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Merry Christmas 2019 everyone! God bless you and your family.

One year ago, the market was going through one of its numerous ups-and-downs that occur in a strong and free economy. Inevitably, markets go through a correction. Let's meet in the next few weeks, if it has been a year-or-so since our last meeting, to review your accounts. We want to adjust, as necessary, so you are positioned well for your short, medium and long-term investing needs and goals. Email me and we will set a time to meet.

Some good articles in this month's newsletter " *fish-wrap*" . Enjoy the official start of winter later this month and happy holidays *!*

December 2019 Conneran Financial Advising News

Conneran Financial Fish-wrap

...financial news you can use !

Qualified Charitable Distributions: Using Your IRA to Give from the Heart

The Tax Cuts and Jobs Act roughly doubled the standard deduction ($12,200 for single filers and $24,400 for married taxpayers filing jointly in 2019) and indexed it for inflation through 2025. As a result, far fewer taxpayers will itemize deductions on their tax returns, and some people may be disappointed that they no longer benefit from writing off their donations.

If you are 70½ or older, you can use a qualified charitable distribution (QCD) to donate from your IRA and get a tax break, whether you itemize or not. Not coincidentally, this is the same age you must begin taking annual required minimum distributions (RMDs), which are normally taxed as ordinary income, or face a 50% penalty on the amount that should have been withdrawn.

QCDs satisfy all or part of any RMDs that you would otherwise have to take from your IRA. Better yet, QCDs are excluded from your income, so they help lower your adjusted gross income (AGI) as well.

How QCDs work

The IRA custodian must issue a check made out to a qualified public charity (not a private foundation, donor-advised fund, or supporting organization). In some cases, the IRA custodian may provide a checkbook from which you can write checks to chosen charities. Be aware that any check you write will count as a QCD for the year in which it is cashed by the charity, whereas a check from the custodian counts for the year in which it is issued.

You can take an RMD any time during the year you turn 70½, but you must wait until after you are 70½ to make a QCD. The QCD exclusion is limited to $100,000 per year. If you're married, your spouse can also contribute up to $100,000 from his or her IRA. You cannot deduct a QCD as a charitable contribution on your federal income tax return — that would be double-dipping.

A QCD must be an otherwise taxable distribution from your IRA. If you've made nondeductible contributions, then each distribution normally carries with it a pro-rata amount of taxable and nontaxable dollars. With QCDs, the pro-rata rule is ignored, and taxable dollars are treated as distributed first.

Tax perks for givers

If you no longer itemize, you could reduce your tax bill by donating with QCDs from your IRA instead of writing checks from your standard checking account. And if you still itemize, QCDs might prove more valuable than tax deductions. That's because they can help address tax issues that might be triggered by income from RMDs.

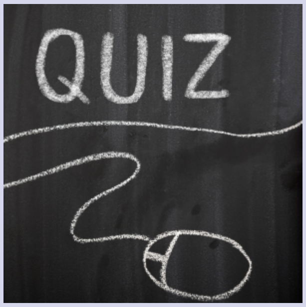
For example, an itemized deduction reduces your taxable income by the amount of the charitable gift, but it does not reduce your adjusted gross income. This is a key distinction because the 3.8% tax on net investment income, Medicare premium costs, taxes on Social Security benefits, and some tax credits are based on AGI.

Also, charitable giving can typically be deducted only if it is less than 60% of your adjusted gross income. But with QCDs, you may be able to give more than 60% of your AGI and exclude the entire amount (up to the $100,000 cap) from your taxable income.

Time for a rollover?

Qualified charitable distributions are available from traditional IRAs, Roth IRAs (with taxable amounts), and inactive SIMPLE or SEP IRAs, but they are not allowed from employer retirement plans such as 401(k)s and 403(b)s. Thus, you might consider rolling funds from an employer plan to an IRA if you want to take advantage of a giving strategy that involves QCDs.

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.](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.

For College Savings, 529 Plans Are Hard to Beat

529 plan assets reach $353 billion

As of June 2019, assets in 529 plans reached $353 billion — $328 billion (93%) in college savings plans and $25 billion (7%) in prepaid tuition plans.

Source: Strategic Insight, 529 Data Highlights, 2Q 2019

Note: *Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information is available in each issuer's official statement and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, and should be read carefully before investing. Also consider whether your state offers a 529 plan that provides residents with favorable state tax benefits and other benefits, such as financial aid, scholarship funds, and protection from creditors. As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated.*

Raising kids is hard enough, so why not make things easier for yourself when it comes to saving for college? Ideally, you want a savings vehicle that doesn't impose arbitrary income limits on eligibility; lets you contribute a little or a lot, depending on what else happens to be going on financially in your life at the moment; lets you set up automatic, recurring contributions from your checking account so you can put your savings effort on autopilot; and offers the potential to stay ahead of college inflation, which has been averaging 3% to 4% per year.[1] Oh, and some tax benefits would be really nice, too, so all your available dollars can go to college and not Uncle Sam. Can you find all of these things in one college savings option? Yes, you can: in a 529 plan.

Benefits

529 college savings plans offer a unique combination of features that are hard to beat when it comes to saving for college, so it's no surprise why assets in these plans have grown steadily since their creation over 20 years ago.

Eligibility. People of all income levels can contribute to a 529 plan — there are no restrictions based on income (unlike Coverdell accounts, U.S. savings bonds, and Roth IRAs).

Ease of opening and managing account. It's relatively easy to open a 529 account, set up automatic monthly contributions, and manage your account online. For example, you can increase or decrease the amount and frequency of your contributions (e.g., monthly, quarterly), change the beneficiary, change your investment options, and track your investment returns and overall progress online with the click of a mouse.

Contributions. 529 plans have high lifetime contribution limits, generally $350,000 and up. (529 plans are offered by individual states, and the exact limit depends on the state.) Also, 529 plans offer a unique gifting feature that allows lump-sum gifts up to five times the annual gift tax exclusion — in 2020, this amount is up to $75,000 for individual gifts and up to $150,000 for joint gifts — with the potential to avoid gift tax if certain requirements are met. This can be a very useful estate planning tool for grandparents who want to help pay for their grandchildren's college education in a tax-efficient manner.

Tax benefits. The main benefit of 529 plans is the tax treatment of contributions. First, as you save money in a 529 college savings plan (hopefully every month!), any earnings are tax deferred, which means you don't pay taxes on the earnings each year as you would with a regular investment account. Then, at college time, any funds used to pay the beneficiary's qualified education expenses — including tuition, fees, room, board, books, and a computer — are completely tax-free at the federal level. This means every dollar is available for college. States generally follow this tax treatment, and many states also offer an income tax deduction for 529 plan contributions.

Drawbacks

But 529 plans have some potential drawbacks.

Tax implications for funds not used for qualified expenses. If you use 529 plans funds for any reason other than the beneficiary's qualified education expenses, earnings are subject to income tax (at your rate) *and* a 10% federal penalty tax.

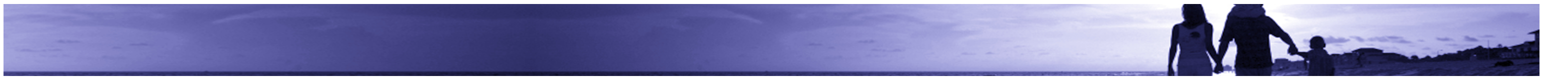
Restricted ability to change investment options on existing contributions. When you open a 529 college savings plan account, you're limited to the investment options offered by the plan. Most plans offer a range of static and age-based portfolios (where the underlying investments automatically become more conservative as the beneficiary gets closer to college) with different levels of risk, fees, and management objectives. If you're unhappy with the market performance of the option(s) you've chosen, you can generally change the investment options for your *future* contributions at any time. But under federal law, you can change the options for your *existing* contributions only twice per year. This rule may restrict your ability to respond to changing market conditions, so you'll need to consider any investment changes carefully.

Getting started

529 college savings plans are offered by individual states (but managed by financial institutions selected by the state), and you can join any state's plan. To open an account, select a plan and complete an application, where you will name an account owner (typically a parent or grandparent) and beneficiary (there can be only one); choose your investment options; and set up automatic contributions if you choose. You are then ready to go. It's common to open an account with your own state's 529 plan, but there may be reasons to consider another state's plan; for example, the reputation of the financial institution managing the plan, the plan's investment options, historical investment performance, fees, customer service, website usability, and so on. You can research state plans at the College Savings Plans Network.

[1] College Board, Trends in College Pricing, 2014-2018

ProEquities listen, think, respond



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Do gift cards expire?

Gift cards are popular and convenient gifts (to give and receive) for many occasions. But is it possible for gift cards to expire before they're used?

The short answer is yes: Gift cards can expire. But federal laws help protect consumers by regulating when gift certificates and cards expire. The Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) established fair and transparent practices related to the issuance of credit, restricting what credit card companies can charge consumers. It also enacted regulations to limit fees, expiration dates, and unexpected costs from gift cards. The rules limit dormancy, inactivity, and service fees on gift cards.

1. Dormancy fees cannot be imposed unless the card has been unused for at least one year
2. Only one dormancy fee can be charged each month after the first year
3. The consumer must be given clear and prominent disclosures about fees

The CARD Act also states that gift cards cannot expire until five years after the date the card was purchased or the date money was last loaded onto the card.

While the CARD Act set consumer protections at the federal level regarding gift certificates and cards, it left room for regulation at the state level. Many states have their own gift card laws that can take precedence over federal gift card laws. Find out whether your state has passed any gift card laws by reviewing the chart located on the National Conference of State Legislatures website.

Even though you're now familiar with the basic rules and regulations associated with gift card expiration, you might still discover that a gift card you've given and/or received has expired because it was misplaced or forgotten. As a precaution, try to use any gift cards that you receive as soon as possible. This will help ensure that they retain their full value. Read the terms and conditions associated with your gift cards to find out whether they have any fees, and when those fees might be applied.