Consider This Program

Episode Date:

December 28, 2019 Episode

On This Show:

Big Joe Clark, CFP®: Managing Partner and Lead Advisor of Financial Enhancement Group

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Angi Kinser: Event Coordinator at Financial Enhancement Group

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Show Notes:

Topics Include:

- Gifting the Family
- Mortgages after 70
- Suddenly Single

The Gift Tax

What is the gift tax?

The gift tax is the transfer of money or property to another person while getting nothing in return.

They were actually trying to define what's called the annual exclusion. You have the ability to give $30,000 a year for a married couple and if the couple receiving is married, $60,000. You can give $15,000 a year to anybody you want. It doesn't have to be family. $15,000 is what you can give away to anybody you want to every single year without you paying taxes as the giftor and without them paying taxes as the recipient, provided that it meets the rules of annual exclusion. That means the gift is of present interest. You could use it any way you wanted to use it. The technical rule is no strings attached.

What if I've already given $11.5 million?

If you've already got $11.5 million, the first 15,000 doesn't count right now. You and your spouse have the ability to gift using what's called your exemption equivalent, commonly known as your unified credit. That's the amount you can die with or give away and pay zero income taxes on until the end of 2025. You can still give away the $15 grand. You can give away more, but what happens if you do? You're going to file what's called a gift tax return. You're going to take that $15,000 and instead of paying taxes on it today, we're going to merely deduct it from the $11.5 million dollars. A lot of times people are worried about gift taxes and all those things. Bottom line is if you're giving away cash or an easily identifiable asset in terms of value, I tell people most of the time not even to worry about it. If you're giving away part of the family business, that's another story.

Mortgages

“30 years ago, one out of every four homeowners in their late sixties to seventies had a mortgage. But today nearly 50% do.”

It used to be only 3% of people 80 years old or older, had a mortgage. The Harvard Joint Center for Housing Studies did a study that recently reported that: “25% of 80 year olds or older have a mortgage now.”

Are the tax rules different for a traditional mortgage than they would be for a home equity loan?

You can only write off the interest if it was used to improve the property, you can't do it to pay off debt. When you take out a home equity loan, do you have to tell the mortgage company or the lender what it's for?

There is a section on the application where you can select how you are going to spend the funds, whether it's a debt consolidation, home improvement, etc, but they really are not going to check to see what you've done with the money.

So we want to go back and look at the statistics. One of our questions was: does that include reverse mortgages? Can you explain what that is?

You have to be 62 and a half to qualify and they take 80% of the appraised value when you apply for the loan and amortize it out over a number of years. They pay you a cash basis monthly, almost like a cash out refi or a Social Security award. At some point your cash out is going to exceed the value of the house. When that happens, you either have to sell the house or pay off the loan. It actually can be a home equity line of credit to where you don't have to take the money out, you just get the loan so you have it when need it.

Jamie Burton on “Suddenly Single” Part 1

If you're married, at some point in time in life, most of us will live without a spouse. 70% of the time the one that's left is the female. Jamie, what things should we be considering if that would pop up in my life?

Women are becoming single. A lot of times women don't like to talk about the fact that they're going to be on their own one day. It's a problem because a lot of women don't really care about their finances. Not that they don't care, they just leave it up to their spouse, so when it does happen, they become single and they don't know what's going on. They don't know if they have life insurance. They don't know the passwords to the bills that their husbands had been paying. They don't know what investments they have. They don't really know their financial advisor because their spouse always took care of it. So when they become single, they become stuck and they don't really know how to move forward or what they have to do to be financially secure now that they're by themselves.

Some stats that came out of the CFA Institute said 61% of women would rather talk about death than money. 63% of millennial women say that they learned finances from their parents. Only 53% of men learned it from their parents. Here's the interesting thing: 29% of women said that parents taught them how to grow money, whereas 40% of the men said their parents taught them to grow money. They're being taught finances, but not how to invest.

Women need to know how to take care of their finances.

How can you get women to be more involved right now so that they don't have to face all of this?

We just have to make women understand how important it is for them to start understanding. It's really important for them to understand their finances before they become widowed or divorced so they can be secure on their own and understand what's going on.

Jamie Burton on “Suddenly Single” Part 2

We have had several females that call in and have found themselves suddenly single, whether it be by widow or by divorce. They reach out to us and want to take a break from the advisor or the company they might've been with because they weren't involved at all. They don't have any ownership in it at all. We've always looked at this like family. Typically, we don't have the challenge of people checking out and going somewhere else. What you want to do is document to the best of your ability what your strategy really is. Here's why we have the investment accounts we do. Here's why we have the advisor we do. Here's why we have made the decisions in the past. It helps their kids and it helps when the inevitable does happen.

We don't shy away from talking about these things. We know that one day, one of you is going to be single. One of the big issues is taxes. If one person passes away, that's your last year to file a joint tax return. There's things that we want to do in that tax year to take advantage of filing jointly for the last time. A lot of people don't think about that. They're given advice to not do anything for six months. Well you're missing the opportunity to take advantage of that joint tax return.

Suddenly single. It can be a very, very emotional thing and a hard thing to deal with. Have somebody in your corner that can help you get through those things and help you make those decisions.