Secure Act Forcing Shift in IRA Planning

We share this report to help you better understand the new Secure Act and its effects on your retirement planning.

Congress went out with a bang in 2019 by slipping the Secure Act into the year-end spending bill - which quickly sailed through both houses of Congress to become law after President Trump's signature despite months of delay earlier in the year.

The Setting Every Community Up for Retirement Enhancement Act (Secure Act) presents clients with some new IRA planning perks going forward - but also curtails the popular "stretch IRA" estate planning strategy for most clients. As we roll into 2020, all clients should be made aware of the new changes so that they can modify both their savings and withdrawal strategies to maximize tax value in their retirement and estate planning strategies.

Key Secure Act Changes Affecting IRAs for 2020
The Secure Act contains a number of provisions that will impact almost every client who is planning for retirement. One key change extends the "required beginning date" - which is the age at which clients have to begin taking required minimum distributions from IRAs. For clients who have not yet reached age 70 ½ by the end of 2019, the required beginning date is extended from age 70 ½ to age 72.

This means that clients who are not already relying upon their IRAs for living expenses can take advantage of the tax deferral offered by IRAs for another year and a half. The remaining RMD rules were unchanged - so clients who reach age 72 in 2020 will be required to take their first RMD by April 1, 2021 (i.e., April 1 of the year following the year they turn 72).

The Secure Act also removes the age restriction on contributing to traditional IRAs, so that clients can now continue to contribute even after they have reached age 70 1½.

For clients who pass away after December 31st of 2019, the "stretch" inherited IRA strategy will also be largely eliminated. Under the new Secure Act rule, almost every client who inherits a retirement account (IRAs, 401(k)s and even Roths) in 2020 and beyond will have to empty the account within 10 years. The new rule does not apply to surviving spouses who inherit the account. Disabled beneficiaries, as well as minor children, those who are chronically ill or less than 10 years younger than the account owner, are also excluded from the 10-year distribution rule.

Planning for 2020 and Beyond
Clients with sizeable IRA balances should evaluate whether pushing back their RMD obligations is a positive. Waiting to take RMDs could lead to higher overall RMDs, potentially pushing the client into a higher tax bracket in retirement without smart tax planning. Converting IRA funds to a Roth over time (or even purchasing a qualified longevity annuity contract, or QLAC) could help clients avoid this scenario.

Clients who had relied upon the availability of the stretch IRA rules should be advised about alternative planning strategies if they don't plan to spend their IRA funds during retirement. For some, this could be as simple as naming a spouse as beneficiary rather than a child or grandchild (the spouse retains the ability to stretch the tax benefits of the IRA over his or her lifetime). Others might wish to increase the number of IRA beneficiaries to spread (and potentially minimize) the tax hit over the 10-year distribution period.

Some clients might be more attracted to the qualified charitable distribution (QCD) strategy, which allows them to give to charity instead of adding to their taxable income with IRA RMDs after their required beginning date has passed. Each account owner can transfer up to $100,000 per year to a qualified charity in a trustee-to-trustee transfer, eliminating or reducing their taxable RMD obligation and simultaneously reducing the overall IRA balance.

Others might be more inclined to explore alternative trust strategies to pass their accumulated retirement funds onto children or grandchildren on a tax-preferred basis for the beneficiaries. Combining life insurance with a trust is one potential option. Clients can direct their RMDs into a trust to fund purchase of a life insurance policy (with the trust as beneficiary of the policy, and the client's heirs as beneficiary of the trust itself).

The RMDs transferred into the trust can be used to pay the insurance premiums. When the policy death benefits are eventually distributed to the trust, the benefit will be tax-free to the beneficiaries and the trust (unlike the required distributions that the beneficiaries would have to take from the IRA, which would be fully taxable to the beneficiaries).

Conclusion

Like so many other laws, the Secure Act creates both benefits and burdens for clients depending upon their individual circumstances.

By **William H. Byrnes** and **Robert Bloink** January 08, 2020 at 11:17 AM

If you have any questions regarding these changes please give me a call. Lew or Chris

BUMPER STICKER FOR THE DAY

An atheist:
Someone who thinks
Covering his eyes
will make God go away.

SKIN DEEP

Insurance generally doesn't pay to beautify bodies. But prominent cosmetic surgeon David Morrow, operating out of the now-shuttered Morrow Institute in Rancho Mirage, California, assured his patients that insurance would pay for their glam-boosting renovations—because Morrow masked the plastic surgeries as life-saving surgeries.

Tummy tucks magically became insurable hernia repairs or abdominal reconstructions. Morrow billed nose jobs as fixing deviated septums. Breast lifts were surgeries for "tuberous breast deformities." Morrow ransacked health insurers, billing them for $50 million. At least $25 million was tucked into his bank accounts.

Morrow injected fillers into his test results, medical notes and surgical records to back up his fantasy world. He even covered up the text of records for a patient's tummy tuck by writing "umbilical and ventral hernias" on top of the original wording.

Some patients were pressured to get surgeries they didn't want in exchange for "free" cosmetic upgrades. Many trusting patients still believed Morrow played by the rules. Morrow billed up to $150,750 for a single surgery and gleaned as much as $700,000 if he foisted several procedures on a patient. He botched some patients' procedures, leaving them disfigured or forced to live with ongoing discomfort.

On top of concealing cosmetic operations, Morrow also billed insurers for phantom surgeries. He stole patient names, medical information and signatures—their medical identities—and invented records that claimed for successful surgeries the patients medically needed.

Morrow created a line of beauty cosmetics and claimed the world's first laser facelift. His personal life appeared to smooth out the wrinkles; he and his wife Linda founded a religious day school and donated heavily to cultural causes. The couple spent comfortable off-hours in their $9.5 million mansion and had a fleet of luxury cars.

Investigators and federal prosecutors unraveled the deception. Morrow pled guilty then bolted to Israel in 2017 with his wife. They sold their mansion and cars and wired millions of dollars into secret bank accounts. Morrow was handed 20 years in federal prison while they were in hiding.

Israel extradited Morrow to the U.S. in 2020 after two years on the run. Morrow is currently serving his time while his other half faces a federal trial for her suspected role in the ruse.

Auto Insurance Skyrockets

Since 2011, some state's auto insurance rates have increased by more than 85%, according to The Zebra's 2020 State of the Auto Insurance report, which found that current rates on average are 30% higher than in 2011.

Detroit, Michigan, is the most expensive city for car insurance with an annual average rate of $6,208!

Factors driving up the average cost of auto insurance include an increase in distracted driving, natural catastrophes and new anti-theft and safety technologies, which are expensive to repair or replace after an accident.

Insurance companies are adopting technologies to monitor driver behavior through smartphone sensor technology or physical devices in a vehicle, which have the potential to benefit safe drivers and provide extensive data about driving trends. On average, drivers save around 3% with a usage-based or telematics policy.

However, our client's experience has not been that good with these devices and many have seen increased costs of their insurance after going this route.

Homewreckers

Many Americans are unknowingly destroying their homes by disregarding regular maintenance, according to a survey by The Simple Dollar.

Curb-appeal aside, 84% of Americans haven't cleaned their gutters in the past year, which can result in roof leaks, insect infestations, basement leaks and landscape damage. And 87% of people haven't inspected their roof in the past year. A self-check is recommended to spot missing or warped shingles, mold, rot or algae.

Nearly two-fifths of Americans don't take any precautions to avoid water damage in their home. And a quarter of people shower without a window open or a fan on, which leads to damage to walls, ceilings, insulation, fixtures and even the structural support of the home. Also, more than 12% of people have left a window open during the rain.

2/3

OF AMERICANS DON'T MAINTAIN THE EXTERIOR OF THEIR HOME PROPERLY

SOURCE: THE SIMPLE DOLLAR

Tom Justice Story continued . . .

Step 4: The policy he purchases is only paid into for 10 years. **After 10 years, no more premiums are required.** These policies make sense for anyone with a relatively short time line to reach a goal or who doesn't want to be committed to paying premiums beyond 10 years. People often start these policies as late as age 55 to 65 or even older.

Step 5: After Tom funds his policy for 10 years with income he takes each year from his annuity, no more premiums will be paid.

Step 6: When Tom turns 70, he could start taking an *additional* $15,000 a year from the life policy until he's nearly 100 years old(!), with **no taxes due** under current tax law.

Step 7: Due to the increasing income rider on Tom's annuity, the income he takes from it could potentially grow to $58,108 a year by the time he's 70. When added to the $15,000 income he could take from his policy (based on current illustrations), his total income could be $73,108 a year - **plus** he'd have Social Security. And the income he takes from his policy does *not* subject him to taxation on his Social Security benefit.

Step 8: Tom could enjoy an *increasing income* from the annuity - even if he lives to age 105 or beyond - which gives him the peace of mind he craves.

So What's the Bottom Line?

By age 96, Tom could receive a total of $3,980,700. This is $2.5 million *more* than he would have received had he left the money in his 401(k), conservatively invested in the market earning 5% a year (since he's close to retirement, he would have avoided aggressive investments), paid a typical management fee, and started taking RMDs when required (paying taxes on those withdrawals at the then-current tax rates).

Tom is a very happy camper knowing that he no longer has to worry about RMD's pushing him into a higher tax bracket or that he'll out live his money! Call us to see how this could work for you. **888-464-0637**.

PLEASE, if you change your email address or phone numbers, let us know. We just had a situation where we needed to contact a client as soon as possible and their phone numbers and email address had been changed without us knowing it.

If we need to contact you right away and the email address and phone numbers aren't correct we have to send out a letter which could mean it would be too late by the time you received our message.

Just send us an email to denise@doubledayinsurance.com and let us know the correct #'s. Also, if you pay off a lienholder or mortgagee you need to let us know. We get situations every year where a client has a loss and has paid off the loan but hasn't advised us of such. The insurance company has no choice but to write their check to you and the lienholder/mortgagee. This causes a lot of delay by the time we get it corrected after the fact. Your lienholder or mortgagee DOES NOT notify us when you pay them off.

DO DISINFECTANT WIPES REALLY WORK?

Disinfectant wipes have been flying off the shelves in stores and it seems as though everywhere you go, you see someone wiping down any surface that may have been touched by human hands. But do these wipes really kill bacteria and viruses?

First of all, there's a big difference between cleansing wipes and disinfectant wipes, according to the CDC. Cleansing wipes will remove dirt and reduce some bacteria. But to get rid of viruses, you need a disinfectant wipe. It takes 10 minutes for the chemicals in a disinfectant wipe to kill the bacteria, viruses and fungi that live on a surface. Disinfectant wipes should have an Environmental Protection Agency number on the label, indicating that they're not intended to be used as a personal care item on the skin and body.

And what about products labeled as "sanitizing wipes"? They can reduce the amount of bacteria on a surface, but they can't kill viruses, mold, mildew or fungi. They are often ineffective on a surface that hasn't been precleaned with soap and water.

TOM'S STORY

Tom Justice is a 59-year-old chemical engineer who has three major concerns about his retirement plan...

His first concern is about outliving his retirement savings.
He's read the statistics and knows that in *spite* of experiencing the longest bull market in history, the average 65-year-old will **outlive their savings by almost a decade,** according to the World Economic Forum.

Tom doesn't have anywhere *near* the amount of savings recommended by many experts. According to the "Rule of 25," you should have 25 times your total annual expenses saved by the time you retire if you don't want to run out of money.

Tom wants to live on *at least* $100,000 a year, which means he needs at least $2.5 million saved up. And that's a far cry from the $750,000 he's managed to save in his 401(k)... and it's *all* invested in a stock market that he knows is *past due* for a major market crash.

Tom's second concern is he believes tax rates can only go *up* over the long term

He worries about the big tax bite he'll be facing when he retires and starts taking withdrawals from his 401(k). He's beginning to realize that he has only *postponed* paying his taxes. Much like putting off a visit to the dentist, it's only going to make the situation worse.

Tom realizes he could easily fork over 30%-50% of his savings to the IRS.

Tom's third concern is about the Required Minimum Distributions (RMDs) he'll have to start taking in his early 70s.

Tom's CPA warned him about how seniors are finding themselves in the **highest tax bracket of their lives** once they have to start taking RMDs. And the idea that he'll also have to pay taxes on his Social Security benefits really makes him mad. It just doesn't seem fair!

Tom loves his career and wants to continue working as long as he can. He was relieved when his advisor proposed a creative solution to *all three* of his concerns, based on his goals and objectives…

Tom could roll his 401(k) balance into a fixed indexed IRA annuity, with a "guaranteed lifetime income rider". Tom could take annual withdrawals from his new annuity and use the money to fund an Indexed Life policy. Doing this could reduce his RMD problem and his future tax burden. And Tom could also create an income stream he couldn't outlive.

Here's the solution Tom's advisor proposed to solve ALL THREE of his concerns

Step 1: Tom transfers the $750,000 in his 401(k) into an IRA fixed indexed annuity.

Step 2: The following year, Tom activates the increasing income rider feature on his annuity and withdraws $34,718 that year. With this rider on his annuity, Tom could have income that increases over time. Each increase would be **locked in,** and the income he receives from his annuity would **never** go down.

Step 3: Tom pays 25% of the first year's withdrawal of $34,718 in income taxes that he had deferred, leaving him $26,039. Tom is still working as he planned and doesn't need the money to live on, so he uses the money to fund the first year's premium for a life insurance policy.

Continued on page 6 ——————>>>>

WHY AREN'T YOU REFINANCING YOUR MORTGAGEE RIGHT NOW?

One of the biggest assets for most of our clients is their home. Their home mortgage is also one of the biggest expenses of most of our clients. Their home mortgage.

Why am I telling you to refinance right now?

It's simple math folks. Rates are at historic lows (under 3.5% right now). I have no idea how many of you have a mortgage with a rate of 4% or more. But, I know it's a lot of you.

Let's look at an example for a $250,000 mortgage.

If the rate is 4% the total interest paid over 30 years would be $179,853. If the rate is 3.5% the total interest paid over 30 years would be $154,308. So, the savings of $25,545 is not going to allow you to retire years early but it's nothing to sneeze at either.

But, you say you just recently refinanced. So what; do it again anyway!

In March 2019 rates were 4.3%; in 2018 rates were 4.5%; in 2017 rates were 4.2%. Just because you recently got a mortgage is no reason you need to keep a higher rate for 25+ years.

Refinancing increases your cash flow– say you're five years into a 30-year mortgage at 4% and you refinance into a new 30-year at 3.5%. Your current mortgage payment is $833 a month. After the refinance, your payment would drop to $663 a month! So you just freed up $170 a month in cash flow.

If you are 15 years into a 30-year mortgage and you refinanced a new 30-year mortgage at 3.5%, you would free up $357 a month in cash flow.

Now, what can/should you do with the freed up money after the refinance? Use it to build wealth outside of your home! This isn't rocket science but for some reason most financial advisors rarely give advice to clients about their mortgage. Even if the savings isn't huge, over several years it can have a big impact on your retirement.

Call me to see a way to make that freed up money work hard for you so you can have a better retirement. Stop looking out for the mortgage company and start looking out for yourself. * Closing costs do need to be factored into the decision to refinance. Many lenders will charge less than typical closing costs to keep the loan and just provide a new/updated rate.

Be Careful Out There!

A very good client of mine for some time sent me a proposal from an Allstate agent recently filled with crazy discounts that appear to mislead and distract. One was a welcome discount of almost $300! And a stripped down policy quote compared to our policy coverage. The welcome discount I'm sure drops off and you will no longer be as welcome the next year! We see this stuff all the time. Some companies appear desperate to get you in the first time. We had that "opportunity" with a nationally known insurance company that we just sent on their way recently. The homeowners quote was shown as the value of the county tax assessors assessment. It would leave off most of the endorsements we consider mandatory and then when you came in to sign the papers, the rate would go up. And, I hate to break the news to you but the assessor has no idea of the cost to rebuild your home after a major loss. In almost every case the assessment is way too low. It costs a lot more to rebuild than it did build the home originally. Debris removal alone will cost another 10%.

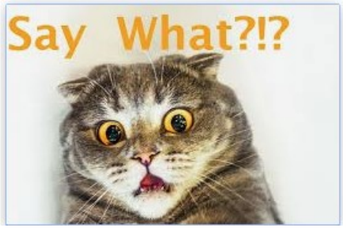
Also, if you get a quote that seems too good to be true, it probably is. Don't be afraid to call us and we'll be honest with you and tell you if it's a better deal. I see quotes in here daily where the "other agent" left off coverage that our client had and needed. These policies are not all the same. There are huge differences sometimes. Also, some agents can only just sell you the policy. They can't help you if you have a dispute with an adjuster after a loss. We are independent agents with many companies. Our companies know we are able to move our business to another company if they don't perform properly. Our companies aren't perfect either. Some adjustors have only been at it for a short time and don't have our experience for handling claims. We have to educate them sometimes!!! I used to have an office next to a State Farm agent who I heard tell his clients on many occasions "I just write the insurance, you'll have to deal with the adjustor". We won't tell you that!

WHY IT PAYS TO HAVE YOUR INSURANCE WITH AN AGENT WITH YEARS OF EXPERIENCE

We recently had a prospect call us who was upset with their current agent due to a claim that was not handled properly.

A plumbing contractor installed a water heater and forgot to secure a fitting, resulting in water leakage. By the time this prospect discovered the leak, the hardwood floors had buckled and the carpet was ruined.

The claims adjuster told the contractor that they were only legally liable for the damages on an ***actual cash-value*** basis which includes depreciation, and not for ***replacement cost***.



Looking at this from a purely legal and contractual perspective; the prospect doesn't have a chance.

However, this prospect had an HO-5 policy so what the agent should have done was turn the claim into the prospect's insurance company where replacement cost applies and get it replaced without any depreciation.

Yes, the prospect would have had to pay his deductible but should have recovered that also in subrogation by his company against the contractor's insurance company.

As my ole Daddy used to tell me, "there's more than one way to skin a cat".

What can the courts take from you if you are found to be liable in a suit?

Good question. The answer is found generally in Iowa Code 627.6 with a couple of caveats. Understand that there are really three ways that a person can collect on a judgment.

Wage/Bank Garnishment. Basically, once the court enters an order for garnishment, the creditor can then just send it to the bank or employer and they will let the court know if they have money belonging to the defendant-debtor that can be garnished, that is, money that's not "exempt" or protected from garnishment. If the bank has money that may be garnished, it will send it to the court. The employer will withhold part of the defendant-debtor's weekly pay, **but usually no more than 25% of his weekly net pay and pay it to the court.**

Writ of Execution. This is when you levy some of the debtor's property or assets to pay for the judgment. In order to do so, the creditor has to arrange for it to be delivered to or "served on" the defendant, which usually must be done by the sheriff of the county where the property is located. After its been served, the sheriff may take the items that have been identified. Unless the defendant files a "claim of exemption" (meaning that the property or asset can't be taken because it's protected by law), the sheriff will sell the property and arrange for the sale proceeds to be paid to the creditor.

The exemptions stated in the code include: your home, household goods and clothes worth up to $7,000, burial plot, one motor vehicle up to $7,000 value, wedding or engagement rings, pension and retirement accounts, and $1,000 cash on hand. Protected income includes: social security benefits, veterans' benefits, unemployment benefits and workers compensation, public assistance, and employment income under protected limits. This protected income also has protection in your bank account for at least up to 90 days.

Placing a lien on all real property of the debtor. This keeps a defendant-debtor from selling his real property, including his home, without having to pay the judgment. **In Iowa,** once a person has a judgment against a defendant, they **automatically have a lien** against all of the defendant's real estate that's located in the county where the suit was decided. If the defendant has land in other counties, the creditor can get a lien against that property by filing or recording a copy of the judgment in the County Recorders office for the county where the land is located. In short, while they may not be able to "take" your house, you likely aren't going to be able to sell it without paying the judgment.

So, for the list below:

Home (No - but you can't sell it without paying judgment)
Vehicle (Maybe depending on how many cars you own and its value)
Investments (Yes, unless in retirement account) **Retirement Accounts** (No)
Savings & **Checking Accounts** (Yes, anything over $1,000)
Future Income (Yes, up to 25% of income)

Are you certain you have enough liability insurance to properly protect your assets??

Doubleday Insurance Agency, Inc.
110 SE Grant St., Ste. 203
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The Doubledays

Our $50 drawing winners for sending us referrals for March and April are: *Terri Buban-Davis and Mary Taylor*. Please stop by our office and pick up your $50 restaurant card. We thank you so much for thinking of us and giving our name to your friends, relatives and co-workers!

Remember, to get your $10 gift card immediately and to then be eligible for our $50 monthly drawing and our GRAND PRIZE drawing at year end for $2,000 cash, just have a friend, relative or co-workers call our office for an estimate of insurance and we'll do the rest. It's that easy.

Thank all of you have given us referrals these past two months and for the past 54 years!!!

Lew

TRUSTED AGENT

May-June 2020

A Newsletter For Friends and Clients of Doubleday Insurance

A Tale Of Two Cities

	Chicago	Houston
Population	2.7 Million	2.1 Million
Median HH Income	$38,600	$37,000
Africa-American	39%	24%
Hispanic	30%	44%
Asian	6%	6%
Non-Hispanic White	29%	26%
Both cities are quite similar in population		
Police Officers	13,500	5,318
Concealed Carry Legal	No	Yes
# of dedicated gun stores	None	184
# of other places selling Guns	None	1500
Homicides 2012	1,806	207
Homicides per 100 Thousand people	38.4	9.6

Now, please explain to me again how having less guns and more police officers makes society more safe?

I'll keep my guns thank you.

TO CONTACT US:

Call 515-964-0637
Toll-Free in Iowa: 888-464-0637
Website: www.doubledayinsurance.com
Email: First name@doubledayinsurance.com
(Example: lew@doubledayinsurance.com)

SOME COVERAGE THAT'S AVAILABLE YOU MAY NOT KNOW ABOUT YET!

Not all coverages are available through all companies so give us a call if you desire one of the below coverages.

Equipment Breakdown—is available to repair or replace your major appliances due to breakdown. Appliances such as your furnace, hot water heater, central air unit, etc.

Service Line Coverage—pays for the cost to replace your sewer line coming into your home if it breaks. Some companies also cover any line coming into your home underground such as power lines. When your home gets older especially this is a common loss that is expensive to pay for without insurance.

Sewer Backup/Sump Pump failure coverage. Almost no one has enough, if any coverage for this dramatic loss. We see it EVERY year. Most, if they have this coverage at all only have $5,000 coverage. That really is not enough in most of the losses we see.

Building Ordinance Or Law Coverage –pays to bring your home up-to-code after a loss if your electrical is outdated for example. Also pays to replace the part of your home and rebuild it if your home is damaged more than 60%. Without this coverage YOU would have to pay to have the 40% that wasn't damaged by fire or wind or etc. and rebuild it back along with the 60% that was damaged. Most cities have this Ordinance including Ankeny.

Earthquake Endorsement—yes, it could and did happen here. In the 1800's a severe earthquake struck all the way up here. In fact, the tremor from that quake was even felt in Washington D.C. and it even caused the Mississippi River to run backwards for four days. Can you imagine your home being completely destroyed by an earthquake with no insurance to replace it again? Cost is low for this important coverage.

Mortgage Life protection—Most people we write homeowners insurance on do not have this very important coverage. The cost is very low and the loss is very severe to your family if the breadwinner(s) don't live to pay off the home. Don't put this off. Call for a quote today.

Accident Forgiveness—on your auto policy. Your rates will not go up if you have an accident.

GAP Insurance—pays if you are upside down on your car loan when the car is totaled. When you drive the car off the showroom floor the value goes down dramatically. Where would the money come from to fill this gap?

Finally—if you have a business you run out of your home, it is not covered under your homeowners policy. In some cases it may even void any coverage for the home itself if you have a business in your home. In most cases it is easy to place coverage for a home business. Don't take a chance with your future by going without coverage on a full or part time business that you are operating out of your home. Call us.