



Asset Management Resources, LLC
Centerville Gardens
1060 Falmouth Rd, Suite B2
Hyannis, MA 02601
508-771-8900
Toll 866-771-8901
kristen@amrfinancial.com
www.AMRfinancial.com

August 2017

Test Your Investing IQ

Future of the Federal Estate Tax

How do the economic milestones of young adults today compare with prior generations?

Chart: Young Adult Milestones, 1975 vs. 2016



eResources Review

Asset Management Resources' E-mail Newsletter

Working in Retirement: What You Need to Know



Planning on working during retirement? If so, you're not alone. Recent studies have consistently shown that a majority of retirees plan to work at least some period of time during their retirement years. Here are some points to consider.

Why work during retirement?

Obviously, if you work during retirement, you'll be earning money and relying less on your retirement savings, leaving more to grow for the future. You may also have access to affordable health care, as more and more employers offer this important benefit to part-time employees. But there are also non-economic reasons for working during retirement. Many retirees work for personal fulfillment, to stay mentally and physically active, to enjoy the social benefits of working, and to try their hand at something new.

What about my Social Security benefit?

Working may enable you to postpone claiming Social Security until a later date. In general, the later you begin receiving benefit payments, the greater your benefit will be. Whether delaying the start of Social Security benefits is the right decision for you depends on your personal circumstances.

One factor to consider is whether you want to continue working after you start receiving Social Security retirement benefits, because your earnings may affect the amount of your benefit payment.

If you've reached full retirement age (66 to 67, depending on when you were born), you don't need to worry about this — you can earn as much as you want without affecting your Social Security benefit. But if you haven't yet reached full retirement age, \$1 in benefits will be withheld for every \$2 you earn over the annual earnings limit (\$16,920 in 2017). A higher earnings limit applies in the year you reach full retirement age. If you earn more than this higher limit (\$44,880 in 2017), \$1 in benefits will be withheld for every \$3 you earn over that amount, until the month you reach full retirement age — then you'll get your full benefit

no matter how much you earn. Yet another special rule applies in your first year of Social Security retirement — you'll get your full benefit for any month you earn less than one-twelfth of the annual earnings limit (\$1,410 in 2017) and you don't perform substantial services in self-employment.

Not all income reduces your Social Security benefit. In general, Social Security only takes into account wages you've earned as an employee, net earnings from self-employment, and other types of work-related income such as bonuses, commissions, and fees. Pensions, annuities, IRA payments, and investment income won't reduce your benefit.

Even if some of your benefits are withheld prior to your full retirement age, you'll generally receive a higher monthly benefit starting at your full retirement age, because the Social Security Administration (SSA) will recalculate your benefit and give you credit for amounts that were withheld. If you continue to work, any new earnings may also increase your monthly benefit. The SSA reviews your earnings record every year to see if you had additional earnings that would increase your benefit.

One last important point to consider. In general, your Social Security benefit won't be subject to federal income tax if that's the only income you receive during the year. But if you work during retirement (or you receive any other taxable income or tax-exempt interest), a portion of your benefit may become taxable. IRS Publication 915 has a worksheet that can help you determine whether any part of your Social Security benefit is subject to income tax.

How will working affect my pension?

Some employers have adopted "phased retirement" programs that allow you to ease into retirement by working fewer hours, while also allowing you to receive all or part of your pension benefit. However, other employers require that you fully retire before you can receive your pension. And some plans even require that your pension benefit be suspended if you retire and then return to work for the same employer, even part-time. Check with your plan administrator.



All investing involves risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful. Generally, the more potential for growth offered by an investment, the more risk it carries.

The performance of an unmanaged index is not indicative of the performance of any specific security. Individuals cannot invest directly in such an index.

Because zero-coupon bonds do not pay interest until maturity, their prices tend to be more volatile than bonds that pay interest regularly. Interest income is subject to ordinary income tax each year, even though the investor does not receive any income payments.

The return and principal value of stocks, bonds, and mutual funds may fluctuate with market conditions. Shares, when sold, and bonds redeemed prior to maturity may be worth more or less than their original cost.

Test Your Investing IQ

How much do you know about market basics? Put your investing IQ to the test with this quiz on stocks, bonds, and mutual funds.

Questions

1. What does it mean to buy stock in a company?

- a. The investor loans money to the company
- b. The investor becomes a part owner of the company
- c. The investor is liable for the company's debts

2. Which of the following statements about stock indexes is correct?

- a. A stock index is an indicator of stock price movements
- b. There are many different types of stock indexes
- c. They can be used as benchmarks to compare the performance of an individual investment to a group of its peers
- d. All of the above

3. What is a bond?

- a. An equity security
- b. A nonnegotiable note
- c. A debt investment in which an investor loans money to an entity

4. What kind of bond pays no periodic interest?

- a. Zero-coupon
- b. Floating-rate
- c. Tax-exempt

5. What is a mutual fund?

- a. A portfolio of securities assembled by an investment company
- b. An investment technique of buying a fixed dollar amount of a particular investment regularly
- c. A legal document that provides details about an investment

6. What is the difference between mutual fund share classes?

- a. The investment advisers responsible for managing each class
- b. The investments each class makes
- c. The fees and expenses charged by each fund class

Answers

1. b. The investor becomes a part owner of the company. Stocks are often referred to as equities because they represent an ownership position. As part owners, shareholders assume both the potential financial risks and benefits of this position, but without the responsibility of running the company.

2. d. All of the above. A stock index measures and reports value changes in representative stock groupings. A broad-based stock index represents a diverse cross-section of stocks and reflects movements in the market as a whole. The Dow Jones Industrial Average, NASDAQ Composite Index, and S&P 500 are three of the most widely used U.S. stock indexes. There are also more narrowly focused indexes that track stocks in a particular industry or market segment.

3. c. A debt investment in which an investor loans money to an entity. Unlike shareholders, bondholders do not have ownership rights in a company. Instead, investors who buy bonds are lending their money to the issuer (such as a municipality or a corporation) and thus become the issuer's creditors.

4. a. Zero-coupon. Unlike many types of bonds, zero-coupon bonds pay no periodic interest. They are purchased at a discount, meaning the purchase price is lower than the face value. When the bond matures, the difference between the purchase price and that face value is the investment's return.

5. a. A portfolio of securities assembled by an investment company. A mutual fund is a pooled investment that may combine dozens to hundreds of stocks, bonds, and other securities into one portfolio shared by many investors.

6. c. The fees and expenses charged by each fund class. A mutual fund may offer various share classes to investors, most commonly A, B, and C. This gives an investor the opportunity to select a share class best suited to his or her investment goals.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.



The federal estate tax has been enacted or repealed a number of times over the years, while undergoing many changes. Tax reform, including possible repeal of the estate tax, is back in the spotlight once again.

¹ 2015 Field Guide to Estate Planning, Business Planning & Employee Benefits

Future of the Federal Estate Tax

While no one can predict the future, the possibility of tax reform is once again in the spotlight. If it occurs, it may very well include repeal of the federal estate tax and related changes to the federal gift tax, the federal generation-skipping transfer (GST) tax, and the federal income tax basis rules.

History of the federal estate tax

In general, an estate tax is a tax on property a person owns at death. In one form or another, a federal estate tax has been enacted or repealed a number of times since 1797.¹

Estate tax enacted	Estate tax repealed
1797	1802
1862	1872
1894	1902
1916	2010*
2011*	

**For 2010, the estate tax was repealed, but later retroactive legislation provided that an estate could elect to be subject to estate tax in return for a stepped-up (or stepped-down) income tax basis for most property. The estate tax was extended in 2011, with some changes.*

The estate tax has undergone many changes over the years, including the addition of a federal gift tax and a federal GST tax during modern times. A gift tax is a tax on gifts a person makes while alive. A GST tax is a tax on transfers to persons who are two or more generations younger than the transferor. In recent years, property owned at death has generally received an income tax basis stepped up (or down) to fair market value at death.

During the 2000s, the estate, gift, and GST tax rates were substantially reduced, and the gift and estate tax lifetime exclusion and the GST tax exemption were substantially increased. The estate tax and the GST tax, but not the gift tax, were scheduled for repeal in 2010 (although certain sunset provisions would bring them back unless Congress acted), but legislation extended the estate tax and the GST tax in 2011. (For 2010, the estate tax ended up being optional and the GST tax rate was 0%.) The gift and estate tax lifetime exclusion and the GST tax exemption were increased to \$5,000,000 and indexed for inflation in later years. For 2013, the top estate, gift, and GST tax rate was increased to 40%, and the extension and modifications were made "permanent."

2017 Estate Planning Key Numbers	
Annual gift tax exclusion	\$14,000
Gift tax and estate tax basic exclusion amount	\$5,490,000
Noncitizen spouse annual gift tax exclusion	\$149,000
Generation-skipping transfer (GST) tax exemption	\$5,490,000
Top gift, estate, and GST tax rate	40%

Federal estate tax

Repeal of the estate tax seems possible once again. If repeal occurs, it could be immediate or gradual as during the 2000s. Would it be subject to a sunset provision, so that the estate tax would return at a later time? All of this may depend on congressional rules on the legislative process, other legislative priorities, and the effect the legislation would have on the budget and the national debt.

Federal gift tax

If the estate tax is repealed, the gift tax may also be repealed. However, it is possible that the gift tax would be retained as a backstop to the income tax (as in 2010). To some extent, the gift tax reduces the ability of individuals to transfer property back and forth in order to reduce or avoid income taxes.

Federal GST tax

If the estate tax is repealed, the GST tax would probably be repealed (as in 2010). If the gift tax is not repealed, it is possible that the lifetime GST tax provisions would be retained, but the GST tax provisions at death repealed.

Federal income tax basis

If the estate tax is repealed, it is possible that the general income tax basis step-up (or step-down) to fair market value at death would be changed to a carryover basis (i.e., the decedent's basis before death carries over to the person who inherits the property). In 2010, a modified carryover basis (a limited amount of property could receive a stepped-up basis) applied unless the estate elected to be subject to estate tax. It is also possible that a Canadian-style capital gain tax at death could be adopted in return for a stepped-up basis for the property.

Asset Management Resources, LLC

Centerville Gardens
 1060 Falmouth Rd, Suite B2
 Hyannis, MA 02601
 508-771-8900
 Toll 866-771-8901
 kristen@amrfinancial.com
 www.AMRfinancial.com

IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, legal, or retirement advice or recommendations. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable — we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.



How do the economic milestones of young adults today compare with prior generations?

If you're the parent of a young adult who is still living at home, you might be wondering whether this situation is commonplace. According to a recent U.S. Census Bureau study, it is: One in three young people (ages 18 to 34) lived in their parents' home in 2015.

The Census Bureau study examines how the economic and demographic characteristics of young adults have changed from 1975 to 2016. In 1975, for example, less than one-fourth of young adults (ages 25 to 34) had a college degree. Young adults in 2016 are better educated — more than one-third hold a college degree (or higher) — but student loan debt has made it more difficult for them to obtain financial stability, let alone establish homes of their own in their 20s.

More young adults in 2016 had full-time jobs than their counterparts did in 1975. In particular, young women ages 25 to 34 are experiencing economic gains, with more than two-thirds in the workforce compared with less

than half in 1975. Young women today are also earning more money than they did in 1975 — their median incomes have grown from nearly \$23,000 in 1975 to more than \$29,000 in 2016 (in 2015 dollars).

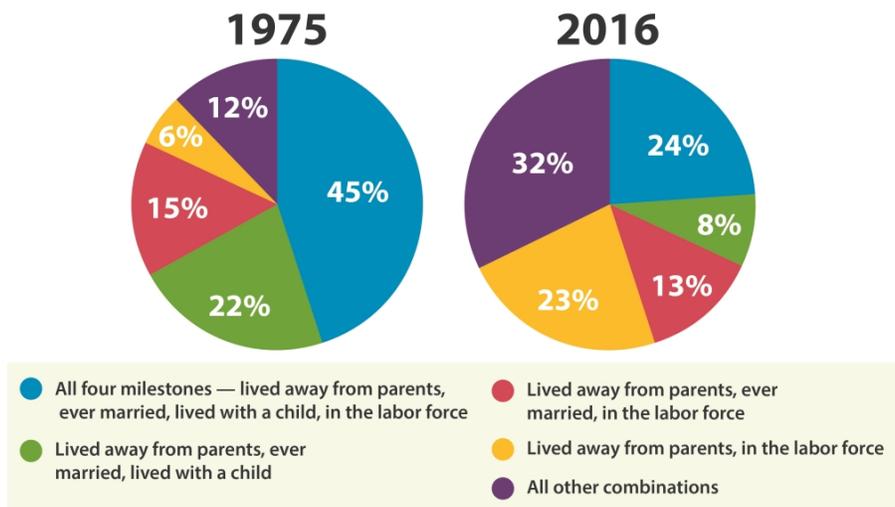
Despite the educational and economic advances that young adults have made over the last 40 years, many are postponing traditional adult milestones. In fact, a majority of young adults are not living independently of their parents. Of the 8.4 million 25- to 34-year-olds still living at home, one in four are not attending school or working. It's important to note, though, that this could be because they are caring for a family member or have health issues or a disability.

Compared to 40 years ago, the timing and accomplishment of milestones on the path to adulthood are much more diverse and complex today. To view the full report, visit census.gov.

Source: U.S. Census Bureau, "The Changing Economics and Demographics of Young Adulthood: 1975-2016," April 2017

Chart: Young Adult Milestones, 1975 vs. 2016

The following pie charts compare four common milestones of adulthood — getting married, having children, working, and living independently — achieved by young adults ages 25 to 34 in 1975 and 2016. The data indicates that the experiences of young people today are more diverse, with fewer accomplishing all four milestones in young adulthood. Instead, many young adults are delaying or forgoing some experiences (marrying and having children) in favor of others (living independently and gaining work experience).



Source: U.S. Census Bureau, "The Changing Economics and Demographics of Young Adulthood: 1975-2016," April 2017

