

THE JKA REPORT

AN INVESTMENT NEWSLETTER FOR CLIENTS & PROSPECTS

Provided by Jerry K. Ask Investment Services



HAVING THE "TALK"

The importance of discussing inheritance with your heirs

You've achieved a level of financial success that allows you to share your wealth with the ones you love. Of course, a substantial inheritance is a generous gesture that also carries great responsibility. Having a series of conversations with your heirs - to openly discuss the transfer of wealth and what expectations come along with it - will make sure everyone is on the same page.

As you finalize estate plans and decide how you'll distribute your fortune, it will benefit everyone involved

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“I don't look to jump over seven-foot bars; I look around for one foot bars that I can step over.”

- Warren Buffett

In it's largest year-over-year increase ever, the IRS announced employees can contribute an additional \$2,000 to their 401(k) plans in 2023, making the max limit \$22,500 for next year; the catch-up contribution for employees age 50 and older increases from \$6,500 to \$7,500.

Source: (Social Security Administration (<https://www.ssa.gov/news/cola>) Source: (IRS)
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to open lines of communication with presumed heirs. Oftentimes, your children have questions too, but money (especially large sums) feels like a taboo topic. They don't want to seem greedy, for example. Give them permission to better understand your hopes for your family's future.

Here's what you should consider as you plan the conversation.

WHO?

For transparency, it's ideal to include all involved parties in a group conversation, but you know the dynamics of your family best. You may opt to have one-on-one discussions first to go over details with individual heirs, then get the family together to touch on wider topics, like division of future caregiving responsibilities or carrying on certain values with the inheritance. Consider bringing in your advisor so your family can not only meet them but also feel comfortable asking any financial questions that arise over time.



WHAT?

Consider what needs to be said to your children before you set a meeting. Most important is to address exactly what's being gifted and what's not. Some other common threads are intentions for your wealth and how family changes may affect the inheritance. If wealth is being distributed unequally or you've decided all or some of your wealth will be donated to charity, it may be uncomfortable to talk about - but this just means it needs to be discussed. Make a to-do list so it doesn't feel overwhelming and write out discussion points so you can rest assured you've covered everything.

WHERE?

Have the initial inheritance conversation with your heirs in person, if possible. Logistics might get in the way of getting the relevant family

members together in one room but, thankfully, we've all gotten more comfortable with technology aiding our long-distance conversations. Options like FaceTime or Zoom may be sufficient, especially for those far away. For meetings to review documentation, for example, you may want to consider inviting your heirs to your advisor's or lawyer's office. A neutral location can help put everyone at ease; just make sure it's not public and it's conducive to candid, potentially emotional and lengthy conversations.

WHEN?

Putting off difficult conversations is all too common, but it's important to talk to your family about the plans for your estate well before something happens. If you think plans may change over the years (and they often do), you can let your heirs know you'll keep an open line of communication as your wishes and circumstances evolve. But, if you start the discussions early, at least your children will feel comfortable coming to you with questions as time goes on. They'll also be more prepared to jump in and assist with caretaking duties or financial matters if the need arises.

WHY?

Financial wealth is only one part of the conversation, so it's important to have a meaningful dialogue with your heirs about your wishes as you age. It allows you to express your expectations for your family to honor your legacy after you're gone. And it also gives heirs the opportunity to plan for their own financial future and to prepare for executing your estate once it's time. Involving them during the planning phase by discussing details makes your loved ones feel like part of the process. Having these deep conversations often strengthens relationships and reinforces family values.

HOW?

You don't want to surprise your heirs by springing the inheritance conversation on them unexpectedly. The topic warrants a meeting (or series of them) that is solely focused on discussing your plans as you age, from financial matters to desired living arrangements and caretaking responsibilities. Support your conversations with any documents you may have, like legal paperwork and insurance policies, and provide your family members with the contact information of your estate planning team for when they'll need it later on.

Remember, your advisor is there to support you in the conversations you have around transferring your wealth. They have tools and information to help facilitate the series of discussions you'll have with family about the inheritance. By opening the lines of communication earlier rather than later, you'll ensure your family understands the legacy you want to leave behind with your generosity.

Social Security increases benefits by 8.7% for 2023

RETIREMENT & LONGEVITY

This cost of living adjustment represents the largest increase in 40 years.

The Social Security Administration has announced a cost-of-living adjustment (COLA) to recipients' monthly Social Security and Supplemental Security Income benefits. More than 65 million Americans will see the 8.7% increase in their payments beginning in January of 2023.

"We haven't seen a cost-of-living adjustment like this since the early 1980s," says Jim Kidney, Raymond James financial planning consultant. "It will provide welcome relief for Social Security recipients to help combat recent inflation."

The increase - significantly higher than last year's 5.9% COLA and the largest since the 11.2% adjustment in 1981 - is tied to the consumer price index for urban wage earners and clerical workers and was put in place to ensure the purchasing power of these benefits isn't eroded by rising price levels over time.

According to the Social Security Administration, on average, retired workers currently collect \$1,681 per month in Social Security payments, or roughly \$20,172 per year. The 8.7% COLA will add about \$146 per month to those payments or \$1,752 for the year.

Keep in mind all federal benefits must be direct deposited. So if you haven't already started receiving benefits, you need to establish electronic transfers to your bank or financial institution. Contact your financial advisor for more information.

"Don't look for the needle in the haystack. Just buy the haystack!"

- John Bogle

"The biggest risk of all is not taking one." - Mellody Hobson