

Financial Preparation for Loss and Death

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1

In Memoriam

- **Roy Grisham** ('81), 65, of Rhome, executive director of estate and planned giving at UNT, died April 16. He had worked in UNT Advancement since 2003.
- A UNT business alum with a CPCU (chartered property casualty underwriter) designation, Roy had a successful career in insurance, risk management, finance and international business. In addition to his UNT work with estate gifts and planned gifts, he taught courses on estate planning and charitable giving at the Osher Lifelong Learning Institute at UNT. He's remembered as an exceptional leader with a passion for his work and the university.
- Survivors include his wife, Lisa Grisham.

2

Agenda

Financial Preparation for Loss and Death

- Social Security & Pension / Annuity Payments after Death
- US Income Tax consequences after Death
- Potential Property Tax Changes
- Record Simplification & Retention (Paper & Electronic)
- Upcoming Demarcation Dates

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3

3

Social Security Payments after Death

Married person dies

- If both spouses are receiving SS, the smaller one will go away (effectively) ...
 - If the "lower" SS spouse dies, this income will stop immediately (unless death is on last day of month)
 - If the "higher" SS spouse dies, the lower SS will be stepped up to the higher amount - with caveats
- \$255 death benefit to remaining spouse or dependent child

Single / Widowed person dies

- SS payments will cease immediately unless death is on the last day of the month
- No \$255 death benefit will be payable to anyone (unless dependent child already receiving benefits)
 - When Congress created this benefit in 1935, no inflation allowance was enacted with the law

Ecclesiastes 7:2b "For you are going to die, and you should think about it while there is still time." NLT

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5

5

SS Filing after Spouse's Death

Social Security Filing (SS)

- Age 60
 - Widow/er benefits can resume/begin
 - These are reduced rates from FRA*
- Age 62
 - Widow/ers can file on own record at reduced rate and switch to 100% widow's benefit at FRA
 - Divorcees can not
 - Widow/ers must file in person

Strategies to consider

- If receiving other taxable income in retirement and don't need your SS benefit to live, consider delaying SS benefits until no later than age 70.
 - Approximate 8% benefit growth per year
- Up to 85% of SS benefits can be taxed based upon other taxable income
 - Roth IRAs and Roth 401Ks are not taxable income

* FRA: Full Retirement Rate

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6

6

Social Security History

- 1935: Social Security enacted for retired workers 65 or older
- 1939: Added benefits for dependent wife, 65 or older and minor children; survivor's benefits for dependent widow over 65; minor children of deceased worker; widowed mother of any age caring for those children; and dependent parents of deceased worker
- 1940: First monthly benefits paid to any of the above
- 1950: Sexism eliminated with benefits for dependent husband 65 or older, and dependent widower; dependent wife caring for minor children of retiree; divorced widowed mother caring for the minor child of deceased if married at least 20 years
- 1956: Disability benefits for those over age 50, later amended to all ages and to disabled adult children of retired, disabled and deceased workers; reduced retirement benefits to women, spouses, and dependent wives and widows beginning as early as age 62
- 1961: Reduced retirement benefits to men and widowers
- 1965: Benefits for divorced wives at least 62 and married for 20 years
- 1972: Delayed retirement benefit to age 70
- 1977: Retirement pensions for teachers and government employees treated same as social security pensions; time of marriage for divorcees reduced to 10 years
- 1983: Retirement age increased from 65 to 67; benefits to children over 18 eliminated; SS benefits became taxable
- 1996: Earnings penalty provisions eliminated for anyone over Full Retirement Age

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7

7

Recent Social Security Statistics

- Retired workers:
48.5 million - 74%
 - Spouses and children of retirees:
2.7 million - 4%
 - Disabled workers:
7.6 million - 12%
 - Spouses and children of disabled workers:
1.2 million - 2%
 - Widows(ers) and children of deceased:
5.8 million - 8%
- Total SS Beneficiaries: 66 million

8

Pension Payments after Death

Married person dies

- If couple had a Joint & Survivor Pension / Annuity, payments continue at full or reduced rate depending on option selected at time of Pension start or Annuity purchase
 - 100% / 100%
 - 100% / 75%
 - 100% / 50%
 - Guaranteed time frame (e.g. 5 or 10 years)

Single / Widowed person dies

- If the pension was a Single Life Annuity or Pension (or first annuitant has died), the pension or annuity will cease immediately (unless it had a guaranteed term, or guaranteed payout, in which case payments will continue to estate until stated termination)

9

US Income Tax Consequences

Married Spouse Year of Death

- File tax return for the year of death as MFJ (Married Filing Jointly)
 - Doesn't matter whether death happened 1/1 or 12/31

First two years after Death

- File tax returns QSS (Qualified Surviving Spouse)
 - Must have dependent children
 - Natural, Step, or Adopted

Remaining Years - HoH or Single

- File tax return as Head of Household if children, grand-children, nieces, nephews, or whomever living with you, and you are providing housing for them
- File tax return as Single if you are living alone and you are supporting no one
 - If you are still supporting a parent, living elsewhere, you can file HoH

Matthew 22:21a "Well then," He said, "give to Caesar what belongs to Caesar, ..." NLT

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11

11

US Income Tax Consequences

for IRA beneficiaries

- Three types of IRA beneficiaries:
 - NBD: Non-Designated Beneficiary
 - EDB: Eligible Designated Beneficiary
 - NEDB: Non-Eligible Designated Beneficiary

NBDs are not people

- E.g.: Estates, Charities, non-qual trusts
 - Before RMD: Withdrawn w/i 5 yrs
 - After RMD: RMDs continue for the decedent's SLE (Single Life Expectancy)

EDB - 5 classes -10 yr rule at exp.

- Surviving spouses
- Minor children of the owner until age 21
- Disabled individuals under IRS rules
- Chronically ill individuals
- Individuals <10 yrs younger than owner

NEDB - not qualified as Eligible

- E.g.: Grandchildren, older children
 - Before RMD: No RMDs, but all by year 10
 - After RMD: RMDs continue for years 1-9, remaining in year 10

Matthew 22:21a "Well then," He said, "give to Caesar what belongs to Caesar, ..." NLT

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12

12

US Income Tax Consequences

Tax Strategies

- Know your Standard or Itemized deduction amount
 - This is your tax-free amount of income
- Know upper limit of your possible brackets (10%, 12%, 22%, 24%, 32%, 35%, 37%+)
- Decide whether to withdraw sufficient funds from taxable accounts to max out your bracket, if planning upcoming large purchases (e.g., new automobile) or Roth IRA conversion
 - This could be done in Dec & Jan splitting amount needed across two tax years

Withdrawal Strategies

- If withdrawing money from IRAs for charitable contributions, consider making donations directly from IRA, if over age 70½, and claim as QCD (Qualified Charitable Contribution)
 - Limited to \$100K annually per spouse
- Transfer personal savings to 529 Education Account for benefit of another person
 - You maintain control until withdrawn
 - Not considered part of your estate
 - Limited to \$90K annually per spouse

Matthew 22:21a "Well then," he said, "give to Caesar what belongs to Caesar, ..." NLT

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13

13

Potential Property Tax Changes

Property Taxes if Married

- If both you and your spouse were over 65, you should see no appreciable change upon death of first spouse
 - If the surviving spouse is not over 55 upon death of older spouse, the Over-65 exemption will be forfeited, and full market value will be assessed minus Homestead exemptions

Property Taxes if Single

- Property taxes took a significant drop this year for folks over 65 with the Homestead exemption (personal residence)
- Upon death, if the house is sold by heirs within the tax year, no changes should ensue
- If not sold, house will undergo new tax status based upon new occupants for following year

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Summer, 2024

15

15

Records, Records, Records (Married)

Record Simplification

- While both still alive, begin cleaning up your accounts and their associated paper trail
 - Close duplicate accounts if not needed
 - Take total required RMD from smallest
 - Close debit/credit accounts not using
- Make a list of all accounts with account #, web address, id and password, customer support phone #, and event for closing

Record Retention

- Shred Financial records >3 years old including tax returns
- Working together, organize remaining records in file folders or binders
- Make sure all web sites are accessible by both spouses with known passwords kept in a safe, secure place
- Make sure email address receiving correspondence from all accounts is accessible by either spouse

Records, Records, Records (Single)

Record Simplification

- Begin cleaning up your accounts and their associated paper trail
 - Close duplicate accounts if not needed
 - Take total required RMD from smallest or worst performing account
 - Close debit/credit accounts not using
- Make a list of all accounts with account #, web address, id and password, customer support phone #, and "event" for closing
- Remove unused phone apps

Record Retention

- Shred Financial records >3 years old including tax returns
- Organize remaining records in file folders or binders
- Make sure all web sites are accessible by your POA/Executor(trix) with known passwords kept in a safe, secure place
- Make sure email address receiving correspondence from all accounts is accessible by POA/Executor(trix)

Simplify, Simplify, Simplify

Instructions & Passwords

- If one spouse has been dominant in keeping track of the finances, or you are single, sit down and write a complete dossier of all accounts, why they exist, when they no longer need to, and any future actions that need to be taken triggered by future events
- Review this document together, or with your POA / Executor (trix) and make sure all concerns are reconciled
- Review and update this document annually (see next slide)

Clean-up (Now, not tomorrow)

- Begin cleaning out your files and your house of items you are no longer using
 - Files
 - Tools
 - Clothes
 - Hobbies
 - Whatever
- Make life easier for the surviving spouse or your heirs during the stressful time that follows

19

Sample Document Outline

Itemized List with Contact Info

- Funeral Home / Willied-Body Program
- List of relatives / friends that should be contacted immediately
- Schedule time / place for memorial service
- Contact SSA, if necessary, for change of benefits and death benefit
- Notify life insurance company (ies) to file claim(s)
- Notify other insurance (auto, home, medical, LTC, etc.) to remove decedent from policy or drop insurance after sale

Itemized List (continued)

- Contact brokers, pension funds, banks, etc. for account closure or name change
- List of personal effects gifted or promised to named individuals
- List of all service providers to be dropped / disconnected / discontinued
- List of email and social media accounts to be closed (with passwords and security questions)
- List of organizations for removal of membership
- Etc., Etc., Etc. (whatever you think of)

20



21

Upcoming Dates (if not already reached)

<p>➤ Age 50+</p> <ul style="list-style-type: none"> ○ Additional contributions allowable (from <u>earned</u> income): <ul style="list-style-type: none"> • IRAs: \$1,000 per year • Roth 401Ks: \$7,500 per year <p>➤ Age 59½</p> <ul style="list-style-type: none"> ○ No more early withdrawal penalty <p>➤ Age 60</p> <ul style="list-style-type: none"> ○ SSA Widows/ers benefits available <p>➤ Age 62</p> <ul style="list-style-type: none"> ○ SSA Early Retirement available 	<p>➤ Age 65</p> <ul style="list-style-type: none"> ○ Medicare Enrollment (DOB +/- 3 mo.) ○ File for OV65 exemption w/ CAD <p>➤ Age 66^{2/3}-67 (DOB 1958-1960+)</p> <ul style="list-style-type: none"> ○ SSA Full Retirement Benefits Available <p>➤ Age 70</p> <ul style="list-style-type: none"> ○ SSA Maximum Benefits Available <p>➤ Age 73 (April 1st following)</p> <ul style="list-style-type: none"> ○ DOB 1950-1959: RMD begins <p>➤ Age 75 (April 1st following)</p> <ul style="list-style-type: none"> ○ DOB 1960+: RMD begins
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Summer, 2024 23

23

Summary

Thanks for attending, tuning in, or watching this delayed.

I'll be presenting an expanded 3-session version of this class in the Fall at TBD (Location, dates, and times are all TBD).

More extensive information will be shared on Social Security, Medicare, taxes, and other financial deadlines.




Financial Preparation for Loss and Death

Summer, 2024

24

24



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Please complete your course evaluation

Are there any questions?

Thank you

Financial Preparation for Loss and Death

Summer, 2024

25

25