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Are You Rethinking Retirement?

The "golden years," a common term of endearment for retirement, may no longer apply to those individuals who are following the beat of a different drum and envision a more active life as they get older. At the same time, many people may not be taking a conventional retirement in an uncertain economic climate, because they need to keep working for financial reasons. In the past, the idealized concept of a leisurely phase of life following decades of work and raising children was based on an assumption that work is the province of younger people, while older people exit the labor force to relax and enjoy themselves in retirement.

Since retirement planning is usually the main focus for long-term saving, ask yourself, what *kind* of retirement do you imagine? Is the golden years model what you really want, and will it still be relevant, especially if your retirement is years away? Rethinking retirement requires you to re-examine your dreams for the different stages of your life, which may or may not include a period of time during which you will not be working for yourself or an employer in the traditional sense.

(Continued on page 8)

Important Considerations for Workplace Monitoring

Many large U.S. companies and organizations have some form of workplace surveillance system in place for monitoring security. But with advances in technology, workplace monitoring has come of age and is also available to small business owners, to closely observe employee behavior. While many employers may use workplace monitoring for what they believe to be legitimate purposes, such as checking employee productivity, performing business-related quality control, or tracking sources of leaks in confidential company information, companies need to formulate specific guidelines—and adhere to them—for the proper usage of security systems, in order to abide by existing laws that help protect employee privacy.

Privacy Laws and Violations

For some companies, an important reason to monitor the workplace is to focus on protecting the business from potential legal problems that could arise if an employee were to use a company computer for improper, or even illegal, activities online. Other business owners may have legitimate concerns about employee productivity after noticing a downward shift in the workflow. The challenge with Internet monitoring and other workplace surveillance tools is to not only protect your interests as an employer and business owner, but in so doing, to retain the trust of your employees by protecting their privacy.

(Continued on page 6)

Regular Reviews: Building Your Financial Foundation

There are many financial strategies that can help you reach your short- and long-term goals. As you review your financial situation, track your progress, and modify your strategies, your financial professional can be a valuable resource.

Almost everyone has a financial strategy that should be regularly reviewed. Even if you don't have a formal, written plan, you probably adhere to some type of budget, save for special goals, or look over your retirement savings from time to time. When paying bills and reconciling your accounts, you frequently look at various parts of your finances. However, at least once every year, be sure to gather all your financial records and take a close look at your entire financial picture.

Here's a brief description of an annual financial review:

1) **Analyze your cash flow.** Does your income equal or exceed your fixed and variable expenses? The amount of income that exceeds what you spend is called **positive cash flow**. If your expenses exceed your income, you have **negative cash flow**. If your cash flow is negative, it may be time to re-organize your budget and minimize any unnecessary expenses so you can focus on saving for your future.

2) **Plan and prioritize your goals.** For each of your financial goals, consider the projected cost, the amount of time available to meet your goal (time horizon), and your funding method (a scheduled savings plan, liquidating assets, or taking a loan). Once you've identified your goals, plan according to your priorities. Most importantly, establish an emergency fund of at least three to six months of income to handle life's unexpected turns. Then, develop a savings plan for larger, long-term goals, such as your child's educational expenses. Finally, prioritize more flexible goals, such as purchasing a new car, renovating your home, and planning a vacation.

3) **Review your retirement needs.** Will you have enough money when you retire? Pensions and Social Security may not provide the income needed to maintain your current lifestyle. Consequently, review your retirement needs and start a disciplined savings program for your retirement.

4) **Minimize income taxes.** You may be able to reduce your tax liability by taking advantage of tax breaks, such as contributing pre-tax dollars to an employer-sponsored retirement plan. Be sure to claim any deductions available for mortgage interest, traditional IRA contributions, or charitable donations. Talk to your tax advisor about strategies that are appropriate for your unique situation.

5) **Beat inflation.** Besides creating higher costs for goods and services, inflation depreciates currency values. In other words, as prices increase, the purchasing power of your income—dollar for dollar—decreases. If, for example, the current inflation rate is 4%, you would need a 4% annual wage increase to maintain your buying power. A decline in your buying power could lower your standard of living and affect your lifestyle. Therefore, it's important to consider inflation as you save, invest, and make purchasing decisions.

6) **Manage unexpected risks.** Life involves risk, which may lead to financial loss. For example, you could sustain a disability and be unable to earn an income, or an unexpected death could cause financial hardship for your family. Consider making insurance, including disability income insurance and life insurance, the cornerstone of your overall financial strategy because it offers protection against potential risks and liabilities.

As you review your financial situation each year, you may need to modify your plan according to changing goals and circumstances. If you faithfully track your progress in these six areas, you may be in a better position to maintain your lifestyle now and in the future. $

Donating Vehicles to Charity

Donating a vehicle is a great way to benefit a charity and reduce your tax liabilities. As with most tax benefits, however, Internal Revenue Service (IRS) regulations apply. Following the rules can help ensure that you receive a tax deduction for your good deed.

The charity you choose to donate your car to must be a ***qualified*** charitable organization. Most charities should be able to tell you if they are qualified organizations. In addition, IRS Publication 78 lists most qualified organizations, which fall under nonprofit charitable, education, and religious categories. For more information about a particular charity, you may want to review their financial statements ahead of time. You are entitled to be informed of how your contribution will be used, as well as what percentage of the donation will be used for charitable purposes and what percentage will be used for administrative costs.

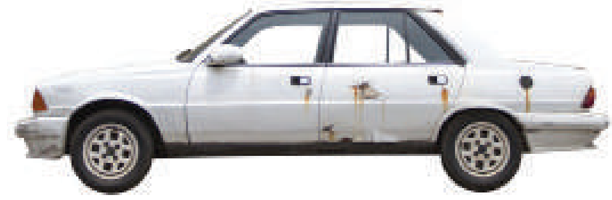
Taking Deductions

Determining the amount you can deduct for donating a vehicle to a charitable organization of your choice is dependent on several factors. For instance, your donation must be a **qualified vehicle**, which is defined as any motor vehicle primarily for use on public streets, roads, and highways; a boat; or an airplane. But, if the vehicle is part of a vehicle dealer's inventory and is for sale to customers, it would not be considered a qualified vehicle. To donate a nonqualified vehicle, review IRS *Publication 526* for the rules and limits that apply for property donations.

Generally, the amount you may deduct for a vehicle contribution depends upon what the charity does with the vehicle as stated in the **written acknowledgment** you receive from the charity for your donation. Typically, charitable organizations sell donated vehicles. So if the vehicle is sold, your deduction is limited to the gross proceeds from the sale. Keep in mind that many charities wholesale donated cars and may receive less than market value. In the event the charity retains the vehicle for its own use, the taxpayer is responsible for substantiating how the vehicle will be used and for how long.

A Closer Look

Prior to the 2004 reform, taxpayers could write off a car's full Blue Book value, regardless of the amount the charity actually received for the car. Today, however, when you donate a vehicle worth more than $500, you may deduct only the amount the charity receives for the sale of the car. While the



written acknowledgement will depend on what the charity does with the vehicle, certain information must be provided, including:

1) Your name and taxpayer identification number

2) The vehicle identification number

3) The date of the contribution, and one of the following:
   - a statement that no goods or services were provided by the charity in return for the donation, if that was the case
   - a description and good faith estimate of the value of goods and services, if any, that the charity provided in return for the donation, or a statement that goods or services provided by the charity consisted entirely of intangible religious benefits, if that was the case.

Since your deduction is limited to the gross proceeds from a sale, the following must also be included in the written acknowledgement:
- a statement certifying that the vehicle was sold in an arm's length transaction between unrelated parties
- the date the vehicle was sold
- the gross proceeds received from the sale, and a statement that your deduction may not exceed the gross proceeds from the sale.

These vehicle donation rules only apply when the deduction exceeds $500. It is important to note that if all the required information above is not stated in the written acknowledgement, your deduction may not exceed $500.

Donating a car or other vehicle can be a wonderful gift to the charity of your choice, while providing you with an additional deduction for your taxes. However, abiding by the "rules of the road" can help smooth the way. Remember to check all the vehicle donor responsibilities carefully as specified in various IRS online publications at www.irs.gov. Be sure to also consult your qualified tax professional about your situation. $

Can a Living Trust Replace Your Will?

When planning your estate, you may consider setting up a **revocable living trust**. A properly managed revocable living trust can provide unique benefits; however, it does not completely replace a **will**. In determining whether this type of trust is appropriate for you, it helps to understand the overall benefits and tradeoffs of this estate planning tool.

A revocable living trust is created during your lifetime, and you can alter it in any way, and at any time. One key feature is that it allows you to retain control of the management and distribution of your assets.

The Probate Connection

Many people establish a revocable living trust to avoid **probate**, which is the legal process of settling your estate. Assets distributed from a trust upon your death *do* avoid probate. However, the probate process itself is not as burdensome for many estates as in the past. Many states have adopted the Uniform Probate Code, which greatly simplifies the process for many small- to medium-sized estates.

But, even with these improvements, the probated assets in your estate still become a matter of public record, which may raise privacy concerns. Avoiding probate may also be appropriate if you own properties outside your state of domicile, which may involve multiple probate proceedings.

Once you set up a revocable living trust, you must transfer your assets into the trust. Failing to do so will subject your assets to probate. Simply signing a trust document *without* retitling assets renders your living trust useless.

Do I Still Need a Will?

The short answer is yes. Generally, a revocable living trust cannot entirely replace the need for a will. There are some assets you may not wish to place in a trust. For example, it may be impractical to transfer tangible personal property such as automobiles, furniture, and jewelry to a trust. Consequently, some of your assets will remain outside your trust, making a will necessary to name your intended beneficiaries of those particular assets. If you have minor children, a will may also be used to designate a **guardian** for them.

Other assets may require special consideration. For example, retirement plan accounts (Individual Retirement Accounts (IRAs), 401(k)s, and profit-sharing plans) cannot be retitled to a living trust, although you could change the beneficiary designation to the trust. However, naming someone other than a spouse as beneficiary of a qualified retirement plan often requires spousal consent, because in many states, spouses now have rights to retirement plan benefits. In addition, naming your trust, rather than your spouse, as the beneficiary of your qualified retirement plan may have income tax consequences at the time of your death.

Trusts and Taxes

Your legal professional can help you examine all the variables affecting your property—the *type* of assets (e.g., real estate, life insurance, bank accounts, savings, business interests, and personal property), *where* they are located, and *how* they are titled to determine if a revocable living trust can help you meet your short- and long-term estate planning goals. $

An Overview of Asset Preservation with A/B Trusts

Asset preservation goes hand-in-hand with wealth accumulation. The Federal estate tax law makes planning your estate and staying abreast of legislative changes essential. Every estate may exclude a certain amount of property from estate tax, and in 2017, that amount is $5.49 million for individuals and $10.98 million for married couples (adjusted annually for inflation).

Thanks to the unlimited marital deduction, assets that are passed to a surviving spouse do not incur any estate taxes. But, estate taxes would be owed on the portion of the estate that exceeds the applicable estate tax exemption amount, which is $5.49 million in 2017. To maximize the exemption for both spouses, an **A/B Trust** would preserve the estate exemption of the first spouse to die while allowing the surviving spouse to use the exemption, in effect increasing the amount exempted from the estate tax.

When the American Taxpayer Relief Act (ATRA) of 2012 passed into law in January 2013, however, the exemption amount was permanently extended ($5.49 million in 2017 and indexed annually for inflation), and the Federal estate tax rose to 40%, excluding many married couples from having to pay the Federal estate tax. In addition, ATRA allows a surviving spouse to use the deceased spouse's

(Continued on page 5)

An Overview of Asset Preservation with A/B Trusts

(continued from page 4)

unused exemption amount, along with his or her own exemption amount up to $10.98 million in 2017.

But you may still want to consider an A/B trust as a viable option because many states have their own estate and/or inheritance taxes. An A/B trust could preserve a married couple's state estate tax exemption, shelter appreciated assets, offer creditor protection, as well as benefit children from a previous marriage.

Setting Up A/B Trusts

After the death of the first spouse, two separate trusts would be set up. The assets of the surviving spouse would be transferred to the A trust, and an amount up to the estate tax exemption of the deceased spouse's assets would be transferred to the B trust; therefore, setting up two taxable trusts, with each trust entitled to use the exemption.

The B trust is subject to estate taxes, but with the applicable exemption, no taxes would be owed. The surviving spouse manages the A trust's assets and receives income from the B trust. Upon the death of the surviving spouse, the A trust would be subject to Federal estate taxes, while the B trust may continue for the benefit of the grantors' family. For example, assets may be divided into separate equal trusts for the grantors' children, who can then receive net income, and at a specified age, receive the principal.

In certain circumstances, the A/B trust arrangement can be an effective estate planning technique to help *both* spouses use their estate tax exemptions. But A/B trusts, tax rules, and regulations are also complicated. This is but one of a variety of strategies available to help protect family assets. Be sure to consult your estate planning team of advisors for more information about A/B trusts. $

The Dollars and "Sense" of Protection

If you're like most people, you've worked hard over the years to accumulate assets and achieve your family's current standard of living. As a result, you probably take important steps to protect your valuables and other tangible assets. Certainly, most people understand the value of automobile insurance, homeowners insurance, and additional insurance coverage for items or collections of significant value. While tangible assets such as cars, homes, and jewelry may be worth a considerable amount of money, their *income-producing* value is often negligible. In this respect, your *true* wealth, and perhaps your greatest asset, is your future earnings potential.

If you are your family's main provider, your family may depend on you to make mortgage payments, save for retirement, and fund your children's education, in addition to maintaining your current lifestyle. While you may be comfortable with the insurance coverage you have in place for your most important tangible assets, have you considered the amount of insurance coverage you have in place for something a little less tangible—namely *you*? With this in mind, let's take a closer look at how you can estimate the financial needs of your family in the event of your death.

Estimating Financial Needs

Suppose you are 35 years old, earn $50,000 per year, and have $100,000 of **life insurance** coverage. In addition, you and your spouse

have calculated that you'll need to work for 30 more years to meet your financial goals and objectives, which include paying off your mortgage, sending your children to college, and building adequate retirement savings. If you multiply your current

(Continued on page 6)

The Dollars and "Sense" of Protection

(continued from page 5)

earnings by 30, you get a very rough estimate of your future earnings—$1,500,000.

Don't let this figure startle you. It's not how much life insurance you need. There are a number of factors that must be taken into account to objectively determine the amount of coverage you need. Along with the loss of income, the death of a breadwinner may also eliminate some routine personal expenses that can add up over time. In addition, Federal and state income taxes must also be subtracted, since they'll no longer be due. Finally, you'll have to factor in any increases in future earnings.

Assuming an income of $50,000, Federal and state taxes of 34%, a 15% discount for future personal expenses, a 3% annual salary increase, and a 6% return on future earnings (net present value), this value changes to $520,000! Now, subtract your existing life insurance coverage of $100,000 from $520,000, and you end up with $420,000. Remember, this figure is just an estimate of the potential financial needs of your family if you were to die unexpectedly today.

Before you start crunching the numbers, it is important to realize there are many factors and calculations that must be taken into consideration to objectively determine your needs. Therefore, it is important to consult with a qualified insurance professional who can work with you to ensure that you have the necessary coverage. $

Important Considerations for Workplace Monitoring

(continued from page 1)

Since camera security systems and Internet browsing restrictions are standards in workplace monitoring today, there are certain protocols employers should consider when setting up a surveillance system. For example, security cameras should never be installed in bathrooms or other areas in the building where employees may undress or change their clothes, and workplace surveillance content showing employees should never be distributed in public.

The Electronic Communications Privacy Act (ECPA), enacted in 1986, includes provisions for the access, use, disclosure, and interception of electronic, wire, and oral communications. It also provides privacy protections for such communications. For instance, the ECPA does not prohibit an employer from reading an employee's electronic communications, including emails and instant messages. However, an employee may be protected under the ECPA if an employer were to monitor a private conversation being conducted on an employee's own phone. On the other hand, the ECPA may not protect an employee from being monitored when using a company-owned phone or computer, particularly when accessing the Internet.

The Methodology

Since an employer owns the company's computer network, he or she has the right to use certain monitoring techniques for business-related reasons, such as to check employee productivity levels. These techniques include the following:

- **Keystroke monitoring,** which reports the number of keystrokes per hour generated by each employee
- **Computer-monitoring software**, which allows an employer to see what is on an employee's computer screen or stored on a computer's hard drives
- **Idle time tracking**, which monitors computers for time spent away from the computer

It is important to note that some employees may be protected from workplace monitoring under certain circumstances. An employer's right to monitor employees may be limited in certain states under specific statutes. Restrictions may also apply to employees with a union contract or who work in the public sector.

As a business owner, you want to ensure the security and safety of your company, property, and workforce. Your concerns may include guarding your company's secrets, evaluating the performance of your employees, and protecting your business from a possible lawsuit due to illegal online activity conducted on company time. While there are effective surveillance tools and techniques that can help you operate your company more efficiently, there are protocols that need to be followed with respect to workplace monitoring, and privacy laws to be aware of that protect your employees. To keep track of inappropriate employee behavior that may occur within your company, remember to establish workplace surveillance guidelines before setting up a security system. $

Life Insurance and Divorce: Protecting Your Family's Future

Sometimes in life, things don't work out as planned. One of the most trying examples is when a couple decides they can't make their marriage work and, subsequently, file for divorce. Divorce can take a significant financial and emotional toll on a couple, their children, and other family members. In the midst of immediate financial and legal concerns, couples also need to consider ways to help protect their individual financial futures and that of their children's in the event of death. Life insurance may offer a solution.

Let's take a look at several different scenarios. After divorce, if the non-custodial parent who is paying alimony and/or child support were to die, then the custodial parent may be unable to maintain the children's lifestyle or save for a future college education. On the other hand, if the custodial parent were to die, the non-custodial parent may be unable to afford childcare expenses. Consequently, divorcing couples may want to consider making life insurance policies part of the divorce decree.

The custodial parent may want to purchase a life insurance policy on the non-custodial parent, but if not, transferring ownership and beneficiary arrangements on an existing policy may be another option. The custodial parent may request alimony or child support increases to cover the cost of policy premiums. If the non-custodial parent remains the policy owner, the divorce decree can include arrangements to ensure that the custodial parent is named as the irrevocable beneficiary, and that he or she receives ongoing proof that the payments are made and the policy remains in force.

The non-custodial parent may wish to keep the policies he or she already has to protect other financial interests. To ensure protection for children from a previous marriage, the non-custodial parent may consider purchasing a new policy on his or her life, naming the former spouse as the owner and beneficiary. If this is done before or during the divorce proceedings, gift tax will not be owed. If the custodial parent is the policy owner, premiums may be tax deductible as alimony.

For existing policies, it is important to remember that the insurance company must be notified of any beneficiary changes. A will cannot be used for this purpose. In addition, should the insured remarry and the policy names the "husband" or "wife" of the insured as the beneficiary, the new spouse may receive the proceeds. If the insured does not remarry and the same policy language is in force, then the proceeds may be paid to the secondary beneficiary. If the insured's estate is named as the new beneficiary, insurance proceeds may be delayed by the probate process. If minor children are named as beneficiaries, additional problems may arise, as insurance companies generally do not pay minors directly. For this reason, you may want to consider creating a trust for minor children and naming the trust as the beneficiary of the policy proceeds.

Divorce is rarely easy, but with a well-planned strategy, the short- and long-term financial needs of your loved ones can be met. Since laws vary from state to state, be sure to consult with your team of qualified tax and legal professionals about your unique circumstances. $

Are You Rethinking Retirement?

(continued from page 1)

Challenging the Conventional Wisdom

Embedded in the conventional notion of retirement are important expectations about work, money, and retirement standards of living. For previous generations, work was thought to be something you did for about 40 years (until roughly age 65), and then you never had to (or wanted to) work again. A company pension, Social Security, and some savings were generally believed to provide enough income for funding a comfortable lifestyle in retirement—a time filled with leisure, travel, and recreation.

However, for some people, working is too much of an integral part of their lives to abruptly end one day. With the daily structure, challenges, and rewards of going to work, some people may have difficulty readjusting to a new way of life without their own business or lifelong career and the social outlet it provides.

Further, the gradual disappearance of traditional pensions, or defined benefit plans, and the rise of defined contribution plans have changed the way people plan for retirement. Not only has the responsibility for funding retirement shifted from *employer* to *employee*, long-term retirement savings must compete with other major financial objectives—e.g., a down payment on a house or college funding for children—at the same time that earned money is being used to maintain a certain standard of living.

Finally, the golden years model assumed that the retiree's standard of living before retiring would be sustainable in retirement. However, this may not hold true in future retirement landscapes. Perhaps another lens to look through for retirement is the multi-model approach whereby you consider what standard of living could be maintained based on different levels of projected resources. This may help determine what is realistic in your situation, and focus your retirement priorities. For some people, downsizing their standard of living in retirement may be just as valid as maintaining a preretirement standard.

Think "Unretirement"

"Unretirement" is a term used to describe working in some capacity after your long-term career has ended. Aside from monetary compensation earned from working, unretirement may help you maintain a sense of emotional well-being, connection to the world, and fulfillment. Unretirement may also provide new opportunities to engage in work that is completely different from your former occupation, and to do it on a more *flexible* basis (part-time, job-share, or telework).

Rethinking your definition of retirement may be a matter of choice: for others, a matter of necessity, or a combination of both. Whatever path you take, it is important to define your vision of retirement or unretirement to suit your individual needs and dreams for the future. $

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