

FINANCIAL JOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE



Giving well when you decide to give

Saving well, spending well and investing well are essential to a financially sound lifestyle, but for those inclined toward philanthropy, giving well should garner similar consideration.

Matters of timing, taxation and method can significantly change how your giving aligns with both your financial plan and your philanthropic objectives. Thoughtful planning and an understanding of the nuances can help you balance competing interests and help you increase the effect of your giving.

Here are some of the basic principles of giving well, though specifics are best discussed with your financial team.

YOUR CAUSES AND YOUR GOALS

Americans are a generous people, with individuals giving an amount each year equal to roughly 2% of the gross domestic product, passing the \$500 billion mark in 2021, based on a survey series by the U.S. Census Bureau.

For as many givers, there are as many reasons to give, but among high-net-worth individuals surveyed by the Indiana University Center of Philanthropy, most – 62% – said they are motivated by a

sense of duty to give back to their communities. Through their generosity, they enable things as diverse as local performing arts, adoption assistance, home repairs and municipal fireworks shows, creating healthier, more vibrant communities.

Similarly, you should set some goals when setting out to donate. This is about more than picking a cause, but about understanding why you are giving and how you hope to engage with the process.

- Do you want to be a sustainer or an advocate for change?
- Do you wish to be hands-on? Do you want to be a board member?
- Do you see philanthropy as a new vocation, or would you rather spend your time on other pursuits?
- Do you wish to be anonymous, or recognized?
- Do you want your giving to be foundational or flexible, and if both, how do you want to split it?

Answering these questions can help you select complementary giving vehicles and set a suitable timeline to maximize the effect of your giving. It may also help you get the most, personally, out of your altruism. The act of giving should feel rewarding.

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Giving well when you decide to give *(cont.)*

CONSIDER TIMING

In light of taxes, thoughtfully timing your giving can help you serve both your philanthropic and financial goals. This is a deep topic with a variety of situational strategies that will require the guidance of your financial team, but here are some examples:

- Giving during years with uncommonly high income allows you to deduct donations from adjusted gross income exposed to your highest marginal tax rates.
- The sale of a business may be structured to directly support a charitable cause of choice or a specific charitable vehicle, bypassing personal tax implications.
- Highly appreciated (low basis) stocks can be donated to an organization during a hot market, bypassing the capital gains tax loss.
- A giving plan may be executed before advantageous gift and estate tax laws sunset.

Estate planning often includes similar timing considerations. This is why before making a major financial decision, it's best to explore the opportunities surrounding it. Particularly with liquidity events, you'll have far fewer options after the fact.

SELECT YOUR GIVING VEHICLE

Different giving vehicles offer distinct benefits depending on your goals, timing, tax considerations and asset classes you wish to donate. These giving vehicles include:

Donor advised funds (DAF): Donate in any given year and reap the associated tax benefits, then make decisions on how funds should be disbursed later.

Charitable remainder trusts (CRT): Give assets to an irrevocable trust, removing them from your estate, and then receive income from the trust's investments. At a specified date or your passing, the remainder of the trust goes to a charitable cause of your choice which may be a donor-advised fund.

Charitable lead trusts (CLT): Give assets to an irrevocable trust, removing them from your estate, and it pays income to one or more charities (including a DAF) until your passing, in which the remaining sum is given to a beneficiary of your choice.

Private foundation: Create and control a tax-exempt nonprofit entity to direct your philanthropic endeavors.

PHILANTHROPY AND FAMILY VALUES

The challenges in turning personal wealth into generational wealth isn't only about dollars and cents, but about hearts and minds. The "third generation curse" of wealth is a well-recognized phenomenon that often follows the pattern of wealth creation, growth, then loss. Teaching the value of money to those who have always known plenty is challenging, but family philanthropy can be an education. By sharing philanthropic decision making and management with the next generation, you are sharing your values, and giving your next generation a hands-on wealth workshop.

This is part of a realm of financial planning called "family governance" which focuses on managing money matters as well as the emotional ones. Families with significant wealth, or who own closely held businesses or other significant illiquid assets, may benefit from this approach. By being transparent about the strategies, opportunities and stakes of wealth, earlier generations can help later generations prepare for their moment at the head of the family. ■

Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.

Donors are urged to consult their attorneys, accountants or tax advisors with respect to questions relating to the deductibility of various types of contributions to a Donor-Advised Fund for federal and state tax purposes. Please note that all contributions to a DAF are irrevocable gifts.

Prior to making an investment decision, please consult with your financial advisor about your individual situation.

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Dispelling Medicare misconceptions

Between its parts and plans and supplements, many pre-retirees find Medicare hard to navigate without some guidance. Here are the facts about five common Medicare myths:

MYTH: MEDICARE OFFERS FREE HEALTHCARE.

Fact: The Affordable Care Act allows Medicare beneficiaries an annual wellness check at no charge. Beneficiaries also are entitled to free recommended preventive screenings, such as mammograms and colonoscopies, annual wellness visits and personalized prevention plans. For most people, Medicare Part A – which covers hospital stays and services up to certain limits – does not require a premium. But that’s it. You’re still responsible for copays, coinsurance and deductibles.

Medicare Part B, which covers medically necessary and preventive services, has monthly premiums that start at \$174.70 for individuals earning less than \$103,000 in 2024 up to \$594.00 for individuals earning more than \$500,000. Part D, which covers prescriptions, has added surcharges for those making more than \$103,000.

Many Medicare beneficiaries also purchase a Medigap supplemental insurance plan to help cover out-of-pocket costs.

MYTH: MEDICARE COVERS EVERYTHING.

Fact: Not true. Dental, vision and hearing are not covered by Medicare. Prescription drug coverage is only offered through Part D and Medicare Advantage plans. What’s more, you are responsible for the premiums, deductibles and copayments associated with the coverage you choose.

MYTH: A MEDICARE ADVANTAGE PLAN OR PART D COVERAGE WILL FILL GAPS IN MY COVERAGE.

Fact: Medicare can be complicated. Medicare Advantage plans – sometimes known as Part C – offer optional coverage through

private insurance companies. Many of these plans cover dental, vision, hearing and prescription drug costs not covered by Parts A and B, which the government sometimes calls “Original Medicare.” However, the plans may have limited networks to keep costs down and beneficiaries will have cost-sharing structures that may vary with different plans.

Part D is optional prescription drug coverage that has myriad variables, such as premiums, copays, coverage gaps and coinsurance. You can choose which prescription drug plan best fits your needs.

MYTH: MEDICARE MAY NOT COVER ME.

Fact: One major advantage of original Medicare is that you can’t be rejected for coverage or be charged higher premiums because you’re sick. However, if you’re a high earner, you’ll pay higher premiums for Medicare Part B and Part D. In addition, the Affordable Care Act now prohibits discrimination based on a pre-existing condition. However, private “medigap plans” can have underwriting after the initial guaranteed issue period.

MYTH: I WILL BE NOTIFIED WHEN IT’S TIME TO SIGN UP FOR MEDICARE.

Fact: No. Unless you are already receiving Social Security benefits, you must apply for Medicare. You will not receive any official notification on when or how to enroll.

If you’re over 65, still working and covered by employer healthcare, you may want to delay enrollment in Part B to avoid paying for coverage you don’t need. Once you stop working, you must enroll within eight months to avoid permanent late penalties. COBRA Or retiree benefits are not considered creditable coverage and you will be penalized if you have COBRA and sign up for Medicare past the age of 65.

For those without employer coverage, it’s a good idea to sign up when you’re first eligible for Part B. ■



The three ingredients of a purposeful retirement

The benefits of a purpose-driven life don't dissipate when you retire. Rather, without the imposed daily and weekly structures of the working world, it may be even more important to find purpose during this distinct stage of life.

With today's longer retirements, modern retirees have the time and health to pursue ambitious new goals, redefining who they are in the world. Many report that rather than seeing retirement as an extended R&R, they're busier they could have imagined. They're still setting an alarm clock, but they're making the schedule.

But health and happiness are not a given. Purpose and progress can help you get there and sustain it.

THE ELEMENTS OF LIVING WELL

If there is a secret to living well in retirement, it might be found in three parts: health, avocation and community. A fit mind and body keep you capable, a diversion that demands mastery keeps you improving, and people in your life help you stay connected to the world.

HEALTH

As we get older, we take fewer things for granted, except maybe our own habits. Decades of the nine-to-five don't lend themselves to healthy diets or disciplined exercise routines. In retirement, you have the opportunity to start fresh and create new habits, recognizing that it's never too late to mind your physical wellness.

Cognitive health requires as much minding. Solving puzzles, trying new things and taking on hobbies that require problem solving can help you stay sharp.

AVOCATION

People speak of the importance of hobbies in retirement, but maybe a better word is avocation, something that requires discipline and problem solving. Examples include art, artisanship, volunteering, teaching and civic leadership.

So-called "encore careers" are common avocations, allowing retirees to use their experiences to, say, staff a nonprofit, become an entrepreneur or serve as an educator.

The purpose of an avocation in your retirement wellness plan is to create the cycle of challenge and reward that is critical for maintaining your sense of place in the world.

COMMUNITY

When we get older, we have to be deliberate about getting into the world and meeting people. Houses of worship, community centers, libraries, community festivals, coffee shops, trivia nights, book clubs – the world is filled with opportunities to go out and enjoy the presence of others.

It's also a good idea to try to seek out people who are different than you in some way. Volunteering can connect you with young people. So can auditing classes at the local college, in which many make no-cost, no-grade seats available for lifelong learners. City government is another good avenue, as a member of an advisory board or department volunteer.

FINDING YOUR PERFECT BLEND

Your perfect, purposeful mix of health, avocation and community will be unique to you. You might not discover it immediately, but if you give yourself the chance to try and fail and try again, you'll be able to find your own path. ■