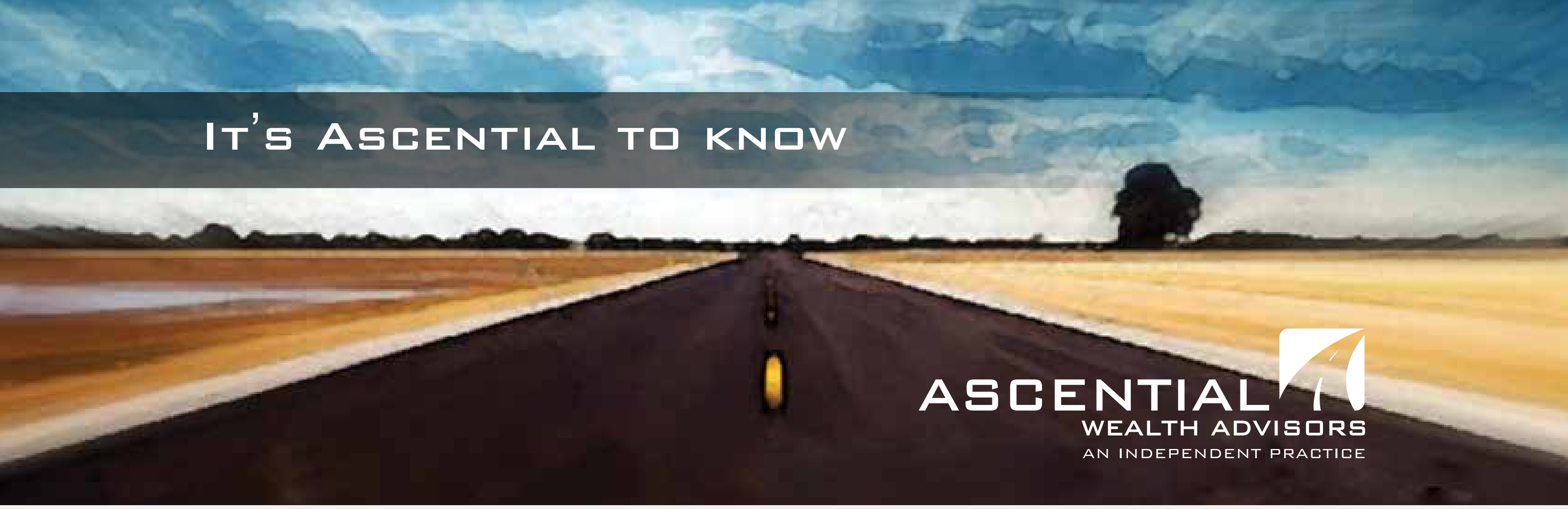


A newsletter from Ascential Wealth Advisors

Volume 5 • 2018

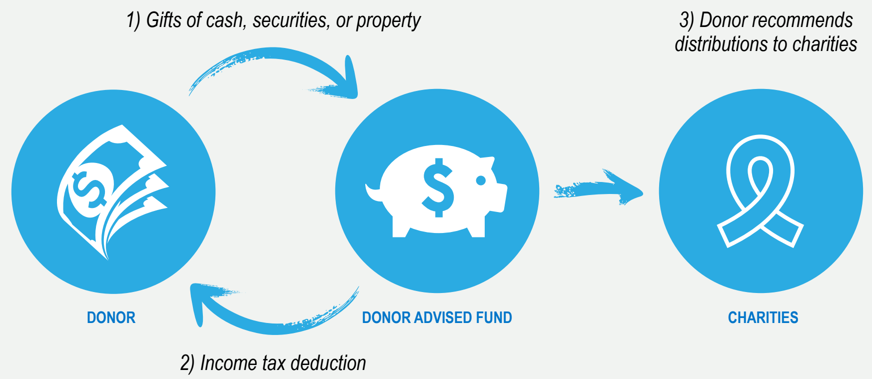
In this issue

Daniel Maki
Financial Advisor

Charitable Giving with Donor Advised Funds

By Dan Maki

Last year the passing of the Tax Cuts and Jobs Act of 2017 caused people to reconsider their charitable gifting strategies. This tax reform led to sweeping changes for individuals including adjusted income tax brackets, the introduction of a higher standard deduction, and elimination of many itemized deductions. Beginning in 2018, the standard deduction for a couple filing joint is $24,000 (individual $12,000). This amount creates a new threshold for taxpayers to reach before realizing the benefits of additional itemized deductions. As a result, people have turned to Donor Advised Funds to reap the benefit of deductibility for charitable donations. A donor advised fund may be a simple, easy, and convenient option to make a deductible contribution today and direct gifts to charitable organizations over time.



WHAT IS A DONOR ADVISED FUND?

A donor advised fund (DAF) is an investment account established with the purpose of supporting non-profit organizations, it is similar to establishing a personal charitable foundation. The account is established as a sub account under a master donor advised fund which is sponsored and managed by a charitable organization such as Raymond James Charitable. The sponsoring organization itself is a section 501(c)(3) charitable entity. This structure allows for contributions to the individual's account to qualify as a current year gift to a charitable organization.

The DAF account is established in the name of the donor(s) and funded through contributions of cash or securities. Contributions are reinvested into a diversified investment strategy and managed by the sponsoring organization. The sponsoring organization takes the hassle out of managing the account allowing the donor to focus on giving. Donors can request gifts be made to qualifying organizations at any time for any dollar amount. Organizations such as churches, local charities, or national non-profits may receive gifts as long as they are designated as a section 501(c)(3) organization under IRS code.

Continued on next page.

WHAT ARE THE BENEFITS OF A DONOR ADVISED FUND?

Tax Savings

- *Contributions to a DAF receive an immediate tax deduction, up to IRS limits, in the year the grant is made, allowing the donor(s) to manage income tax liabilities and potentially reach the benefits of additional itemized deductions.*
- *The DAF account can be funded with appreciated securities such as stock or mutual funds, creating the added benefit of avoiding capital gains taxes.*
- *Contributions to a DAF are removed from the donor's estate and not considered for estate taxes.*
- *All contributions to the accounts are invested and have potential to grow tax-free until the donor chooses to use the funds for charitable giving.*

Flexibility

- *Donors can give whenever they decide; gifts made today can be directed at any time in the future.*
- *Any qualified 501(c)(3) organization can receive a gift from a donor advised fund.*

Leave a legacy

- *Donor advised funds accounts can name successor advisors who can continue giving from the account after the original donor has passed. Similar to a foundation, successor advisors must use the funds for charitable giving and may follow the gifting wishes of the original donors or support charitable organizations of their choice.*

IS A DONOR ADVISED FUND APPROPRIATE FOR YOU?

A donor advised fund account is one option in a charitable giving plan, however other gifting strategies are available and should be considered based on individual circumstances. If you are interested in donor advised funds or creating a charitable giving plan, please call us or mention it at your next review meeting.

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.

Trusted Contact

Kristin Rognerud
Financial Advisor

By Kristin Rognerud

In response to newly implemented industry regulation, we are asking that all clients provide information for one or more individuals to serve as a "trusted contact" for their accounts. This new policy was primarily created in response to issues surrounding working with senior investors, however it applies to all clients.

The purpose is to provide us with a person, selected by the client, to contact in certain circumstances.

What is a trusted contact? Think of it as an emergency contact; someone, usually a family member or close friend, who we can reach out to if any of the following situations arise:

- Concerns over the client's health status or mental capacity
- Suspected financial exploitation of the client
- Inability to contact the client for an extended time period

Clients can designate up to 5 trusted contacts, age 18 or older. In addition to a name, one or more of the following must be provided for each trusted contact: physical address, phone number, and/or email address. Much like other client profile information, Raymond James will verify the accuracy of this information with clients every 36 months, however changes to trusted contacts can be made at any time.

There are important limitations on what information we are allowed to communicate to the trusted contact.

- We cannot disclose any specific information about the client accounts, investments, or other personal information.
- The trusted contact does not have authority to make any decisions or give direction on the accounts. Only a designated power of attorney, trustee, or legal representative can provide authorization for action in an account.

We have seen the need for this information in a variety of situations and are happy that there is now a system in place to support gathering and maintaining the information for our clients. Trusted contact information will be required for all new clients, and over the next several months we will be reaching out to existing clients about this as well. In the meantime, if you would like to add a trusted contact to your accounts, please contact us.

Do I Need a Will?

By Aaron Bransky, J. D.
Aaron is a partner at the Duluth, MN law firm Andrew, Bransky, & Poole, P.A. He specializes in estate planning, elder law, medical assistance planning, trusts, and probate.

Short answer. Technically, nobody "needs" a Will. After all, the State of Minnesota has default rules in place (known as intestacy statutes) that determine where your "probate estate" would go if you were to die without a will (a person's "probate estate" consists of assets that are not subject to beneficiary designations, joint tenancy, or a trust).

However, in most cases, a good estate plan will save time and money, and make it easier for your successors. Most estate plans include a Will – in fact, when people think about estate planning, a Will is usually the first thing that comes to mind. Important! Because many assets often are non-probate (e.g. controlled by beneficiary designations), an estate plan usually includes more than a Will.

Common misconceptions about Wills. Often lurking in the background of this question are the following misconceptions: (1) that if there is no Will, the State will take a person's entire estate (false in almost all situations); (2) that a Will is what you need to avoid probate (always false); and (3) that a Will controls the disposition of all of a person's assets at death (false in the vast majority of situations).

Intestacy statutes. In many situations, the Minnesota intestacy statutes are a close approximation of clients' desires regarding their probate estate. The surviving spouse gets the entire intestate estate if a) there are no surviving children or b) if all of the decedent's surviving descendants are also descendants of the surviving spouse and there are no stepchildren who survive the decedent. In all other situations (e.g. a second marriage situation with kids from a previous marriage), the surviving spouse gets the first $225,000 plus one-half of any balance of the intestate probate estate. If there were no surviving spouse, then the estate would pass to the decedent's descendants, and if no descendants, then "upstairs" to parents, and if no parents, then to siblings, and so on. There also are special allowances for the surviving spouse (homestead, family allowance of up to $2,300/month for 18 months, $15,000 of property, and auto), and children.

In an Ozzie and Harriet situation (single marriage, all children from the same marriage, no challenging family problems), the intestacy scheme generally works just fine, assuming non- probate transfers are coordinated. However, for the many people who do not fit that model, a Will can and should be part of a proper estate plan.

Here are some situations where an estate plan (including a Will) would be particularly helpful:

- **Unmarried couples**. The intestacy statutes provide nothing for the survivor of an unmarried couple.
- **Single parents**. An estate plan would be crucial for single parents who wish to nominate someone other than their ex-spouse as guardian of their children, and/or wish to make sure that their ex-spouse does not end up handling the money they give to their children, or receive the estate by accident.
- **Young children**. Generally, parents of younger children will want to make sure that someone they know (or a Trust Company) will handle money for their young children, perhaps setting funds aside for college or other purposes. A trust for children created by a Will can do this. Without that kind of arrangement, money would be available to the child at age 18, whether or not the child is ready to handle the money wisely.
- **Second marriage situations**. A parent who has remarried might want to ensure that their children from a prior union will receive a share of the estate if they were to die before their "new" spouse.

DID YOU KNOW?

- *If you are over the age of 70.5, and subject to IRA Required Minimum Distributions, you can gift to a qualified charity directly from your IRA through a "Qualified Charitable Distribution," and the distribution made to the charity is excluded from gross income. (IRS tax code Section 408(d)(8))*
- *2018 Health Savings Account contribution limits are $6900 family and $3450 individual. Those 55 and older can contribute an additional $1000 as a catch up contribution. (IRS)*

- **Taxable estate**: An estate plan with tax planning provisions would be important if there were a reasonable possibility of a taxable estate (this is becoming more rare as the exemption limit goes up). For 2018, the federal estate tax applies for net estates over $11,200,000. Minnesota's estate tax imposes a tax on estates of over $2,400,000 per person (for 2018), rising to a $3 million exemption in 2020). Both Minnesota and the federal estate tax laws grant an unlimited exemption for transfers to spouses.

Again, a Will does not avoid probate! If avoiding probate is an important goal for you, a properly implemented and funded trust usually would be a better tool for the job. But that's a discussion for another day.

This information presented in this handout is only general information and is not intended to provide specific legal advice for the reader. Please consult an attorney if you want specific legal advice for your situation. Raymond James is not affiliated with and does not endorse the opinions or services of Aaron Bransky.

From left:

Barb Perrault, *Registered Client Services Mgr.*
bperrault@ascentialwealth.com

Lori Spilde, *Client Services Manager*
lspilde@ascentialwealth.com

Brad Christiansen, *Financial Advisor*
bchristiansen@ascentialwealth.com

Daniel Maki, *Financial Advisor*
dmaki@ascentialwealth.com

Dave Kohlhaas, *Financial Advisor*
dkohlhaas@ascentialwealth.com

Kristin Rognerud, *Financial Advisor*
krognerud@ascentialwealth.com

Mike Owens, *Financial Advisor*
mowens@ascentialwealth.com

ASCENTIAL WEALTH ADVISORS

GET THERE FROM HERE

11 East Superior Street, Suite 500
Duluth, MN 55802
218.336.2500 • 888.840.8299

ascentialwealth.com

DISCLOSURES