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Spring has officially sprung in New Jersey ... the flowers are blooming, and tax season is OVER. Just like my patio garden, this newsletter has a little bit of everything in it: Social Security, estate planning, 529 plans, student loans.

Be sure to take the quiz on Page 1. If you get more wrong answers than expected, come to our Social Security Seminar on **Wed. June 26 from 6-7:30pm** !

We will cover some basic tips for planning a benefits strategy, including:

- *What age should I start claiming?*
- *Can I get spousal benefits based on an ex-spouse's work record?*
- *Can widows receive survivor benefits?*
- *Can I claim if I continue to work part-time?*
- *Are my benefits subject to income tax?*

You won't want to miss it!
Spring 2019

Reviewing Your Estate Plan

Rules on Opening a 529 Plan Account for College

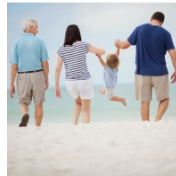
Are my student loans eligible for public service loan forgiveness?

Should I consider requesting a deferment or forbearance for my federal student loans?



BODNAR FINANCIAL ADVISORS INC *Client Quarterly Newsletter*

Quiz: Social Security Survivor Benefits



Did you know that Social Security may pay benefits to your eligible family members when you die, helping to make their financial life easier? Take this quiz to learn more.

Questions

1. What percentage of Social Security beneficiaries receive survivor benefits?

- a. 5%
- b. 10%
- c. 15%

2. Your child may be able to receive survivor benefits based on your Social Security earnings record if he or she is:

- a. Unmarried and under age 18 (19 if still in high school)
- b. Married and in college
- c. Both a and b

3. Which person may be able to receive survivor benefits based on your Social Security earnings record?

- a. Your spouse
- b. Your former spouse
- c. Both a and b

4. Your parent may be able to receive survivor benefits based on your Social Security earnings record.

- a. True
- b. False

5. How much is the Social Security lump-sum death benefit?

- a. \$155
- b. \$255
- c. \$355

Answers

1. b. About 10% of the approximately 62 million Social Security beneficiaries in December 2017 were receiving survivor benefits.¹

2. a. A dependent child may be able to receive survivor benefits based on your earnings record if he or she is unmarried and under age 18 (19 if still in high school) or over age 18 if disabled before age 22.

3. c. Both your current and former spouse may be able to receive survivor benefits based on your earnings record if certain conditions are met. Regardless of age, both may be able to receive a benefit if they're unmarried and caring for your child who is under age 16 or disabled before age 22 and entitled to receive benefits on your record. At age 60 or older (50 or older if disabled), both may be able to receive a survivor benefit even if not caring for a child (a length of marriage requirement applies).

4. a. That's true. To be eligible, your parent must be age 62 or older and receiving at least half of his or her financial support from you at the time of your death. In addition, your parent cannot be entitled to his or her own higher Social Security benefit and must not have married after your death.

5. b. The Social Security Administration (SSA) may pay a one-time, \$255 lump-sum death benefit to an eligible surviving spouse. If there is no surviving spouse, the payment may be made to an eligible dependent child. The death benefit has never increased since it was capped at its current amount in a 1954 amendment to the Social Security Act.²

This is just an overview. For more information on survivor benefits and eligibility rules, visit the SSA website, ssa.gov.

¹ Fast Facts & Figures About Social Security, 2018

² Research Notes & Special Studies by the Historian's Office, Social Security Administration



An estate plan should be reviewed periodically, especially after a major life event. Here are some ideas about when to review your estate plan and some things to review when you do.

Reviewing Your Estate Plan

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. Due to its importance and because circumstances change over time, you should periodically review your estate plan and update it as needed.

When should you review your estate plan?

Reviewing your estate plan will alert you to any changes that need to be addressed. For example, you may need to make changes to your plan to ensure it meets all of your goals, or when an executor, trustee, or guardian can no longer serve in that capacity. Although there's no hard-and-fast rule about when you should review your estate plan, you'll probably want to do a quick review each year, because changes in the economy and in the tax code often occur on a yearly basis. Every five years, do a more thorough review.

You should also review your estate plan immediately after a major life event or change in your circumstances. Events that should trigger a review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren.
- There has been an addition to your family through birth, adoption, or marriage (stepchildren).
- Your spouse or a family member has died, has become ill, or is incapacitated.
- Your spouse, your parents, or another family member has become dependent on you.
- There has been a substantial change in the value of your assets or in your plans for their use.
- You have received a sizable inheritance or gift.
- Your income level or requirements have changed.
- You are retiring.
- You have made (or are considering making) a change to any part of your estate plan.

Some things to review

Here are some things to consider while doing a periodic review of your estate plan:

- Who are your family members and friends? What is your relationship with them? What are their circumstances in life? Do any have special needs?

- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Is your choice of an executor or a guardian for your minor children still appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or Do Not Resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust or durable power of attorney to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiaries at your death.
- Do you have any trusts, living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust. There are up-front costs and often ongoing expenses associated with the creation and maintenance of trusts.
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview of some ideas for a periodic review of your estate plan. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.





529 plan assets reach \$333 billion

Assets in 529 plans reached \$333 billion as of September 2018 — \$310 billion (93%) in college savings plans and \$23 billion (7%) in prepaid tuition plans.

Source: Strategic Insight, 529 Data Highlights, 3Q 2018

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.

Rules on Opening a 529 Plan Account for College

Year over year, participation in 529 plans continues to rise.¹ Anyone can open an account, lifetime contribution limits are typically over \$300,000, and there are tax benefits if the funds are used for college. Here are some common questions on opening an account.

Can I open an account in any state's 529 plan or am I limited to my own state's plan?

Answer: It depends on the type of 529 plan you have: college savings plan or prepaid tuition plan. With a college savings plan, you open an individual investment account and direct your contributions to one or more of the plan's investment portfolios. With a prepaid tuition plan, you purchase education credits at today's prices and redeem them in the future for college tuition. Forty-nine states (all but Wyoming) offer one or more college savings plans, but only a few states offer prepaid tuition plans.

529 college savings plans are typically available to residents of any state, and funds can be used at any accredited college in the United States or abroad. But 529 prepaid tuition plans are typically limited to state residents and apply to in-state public colleges.

Why might you decide to open an account in another state's 529 college savings plan? The other plan might offer better investment options, lower management fees, a stronger investment track record, or better customer service. If you decide to go this route, keep in mind that some states may limit certain 529 plan tax benefits, such as a state income tax deduction for contributions, to residents who join the in-state plan.

Is there an age limit on who can be a beneficiary of a 529 account?

Answer: There is no beneficiary age limit specified in Section 529 of the Internal Revenue Code, but some states may impose one. You'll need to check the rules of each plan you're considering. Also, some states may require that the account be in place for a specified minimum length of time before funds can be withdrawn. This is important if you expect to make withdrawals quickly because the beneficiary is close to college age.

Can more than one 529 account be opened for the same child?

Answer: Yes. You (or anyone else) can open multiple 529 accounts for the same beneficiary, as long as you do so under different 529 plans (college savings plan or prepaid tuition plan). For example, you could open a college savings

plan account with State A and State B for the same beneficiary, or you could open a college savings plan account and a prepaid tuition plan account with State A for the same beneficiary. But you can't open two college savings plan accounts in the same 529 plan in State A for the same beneficiary.

Also keep in mind that if you do open multiple 529 accounts for the same beneficiary, each plan has its own lifetime contribution limit, and contributions can't be made after the limit is reached. Some states consider the accounts in other states to determine whether the limit has been reached. For these states, the total balance of all plans (in all states) cannot exceed the maximum lifetime contribution limit.

Can I open a 529 account in anticipation of my future grandchild?

Answer: Technically, no, because the beneficiary must have a Social Security number. But you can do so in a roundabout way. First, you'll need to open an account and name as the beneficiary a family member who will be related to your future grandchild. Then when your grandchild is born, you (the account owner) can change the beneficiary to your grandchild. Check the details carefully of any plan you're considering because some plans may impose age restrictions on the beneficiary, such as being under age 21. This may pose a problem if you plan to name your adult son or daughter as the initial beneficiary.

What happens if I open a 529 plan in one state and then move to another state?

Answer: Essentially, nothing happens if you have a college savings plan. But most prepaid tuition plans require that either the account owner or the beneficiary be a resident of the state operating the plan. So if you move to another state, you may have to cash in the prepaid tuition plan.

If you have a college savings plan, you can simply leave the account open and keep contributing to it. Alternatively, you can switch 529 plans by rolling over the assets from that plan to a new 529 plan. You can keep the same beneficiary when you do the rollover (under IRS rules, you're allowed one 529 plan same-beneficiary rollover once every 12 months), but check the details of each plan for any potential restrictions. If you decide to stay with your original 529 plan, just remember that your new state might limit any potential 529 plan tax benefits to residents who participate in the in-state plan.

¹ Strategic Insight, 529 Data Highlights, 3Q 2018



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Are my student loans eligible for public service loan forgiveness?

If you are employed by a government or not-for-profit organization, you may be able to receive loan forgiveness under the Public Service Loan Forgiveness (PSLF) Program. The PSLF, which began in 2007, forgives the remaining balance on federal Direct Loans after you have made 120 monthly payments under a qualifying repayment plan while working full-time for a qualifying employer.

Qualifying employers for PSLF include: government organizations (e.g., federal, state, local), not-for-profit organizations that are tax-exempt under Section 501C(3) of the Internal Revenue Code, and other types of not-for-profit organizations that are not tax-exempt if their primary purpose is to provide certain types of qualifying public services.

If you plan on applying for PSLF in the future, you should complete and submit an Employment Certification form annually or when you change employers. The U.S. Department of Education will use the information on the form to let you know if you are making qualifying PSLF payments.

You can apply for PSLF once you have made 120 qualifying monthly payments towards your loan (e.g., 10 years). Keep in mind that you must be working for a qualifying employer both at the time you submit the application and at the time the remaining balance on your loan is forgiven.

Recently, PSLF made headlines due to the fact that many borrowers who thought they were working toward loan forgiveness under the program found out they were ineligible because they were in the wrong type of repayment plan. Many borrowers claimed they were told by their loan servicer that they qualified for PSLF, when in fact they did not. In 2018, Congress set aside \$350 million to help fix this problem. The Consolidated Appropriations Act provides limited, additional conditions under which borrowers may become eligible for loan forgiveness if some or all of the payments they made on their federal Direct Loans were under a nonqualifying repayment plan for the PSLF Program. For more information on PSLF, visit studentaid.ed.gov.



Should I consider requesting a deferment or forbearance for my federal student loans?

Did you take on a large amount of debt to pay for college, and are you struggling to pay it off? If so, you are not alone. According to the Federal Reserve, 20% of individuals with outstanding student loans were behind on their payments in 2017.¹ You may want to consider requesting a deferment or forbearance if you are having difficulty keeping up with your federal student loan payments.

Provided certain eligibility requirements are met, both a deferment and a forbearance allow you to temporarily stop making payments or temporarily reduce your monthly payment amount for a specified time period. The key difference between the two is that with a deferment, you may not have to pay back any interest that accrues on the loan during the deferment period, depending on the type of loan you have. During a forbearance, you are responsible for paying any accrued interest on the loan, regardless of the type of loan you have.

In order to obtain a deferment or forbearance, you will need to submit a request to your loan servicer. Most deferments and forbearances

are granted for a specific time period (e.g., six months), and you may need to reapply periodically to maintain your eligibility. In addition, there is usually a limit to the number of times they are granted over the course of your loan. If you meet the eligibility requirements for a mandatory forbearance (e.g., National Guard duty), your lender is required to grant you a forbearance.

Whenever interest accrues on a loan during a deferment or forbearance, you can either pay the interest as it accrues, or it can be added to the overall principal balance of the loan at the end of the deferment or forbearance period. It is important to remember that if you don't pay the interest on your loans and allow it to accrue, the total amount you repay over the life of your loan will be higher. As a result, you should weigh the pros and cons of requesting a deferment or forbearance and consider your repayment options. For more information on your federal student loan repayment options, visit studentaid.ed.gov.

¹ Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2017, May 2018

