

marrick wealth monthly

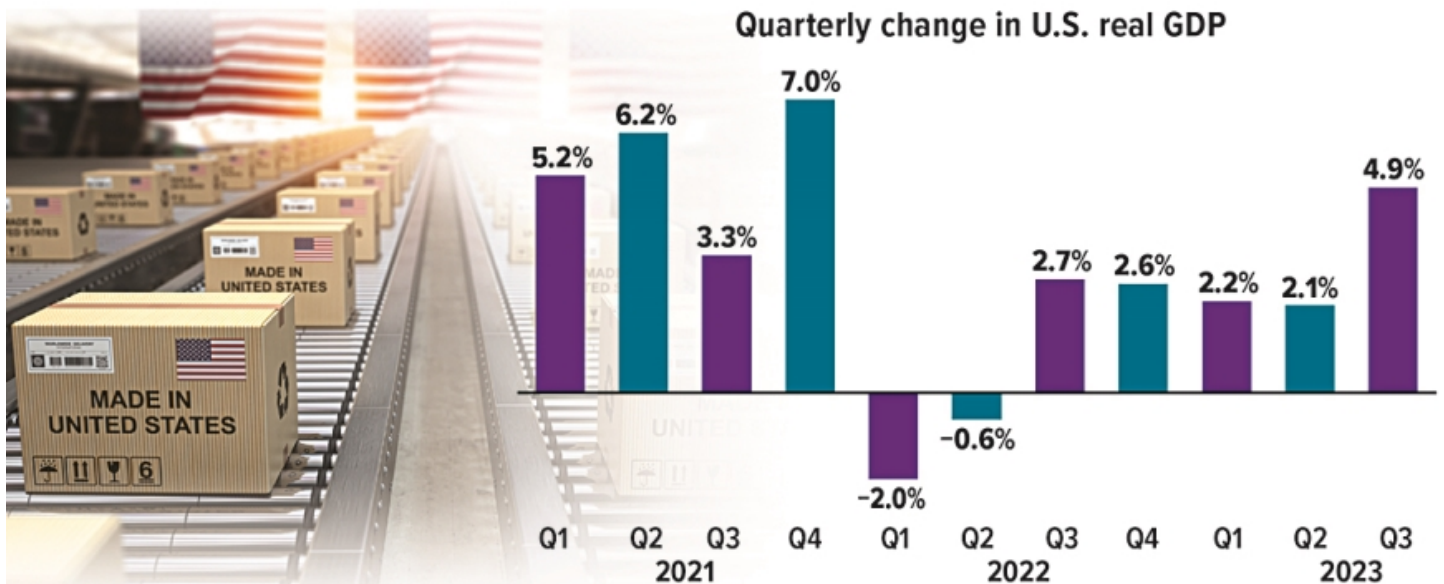


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Economy Staying Strong

After a worrisome decline in the first half of 2022 — which sparked fears of a recession — U.S. inflation-adjusted gross domestic product (real GDP) has grown steadily. The third quarter of 2023 showed the strongest growth since the post-pandemic bounceback.

Current-dollar (nominal) GDP measures the total market value of goods and services produced in the United States at current prices. By adjusting for inflation, real GDP provides a more accurate comparison over time, making its rate of change a preferred indicator of the nation's economic health.



Source: U.S. Bureau of Economic Analysis, 2023 (seasonally adjusted at annual rates; Q3 2023 based on advance estimate)

Reviewing Your Estate Plan

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. Due to its importance and because circumstances change over time, you should periodically review your estate plan and update it as needed.

When Should You Review Your Estate Plan?

Reviewing your estate plan will alert you to any issues that need to be addressed. For example, you may need to make changes to your plan to ensure it meets all of your goals, or when an executor, trustee, or guardian can no longer serve in that capacity. Although there's no hard-and-fast rule, you'll probably want to do a quick review each year, because changes in the economy and in the tax code often occur on an annual basis. At least every five years, do a more thorough review.

You should also revisit your estate plan immediately after a major life event or change in your circumstances.

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren.
- There has been an addition to your family through birth, adoption, or marriage (stepchildren).
- Your spouse or a family member has died, has become ill, or is incapacitated.
- Your spouse, your parents, or another family member has become dependent on you.
- There has been a substantial change in the value of your assets or in your plans for their use.
- You have received a sizable inheritance or gift.
- Your income level or requirements have changed.
- You are retiring.
- You have made (or are considering making) a change to any part of your estate plan.



Some Things to Consider

- Who are your family members and friends? What is your relationship with them? What are their circumstances in life? Do any have special needs?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Is your choice of an executor or a guardian for your minor children still appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or do-not-resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust or durable power of attorney to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiaries at your death.
- Do you have any trusts, either living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust. (The use of trusts involves a complex web of tax rules and regulations, and usually involves upfront costs and ongoing administrative fees. You should consider the counsel of an experienced estate professional before implementing a trust strategy.)
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

A New Year, A New Opportunity to Save with a 529 Plan

The start of a new year is typically a time when people resolve to implement or recommit themselves to a personal financial goal. This year, why not consider opening a 529 plan account, or increasing your contributions to an existing account, to enhance your child's or grandchild's financial future? 529 plans are the most flexible they've ever been since their creation more than 25 years ago.

A college fund ... and more

Education, in any form, can be a key life building block. A 529 plan is specifically designed for education savings. The main benefit of a 529 plan is tax related: earnings in a 529 account accumulate tax-deferred and are tax-free when withdrawn (which could be many years down the road) if the funds are used to pay qualified education expenses. Some states may also offer a tax deduction for contributions. For withdrawals not used for qualified education expenses, the earnings portion is subject to income tax and a 10% penalty.

In recent years, Congress has expanded the list of expenses that count as "qualified" for 529 plans. Here are some common expenses that qualify:

- **Tuition and fees** – up to the full cost of college/graduate school, vocational/trade school, and apprenticeship programs (schools must be accredited by Department of Education and courses can be online); up to \$10,000 per year for K–12
- **Housing and food (room and board)** – for college/graduate school only, provided the student is enrolled at least half time
- **Computers, required software, internet access, books, supplies** – for college/graduate school only
- **Paying student loans** – up to \$10,000 lifetime limit

In addition, starting in 2024, families who have extra funds in their 529 account can roll over up to \$35,000 to a Roth IRA in the beneficiary's name, subject to annual Roth IRA contribution limits.

Automatic contributions ... and more

Sure, you could build an education fund outside of a 529 plan, but the tax advantages of 529 plans are hard to beat. Plus, 529 plans offer other benefits:

- The ability to set up automatic, recurring contributions from your checking or savings account, which automates your effort and allows you to save during all types of market conditions
- The flexibility to increase, decrease, or temporarily stop your recurring contributions, or to make an unscheduled lump-sum contribution, that reflects the ebbs and flows of your financial situation
- The option to choose a mix of investments based on the age of the beneficiary, where account allocations

become more conservative as the time for college gets closer

- A separate account from your regular checking, savings, or brokerage account, which may reduce the temptation to dip into it for a non-education purpose

Building an Education Fund

Monthly savings	5 years	10 years	15 years
\$150	\$10,201	\$23,292	\$40,093
\$250	\$17,002	\$38,821	\$66,822
\$350	\$23,802	\$54,349	\$93,551
\$450	\$30,603	\$69,877	\$120,280

Table assumes an annual 5% return. This is a hypothetical example of mathematical principles and is not intended to reflect the actual performance of any investment. Rates of return will vary over time, particularly for long-term investments. Investments with the potential for higher rates of return also carry a greater degree of risk of loss. Fees and expenses are not considered and would reduce the performance shown if they were included.

How to open a 529 account

To open a 529 savings account, select a 529 plan and fill out an application online. You will need to provide personal information, name a beneficiary, choose your investment option(s), and set up automatic contributions or make an initial one-time contribution.

There are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan should be discussed with your legal and/or tax professionals because they can vary significantly from state to state. Most states offering their own 529 plans may provide advantages and benefits exclusively for their residents and taxpayers, which may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 plan, consider the investment objectives, risks, charges, and expenses, which are available in the issuer's official statement and should be read carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional.

Don't Forget About Credit When Planning for Retirement

As you plan for retirement, you might not give credit a second thought, especially if your plan includes paying off your mortgage and other debts, and relying more on cash than credit. But retirement could last many years, and your need for credit doesn't necessarily disappear on your last day of work. At some point you may want to buy a second home, move to a retirement community, take out a home equity loan, or buy a vehicle; it's also possible you will face an unexpected expense. Keeping your credit healthy may help you qualify for a lower interest rate or better terms on a loan or credit card, or if a credit check is involved, even help you land a part-time job or obtain a better deal on auto insurance.

When it comes to getting credit, it's not growing older that matters — lenders can't deny a credit application based solely on age. The factors that affect your ability to get credit are the same as for younger people and include your debt-to-income ratio (DTI) and your credit score.

Lenders use your DTI to measure your ability to repay money you borrow. This ratio is calculated by totaling your monthly debt payments then dividing that figure by your gross monthly income. For example, if your retirement income totals \$6,000 and your debt payments total \$2,000, your DTI is 33%. What's considered a good DTI will vary, depending on lender requirements and loan type, but lenders generally look for a DTI of 43% or less.¹

If there's a reasonable chance you'll be applying for credit after you retire, consider what your DTI might be as you evaluate your retirement income needs or decide which debts to pay off. And think carefully about taking on new debt obligations, including co-signing a loan for a family member.

Another major factor lenders consider is your credit score. Retirement doesn't automatically affect your score, because credit reports only reflect your history of borrowing and repaying money, not your employment status or your salary. The three things that count the most toward your score are your payment history, the amount you owe on credit cards (including the percentage of available credit you're using), and the length of your credit history.² So continue to make credit card or loan payments on time (consider setting up autopay or reminders), aim to use no more than 10% to 30% of your credit limits, and consider the possible negative impact of closing accounts that you've had for years but no longer use.

Another way to help keep your credit healthy throughout retirement is to check your credit report regularly to spot errors or fraudulent transactions. You can order free copies of your credit report from Equifax, Experian, and TransUnion at the official site [AnnualCreditReport.com](https://www.annualcreditreport.com).

1–2) Experian, 2023

IMPORTANT DISCLOSURES

This publication is not intended to provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances.

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