opening fraudulent accounts in your name.

To place a credit freeze on your credit report, you must contact each credit reporting agency separately either by phone or by filling out an online form. Keep in mind that a credit freeze is permanent and stays on your credit report until you unfreeze it. This is important, because if you want to apply for credit with a new financial institution in the future, open a new bank account, or even apply for a job or rent an

apartment, you will need to "unlock" or "thaw" the credit freeze with each credit reporting agency.

A less drastic option is to place a fraud alert on your credit report. 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. To request a fraud alert, you only have to contact one of the three major reporting agencies, and the information will be passed along to the other two.

Recently, as part of the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018, Congress made several changes to credit rules that benefit consumers. Under the new law, consumers are now allowed to "freeze" and "unfreeze" their credit reports free of charge at all three of the major credit reporting bureaus, Equifax, Experian, and TransUnion. In addition, the law extends initial fraud alert protection to one full year. Previously, fraud alerts expired after 90 days unless they were renewed.



©2018 BROADRIDGE INVESTOR COMMUNICATION SOLUTIONS, INC.