HOW MUCH IS ENOUGH??

Strategies for accumulating wealth, minimizing taxes, planning for retirement and your legacy
How Much Is Enough For Us?
- Needs
- Goals
- Dreams

STRATEGIES

- How Much To Children?
- How Much To Charity?
HOW MUCH IS ENOUGH FOR US?

“I’ve crunched the numbers in your retirement account. It’s time to figure out who will be wearing the mask and who will be driving the getaway car.”
HOW MUCH IS ENOUGH FOR US?

• How Much Do You Need Today??
  – What does your current lifestyle cost?

• How Much Do You Need for the Future??
  – Do you have enough assets and income to maintain financial independence?
    • Are you prepared for inflation?
    • Will you outlive your assets?
    • Are there additional short/long term needs?
      – Care for parents, handicapped child or grandchild
• Prepare For Inflation

– Inflation erodes purchasing power over time:

  ➢ 2.2% annual inflation over 10 years turns $100 into $80.

– Rising inflation is historically a drag on stock and bond returns.

– This makes diversifying beyond traditional asset classes more important.
HOW MUCH IS ENOUGH FOR US?

• How much do you earn and save?

• Are you spending less than you earn?

• How much will Social Security or pensions provide?

• How to determine if you have enough?
How much is enough for us?

- What Other Financial Goals Would You Like to Achieve?
  - Education for children or grandchildren
  - Additional residences
  - Travel
  - Charitable giving

- If you had total freedom to do anything, what would that be?
“At our current savings rate, we should be able to retire in three hundred and twenty-seven years.”
At age 65, I’m having my age legally changed to 22 so I can start saving for my retirement.
HOW MUCH IS ENOUGH FOR US?

• Are you investing properly for the future?
• Do you have low cost, no load funds?
• Do you know what you pay in fees?
• Is your portfolio tax efficient?
  – Are you paying unnecessary taxes?
• Is your portfolio diversified?
• What other services are provided?
### Historical Returns Chart

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>10.5%</td>
<td>15.1%</td>
<td>18.9%</td>
<td>9.5%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>26.3%</td>
<td>36.0%</td>
<td>14.5%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>15.1%</td>
<td>18.9%</td>
<td>9.5%</td>
<td>16.8%</td>
</tr>
<tr>
<td>2003</td>
<td>11.5%</td>
<td>11.5%</td>
<td>23.9%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>11.5%</td>
<td>23.9%</td>
<td>10.5%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2004</td>
<td>12.0%</td>
<td>20.2%</td>
<td>27.2%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>12.0%</td>
<td>20.2%</td>
<td>20.2%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2005</td>
<td>12.9%</td>
<td>11.5%</td>
<td>23.9%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>12.9%</td>
<td>23.9%</td>
<td>10.5%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2006</td>
<td>13.5%</td>
<td>20.3%</td>
<td>27.2%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>13.5%</td>
<td>20.3%</td>
<td>20.3%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2007</td>
<td>14.5%</td>
<td>26.3%</td>
<td>36.0%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>14.5%</td>
<td>26.3%</td>
<td>26.3%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2008</td>
<td>15.1%</td>
<td>31.8%</td>
<td>40.7%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>15.1%</td>
<td>31.8%</td>
<td>31.8%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2009</td>
<td>15.7%</td>
<td>27.2%</td>
<td>36.0%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>15.7%</td>
<td>27.2%</td>
<td>27.2%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2010</td>
<td>16.3%</td>
<td>33.2%</td>
<td>40.7%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>16.3%</td>
<td>33.2%</td>
<td>33.2%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2011</td>
<td>16.8%</td>
<td>36.2%</td>
<td>40.7%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>16.8%</td>
<td>36.2%</td>
<td>36.2%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2012</td>
<td>17.2%</td>
<td>39.0%</td>
<td>40.7%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>17.2%</td>
<td>39.0%</td>
<td>39.0%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2013</td>
<td>17.8%</td>
<td>41.8%</td>
<td>40.7%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>17.8%</td>
<td>41.8%</td>
<td>41.8%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2014</td>
<td>18.4%</td>
<td>45.6%</td>
<td>40.7%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>18.4%</td>
<td>45.6%</td>
<td>45.6%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2015</td>
<td>19.0%</td>
<td>49.4%</td>
<td>40.7%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>19.0%</td>
<td>49.4%</td>
<td>49.4%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2016</td>
<td>19.6%</td>
<td>53.2%</td>
<td>40.7%</td>
<td>10.5%</td>
<td>15.1%</td>
<td>5.9%</td>
<td>27.2%</td>
<td>13.8%</td>
<td>18.9%</td>
<td>16.8%</td>
<td>18.4%</td>
<td>19.6%</td>
<td>53.2%</td>
<td>53.2%</td>
<td>15.1%</td>
</tr>
</tbody>
</table>

**Cumulative Returns:**
- **10 Years:**
  - S&P 500: 141.0%
  - Balanced Portfolio: 141.0%
- **15 Years:**
  - S&P 500: 164.3%
  - Balanced Portfolio: 141.0%

*Data is from Envestnet Tamarac, Hedge Fund Research, Morningstar, and Federal Reserve Economic Data. Sharpe ratio utilizes a 3.5% risk-free rate derived from the average annual 10-year Treasury rate over 15 years. The information presented represents the performance of various indexes. Does not represent actual investment performance.*
Get Invested, Stay Invested: Facts about Market Volatility

Six of the 10 best days occurred within two weeks of the 10 worst days

EXHIBIT 4: RETURNS OF S&P 500
PERFORMANCE OF A $10,000 INVESTMENT BETWEEN JANUARY 1, 1997 AND DECEMBER 30, 2016

7.68% return

$43,933

4.00%

$21,925

1.57%

$13,662

-0.51%

$9,025

-2.42%

$6,132

-4.16%

$4,275

-5.76%

$3,050

The best day of 2015 (Aug. 26) occurred only two days after the worst day (Aug. 24)

This chart is for illustrative purposes only and does not represent the performance of any investment or group of investments. Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2016.
## INVESTING

*Location, Location, Location*

<table>
<thead>
<tr>
<th>Taxable Accounts</th>
<th>Tax Deferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Municipal Bonds</td>
<td>• Taxable Bonds or Bond Funds</td>
</tr>
<tr>
<td>• Broad Market Stock Index Funds or ETFs</td>
<td>• Actively Managed Funds</td>
</tr>
<tr>
<td>• Tax Managed Funds</td>
<td>• REITs</td>
</tr>
<tr>
<td>• Individual Stocks (long-term)</td>
<td>• Commodities, gold and silver ETFs</td>
</tr>
<tr>
<td></td>
<td>• Individual stocks (short term)</td>
</tr>
</tbody>
</table>
EXAMPLES OF TAX DEFERRED RETIREMENT ACCOUNTS

- IRA
  - Traditional or Roth
  - SEP and SIMPLE
- 403(b) Plan
- 457(b) Deferred Comp
- Annuities

- Qualified Plans
  - Defined Benefit Plan
  - Profit Sharing
  - Money Purchase
  - ESOP
  - 401(k) Traditional/Roth
• MAGI greater than $170,000
  – Higher premiums for Medicare Part B and Part D
  – Five income tiers
  – Part B Premiums
    • $134/month vs. $429/month
      – High Income couple could pay more than $10,000/year in additional premiums
      – Important to reduce taxable income in retirement
        » Roth, Qualified Charitable Distributions, Charitable Gift Annuity
HOW MUCH TO CHILDREN?

• Do you feel each child should receive an equal share?
  – “fair is not always equal, and equal is not always fair”

• What if you leave them little or no money?

• How is an inheritance going to affect your child’s marriage or future marriage?

• What is your child’s work ethic?
HOW MUCH TO CHILDREN?

• Do you think your children are likely to be less productive if they are left significant money?
• Are you concerned that they (children, grandchildren, great grandchildren) may suffer from a loss of self worth or lack of respect from others?
• Should you leave money in trust for them?
• What strings (advice, criticism) are you going to apply to how they spend the money?
Current Estate and Gift Tax Rules:

- Annual gift amount of $14,000 per person.
- Unlimited amounts directly paid for tuition and medical.
- $5,490,000 Federal exemption per person; spousal portability.
- 40% Estate Tax rate above that.
- Unlimited amounts can be left to a spouse or charity.
- Generation-skipping Tax is an additional 40% tax.
- Step-up (or down) in cost basis for assets in the estate, EXCEPT for tax-deferred accounts (e.g. IRAs, annuities)
- Don’t forget state estate and inheritance taxes.
HOW MUCH TO CHILDREN?

Estate Tax Planning Strategies

• Lifetime gifts – annual exclusion; GRATs; grantor trusts; spousal access trusts; 529 plans
• Life Insurance Trust
• Discounts on business entities and partial interests in real estate
• IRA conversion to Roth IRA
• Don’t forget state estate and inheritance taxes.
HOW MUCH TO CHARITY?

• Do you have charitable goals during your lifetime or after your death?
• Are there particular causes you care about and how do you want to impact them?
  • Education, environment, health care, children, hunger?
• What institutions have been most important in your life?
HOW MUCH TO CHARITY?

• Would you like to establish an endowed scholarship or endowed family gift in your name or a loved one?
• Do you want your children to be involved in the decision making process?
• What goals do you have for future generations and their charitable giving?
QUALIFIED CHARITABLE DISTRIBUTION

• Donor—must be over 70 ½ at time of transfer
  – Make tax free transfer to charity from IRA
    • Up to $100,000/year
    • Must be direct transfer from donor to public charity
  – Traditional or inherited IRA
  – Not eligible for income tax deduction
  – Counts toward donor’s RMD
  – Lowers Federal and state taxable income and could have Medicare premium implications
CHARITABLE GIFT ANNUITY

• Contract between Donor and Qualified Charity
  – Backed by general assets of the charity, so review their financial strength.
  – Funded with cash or appreciated stock
  – Immediate income tax deduction on gift portion
  – Fixed income stream with competitive rates of return
  – Ability to defer payments
  – A portion of each payment is tax-free
  – Single or joint lifetime payments
CHARITABLE GIFT ANNUITY

• Example 1
  – Donor age 70 funds a CGA with $100,000 cash
  – Charity pays 6% annually for life starting at 70
  ➢ Results: $6,000 annual cash flow; $1,500 taxable income
  ➢ $4,500 tax-free income; $31,000 tax deduction up front

• Example 2
  – Two Donors age 75 fund a CGA with $100,000 cash
  – Charity pays 7.5% annually for life starting at 80
  ➢ Results: $7,500 annual cash flow; $1,600 taxable income
  ➢ $5,900 tax-free income; $27,000 tax deduction up front
CHARITABLE REMAINDER TRUST

- Irrevocable trust that pays you, or your family, income and leaves the rest to a designated charity (or charities).
  - Fixed term not more than 20 years, or it can be for a lifetime.
  - Fixed Annuity or Unitrust (percentage) payout.
  - The trust is tax-exempt, but income paid out is taxable.
  - You get a charitable income tax deduction upfront based on the payout.
  - Income payout must be at least 5%.
  - Terrific option for diversifying highly-appreciated stock.
DONOR ADVISED FUNDS

DONOR
CONTRIBUTES CASH OR PROPERTY
DONOR-ADVISED FUND
RECEIVES INCOME TAX DEDUCTION
NOW
LATER

CHARITY
GRANTS MONEY TO CHARITY

© Michael Kitces, www.kitces.com
Daintree Advisors is a multi-family office and wealth management firm. Our mission is to help clients “see the forest” so they can attain their goals.

Mary Shahian, CFP®, ChFC, CDFA™
Partner, Senior Client Advisor
617-848-3423

William Speciale, J.D., AEP®
Partner, Senior Client Advisor
617-848-3408