



FERGUSON WELLMAN
CAPITAL MANAGEMENT



WEST BEARING INVESTMENTS
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NOW



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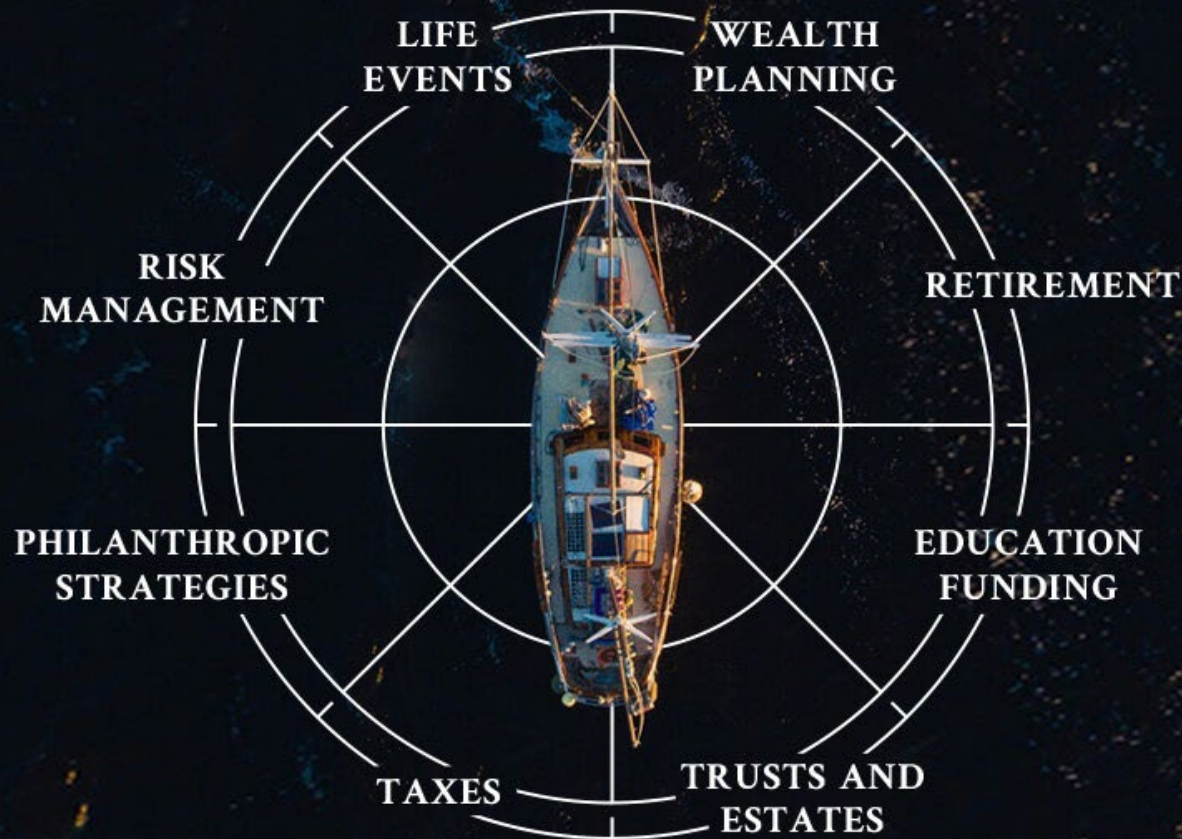
June 22, 2020

Welcome and Introductions



Steve Holwerda, CFA
Managing Director
Portfolio and Wealth Management

Helping Clients Navigate Financial and Life Decisions



Wealth Management Team



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Executive Vice President



Casia Chappell, CFP®, CPWA®
Vice President of Planning

Today's Presenters



Mary Lago, CFP[®], CTFA
Executive Vice President



Samantha Pahlow, CTFA, AWMA[®]
Senior Vice President

Today's Agenda

- Retirement distribution strategies
- Charitable giving
- Estate planning concepts and low interest rates
- Q&A

Reminders

Today's session is recorded
Use the Q&A button below for questions
Chat is disabled
All participants are muted and video off
Survey at the end

Important Disclosure

Ferguson Wellman and West Bearing do not provide tax or legal advice. This material has been prepared for general educational and informational purposes only and not as a substitute for qualified counsel. You should consult qualified professionals to understand how this information may, or may not, apply specifically to you.

Retirement Distribution Strategies

- Required minimum distributions
- Impact of SECURE and CARES Acts
- Roth IRA conversions

Required Minimum Distributions “RMDs”

- Distribution required by the IRS from pre-tax retirement accounts, such as traditional IRA or 401(k)
- Roth IRAs or Roth 401(k)s are post-tax retirement accounts and do not have RMDs
- Inherited IRAs are unique

Calculating Required Minimum Distributions

Uniform Lifetime Table

Age of IRA Owner or Plan Participant	Life Expectancy Factor	Age of IRA Owner or Plan Participant	Life Expectancy Factor
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and older	1.9

Example

IRA balance on 12/31/19
of \$2,000,000

IRA owner turning 75 in 2020 uses
factor of 22.9

RMD Calculation

$$(\$2,000,000 / 22.9) = \$83,336$$

Required Minimum Distributions “RMDs”

- Distribution required by the IRS from pre-tax retirement accounts, such as traditional IRA or 401(k)
 - **SECURE Act, effective in 2020, changed required beginning date from age 70.5 to age 72**
 - **CARES Act waives RMD for 2020**
- Roth IRAs or Roth 401(k)s are post-tax retirement accounts and do not have RMDs
- Inherited IRAs are unique
 - **SECURE Act eliminated the stretch IRA**
 - **Distributions must be complete within 10 years**

Options for RMDs in 2020

Considerations

- Continue RMD
- Suspend RMDs for the year
- If funds are needed, reduce draw



A Step Further

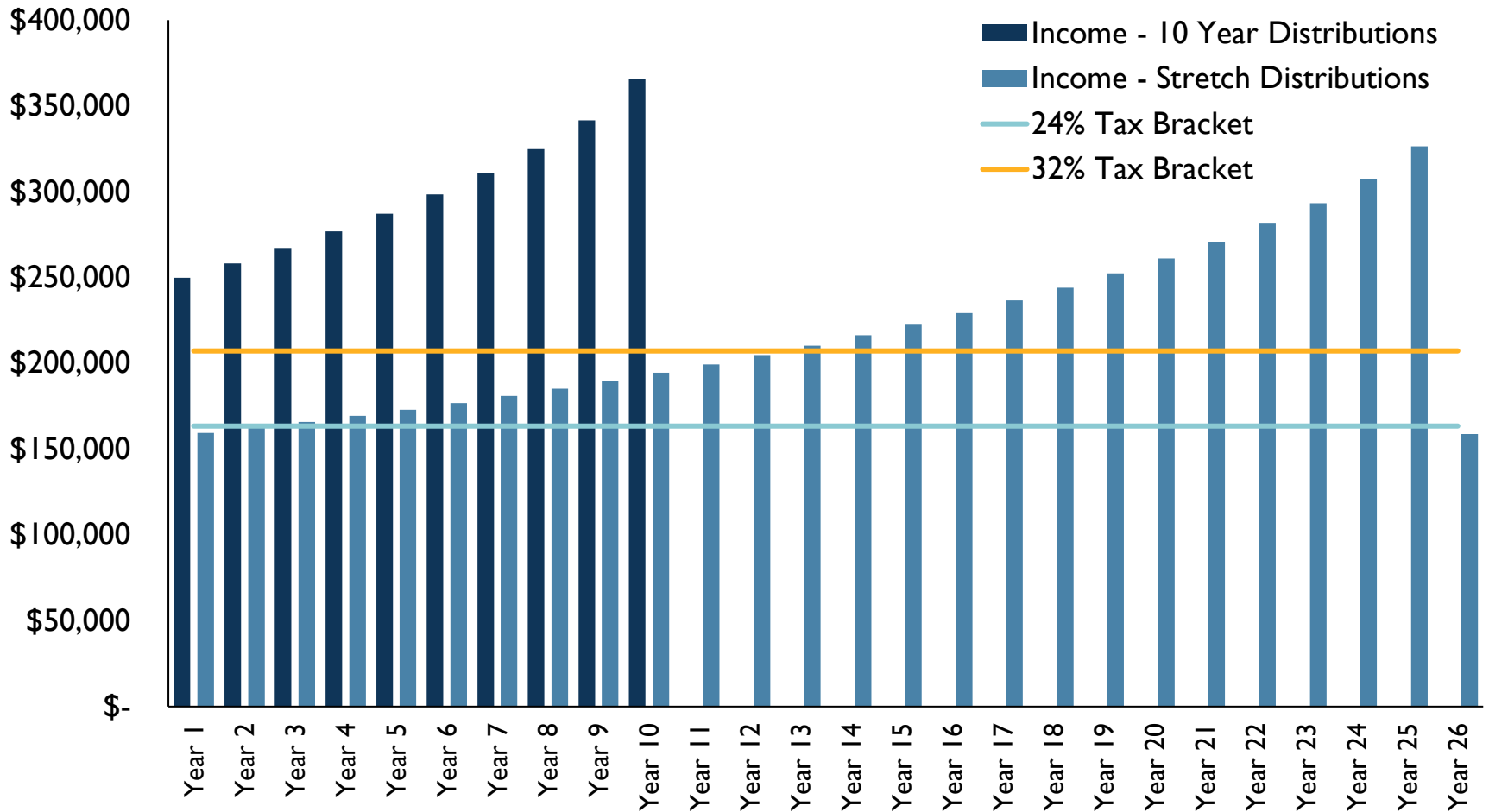
- Return an RMD draw by July 15 (since February 1)
- Roth conversion



Consult CPA to adjust tax estimates and strategize tax brackets

Simplified Comparison of 10-Year Versus Stretch IRA

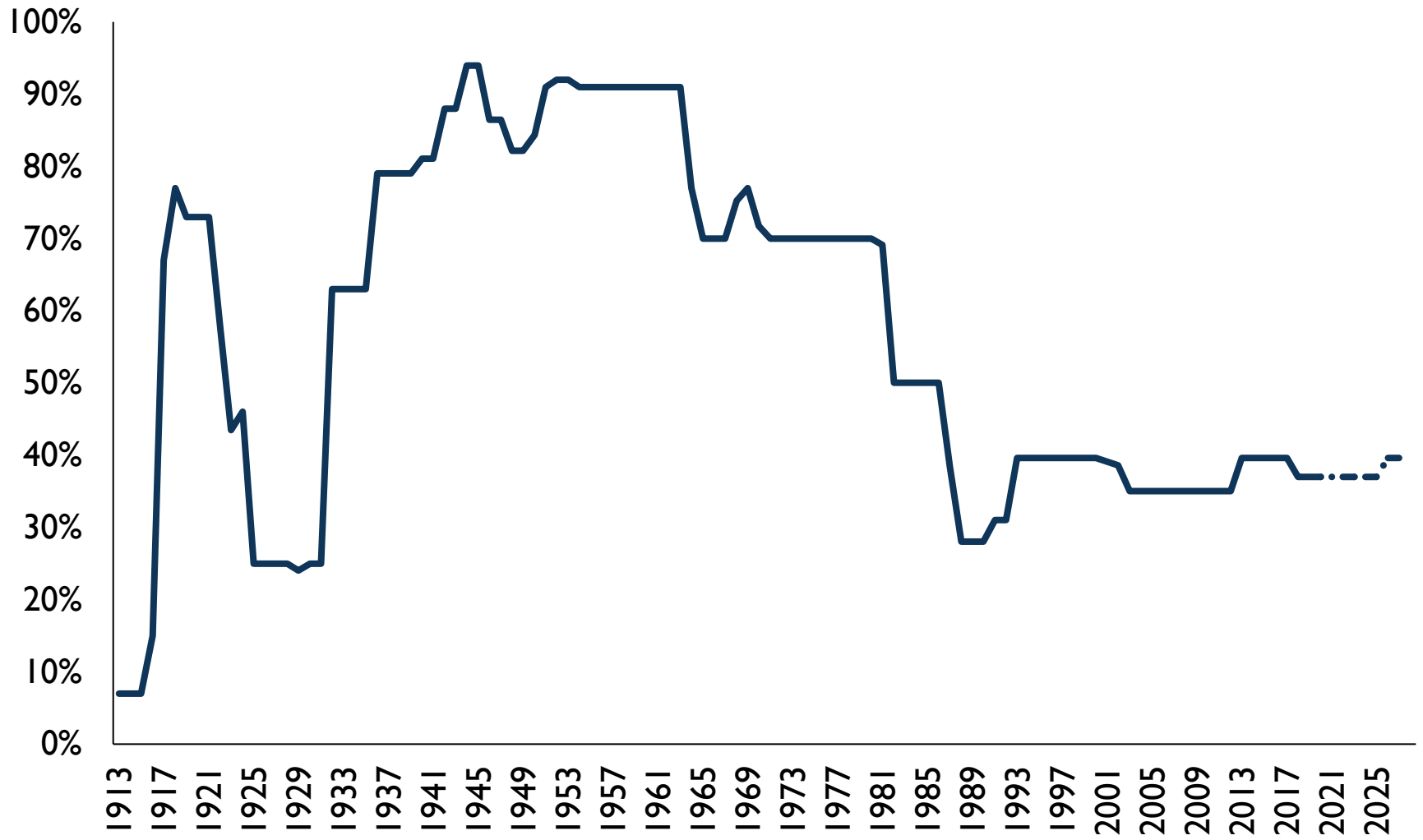
Single Filer earning \$100k/year plus IRA distributions



Roth IRA Conversions

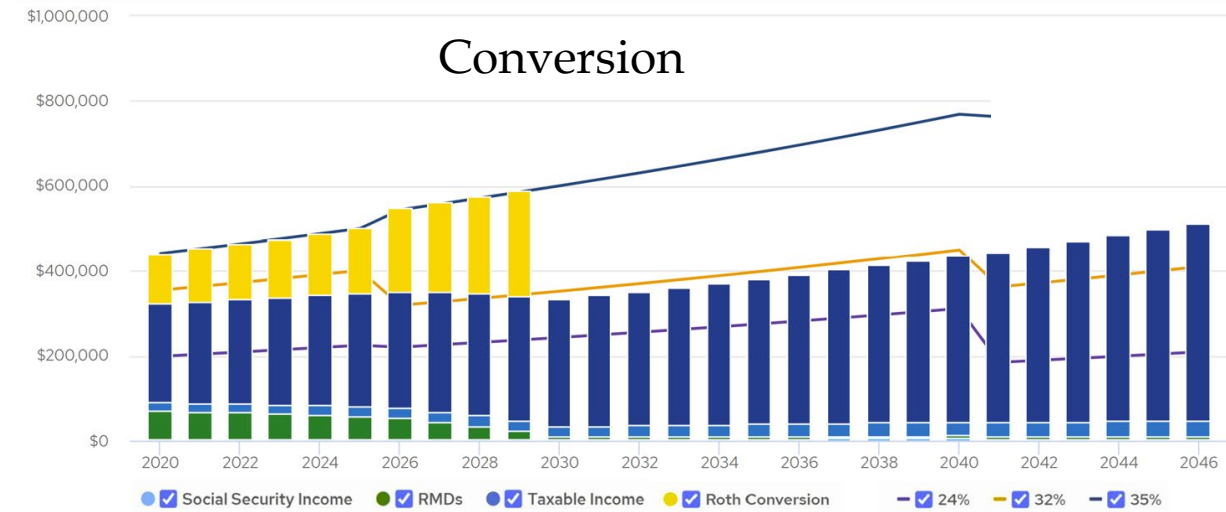
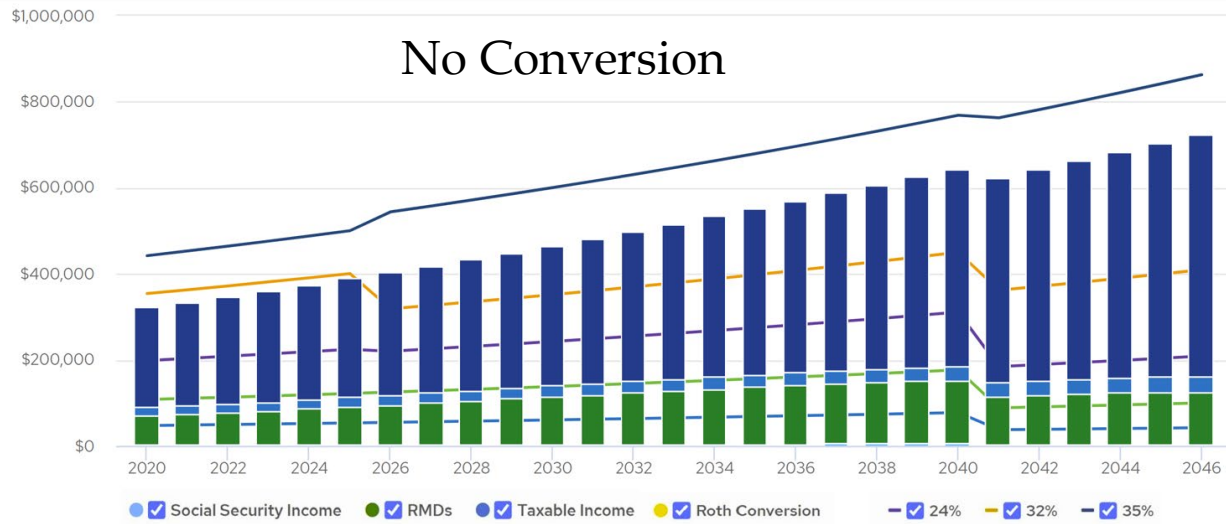
- What is a Roth IRA conversion?
 - Converting of pre-tax IRA to post-tax IRA
 - Requires paying taxes upfront
 - Eliminates future taxation
- Why now?
 - SECURE Act eliminating the stretch IRA
 - CARES Act RMD waiver
 - Potentially lower market values
 - Lower (historically) tax rate

Highest Federal Marginal Individual Income Tax Rates



Source: Tax Policy Center

To Convert or Not to Convert



	Without Conversion	With Conversion
Qualified	\$1.04M	\$54,946
Taxable	\$24.9M	\$20.64M
Roth	\$0	\$5.64M
Total	\$26.04M	\$26.34M

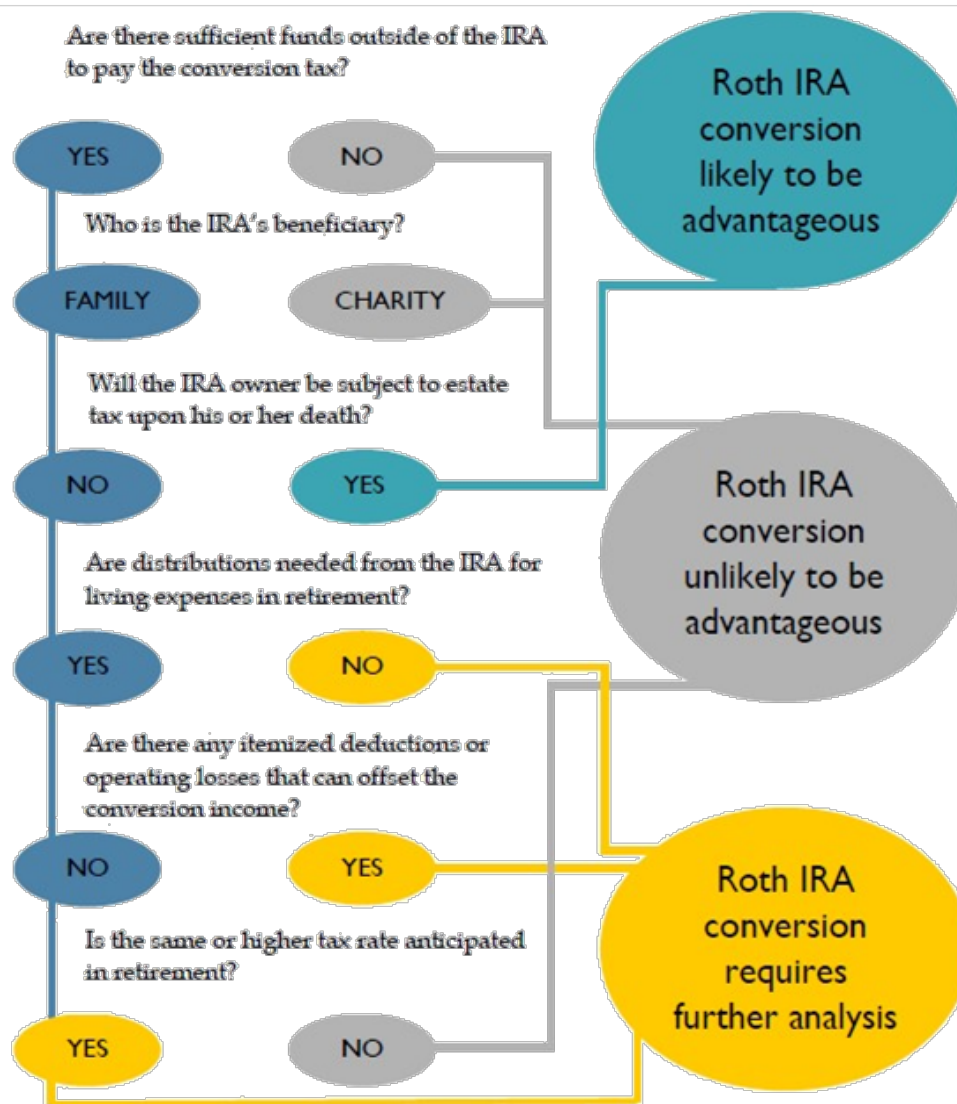
Estimated Lifetime Tax Saving

\$247,073

Values are in Current Dollars

Source: Envestnet MoneyGuide

Navigating a Roth Conversion



Evaluate Your Charitable Strategies

- Maximize tax deductions on charitable giving

TAXSAVINGS
IMPACT
INDISSIMILARITY
KINDNESS
COMMUNITY
DONATE
LOVE
GIVE
PEACE
CHARITABLE
LEGACY
TAXSAVINGS DEDUCTION LEGACY
CHILDREN
MISSION
HEALTH
DIVERSITY
KINDNESS
OPPORTUNITY
GIVING
FAITH
EDUCATION
LEGACY

Charitable Planning in 2020

- Charitable bunching
- Donor advised funds (DAF)
- Qualified charitable distributions (QCD)

Charitable Tax Deduction Landscape

Percentage of Adjusted Gross Income (AGI) that can generally be deducted		
Charity Type	Type of Property	
	Cash	Appreciated Property
Public Charity Donor Advised Fund Private Operating Foundation	60% of AGI	30% of AGI
Private Foundation	30% of AGI	20% of AGI

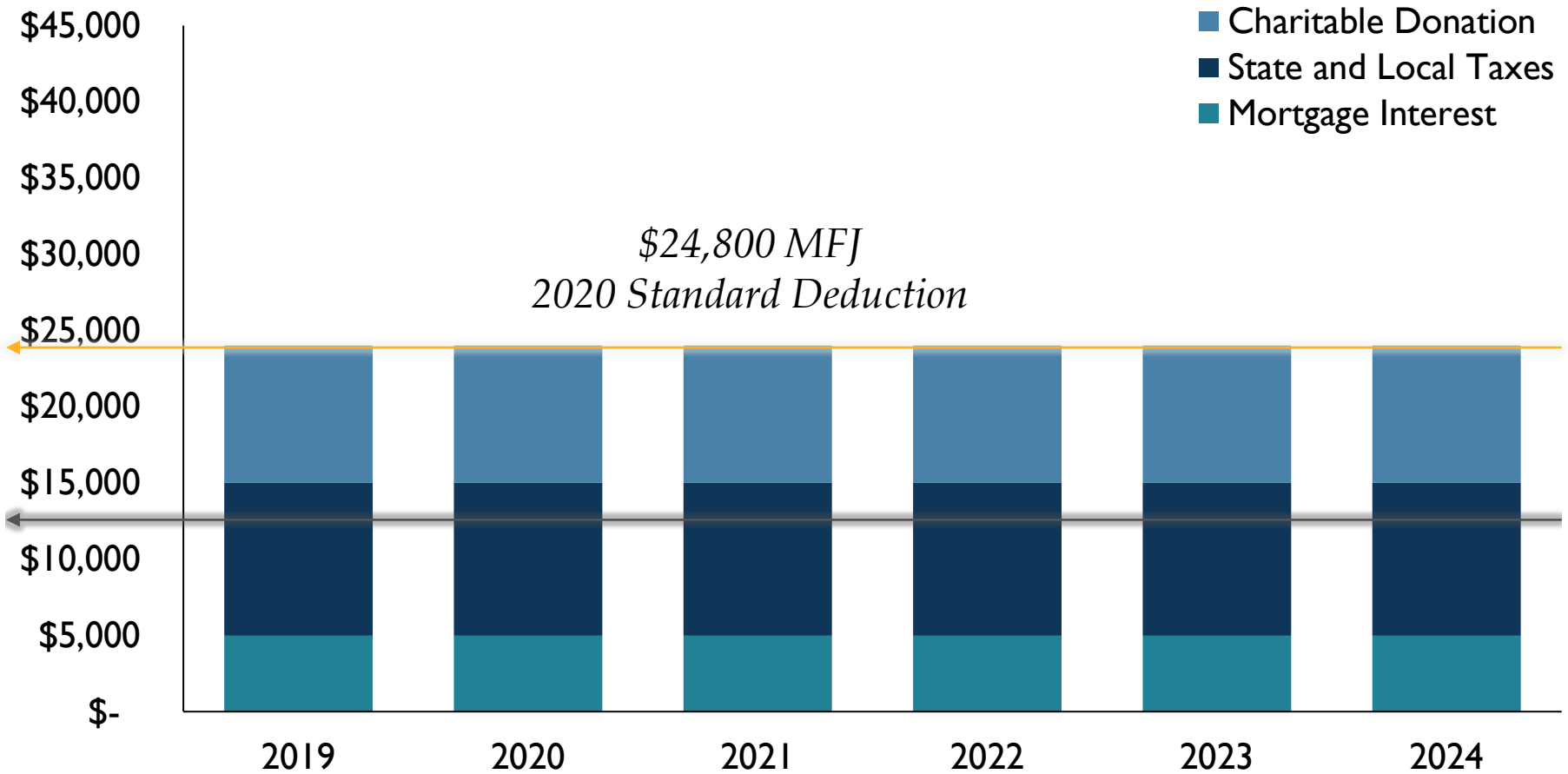
- Unused amounts carryover for five years
- **Reminder: Never donate stocks at a loss or short-term gain**

Charitable Tax Deduction Landscape

Percentage of Adjusted Gross Income (AGI) that can generally be deducted		
Charity Type	Type of Property	
	Cash	Appreciated Property
Public Charity	NEW: 100% of AGI (2020 Only)	
Donor Advised Fund Private Operating Foundation	60% of AGI	30% of AGI
Private Foundation	30% of AGI	20% of AGI

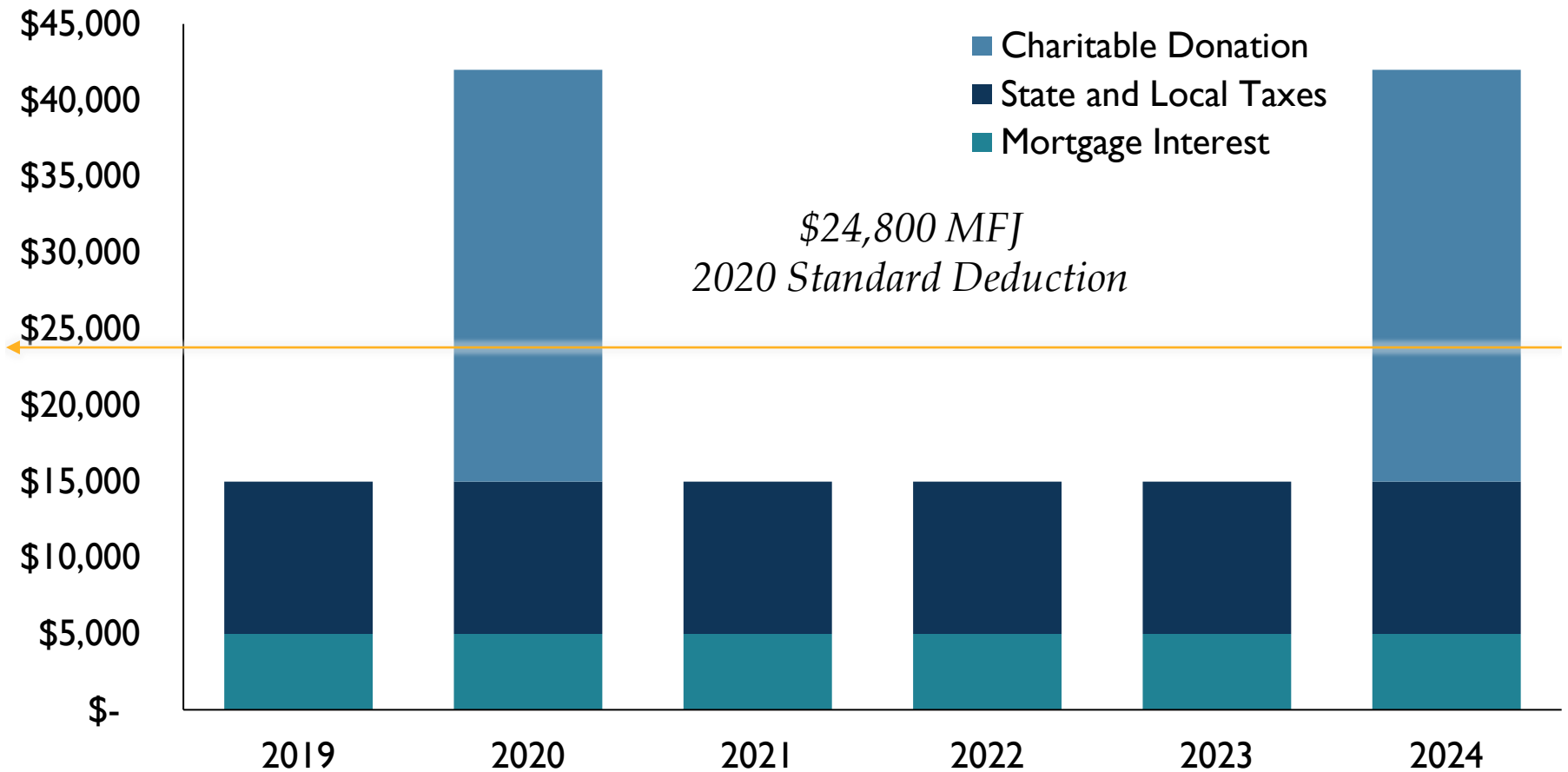
- Unused amounts carryover for five years
- **Reminder: Never donate stocks at a loss or short-term gain**
- **New: Permanent \$300 above-the-line deduction for those who do not itemize**

Tax Impact of Charitable Bunching



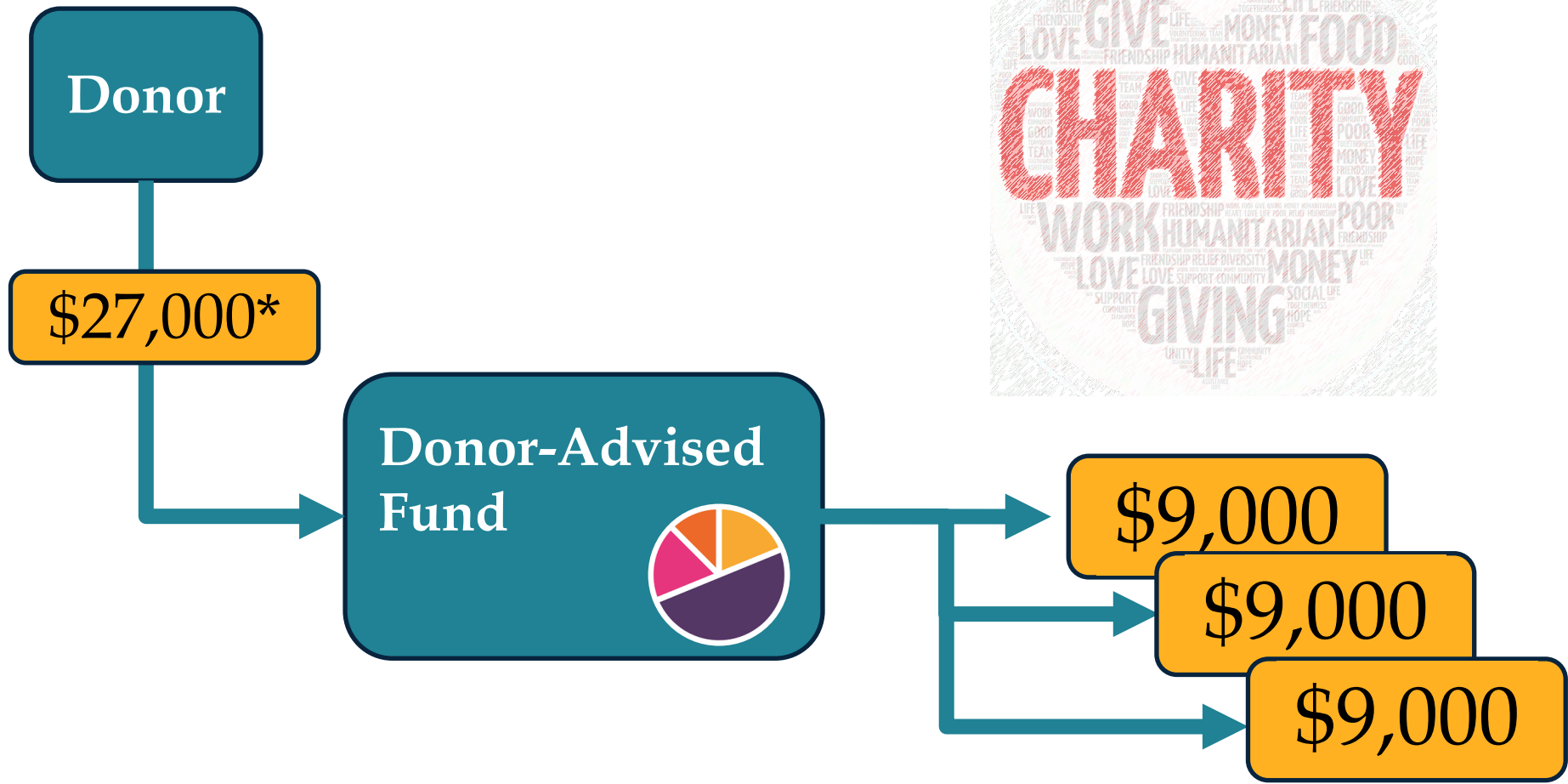
- Total charitable gifts: \$54,000
- Total tax deduction: \$148,800

Tax Impact of Charitable Bunching



- Total charitable gifts: \$54,000
- Total tax deduction: \$183,200 (versus \$148,800) < *That's a \$34,400 increase*
- **Potential tax savings: \$13,416** (30 percent federal, 9 percent Oregon)

A Strategic Way to Bunch



*Subject to AGI limits of 60 percent cash and 30 percent stocks

Qualified Charitable Distribution (QCD)

- Direct transfer of funds from your IRA to a qualified charity
- Up to \$100,000
- Distribution is not taxable and counts toward required minimum distribution
- Must be 70.5-years-old
- **Ideal for those who:**
 - Don't need the income
 - Charitably inclined
 - *Take standard deduction*



2020 is Different – Re-evaluate QCD

Other strategies **MIGHT** be more impactful this year

- Donating cash or appreciated securities
- Possibly combine with Roth IRA conversion

Example: Married couple with \$150,000 other income and \$100,000 RMD

Normal Year		2020 After CARES Act Waiver of RMD		Switch to Cash Donation to Public Charity	
RMD	\$ 100,000	RMD Waived	\$ -	RMD Waived	\$ -
QCD Impact	\$ (100,000)	QCD Impact*	\$ -	Cash Donation	\$ (100,000)
Other Income	\$ 150,000	Other Income	\$ 150,000	Other Income	\$ 150,000
Taxable Income	\$ 150,000	Taxable Income	\$ 150,000	Taxable Income	\$ 50,000

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22% MFJ Bracket
12% MFJ Bracket!!

Charitable Recap

- Consult with your tax advisor and portfolio manager before any large charitable gifts
- QCD may not be a slam dunk this year
- Consider donation of cash or appreciated securities
- Look for opportunity to combine a charitable donation and Roth IRA conversion in 2020

Evaluate Estate Plan and Gifting

- Estate planning concepts
- Key documents
- Estate tax basics
- Gifting strategies



LEGACY

Whose Plan Do You Want?

**Your
Plan**



**Government
Plan**

Goals of estate planning

- **You decide** who will benefit from your assets and how
- Protect minor children
- Plan for incapacity
- Plan for privacy
- Increase ease of administration
- Reduce taxes
- Avoid family messes



When to Review / Revise?



Every three-to-five years

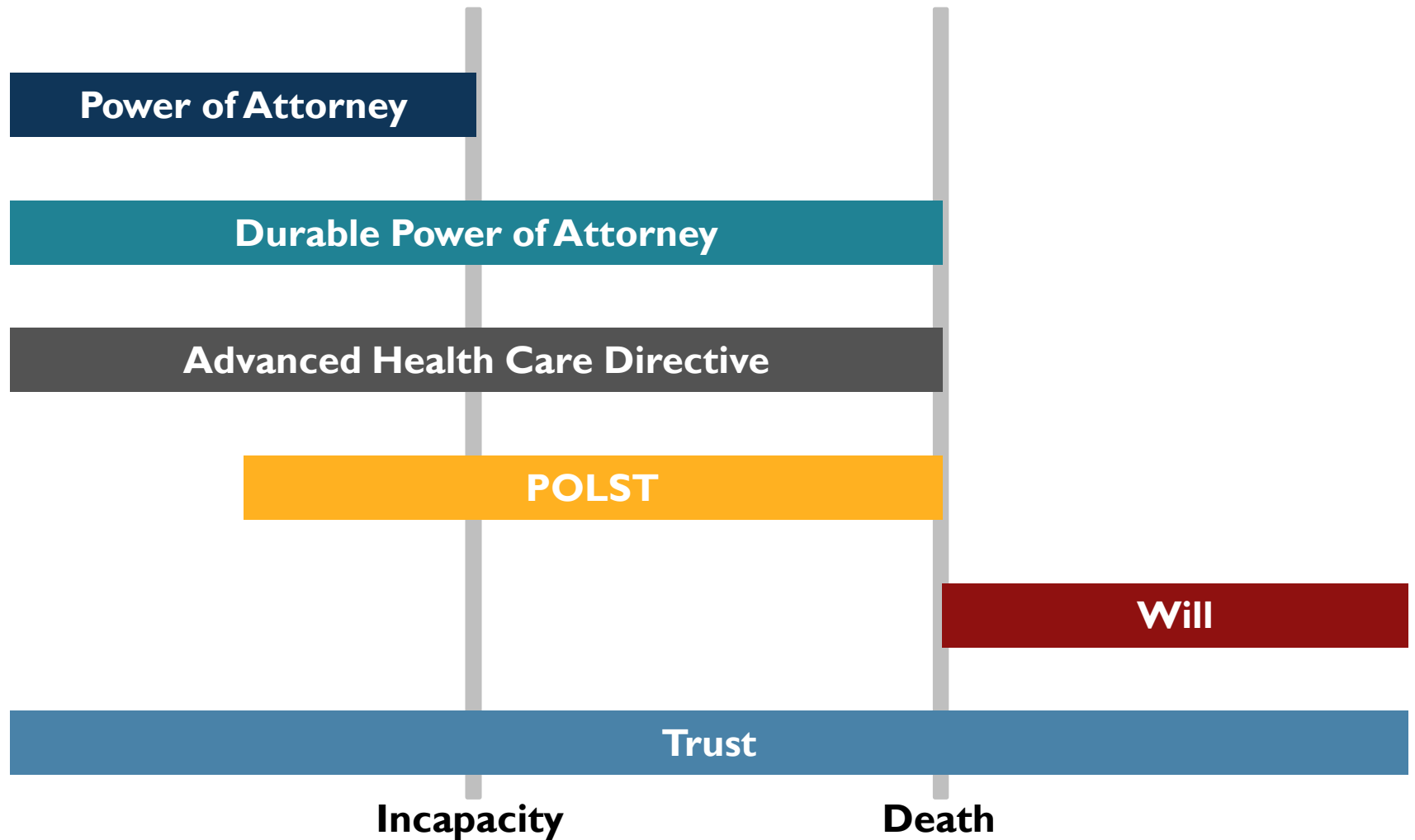


With changes in state or federal law



When major life changes occur

Common Estate Planning Documents



Benefits of Owning Assets in Trust

Will

- Valid only after death
- Generally subject to public court probate process
- Often includes limited or no tax planning

Revocable Living Trust

- Plan for *incapacity* and death
- Generally not court supervised or probated maintaining family *privacy*
- Often used for *robust tax planning*
- Advisable for *real estate* in multiple states

What Are Transfer Taxes?

	Federal	Oregon
Gift tax	40%	-
Estate tax	40%	10 - 16%
Generation skipping transfer tax	40%	-
2020 tax exemptions	\$11.58 mill	\$1 mill



Reducing Estate Taxes Through Gifting

- Avoids state estate tax
- “Freezes” the value of the gift for tax purposes
- Gift taxes are paid only on the amount received by the heirs, not the amount that will be used to pay tax
- However ... assets gifted during life do not receive a “stepped-up cost basis”



Leveraging Low Interest Rates to Reduce Estate Taxes

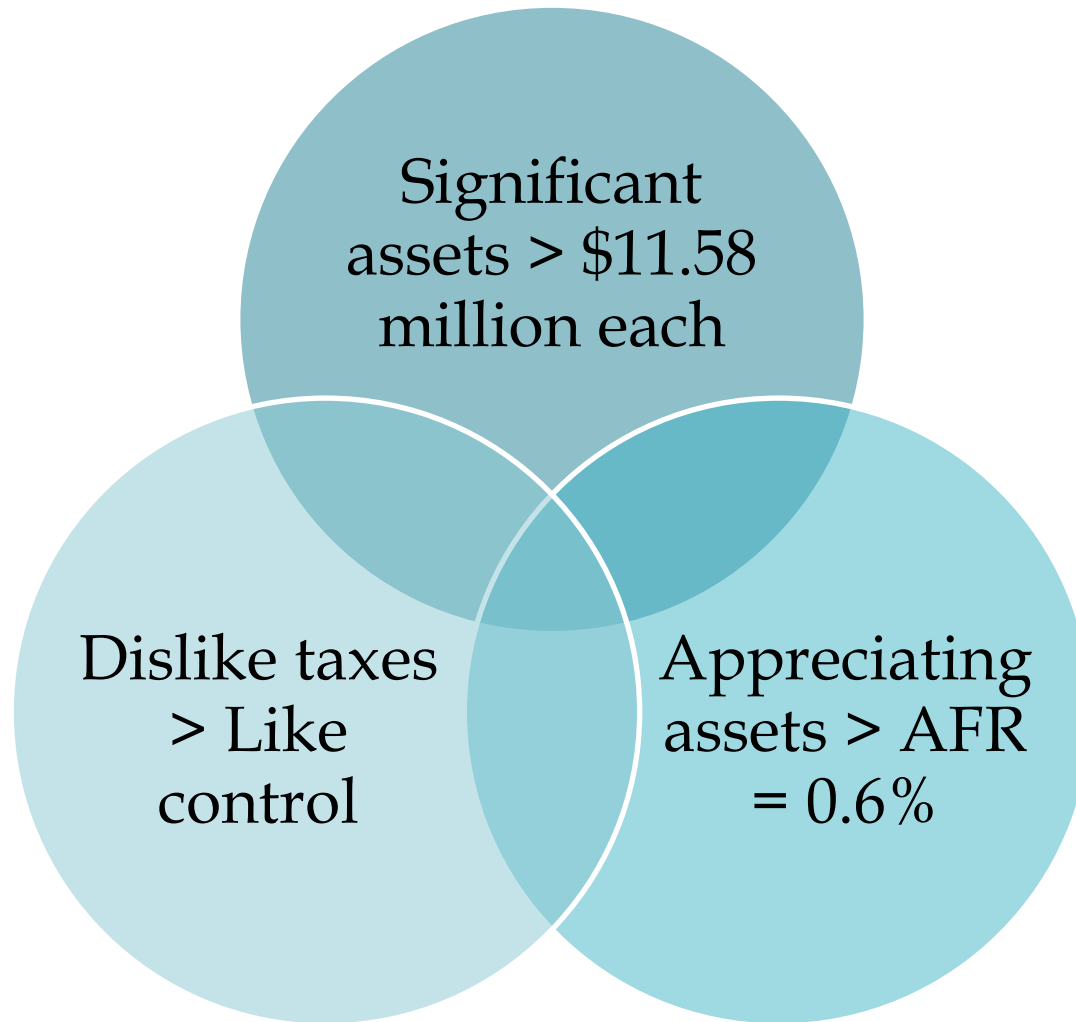
Strategies

- Complete planned gifts ASAP
- Accelerate gifts, as supported by *Wealth Horizon*TM

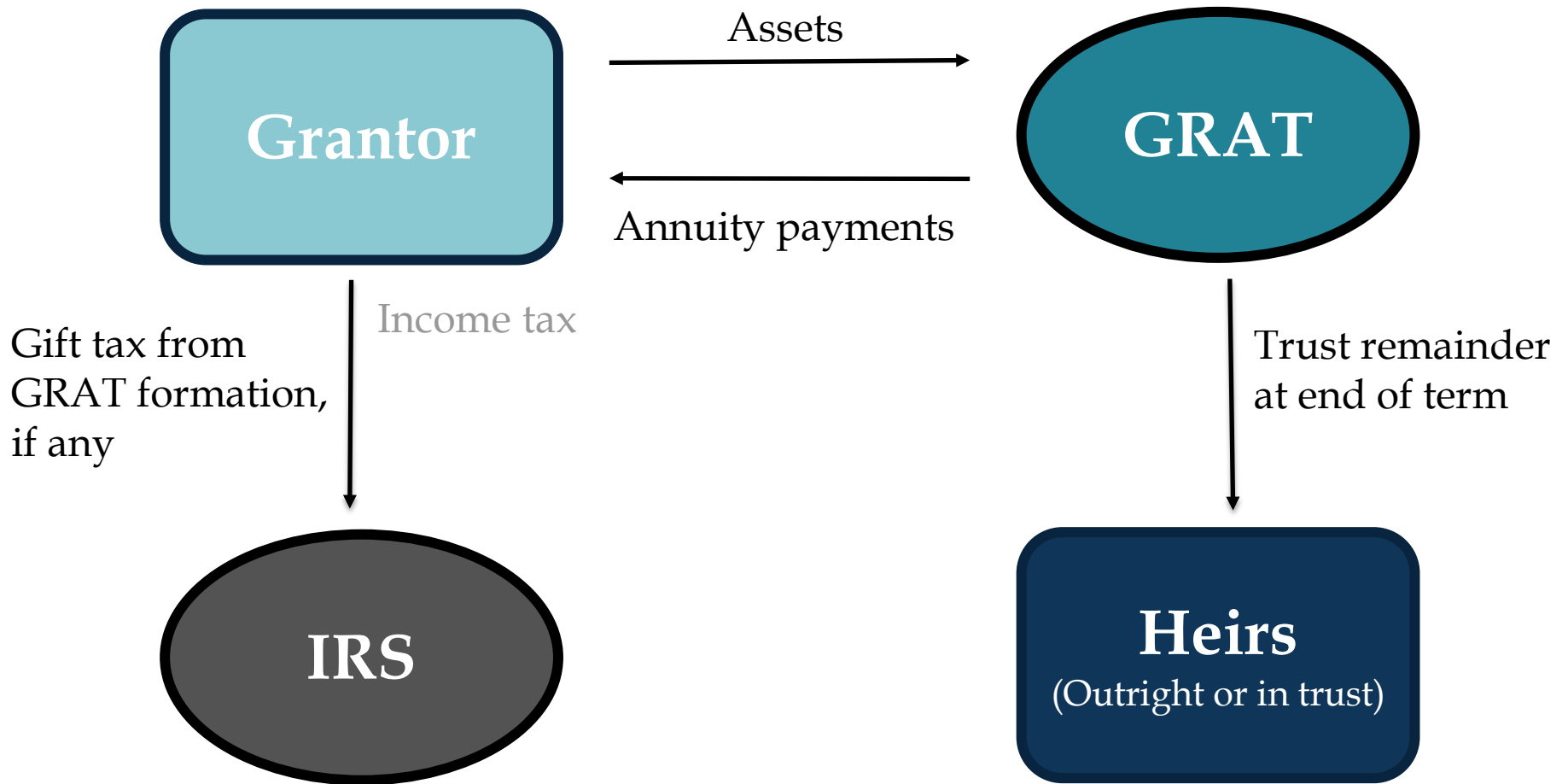
More complex strategies

- Establish a grantor retained annuity trust (GRAT)
- Lend money at low AFRs
- Qualified personal residence trust (QPRT)
- Consider a charitable lead trust

Grantor Retained Annuity Trust



How a GRAT Works



Additional Resources

NOW: IN TIMES LIKE THESE...

Review Required Minimum Distributions (RMDs) +

Evaluate Roth Conversions +

Consider Tax-Loss Harvesting +

Optimize Charitable Impact and Tax Deductions +

Leverage Low Interest Rates +

Accelerate Family Gifting Strategies +

Revisit Your Monthly Budget and Spending +

Purchase a Home if You Are Ready to Buy +

LATER: IT'S ALWAYS THE RIGHT TIME...

Maintain the Right Asset Allocation +

Know Your Spending Capacity +

Maintain a Rainy-Day Fund +

Organize Financial, Healthcare and Estate Planning Documents +

Plan and Invest for Retirement +

As You Approach Age 65, Evaluate Medicare and Social Security Elections +

Fund and Invest in 529 College Savings Plans +

Plan for Future Healthcare Expenses with a Health Savings Account (HSA) +

Q&A

Thank You.

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