

LIFE & MONEY

The Bodnar Financial Quarterly Newsletter



Get ready, Lake George...

By John Bodnar, CFP®

These are tough words to type.

Jeanne is retiring.

I was hoping the day I had to say goodbye to my “right hand” was not going to come. Her last day will be Sept. 30. Few people are as reliable, hard-working, and loyal as Jeanne Bass. Her absence will be hard to overcome, but it is the best decision for her. She will be moving to Lake George to be closer to family and spend more time in one of her favorite places on earth (other than Graceland).

Jeanne was this boss’s dream employee. I could always rest easy knowing she would complete her work to the highest standard with minimal supervision. As a boss, what I will miss the most is how she made ME look good. But as a friend for 30+ years, losing the ritual of beginning each workday by saying ‘good morning’ to Jeanne at her desk will be a bummer, to say the least.

It’s going to take a while for us to adapt to Jeanne’s retirement, as her presence on Team Bodnar was immense. It was a privilege to work with her these past 25 years. Since Jeanne’s favorite color is orange, we designed this issue in her honor. Farewell Jeanne—Godspeed, keep in touch, and good luck in the Saratoga casino!

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RMD requirements are back this year

Last year, the federal CARES Act suspended the requirement to withdraw a minimum taxable amount from retirement plans like 401(k)s and IRAs.

The intent was to let money stay in your retirement account and continue growing tax-free for a longer period. However, the suspension is over and we are to resume normal programming (sort of).

We are now back to the SECURE Act, which many people forget was passed at the end of 2019 as one of the most significant legislative reforms to the retirement system in recent history. Not surprisingly, the pandemic stole its thunder.

What does this mean for you? If you're age 72 or older, you must resume taking RMDs this year. If you turn 72 this year, you can take a distribution at any point in the year, or even delay it until April 1, 2022. But keep in mind—if you wait until next year, you'll have to withdraw two RMDs which could push you into a higher tax bracket.

You also don't have to wait until the end of the year to take your RMD. The market is up, you might want to consider taking it now. Call the office and let's do the math.

HAPPY BIRTHDAY, BOB DYLAN

Bob Dylan, the 2016 Nobel Laureate in Literature, turns 80 on May 24. In my humble opinion, he's the most important figure in American musical poetry for 60 years. Dylan defies categorization—he's a folk singer, beat poet, social commentator, rock star...like Whitman, he contains multitudes.

His anthems of the Sixties are immortal, but he also wrote two of the era's most searingly personal protest songs: "The Ballad of Hollis Brown" about poverty, and "The Lonesome Death of Hattie Carroll" about racism. His *Chronicles, Volume One* is the finest rock autobiography we have (Springsteen's comes close). Last June, he released his 39th studio album, which *The New Yorker* called "Shakespearean" for its lyrical richness and complexity. If you doubt, listen to "Key West (Philosopher Pirate)."

You can never get to the bottom of Dylan. I've tried. He's a national treasure, and—on a personal note—a beacon to anyone of his generation who is still doing what they love.

5 quick facts about 529 plans

A 529 plan allows people to save money for education with tax-deferred growth and tax-free withdrawals. They are one of the most powerful tools out there for college savers. But did you know:



- 1) **They aren't just for college.** 529 plans can be used on qualifying educational expenses at eligible vocational and trade schools. Thanks to the 2017 tax reform law, families can also use them to pay for up to \$10,000 in tuition expenses at elementary and secondary public, private, or parochial schools. In 2019, the SECURE Act further expanded the scope of 529 plans to be used for apprenticeship programs and the repayment of student loan debt.
 - 2) **Anyone can open a plan and contribute.** If you have a Social Security number and a permanent address, you can open a 529 plan and name a beneficiary. There are no contribution minimums or income requirements. Once the plan is open, anybody can contribute.
 - 3) **There are contribution maximum limits.** Parents have started "crowd-sourcing" their children's education savings by encouraging family to contribute as a birthday or holiday gift. This is great, but just make sure family members don't accidentally overfund the account.
 - 4) **The beneficiary does not control the money.** The account owner (aka. the person who opened the account) has complete legal ownership of the money in the plan, even after the beneficiary turns 18 years of age. Anyone who has met a teenager understands why this is a good idea....
 - 5) **You can open a plan in another state.** You can use a 529 plan from any state to pay for eligible schools in any state. However, some states offer special financial aid benefits for students who have a 529 plan in the state, such as not counting the plan as an asset when determining eligibility for state grants and other state aid.
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Key financial dates

May 17: Federal and NJ tax filing deadlines. Please note: If you pay estimated quarterlies, that deadline did NOT change! Your first payment was still due on April 15, 2021.

May 29: National 529 College Savings Plan Day! (5/29.... get it?)

June 15: Deadline for 2021 federal and NJ second quarter estimated tax payments.

June 30: Last day to submit a FAFSA (federal student aid) form for the 2020–21 academic year.

Ongoing: New Jersey opened a new COVID-19 Special Enrollment Period for eligible residents to enroll in a health plan through the end of 2021. Those who qualify can enroll right away and coverage will start on the first day of the month following a plan selection.

When is the last time you updated your beneficiaries?

It is critical to update your beneficiary information every few years and after major life events, such as a divorce or the birth of a new child. The beneficiaries listed on life insurance and retirement plans will overrule the wishes laid out in a will.

When you are picking primary and secondary beneficiaries, choose wisely. The SECURE Act got rid of the “stretch-IRA” for most non-spousal beneficiaries, which had allowed individuals to stretch the required payments from inherited IRAs over the course of their lifetime. This allowed them to keep more money in the retirement account for longer with tax-deferred growth.

This is not allowed anymore, except for spouses, minor children, eligible disabled and chronically ill persons, and individuals within 10 years of age of the former account owner. Everyone else must withdraw the entire account and pay taxes on the income within 10 years.

For non-designated beneficiaries (estates, charities, non-qualified trusts) it gets trickier. If the account owner died before 72, the account must be withdrawn entirely and taxed within five years. If the owner died after 72, the account must be withdrawn entirely and taxed over what would have been the owner's estimated life expectancy in their year of death.

However, taxes are almost always higher for trusts and estates than they are for people. Estates are also subject to probate, which can be a whole other kind of mess.

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