MERITAS ADVISORS

FINANCIAL
Insights

October

By the numbers: Halloween

In the United States, holidays encourage consumers to spend on decorations, food, activities, and other items. With its emphasis on buying candy and costumes, the Halloween season coerces consumers to open their wallets to celebrate. Let us take a look at how Americans celebrate Halloween and how it impacts the economy.

$86.13

The average amount that U.S. consumers will spend on Halloween-related items

$9.1 billion

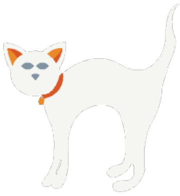
The anticipated amount that Americans will spend on Halloween-specific items

179 million

The total number of Americans planning to celebrate Halloween

$3.4 billion

The anticipated amount that Americans will spend on costumes



16 percent

Amount of Americans dressing up their pets

The market at a glance

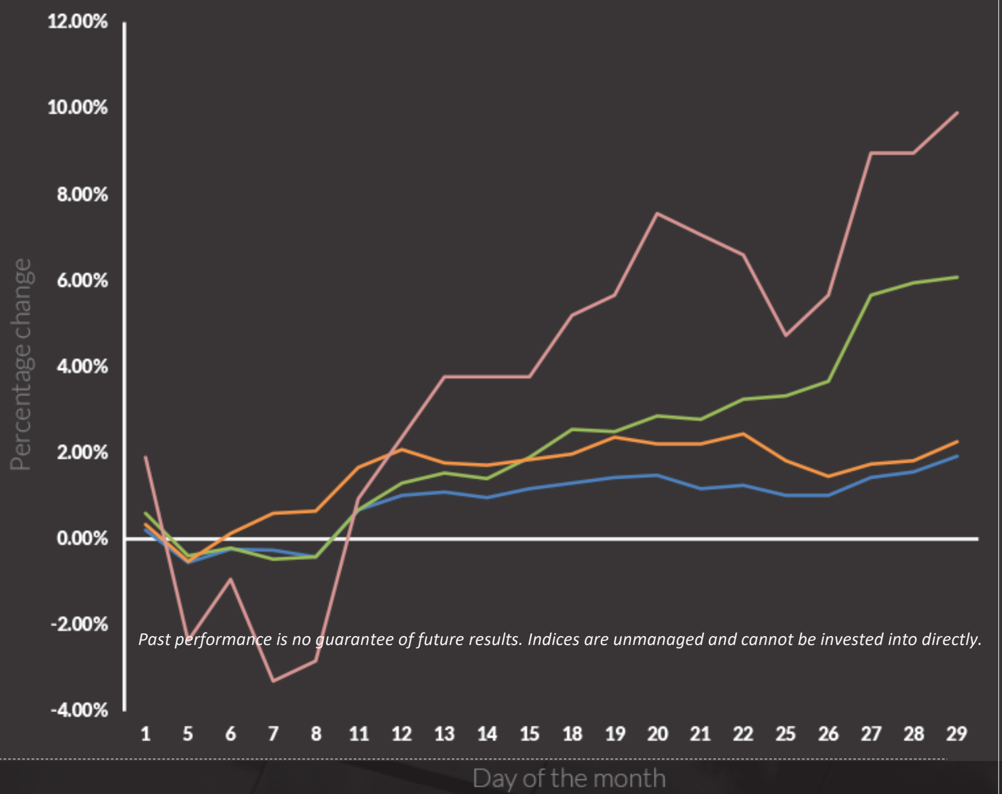
September

U.S. Large Cap
(S&P 500)
2,519.36 (1.93%) ▲

U.S. Mid/Small
(Russell 2000)
1,490.86 (6.09%) ▲

International Large
(NYSE International 100)
5,643.00 (2.25%) ▲

U.S. Treasuries
(U.S. 10-year Treasury yield rate)
2.33 (9.91%) ▲



The market in action

- In one of the biggest data breaches of all time, Equifax, one of the three major credit reporting agencies in the United States, announced that more than 143 million individuals had their information compromised. The hack reportedly occurred from May through July of this year.
- The devastating hurricanes that impacted much of the Americas in August and September continue to impact millions of people. Estimates indicate that, between Hurricanes Irma and Harvey, total combined damage could exceed $400 billion.
- Controlling stake in the storied music publication company Rolling Stone has been made available by Wenner Media LLC. Acccording to Kreisky Media Consultancy, the stake could go for as much as $80 million.
- Amazon is looking to expand its operations to a second headquarters office. Amazon estimates that, from 2010 through 2016, their main headquarters impacted Seattle’s economy to the tune of roughly $38 billion. Amazon expects to announce their decision sometime in 2018.
- Nordstrom is set to implement a line of stores that will have no merchandise for sale. Starting in early October at locations in California, these “Nordstrom Local” stores will have items that can be tried on, but not purchased. Instead, inventory will be gathered from other stores and from its own website. These stores will also have “bars” that offer juice and wine.
- In a promising sign for working-class families in the United States, middle-class income for Americans in 2016 rose to the highest it has ever been. In relation to this news, the poverty rate dropped to 12.7 percent, roughly returning to pre-Recession levels.

Common Estate Planning Mistakes

The most common way to transfer assets to your heirs is also the messiest: to have a will that is so out of date that it doesn't relate to your property or estate, to have your records scattered all over the place, to have social media, banking and email accounts whose passwords only you can find—and basically to leave a big mess for others to clean up.

Is there a better way?

Recently, a group of estate planning experts were asked for their advice on a better process to handle the transfer of assets at your death, and to articulate common mistakes.

The list of mistakes included the following:

Not regularly reviewing documents.
What might have been a solid plan 15 or 20 years ago may not relate to your estate today. The experts recommended a full review every three to five years, to ensure that trustees, executors, guardians, beneficiaries and healthcare agents are all up-to-date. You might also consider creating a master document which lists all your social media and online accounts and passwords, so that your heirs can access them and close them down.

Using a will instead of a revocable trust.
This relates mostly to people who want to protect their privacy. When assets pass to heirs via a will, the transfer creates a record that anybody can access and read. A revocable trust can be titled in your name, and you can control the assets as you would with outright ownership, but the assets simply pass to your designated successor upon death.

Failing to fund the revocable trust.
You've set up the trust, but now you and your team of professionals have to transfer title to your properties out of your name and into the trust, with you as the trustee. If you forget to do this, then the entire purpose of the trust is wasted.

Having assets titled in a way that conflicts with the will or trust.
You should always pay close attention to the beneficiary designations, because they—not your will—determine who will receive your IRA assets. Meanwhile, assets (like a home) owned in joint tenancy with rights of survivorship will pass directly to the surviving joint tenant, no matter what the will or trust happens to say.

Not using the annual gift exemption.
People can gift $14,000 a year tax-free to heirs without affecting the value of their $5.49 million lifetime gift exemption. That means a husband and wife with four children could theoretically gift the kids $112,000 a year tax-free. That can reduce the size of a large estate

potentially below the gift exemption threshold, and in states where there is an estate tax, it can help there as well.

Not understanding the generation-skipping transfer tax.

A husband and wife can each leave estate values of $5.49 million to any combination of individuals. But if there's anything left over, there's a 40% federal estate tax on those additional assets left to heirs in the next generation (the children), and an additional 40% on assets left to the generation after that (the grandchildren). Better to transfer $5.49 million out of the estate before death (tax-free, since this fills up the lifetime gift exemption) into a dynastic trust for the benefit of the grandchildren. You can also transfer that annual $14,000 to grandchildren.

Not taking action because of the possibility of estate tax repeal.

Yes, the Republican leadership in Congress includes, on its wish list, the total repeal of those estate taxes. But what if there's no action, or a compromise scuttles the estate tax provisions at the last minute? Federal wealth transfer taxes have been enacted and repealed three times in U.S. history, so there's no reason to imagine that even if there is a repeal, the repeal will last forever. Meanwhile, dynastic trusts and other estate planning tactics provide tangible benefits even without the tax savings, including protecting assets from lawsuits and claims.

Leaving too much, too soon, to younger heirs.

Nothing can harm emerging adult values quite like realizing, as they start their productive careers, that they actually never need to work a day in their lives. The alternative? Create a trust controlled by a trusted family member or a corporate trust company until the beneficiaries reach a more mature stage of their lives, perhaps 30-35 years old.

-Bob Veres

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