HOLDEN & MICKEY, INC.

Investment & Insurance Advisors

Serving Clients Since 1930

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Quarterly Updates

Linda Long

Lynn Benton

Servicing insurance policies began for the Mickey family in 1930 with Edward (E.T.) Mickey. The tradition continues today at Holden & Mickey and is led by two outstanding team members, Linda Long and Lynn Benton.

Linda Long is the Office Manager and Employee Benefits and Health Insurance Specialist and has been with the firm for eleven years. She attended Texas A&I University before moving to North Carolina in 1985. Prior to joining Holden & Mickey, she worked at Long Communications Group for 25 years and was the Purchasing Manager.

Lynn Benton is the Insurance Service Director and has been with Holden & Mickey for 24 years. She is a graduate of the University of North Carolina at Greensboro, with a degree in management and concentration in marketing.

Linda and Lynn's combined 35 years of insurance experience are extremely valuable in helping service over 6500 client policies, which total over $1.5 Billion. They look forward to assisting you with your new and existing policies in the future.

The information provided is not written or intended as specific tax or legal advice. Holden & Mickey, its employees and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel.

▸ About Us:

*Holden & Mickey, Inc. designs, implements, and monitors financial plans for high net worth individuals. Our firm has been working with clients in this area since 1930. Holden & Mickey advisors are highly credentialed and multi-generational in their focus on wealth management.

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Should We Reconsider What "Retirement" Means?

The notion that we separate from work in our sixties may have to go.

An executive transitions into a consulting role at age 62 and stops working altogether at 65; then, he becomes a buyer for a church network at 69. A corporate IT professional concludes her career at age 58; she serves as a city council member in her sixties, then opens an art studio at 70.

Are these people retired? Not by the old definition of the word. Our definition of "retirement" is changing. Retirement is now a time of activity and opportunity.

Generations ago, Americans never retired - at least not voluntarily. American life was either agrarian or industrialized and formalized retirement was not something they would have recognized. Their "social security" was their children.

After World War II, the concept of retirement changed. The typical American worker was now the "organization man" destined to spend decades at one large company. Americans began to associate retirement with pleasure and leisure.

By the 1970s, the definition of retirement had become rigid. You retired in your early sixties because your best years were behind you, and it was time to go. You lived your remaining years with an employee pension and Social Security checks, and the risk of outliving your money was low. Turning 90 was remarkable, much more than today.

One factor has altered our view of retirement more than any other. That factor is the increase in longevity. When Social Security started, retirement was the quiet final years of life; by the 1960s, it was a sort of extended vacation lasting 10-15 years; today, it can be a decades-long window of opportunity.

Working past 70 may soon become common. Whether by choice or chance, some may retire briefly and work again; others might rotate between leisure periods and work for as long as possible. Working full-time or part-time not only generates income. Another year on the job also may mean one less year of retirement to fund.

Perhaps we should see retirement foremost as a time of change - changing what we want to do with our lives. Preparing for change may be the most responsive move we can make for the future.

Managing Probate When Setting Up Your Estate

What can you do to help your heirs?

The probate process can be expensive for some estates. Settling an estate through probate can cost you both time and money. It could take up to a year for the estate to be settled, plus attorney's fees, appraiser's fees, and court costs may eat up as much as 5% of a decedent's assets. Probating an estate valued at $400,000 could cost as much as $20,000.[1]

What can you do to help your heirs have as smooth of a transition process as possible? There are a few steps that may help you along the way:

Joint accounts. Married couples may hold property as a joint tenancy. Jointly titled property includes a right of survivorship and is not subject to probate. It simply goes to the surviving spouse when one spouse dies. Some states allow a variation called tenancy by the entirety, in which married spouses each own an undivided interest in property with the right of survivorship (they need consent from the other spouse to transfer their ownership interest in the property). A few states allow community property with right of survivorship; assets titled in this way also skip the probate process. [2]

However, joint accounts can still face legal challenges. A potential heir to assets in a jointly held bank account may claim that it is not a "true" joint account but a "convenience account" where a second account holder was added just for financial expediency. Also, a joint account arrangement with right of survivorship may not match what's detailed in an estate strategy. [2]

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POD & TOD accounts. Payable-on-death and transfer-on-death forms permit easy transfer of bank accounts and securities. If the original owner lives, the named beneficiary has no right to claim the account funds or the security. When the original owner passes away, all the named beneficiary needs to do is bring their ID and valid proof of the original owner's death to claim the assets or securities. [2]

Gifts. For 2022 the IRS allows you to give up to $16,000 each to as many different people as you like before owing taxes. By doing so, you reduce the size of your taxable estate. Gifts over
$16,000 may be subject to federal gift tax (which tops out at 40%} and count against the lifetime gift tax exclusion. The lifetime individual gift tax exemption is currently set at $12.04 million. For a married couple, the lifetime exemption is now $24.12 million.[3]

Revocable living trusts. In a sense, these estate vehicles allow people to do much of their probate while alive. The grantor-the person who establishes the trust-funds it while they're alive with up to 100% of their assets and designating beneficiaries. A "pour-over will" may be used to add subsequently accumulated assets to the trust at your death, yet those assets "poured into" the trust at that time will still be probated.[4]

The trust owns assets that the grantor once did, yet the grantor can invest, spend, and manage these assets while they're alive. When the grantor dies, the trust lives on, becoming an irrevocable trust, and its assets should be able to be distributed by a successor trustee without having to be probated. The distribution is private, as opposed to the completely public process of probate, and it can save heirs court costs and time.[4]

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional familiar with the rules and regulations.

Are there assets probate doesn't touch? Yes, there are all kinds of non-probate assets. The common denominator of a non-probate asset is a beneficiary designation, which allows these assets to pass either to a designated beneficiary or a joint tenant, regardless of what a will states. Common assets that won't involve probate include jointly owned assets with the right of survivorship. [2]

Make sure to designate/update retirement account beneficiaries. When you open a retirement savings account, you are asked to designate eventual beneficiaries. This stipulates where these assets will go when you die. A beneficiary designation commonly takes precedence over a will.[2]

Consider reviewing your beneficiary designations regularly to see if they need to be updated.

If you are married and have a workplace retirement plan account, your spouse is the default beneficiary of the account under federal law unless they decline in writing. Your spouse is automatically entitled to receive 50% of the account assets should you die, even if you designate another person as the account's primary beneficiary.[2]

To learn more about strategies to avoid probate, consult an attorney or a financial professional with solid knowledge of the estate process.

Citations

1. NOLO.com, 2022
2. Forbes.com, March 28, 2022
3. IRS.gov, February 4, 2022
4. SmartAsset.com, August 4, 2022

New Retirement Contribution Limits for 2023

Near-record levels.

The Internal Revenue Service has released new limits for the coming year. After months of high inflation and financial uncertainty, some of these cost-of-living-based adjustments have reached near-record levels.

Individual Retirement Accounts (IRAs). IRA contribution limits are up $500 in 2023 to $6,500. Catch-up contributions for those over age 50 remain at $1,000, bringing the total limit to $7,500.

Roth IRAs. The income phase-out range for Roth IRA contributions increases to $138,000 - $153,000 for single filers and heads of household, a $9,000 increase. For married couples filing jointly, phase-out will be $218,000 to $228,000, a $14,000 increase. Married individuals filing separately see their phase-out range remain at $0-10,000.

Workplace Retirement Accounts. Those with 401(k), 403(b), 457 plans, and similar accounts will see a $2,000 increase for 2023, the limit rising to $22,500. Those aged 50 and older will now have the ability to contribute an extra $7,500, bringing their total limit to $30,000.

SIMPLE Accounts. A $1,500 increase in limits for 2023 gives individuals contributing to this incentive match plan a $15,500 stop light.

Other Changes. In addition to changes in contributions limits, the IRS also announced several other changes for 2023, including an increase to the annual exclusion for gifts to $17,000 per person and an increase to the estate tax exclusion threshold.

Keep in mind that this update is for informational purposes only, so consult with your tax professional before making any changes in anticipation of the new 2023 levels. You can also contact your trusted financial professional, and they can provide you with information about the pending changes.

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