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Success InSight®

Spring 2023

What Is a Section 1031 Like-kind Exchange?

Named after Section 1031 of the Internal Revenue Code (IRC), a like-kind exchange generally applies to real estate. It is designed for people who want to exchange properties of and defer the taxes. If you own land in Oregon and trade it for a shopping center in Rhode Island, as long as the values of the two properties are equal or greater, nobody pays capital gains tax even if both properties may have appreciated since they were originally purchased.

Section 1031 is not for personal use and is currently limited to exchanges of real property. However, you don't have to do an equal exchange. You can sell a property at a profit, buy a more expensive one, and defer the tax indefinitely. You can swap an apartment building for a shopping center or a piece of undeveloped, raw land for an office or building. You can even swap a second home that you rent out for a parking lot. It's possible to roll over the gain from your investment swaps for many years and avoid paying capital gains tax until a property is finally sold. Keep in mind, however, that gain is deferred, not eliminated. You must calculate and keep track of your basis in the new property you acquired in the exchange.

A Section 1031 transaction takes pre-planning. You can't just sell a property and then decide to do an exchange. You will need to declare your intent from day one, when you first list the property. The IRS requires all funds to go through a qualified intermediary. That means you can't take a deposit or any proceeds into your own hands. Most investors accomplish this easily by finding a realtor or title agent with experience in this area. The qualified intermediary takes the funds from the sale and holds them until you are ready to purchase the replacement property. You must identify your replacement property within 45 days of your sale. Then you must close on that within 180 days. There is no grace period. If your closing gets delayed by a storm or other unforeseen circumstances, and you cannot close in time, you're back to a taxable sale.

You will need to declare your intent from day one, when you first list the property. The IRS requires all funds to go through a qualified intermediary.

Section 1031 exchanges may be used for swapping vacation homes but present a trickier situation. Here's an example of how this might work: Let's say you stop going to your condo at the ski resort and instead rent it out to a bona fide tenant for 12 months. In doing so, you've effectively converted the condo to an investment property, which you can then swap for another property utilizing the 1031 exchange. There's a catch if you want to use your new property as a vacation home. You'll need

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Section 1031

• *continued from page 1*

to comply with a 2008 IRS safe harbor rule in each of the 12-month periods following the 1031 exchange; you must consecutively rent the dwelling to someone for 14 days (or more). In addition, you cannot use the dwelling for more than the greater of 14 days or 10 percent of the number of days during the 12-month period that the dwelling unit is rented out at fair rental price.

You must report a Section 1031 exchange to the IRS on Form 8824, Like-Kind Exchanges, and file it with your tax return for the year in which the exchange occurred. If you do not specifically follow the rules for like-kind exchanges, you may be held liable for taxes, penalties, and interest on your transactions.

Q: What is the difference between an Opportunity Zone purchase and a 1031 Exchange?

A: The tax planning advantages of both Qualified Opportunity Zones (QOZ) and 1031 exchanges are similar. They both allow investors to defer recognition of a gain on the sale of an investment or property. One big difference comes with the deferral time frame. While 1031 exchanges don't have deadlines, QOZs allow for the deferral of tax on the gain until either the sale of the property or December 31, 2026, whichever comes first. (Congress may vote this year to extend this deadline) The 1031 exchange currently only allows you to defer gain from sale of real estate whereas the QOZ program allows you to defer gain from the sale of any type of asset – real estate, stocks, bonds, etc.

Also, with a 1031 exchange, there's a full pay day someday. If you decide not to keep exchanging, you will owe tax on the full amount of the deferred gain. By contrast, with QOZs, if the investment is held for more than five years, 10% of the gain can be excluded, meaning that only 90% of the final capital gain would be taxed. If held for seven years, the exclusion ticks up to 15%. If the QOZ investment is held for at least 10 years, the investor can receive stepped-up basis on the investment. When the investment is eventually sold, the basis (or amount of original investment) is increased to the fair market value at the time of the sale. Since taxpayers are taxed on the capital gain, or difference between their basis and the sale price, this effectively makes the transaction tax-free. This does not exist with 1031 exchanges.

With 1031 exchanges, replacement properties can be purchased in any location with no geographical restrictions. With QOZs, investments must be made by Qualified Opportunity Funds into Qualified Opportunity Zones, which are government-designated distressed communities across the country. Only property in these areas qualify for the tax-deferred/tax-free treatment. You can find a QOZ map at opportunityzones.hud.gov/resources/map

Q: Can I purchase investments like real estate, businesses, or gold through my IRA?

A: Yes. A self-directed IRA (SDIRA) is fundamentally the same tax-advantage account you may find at any brokerage firm, custodian, or bank. Your self-directed account can be Traditional or Roth and the contribution and withdrawal restrictions are the same. The difference with a self-directed IRA is that it enables you to invest in a wider range of alternative assets, such as real estate, promissory notes, crypto, gold bars and private equity.

To start or switch to a self-directed IRA, you will need to select a financial firm and custodian that's specially equipped to handle the accounts' administrative requirements. Examples include Equity Trust Company, Broad Financial and Madison Trust, Inc. You can fund your account via rollover, transfer, or out-of-pocket contribution. Once your funds are available, you are in control of purchasing the investments and the custodian's duties include providing the funds and holding the assets.

There isn't a big difference in how you buy investments, you are just directing your custodian to provide the funds. For example, if you use your IRA funds to purchase real estate, you would simply make an offer listing the purchaser as "Equity Trust Company for the benefit of John Doe IRA" then direct your custodian where to send the deposit or closing funds.

Choosing the best custodian will depend on what type of investment you are making. For example, a firm like American Heritage specializes in IRAs for precious metals and can help you manage the paperwork and tax reporting for your gold transactions to meet the IRS requirements for retirement planning. The IRS does not allow you to personally store precious metals owned via a gold IRA at home. Gold IRA rules mandate that you store eligible precious metal with a national depository, a bank or a third-party trustee approved by the IRS.

IRS tax code defines retirement plans and The Employee Retirement Income Security Act (ERISA) of 1974 outlines rules and tax implications of transactions within qualified plans.

Job Hunt 2023

Q: I am looking for a job I can do from home but I am having difficulty weeding out the legitimate offer from all the scams out there. Any advice on how to get through to the real jobs?

A: The ads pop up online, on late night TV, pop up on your personal phone or social media. They all promise you a good paying job for little work, but they are really a ploy to get your money and your personal information. Here are some red flags to watch out for:

1. If it sounds too good to be true – it is probably a scam. Ignore it. At best, its only a tiny bit true. Will completing surveys online pay you $100 a day? No. But sites like Survey Junkie, InBox Dollars and Branded Surveys may make you an extra $5 to $10 per day.

2. If a job requires you to pay your employer for training, certification, or inventory upfront, avoid it. Jobs pay you – you don't pay them. If training is required with a legitimate job, it's usually free or deducted from your first paycheck.

3. Beware of cleverly disguised pyramid schemes. If your paycheck is dependent on you recruiting others to sell products, who in turn have to get others to sell products, those at the top of the pyramid are the only ones profiting.

4. Don't fall for resell scams. These suppliers promise you amazing products at greatly reduced prices with the premise that you can easily resell at full price. You invest in inventory that either never arrives or you get stuck with inferior products and unhappy customers.

5. Research direct online product providers carefully. Some sites provide set up for you to upsell their product and have it shipped directly to the client. You get your followers to buy, splittting the money with the supplier who never ships the product. Now you are stuck giving a full refund.

6. If it seems shady, trust your instincts. For example, 'shipping' jobs require you to receive packages at your home, remove and destroy the original packaging, then repack and mail to your employer's address. The employer is buying expensive items with stolen credit cards and having them shipped to you so you can forward them on. By the time you catch on, you will find their phone is disconnected and your paycheck never arrives. As a bonus, they use the personal information you gave on your application to steal your identity and get credit in your name so they can send new merchandise to the next 'employee'.

7. If you get any offer that asks you to deposit more than you are owed and give the overpayment back to the employer – walk away. Never give money back on a check, cashier's check, gift card or even an online transfer. This is a popular scam that has many versions. A current version sends you a signing bonus right away but requires you to use part of those funds to purchase their equipment that you need for the job. You don't discover the signing bonus bounced until after you make the purchase that never arrives. You may also be targeted if you post an ad for a service, rental or product.

8. Be cautious of mystery shopper jobs. A legitimate mystery shopping company won't ask you to pay for anything upfront. If the requirements and requests feel uncomfortable, walk away, or ask a trusted adviser for help vetting them.

9. Beware of job placement services that charge you a fee to find you a job. Reputable job placement firms get paid by the hiring company to find qualified applicants. They will not ask you for money upfront.

10. Watch for copycat listings. Scammers use the names of well-known employers to post job openings that don't exist. Visit the official website for the organization or company you're applying for and apply directly. A popular scam uses flyers or social media listings for fake medical billing jobs. If it doesn't come directly from a medical or hospital facility, it's probably not legit.

Q: Are there any job sites I can trust?

A: We still recommend researching a company before handing over sensitive information but going through a reputable site substantially cuts down your risks. Here are some popular ones that rate high on the trust meter:

- USAJobs.gov, CareerOneStop.org and USA.gov are sponsored by the U.S. government
- Indeed.com, CareerBuilder.com and Monster.com are good for overall searches
- FlexJobs.com and VirtualVocations.com specifically target remote and work at home job seekers
- RobertHalf.com and Ladders.com focus more on executives and upper management positions

Q: I got targeted by a job scammer. Is there anything I can do?

A: No matter how you paid — debit or credit card, mobile payment app or wire transfer, gift card, cash reload card, or cryptocurrency — immediately contact the company you used to send the money, report the fraud, and ask to have the transaction reversed, if possible. Report the scam to the FTC at ReportFraud.ftc.gov. You can also report it to your state attorney general. Monitor your financial accounts for fraudulent activity and report to your creditors if you see anything amiss.

Q: Where can I research employers and find average salaries for jobs?

A: You can do your own research and find a lot of information online through the company's own website and related news articles and consumer reviews. Sites like Glassdoor.com compile job postings, reviews and salary information in easily searchable platforms. Payscale.com and Salary.com can give you an idea of what salary your skills will fetch in today's job market. GreatPlaceToWork.com gives details on compensation packages and lists of the best places to work.

Q: Are online applications the best place to start my job search?

A: While applying to jobs offered on online apps is an essential part of the search process, the number one best way to find a job is still good old-fashioned networking. Contact anyone and everyone you know who may be looking to hire in your field or who may know someone who is looking. Face to face is best, a voice call, text or email follow up is good practice. The modern twist to this tried-and-true method is connecting to potential employers through business social media.

LinkedIn is one of the most powerful networking tools online and it's a proven way to reach potential employers. To maximize your exposure on LinkedIn, make sure your profile is complete and up to date. Be specific and detailed about your current skills, experiences, and objectives. Build your network. The app will import your contact lists from sites like Gmail or Yahoo. Use the search tool to connect with friends, acquaintances, professors, or alumni – anyone you have a past experience or common interest with. Once you get an accepted connection, you can search their contacts for mutual connections. Announce that you are looking for employment and use your headline to reinforce it. Reach out to your connections individually for introductions to targeted employers. Research the companies you want to work for and follow them on LinkedIn.

Small Business concerns

Q: ***My spouse and I are self-employed and get our insurance through the Health Care Marketplace. Last month, my husband's routine colonoscopy was covered 100 percent. But when I had symptoms and needed the same test, they denied coverage. Can they do that?***

A: Yes, the same test may be completely covered as a preventative screening, but you may pay out of pocket when it's considered diagnostic. Most health care plans, including those through the Health Care Marketplace, encourage preventive care such as vaccines and screening tests at no cost to you. Preventive care is prescribed to you when you are symptom free and have no reason to believe you might be unhealthy. Diagnostic care is when you have symptoms or risk factors, and your doctor wants to diagnose them.

Q: ***Can I accept credit card payments for my small business without establishing a merchant account?***

A: Traditionally, to accept credit cards, a small business had to work with a merchant services provider or directly with a bank to open a merchant account and negotiate a long term contract to pay monthly fees.

But today, many small businesses get similar results with a payment service provider (PSP). Payment service providers like PayPal, Square, and Stripe may be an easier, cheaper option. PSPs accept and hold your money from credit card transactions, but you can sign up and manage the account entirely online. Most systems come with all the hardware and software you need to process all transactions.

Square is the original mobile payment processor, and it sets the standard for a lightweight, easy-to-use system. Its card reader is an attachment about the size of a Scrabble tile that connects to your headphone jack or Lightning connector to turn your smartphone into an on-the-go POS. Using just your mobile phone with a mobile payment processing app, you can enter a customer's credit card information or attach a small card reader where they can swipe their card to be read by your phone.

With online sales, you don't have a terminal for customers to swipe a card, so you have to build payment processing into your website. Most website builders, including Squarespace, Kajabi and Shopify, have built-in integrations with payment service providers. You may also opt to link out to your payment account. Most payment providers give you the option to add a "pay now" button on your website that routes customers through their payment process.

Q: ***Where can I find and apply for grants for my small business?***

A: You may find free money for your business through federal, state or private organizations but the US government is the largest distributor of business grants. Be sure to check with your state and local governments as well. Not all assistance flows directly to you as the small business owner. Some funds are distributed to state and local governments and agencies, nonprofit organizations, or schools. You may have to apply to these entities to access the funds, or opportunities. Here are some sites to check out:

- **Grants.gov** not only lists a wide variety of grant opportunities, but it also offers a great wealth of resources for everything you need to know about the grant process.
- **SBIR.gov** is powered by the Small Business Association (SBA) and focuses on research and development for technology and science.
- **RD.USDA.gov** provides grant money to assist with economic development planning and/or the financing or expansion of rural businesses.
- **SBA.gov** offers information about the PRIME grant to provide funding for private, nonprofit microenterprise development organizations; microenterprise development programs run by State/Local/Tribal Governments; or Indian tribes interested in providing assistance and guidance to disadvantaged microentrepreneurs and/or microenterprise development.
- **MBDA.gov**, the Department of Commerce Minority Business Development Agency offers targeted grants and loans designed to aid minority-owned businesses.

Q: ***What is AR and how does it affect my small business?***

A: Augmented reality (AR) is technology that allows you to add artificial, digital qualities to real-life objects. This fairly simple tool is catching on in many areas. An online retailer could use AR to allow customers to 'try on' products like eyeglasses or arrange furniture in their room before they buy. Onsite, AR can be used to provide directions or help customers navigate in stores . Product sales also use AR to help consumers make easy repairs. In the service industry, AR used with smart glasses can facilitate repairs and complex solutions by allowing a remote expert to superimpose markings, messages and diagrams directly onto the onsite worker's field of view, and the use of smart glasses keeps the worker's hands free to simultaneously perform fixes.

Value Line Capital Small Cap Opportunities Fund (VLEOX)

As its name indicates, the Value Line Small Cap Opportunities Fund (VLEOX – Investor Class) is a no-load mutual fund that invests in U.S. based companies that are categorized as "Small Cap".

What's Cap? Cap is short for market capitalization. A publicly traded company's market capitalization is arrived upon by multiplying all of the shares of stock outstanding by the current price of the stock. It's generally accepted that the small cap universe includes companies that have market capitalizations between $300 million and $2 billion. Clearly, these are not mom and pop shops, but far smaller than behemoths such as Apple or Microsoft, each boasting market capitalizations in excess of $2 trillion!

Since 1998, this fund's been managed by Stephen Grant. Mr. Grant earned his BA from Stanford, his MBA from Wharton, and has been with Value Line since 1991. Here's a brief summary of some of his recent remarks about managing the fund: "We believe that small-cap growth companies can be an important part of an investor's portfolio, as smaller companies have the potential for a longer growth runway compared to large companies. Smaller companies are also often associated with relatively high levels of risk. However, our investment approach is designed to provide for a "smoother ride" for an investor's portfolio. Rather than seeking headline-grabbing companies that can tend toward high volatility, we own companies with a long-term track record of consistent growth in both stock price and earnings. Such companies have provided greater consistency over time during various economic conditions."

As a whole, small cap stocks, had a very strong start to the year, moving up almost without pause through early February. We then saw small caps begin to move sideways for a few weeks before giving back about half of the earlier gains. However, as of mid-March, this fund has renewed its uptrend, and as of this writing is up over 7% year-to-date.

Investors have long recognized the advantages of building a diversified portfolio. Depending upon one's personal situation, a high quality small cap fund may make for a solid addition to a portfolio built for long term success.

If you're interested in this fund, or would like a portfolio review to determine if this fund might be an appropriate addition to your portfolio, please call Ted Black, CFP® at 888-878-0001, extension 3.

Performance annualized and updated through 03/31/2023: 1-Year: -0.40%; 3-Year: +16.90%; 5-Year: +8.85%. The gross annual expense ratio is 1.16%.

If you have any questions about your current investment strategy or about mapping out your financial future, please feel free to contact Ted Black, CFP® at 407-475-0001, extension 3, or email Ted at ted@royalpalminvestmentadvisors.com.

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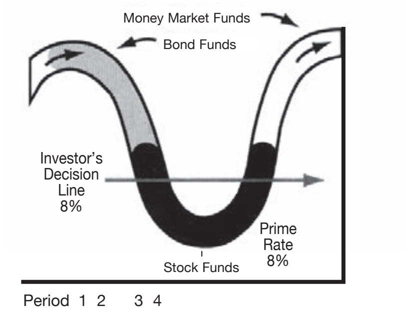
The Money Movement Strategy

Prime Rate Chart
for Money Movement Strategy



Long-Term Direction: Level
Monthly Change: 0.00%

How It Works

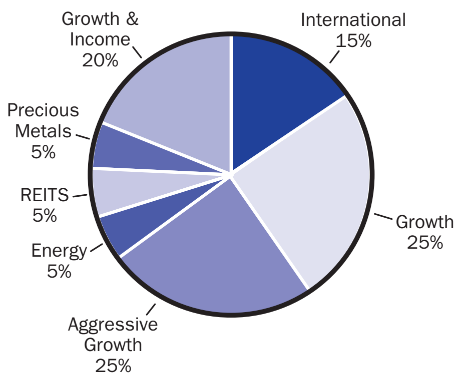
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average returns at any given time.

The Money Movement chart represents typical changes of interest rates smoothed out over time. The Investor's Decision Line (IDL) indicates the point at which you should move your money from one type of fund to another. At this time, the IDL indicates stock funds.

Models For Portfolio Management

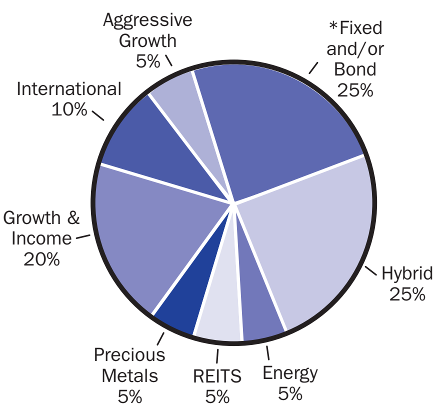
Aggressive

Keep all mutual funds and retirement money in stock funds.



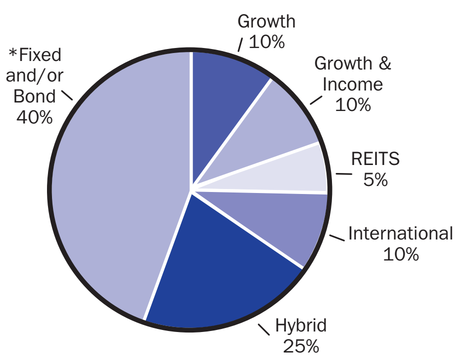
Moderate

Keep most mutual funds and retirement money in stock funds.



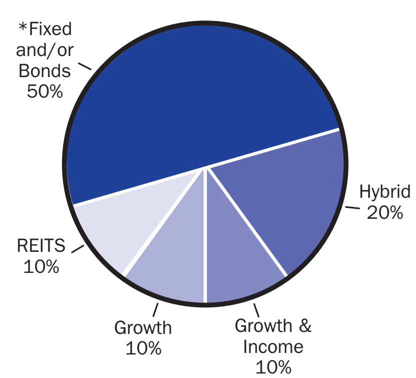
Conservative

Keep most mutual funds and retirement money in stock funds.



Retirees

Note: This portfolio does not follow the Money Movement Strategy! Create the proper mix of Stock, Bond, and money market funds.



*Fixed Market-Linked CDs

No-Load Mutual Funds*

Fund Name/Type	Stock Symbol	Buy, Sell or Hold	3 Month % Change	Average Annual Returns as of to 03/31/23 1 Year % Change	5 Year % Change	10 Year/ % Change	Expense Ratio
Aggressive Growth							
BNY Mellon Small Cap Index	DISSX	Buy	2.44	-9.31	5.83	9.38	0.50
Kinetics Paradigm No Load	WWNPX	Buy	-17.42	3.75	13.31	12.98	1.64
Needham Growth	NEEGX	Buy	8.92	-15.94	11.00	19.80	1.78
Schwab Health Care	SWHFX	Buy	-3.94	-4.75	9.44	11.03	0.80
Value Line Small Cap Opp	VLEOX	Buy	9.12	-0.40	8.85	10.53	1.16
Growth							
American Century Mid Cap	ACMVX	Buy	1.23	-2.58	7.45	9.84	0.97
BNY Mellon MidCap Index	PESPX	Buy	3.69	-5.62	7.15	9.29	0.51
Harbor Disruptive Innovation Inv	HIMGX	Buy	16.03	-22.98	5.38	9.11	1.19
Janus MidCap Value T	JMCVX	Buy	0.00	-4.76	5.22	7.30	0.75
Neuberger Berman Partners Inv	NPRTX	Buy	-0.72	-6.41	12.82	11.54	0.76
Selected American Shares	SLASX	Buy	6.13	-9.62	5.18	8.53	0.98
American Century Small Cap Value	ASVIX	Hold	2.56	-8.04	7.85	9.49	1.09
Growth & Income							
American Century Equity	TWEIX	Buy	0.46	-3.22	7.07	8.65	0.94
American Century Large Value	ALVIX	Buy	-0.06	-0.18	8.32	9.10	0.83
Fairholme	FAIRX	Hold	6.67	-24.53	8.53	5.57	1.00
Parnassus Equity Income Inv	PRBLX	Buy	7.54	-7.14	12.09	11.89	0.82
Janus Contrarian T	JSVAX	Buy	9.27	-12.27	11.92	10.03	0.98
T. Rowe Price Equity Income	PRFDX	Buy	-0.66	-6.33	7.52	8.59	0.63
Hybrid							
American Century Balanced	TWBIX	Buy	5.35	-6.77	5.60	6.54	0.91
James Balanced Golden Rainbow	GLRBX	Buy	2.83	-5.42	1.10	2.54	1.21
Oakmark Equity & Income	OAKBX	Buy	3.26	-6.59	5.72	7.02	0.83
Impax Sustainable Allocation Inv	PAXWX	Buy	4.87	-6.51	6.54	6.84	0.89
Permanent Portfolio	PRPFX	Buy	2.37	-4.02	7.24	4.49	0.81
Value Line Asset Allocation Inv	VLAAX	Buy	6.35	-3.02	7.86	8.11	1.02
International							
American Century Intl Growth	TWIEX	Buy	10.65	-4.30	3.62	5.44	1.36
Artisan International Inv	ARTIX	Buy	8.28	-0.05	3.23	4.58	1.20
Matthews China Investor	MCHFX	Hold	0.41	-4.80	-1.04	5.08	1.06
William Blair Intl. Growth	WBIGX	Buy	8.35	-8.06	3.39	5.02	1.24
T. Rowe Price Emerging	PRMSX	Buy	5.54	-9.01	-2.56	2.37	1.15
Sector Funds							
American Century Real Estate Inv	REACX	Buy	1.14	-19.68	5.62	5.62	1.15
Cohen & Steers Realy Shares	CSRSX	Buy	2.37	-18.31	7.73	7.21	0.88
T. Rowe Price Health Sciences	PRHSX	Buy	-2.30	-6.16	10.27	14.03	0.75
USAA Precious Metals/Minerals	USAGX	Sell	11.76	-14.49	8.20	-1.03	1.12
US Global Investors Global Res	PSPFX	Hold	0.93	-21.53	2.95	-2.84	1.92
Bond Funds							
American Century Infl-Adj Bond	ACITX	Buy	3.61	-6.76	2.46	1.03	0.46
Fidelity Capital & Income	FAGIX	Buy	3.73	-2.69	5.23	5.83	0.67
Janus Flexible Bond	JAFIX	Buy	2.96	-5.37	1.37	1.52	0.68
Loomis Sayles Bond Retail	LSBRX	Buy	2.97	-5.25	0.30	1.79	0.92
Impax High Yield Bond Indv Inv	PAXHX	Buy	3.15	-5.45	2.18	2.63	0.93
American Century Sh-Dur Bd fund	APOIX	Buy	2.52	-1.48	2.86	1.33	0.56
Western Asset Core Bond	WATFX	Buy	3.50	-6.76	0.52	1.69	0.46

* Some funds may be closed to New investors due to demand.

The performance data quoted represents past performance and the principal value and investment return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns shown, unless otherwise indicated, are total returns, with dividends and income reinvested. Past performance is no guarantee of future results.

Since it purchases equity securities, including common stocks, the Fund is subject to the risk that stock prices will fall over short or extended periods of time. The Fund may buy and sell securities frequently as part of its investment strategy. This may result in higher transaction costs and additional tax liabilities.

Mutual funds are sold by prospectus. An investor should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The prospectus contains this and other information about the investment company. Please read the prospectus carefully before you invest or send money.

Statistics and information provided by Morningstar.

** IAS Owners and employees may hold a position in any of the listed funds.

From the Financial Hotline

Call, fax or e-mail for answers to all your financial questions.

Q: I have recently gotten re-married and was thinking I need a Last Will and Testament to make sure my new spouse is protected. Where do I start?

A: First, Congratulations and best wishes! A lot of people get anxious about drafting a Will but, most have already bequeathed the bulk of their assets. Assets such as life insurance proceeds, investment accounts, jointly titled real estate assets, assuming they were titled as joint tenants with right of survivorship, and any asset that you have named a beneficiary for will pass to those heirs outside of a will.

Most retirement accounts like IRAs, 401(k)s, 403(b)s and others require you to name a beneficiary when you set up the account. If your bank didn't ask you for a beneficiary, you can contact them and probably arrange for that to be added. Drafting a will won't override these designations so it's a good idea to review each account and update beneficiaries if your wishes have changed.

It is common for a remarriage to accidentally disinherit children or the new spouse. For example, if you take title to real estate with your spouse (with rights of survivorship) and add them to your bank account, the spouse will inherit one hundred percent of those assets regardless of what your will says. On the other hand, even if everyone knows you meant for your new spouse to inherit your retirement accounts, if the beneficiary is still listed as your ex-spouse or your child, the account belongs to the beneficiary.

Q: What's the difference between a Will and a Trust?

A: Wills are simple, inexpensive, and easy to change. However, they are public and asset distribution requires probate which can be lengthy and expensive for your heirs. Trusts are more complex and may cost more to set up. But they are private, and assets don't have to go through probate. Wills also don't go into effect until you pass away, whereas a Trust is effective immediately upon signing and funding it.

Many people use a Will to designate guardians for their kids and pets and make burial wishes known. You can also use this to name your chosen executor, communicate final wishes, and bequeath personal items, vehicles, and any assets that don't already have a beneficiary. If you already have named beneficiaries or joint owners with rights of survivorships on all your assets, you may only need a will.

However, if you want more control over how your assets are managed and distributed, a Trust is a useful tool that also eliminates probate. When you create a Trust, you need to fund it by transferring assets to it, making the Trust the owner. By taking assets out of your name, a Trust can help you qualify for medical or other assistance. If you leave an asset to someone who is underage or dependent on government aid, the Trust can be set up to oversee a payment schedule that is more beneficial to their specific needs.

Q: What is a pour-over will?

A: A pour-over will is typically used with a Trust and designed to catch any assets that got left out of a trust. This documents usually contains language that clearly states: any assets or property that are not in the Trust at the time of death, and that do not have a named beneficiary, should be transferred to the Trust after you pass.

Q: What is the difference between a Living Will and a Health Care Proxy?

A: A Health Care Proxy and Living Will are both estate planning documents that are usually used together. When combined they make up your Advance Directive - tools that allow you to direct how your medical decisions should be made if you become incapacitated. A Health Care Proxy, also called a Medical Power of Attorney, is a type of estate planning document that allows you to appoint a proxy (an agent) to make medical decisions on your behalf if you were to become incapacitated. How does your Health Care Proxy know what decisions you would make? That's where the Living Will comes in. It's an estate planning document that allows you to leave your instructions for your future medical care, plus any end-of-life decisions to be made. Both documents are durable throughout your lifetime, and only go into effect if you are deemed incapacitated by your attending physician.

It's important to note that a Health Care Proxy cannot override any provisions made in a Living Will. A Living Will is legally-binding and must be followed. Therefore, it is helpful to both the Proxy and the medical care team if the Living Will is detailed and specific as possible.

Divorce & Finances

If you are considering divorce, it's vital to plan for the dissolution of the financial partnership in your marriage. This means dividing the financial assets and liabilities you have accumulated during the years of marriage. Further, if children are involved, the future support given to the custodial parent must be planned for. The time you take to prepare and plan for eventualities will pay off later on.

Here is what you can do:

1. Make a list of all of your assets, joint or separate, including:
   - The current balance in all bank accounts
   - The value of any brokerage accounts
   - The value of investments, including any IRAs
   - Your residence(s)
   - Your autos
   - Your valuable antiques, jewelry, luxury items, collections, and furnishings
2. Make sure you have copies of the past two- or three-years' tax returns including any attachments. These will come in handy later.
3. Inventory your financial debts and obligations. You may need to pull your credit report to make sure you don't miss anything. Your report will indicate what accounts are yours alone and which are joint. List all debts you both owe, separately or jointly. Include auto loans, mortgage, credit card debt, and any other liabilities.
4. Make sure you know the exact amounts of salary and other income earned by both you and your spouse.
5. Find any papers or online accounts relating to insurance-life, health, auto, and homeowners, as well as pension and other retirement benefits. Take screenshots or make copies of crucial information in case future password changes make access more difficult.
6. Consider canceling any joint credit card or open equity line accounts. Remember, f you allow your name to remain on joint accounts with your ex-spouse, you are also responsible for any new bills.
7. Consider closing any joint bank or financial accounts. If your spouse's name is on the account, they can legally take all the funds.
8. If you are a spouse who has not worked outside the home lately, be sure to open a separate bank account in your own name and apply for a credit card in your own name. This will help you to establish credit after the divorce.

If you and your spouse agree on the terms, you may be able to settle your divorce with minimal help such as a divorce mediator or even do it yourself. If there are significant issues dealing with assets, child custody, or alimony be sure to get your own attorney. Here are a few reminders: Make sure the divorce decree or agreement covers all types of insurance coverage-life, health, and auto. Be sure to change the beneficiaries on life insurance policies, IRA accounts, 401(k) plans, other retirement accounts, and pension plans. Don't forget to update your will. If the settlement gives you full ownership of real estate or other assets, make sure the deed and accounts are updated to properly reflect that on title. If the deed or account name doesn't change, the court document won't override it.

Don't forget the tax consequences. Child support is not taxable to the recipient and not deductible by the payer. If children are involved, the settlement agreement should detail who gets to take the tax deduction. Currently, alimony is also not taxable or deductible. Property settlements are not taxable events when pursuant to divorce or separation. Transfers of assets between spouses in this event do not result in taxable income, deductions, gains, or losses. The cost basis of the property carries over to the recipient spouse. Be careful in a divorce, your spouse may give you an equal share of property based upon fair market value, but with the lower basis. This can result in a higher taxable gain upon a sale of the asset.

If retirement accounts are involved, generally, when these plans are split up there is no taxable event if pursuant to a qualified domestic relations order or other court order in the case of an IRA. This is true, however, only if the assets remain in a retirement account or IRA. Once funds are distributed they will be taxed to the recipient. At the time of division, the payer does not receive a deduction and the recipient does not have taxable income.

Economic Outlook

–*By Russ Colbert*

The Economy is being pushed and pulled in two different directions. On the plus side we have the lingering aftereffects of the huge stimulus during 2020 and 2021. The recovery process of the service sector and businesses are trying to get back to normal after Covid lockdowns. On the flipside working against us we have beginning stages of drops in the money supply, inflation, rising interest rates and too much government spending. Eventually, as we move forward, the Federal Reserve will either get it right by moving toward a soft landing or into a mild or a more severe recession. It is still too early to tell. Eventually the balance of these forces will tilt the U.S. one way or the other.

However, we are still experiencing some positive news from the economy. In January we saw strong growth in consumer spending helping produce a positive GDP for the first quarter of 2023.

We will have to see how the second quarter shapes up moving forward. During the first quarter we saw retail sales grow at a very positive rate. The sales rate of automobiles and light trucks came in very strong. Real consumer spending on all goods and services showed a strong increase to a positive first quarter GDP currently estimated to be over 2%. So far, we have seen very good growth in business investment. Strongest gains are in areas of intellectual property and commercial construction. Residential construction is still feeling the pain of higher mortgage rates. The government purchases of goods and services were positive in the first quarter of 2023. The trade deficit expanded during the first quarter as imports rose faster than exports. This was attributed to the reopening of China and better growth in Europe. Inventories grew slower during the first quarter than the last quarter of 2022. If this continues it could be a drag on economic growth later in the year. When you add it all together, we should get over 2.0% GDP growth rate for the first quarter of 2023. These figures should be out by the end of April.

A month or so ago we saw the failure and rescue of two banks in the United States. They were the Silicon Valley Bank on the west coast and Signature Bank on the east coast. They were quickly rescued by the Federal Reserve Board, the United States Treasury, and the Federal Deposit Insurance Corporation (FDIC) moving in with measures to calm the public and prevent a run on the bank withdrawals by assuring that all deposits were insured over and above the $250,000.00 limit. Shortly thereafter we had the collapse of Credit Suisse, the second largest bank in Switzerland. The Swiss banking authorities quickly stepped up and arranged the sale of Credit Suisse to UBS, the largest Swiss bank. It is probably too early to draw any conclusions, but there may be some smaller banks that need some financial assistance, for the moment but it appears that the banking disaster has been avoided. Before the Bank failures, it was thought that the Federal Reserve would raise rates one or two more times reaching somewhere between a ½% to 1% in rate hikes to continue to battle inflation. However, due to the current bank failures and other circumstances, we most likely will see them curb future interest rate hike decisions. Especially if we continue to see improvement in upcoming economic data and inflation dropping. It appears that the Federal Reserve may be nearing the end of their cycle of rate hikes in the near future. When that happens, it should be positive for both stocks and bonds.

If you have any questions or need a portfolio review to keep you on track with your investments or retirement plan, please call me.

Russ Colbert
Senior Portfolio Manager
1-888-878-0001

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___ Opening a Retirement Plan for my business
___ College Funding for my children/family
___ Investing for Current Income
___ Review of 401(k), 403(b) or other retirement plan
___ Investing in Mutual Funds
___ Transferring or Rollover of IRA or retirement account
___ Review of my Investment Portfolio
___ Where to invest in 2023

Savings (IRA, 401(k), CDs, etc.):

___ 0 - $10,000
___ $10,001 - $50,000
___ $50,001 - $100,000
___ $100,001 - $500,000
___ $500,001 +

Investment Goals:

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