Athena's Quarterly Newsletter

5th Edition

The latest on this quarter's issue:

I Must Confess! I Love To Coupon!

by Maritza Rogers, CFP®, CRPC

Many of my family and friends ask how I am able to save as much as I can via Couponing. For example, the last time I went grocery shopping, I cut a $165 bill almost in half to $75. The secret is that it's actually super easy once you know how and anyone can do it.

While I love to buy things on sale, what I love more is getting a deal on something I was already going to purchase. With inflation , the cost of goods has gone up. While many may think of Financial Planners as advising on the big things (401(k) balances, home purchases, the impact of inflation over many, many years), I also love making smart choices - and help others do the same - with the small stuff. Thanks to technology, it takes far less time and effort than you can think and, over time, clipping coupons and shopping smartly can add up to a major impact on your finances.

I have really simple and easy tricks that save me usually 20%-25% off my grocery bill and sometimes much more. You may think time is a major constraint but it typically only takes me about 10 minutes before grocery shopping to clip my coupons and plan for major savings. Many larger grocery stores have apps that you can download but it is important that you have a rewards account with that store. This makes many of the steps below much easier.

Phase 1: Before Setting Foot In The Store

Before I go shopping, I will go through the deals and clip coupons for items I know I will be purchasing. I usually write my grocery list in unison with the deals in the app so I know which items to buy. For example, one brand of eggs might be on sale and have a coupon so I'll plan to buy that brand. Using coupons on items that are already on sale will give you a double discount. The more you shop and clip coupons, the more each store will tailor their coupon offers to your typical purchases.

Weekly Ad Coupons are from the weekly local paper and you can grab some great deals from savings to free items to reward points. One time, I was able to get a gallon of free organic milk so it's definitely worth taking a couple minutes to look through weekly circular!

Many stores will offer reward points which are great because you can convert the rewards from money you've already spent into savings off of next week's gas or grocery bill. I tend to prefer the discount off my bill as I have not seen the gas rewards to add up to the same value as the grocery discount. There are also reward offers that provide 3, 4, or even x reward points, depending on the offer. One time, I was in need of a gift card and I was able to get 10x reward points for that gift card. Just make sure to clip the coupon to get your points.

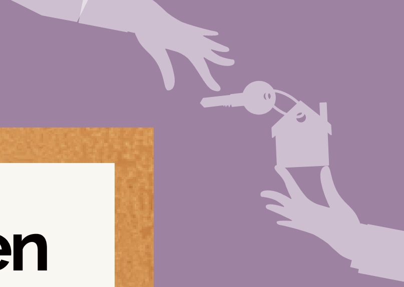
Phase 2: In The Store!

While shopping in the store, you might also see that the store will give you a steeper discount by clipping a digital coupon. All you have to do is open up the app and click on the scanner. That will open up your camera and allow you to scan the barcode of that item and clip the discount. You may also see something that has a coupon that you did not clip, so now is the time to take your phone scanner out and clip the coupon to obtain that deal.

If your scanner is not scanning the discount while you are in store, just take a quick picture on your phone and show the grocery clerk when you are checking out. In many cases, they will honor the price and you will get your savings.

While in the store, you may also find items where the more you buy, the lower the price per item will be. This is great when you are buying something like cereal, since those savings can be up to $4 a box. Just make sure that you don't buy more than you can use before the item goes bad, especially with things that have a shorter shelf life and can't easily be frozen.

Even if you have 5 minutes and you are in the grocery parking lot, it is worth opening the app or weekly supermarket circular. The last time I did this, I was rewarded with a new coupon in the app offering me $10 off of my next grocery bill - immediate savings, no matter what was on my shopping list!



Accidentally Disinheriting Your Children

by Robin Starr, CFP®, CRPC

We hear stories about people disinheriting their children as if it's the final act of a turbulent relationship.

<u>But what about when it's just an accident?</u>

I've seen this firsthand, even in my own family.

It's very common for spouses to leave each everything to each other. After all, the tax code prefers this and after many years together, assets, income, and lifestyle are often joint both legally and philosophically.

But by leaving assets outright to your spouse, you lose control over where they are ultimately distributed.

If you've been together 50 years and have no children from previous marriages, that may work out fine.

However, with second marriages and blended families, it often means that, without proper planning, one side of the family gets disinherited completely. When this happened in my family, it wasn't from spite. It was from hiring a lawyer who didn't usually handle estate planning and from a false but strong conviction that she would outlive her husband.

It can happen with first marriages, too, if one spouse dies young and the survivor eventually remarries.

Depending on the family, the assets at stake, and the wishes of the couple, there are different ways to handle this with different levels of control from beyond the grave. Complete control may come with tax consequences (or may not be something both spouses can agree to). But the sad fact of the matter is that failing to plan at all often means that children get disinherited purely by accident.

VOL. 5

Financial Guidebook: Moving to Another State

by Kaitlyn Zawada, CRPC

After recently making my cross-country move from Chicago to California, I thought it would be timely to share some financial considerations when preparing to relocate to another state.

Outlined below are some of the main points to keep in mind if you are preparing to move.

BUDGETING FOR MOVING COSTS

- Whether it's purchasing packing material, hiring movers, renting a moving truck, or paying for travel expenses on route to your next home, the costs to move can certainly add up.
- ***The average cost for a move across country can range anywhere between $1,500 to $6,000.***
- In preparation for these costs ahead, it is important to have sufficient funds set aside.
- Note if you are relocating for a job, you may be offered an employee relocation package intended to cover costs including travel to a new location, moving services, moving insurance, temporary housing, storage units, and/or real estate cost assistance.

HOUSING OPTIONS

Entering the rental market, some of the points to focus on include the leasing terms, rent qualifications, application fee and security deposit, community and apartment amenities, and stipulations for cleaning and repairing any damage to the unit.

- In some cases, you may consider temporarily renting if a month-to-month lease is offered or using services like Airbnb to live in different areas and decide where you would feel most comfortable settling.

- **If you are a homeowner and preparing to move, there are other considerations.**
  - If you need the equity in your home to make your next purchase, you will need to sell your property which could extend the timeline of your move depending on the current housing market and how aggressively you price your home.
  - Some lenders may offer you a "bridge loan" to facilitate buying a new home prior to the sale of your previous one.
  - If you decide to keep your current home as a rental property, you may consider hiring a property management company to tend to the property and tenants.
  - When conducting your property search from out of state, it is important that you secure a reputable real estate agent that can help direct you through the process and provide relevant insights specific to the area.

TAXES

Each state has their respective income tax structure that should be evaluated when you are looking to relocate.

In 2022, there are currently nine states that have no personal income tax:

1. Alaska
2. Florida
3. Nevada
4. New Hampshire
5. South Dakota
6. Tennessee
7. Texas
8. Washington
9. Wyoming

Note:
In New Hampshire interest income and dividends are taxed. This tax is being phased out starting in 2024 and ending in 2027.

Aside from state income taxes, local tax, sales tax, and property tax are other tax rates to factor in when assessing the affordability of another state.

- According to the Tax Foundation, the states with the highest combination of state and local taxes (descending order) are:

  1. New York 2. Connecticut 3. New Jersey 4. Illinois 5. California & Wisconsin

  (Source: https://turbotax.intuit.com/tax-tips/fun-facts/states-with-the-highest-and-lowest-taxes/L6HPAVqSF)

If you are relocating for work, you may receive a cost-of-living adjustment as part of your relocation package.

- In review of this package, you will want to evaluate if your salary will keep pace with the after-tax living expenses of your new area.

If you are a retiree or planning to retire in your new state, it is also important to consider taxation of your retirement income.

- Certain states are exempt from income taxes on Social Security, pension income, TSP Income, military retirement pay, and/or distributions from your 401(k), IRA, and annuity.
  - The nine states without personal income tax do not tax retirement plan income from pensions or defined contribution plans.
  - Alabama and Hawaii tax distributions from 401(k) plans and IRAs, but not pensions.
  - Illinois, Mississippi, and Pennsylvania do not tax distributions from 401(k) plans, IRAs, or pensions.

  (Source: https://www.annuityexpertadvice.com/states-that-dont-tax-retirement-income/#states-that-dont-have-sales-tax)
- Many states that can be very expensive tax-wise for people during their working years are more affordable to retirees due to limited taxation of Social Security or other retirement income.

INVESTMENTS

When you move to another state, adjustments may need to be made to your investment portfolio.

Even if taxes are not the focus of your investment strategy, it is important to understand how investment taxes (e.g., dividends, capital gains) are treated in your new state and if changes should be made to your portfolio holdings.

- *For example, income from municipal bonds is generally exempt from federal and state taxes for residents of the issuing state. If you are relocating, you may lose the state tax-exempt status on your municipal bond income.*

If you are saving for college expenses and contributing to a 529 plan, it is worth researching the 529 plans offered in your new state and if there are benefits to rolling over your plan when you relocate.

- In over 30 states, 529 contributions are tax deductible. Typically, to be eligible for the deduction you must contribute to an in-state 529 plan.
- There are also 529 plans that have state residency requirements.

In addition, investigate the different investment options offered in your new state's plan and see how they compare to your current plan.

ESTATE PLAN

While most estate planning documents executed in one state should be recognized in another, it is recommended that you have an estate planning attorney review your documents in the state where you move.

- Estate tax and probate costs/procedures will vary depending on the state.

If you are married and move from a community property state to an equitable distribution state, or vice versa, the rules about property ownership change.

- **In community property states**, property acquired during marriage is owned jointly.
  - Note that inheritance that is not comingled with joint assets is considered separate property along with any items owned by a spouse prior to marriage and any gifts for which they are the sole recipient.
  - Currently, there are nine community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. (Source: https://worldpopulationreview.com/state-rankings/community-property-states)
- **In equitable distribution states**, property ownership is often determined by who holds the title of the property. Thus, it would generally be considered separate property if only one spouse is named on the deed, registration document, or other title paper.
  - If you move to a community property state, the same property that would have been classified as community property, had it been acquired there, would be considered jointly owned.

Executors of your estate may need to be changed as certain states have restrictions where, for example, only executors related by blood or marriage or residents of the state may serve.

Power of attorney documents should also be reviewed and signed in your new state of residency to avoid any potential issues with getting the documents accepted by the institution and/or healthcare provider.

Ultimately, there are a lot of considerations to evaluate and prepare for as you look to move to another state. Following my move to CA in January, I know how exciting, and at times, overwhelming the process can be. Hopefully, if you are deciding to relocate, these pointers will provide you with some clarity and direction as you embark on your next chapter somewhere new.

ADULTING 101: INDIVIDUAL RETIREMENT ACCOUNTS (IRA)

What is the difference between a Traditional vs Roth IRA?

An individual retirement account (IRA) is a tax-advantaged account that's designed to provide a source of income in one's retirement years through long-term investment and savings. The great aspect of an IRA is that it is completely owned by YOU. As we plan for retirement and transition through various employers and career shifts, an IRA allows you to save for retirement and may act as a consolidation vehicle to roll over existing accounts, allowing you to keep retirement savings from previous jobs together in one place rather than scattered among accounts and providers.

The two main types of IRAs, Traditional and Roth, hold different advantages depending on your situation and needs. Before deciding which is the best option for you, it's important to know the differences between them.

Traditional IRA

In a Traditional IRA, the money you contribute is considered pre-tax dollars, meaning it will grow tax-deferred and your withdrawals will be taxed as income when you take money out. Contributions made to a traditional IRA are also tax-deductible on state and federal tax returns in the year the contribution was made. This may lower your adjusted gross income (AGI) in the contribution year, allowing you to qualify for other tax incentives that you may not normally be qualified for.

There is a penalty for withdrawing money before age 59 ½ though some exceptions exist, such as money used for first-time homebuyers or qualified higher education expenses. However, the taxes due at withdrawal will still need to be paid.

A Traditional IRA may be better suited for you if you:

- *Expect to be in a lower tax bracket when you begin making withdrawals*
- *Need a tax deduction for that contribution year*
- *Do not qualify for a Roth IRA due to income-limit restrictions*

Roth IRA

In a Roth IRA, the money you contribute is considered after-tax dollars, meaning you will pay taxes the year you are contributing to the account. However, this money will grow tax-free and the withdrawals you make will also be tax-free free to you (provided you are 59 ½ or older and have had a Roth IRA for at least five years). You do NOT receive a tax deduction for contributions made to a Roth IRA.

Unlike with Traditional IRAs, where everyone can contribute (but high-income taxpayers may not receive a deduction), eligibility for Roth IRAs is limited. Contributions will begin to phase out once your income reaches $129,000 if single, or $204,000 if married filing jointly, though these numbers are adjusted upwards for inflation each year. Based on the current limits, single filers making more than$144,000 and joint filers with AGI above $214,000 cannot contribute at all.

Unlike a traditional IRA where you will be required to withdraw from the account after age 72, there are no mandatory withdrawals in a Roth IRA and your money can be kept in this account for as long as you like.

Additionally, a Roth provides greater flexibility in terms of being able to withdraw from contributions (but not the earnings) without being taxed or penalized, even if under 59 ½. Once the contributed amount is exhausted, however, further withdrawals will be considered taxable income and may be subjected to the 10% early distribution penalty if you are under 59 ½.

A Roth IRA may be better suited for you if you:

- *Expect to be in a higher tax bracket when you begin making withdrawals, since the withdrawals will be made tax-free to you. The taxes were already paid for upfront during the year the contribution was made.*
- *Prefer flexibility in when you can make withdrawals, due to the ability to take out your original contribution as well as the lack of an RMD requirement.*

If you qualify and plan to contribute to both accounts, please keep in mind that your combined contribution amount should not exceed the annual limit. As of 2022, the maximum annual contribution limit is $6,000 and $7,000 for those age 50 or older.

While a key consideration when choosing between a Traditional or Roth IRA is your income tax rate, it's important to take your entire financial situation into account.

Upcoming Virtual Events:

PLANNING A TAX-EFFICIENT RETIREMENT

WHAT YOU CAN DO NOW TO HELP PROTECT YOUR PORTFOLIO AND RETIREMENT INCOME

April 20th, 2022 @ 3PM PST!

Visit Athena's website to register for the Zoom webinar!

www.athenawealthstrategies.com

Missed a Webinar?

Past webinars can be viewed on Athena's website under the "Current Topics & Events" tab. Listed below are some of our most recent topics:

- *Guide to the Markets with J.P. Morgan*
- *Signs of Dementia & Aging - How to Plan for the Future*
- *How to Be Prepared for Fire Season in California*
- *"I Owe How Much?!" Understanding and Taking Control of Your Student Loans*
- *"What If?" Parent Contingency Planning*

Contact Us

Schedule a Meeting

Be sure to bookmark these links:

Julie VanTilburg, CFP®

Co-Founder | Financial Planner

https://my.timetrade.com/book/QXH71

Robin Starr, CFP®, CRPC

Co-Founder | Financial Planner

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