



RETIREMENT INVESTMENT ADVISORS, INC.

3001 United Founders Blvd.
Oklahoma City, OK 73112
(405) 842-3443
(800) 725-4530

2952 Via Esperanza
Edmond, OK 73013
(405) 246-0404

9300 John Hickman Pkwy.
Suite 504
Frisco, TX 75035
(972) 377-2850

www.TheRetirementPath.com

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left to right: Joe Bowie, Andrew Flinton, Brenda C. Bolander, Carol Ringrose Alexander, Randy Thurman, and Chad Rudy

Financial Briefs

MARCH 2018

Estate Planning for Complicated Family Situations

In our modern and increasingly complex society, planning for the future is not always straightforward. Divorce and remarriage, blended families, children with disabilities, or even a financially irresponsible child can complicate estate planning to the point where procrastination is tempting. If any of these situations apply to you, the reality is you should have a well-thought-out estate plan in place. While accommodating all of your loved ones is a delicate balancing act with many variables to consider, the reward is peace of mind in knowing your spouse and children will be cared for in the best possible way following your death.

If You Are Divorced

Your top priorities are updating your beneficiaries, last will, trusts (along with the executor/ trustee), durable power of attorney, and healthcare proxy. Likewise, because you no longer have the benefit of combining your estate and inheritance tax exemptions with a spouse, you may need to consider more strategic estate planning to avoid estate taxes.

If there are children involved, you have even more decisions, including guardians of any minor children. Typically, you will not want your former spouse or his/her new

blended family to receive any of your assets.

While you can name anyone as your beneficiary on life insurance policies, annuities, retirement accounts (if permitted by your plan), IRAs, and health savings accounts,

your children typically cannot receive these funds until they turn 18. In the meantime, your children's appointed guardian, such as their surviving parent, could be designated by the court to manage these monies

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Leaving a Legacy

Many of us want to do our part to leave the world a better place. Fortunately, there are many ways you can ensure you'll have a meaningful impact on the world by leaving a legacy that lasts long after you're gone. Of course, you can also leave a financial legacy using the wealth you've accumulated in your lifetime to do good in the world. Below are five different ways to leave a financial legacy.

1. Give gifts in your lifetime. If you have the financial freedom to do so, making financial gifts while you are still alive is a great way to leave a legacy. Money donated to qualified charitable organizations can be deducted from your taxes, saving you money while also helping support a good cause. If you want to leave a family legacy, consider giving gifts to loved ones while you are living, like helping pay for your grandchild's college education. Just make sure you're aware of annual limits on what you

can give to individuals without triggering gift taxes (\$15,000 per person in 2018).

2. Make a bequest in a will.

Many people use their will to make philanthropic bequests to a favorite charity, their alma mater, or their church. Recognizing an organization in your will is a relatively easy way to leave a legacy. Bequests in a will don't require any additional planning and are exempt from estate tax, provided the recipient is a qualified charitable organization. However, if you plan to make a substantial bequest to a charity, you may want to inform them of your plans in advance. This is particularly important if you plan to donate real property, like real estate or artwork, as not all charities will want or be able to accept such donations.

3. Create a charitable remainder trust. If you would like to make a substantial gift to a charity but

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Estate Planning

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until they reach adulthood. Proper estate planning can avoid any mishandling of those funds and provide you with the reassurance that your children will be financially protected.

One way to ensure this outcome is to set up a trust with an appointed trustee, such as a grandparent, aunt, or godparent.

If You Have Remarried

While remarrying is a beautiful reminder that second chances really do exist, this can often complicate estate planning — particularly when at least one spouse has children from another marriage. The first step is to sit down with your spouse and discuss what you both feel is fair for each other and your children, perhaps categorizing what is yours, mine, and ours to reach a decision.

Because of state marital estate laws, unless you have a prenuptial agreement in place, your current spouse has legal entitlement of up to half of your estate, regardless of what your will may designate.

Assuring that your surviving spouse is provided for while leaving a legacy for your children can be a frail matter; it's important to have a plan intact that assures both your spouse and children receive what you intend. You might consider a trust, such as a marital trust, qualified terminable interest property trust (QTIP), or irrevocable life insurance trust (ILIT), which can provide lifetime income to your surviving spouse while simultaneously ensuring that your heirs receive the remaining proceeds.

If You Have a Special-Needs Child

Understandably, parents of a special-needs child are often so distracted with accommodating the child's immediate needs that important financial matters are sometimes overlooked. The consequences of putting off estate planning are far worse in these situations.

The two most important factors to consider are preserving your

Distributing Personal Possessions

Organizing and planning an estate is not a simple process. After deciding who should receive major assets like your house, business, investments, and retirement accounts, you may need to use a variety of vehicles to distribute those assets, such as wills, gifts, and trusts. Dealing with major assets may be so time consuming that you don't even think about your personal possessions, leaving distribution decisions up to your heirs. But disputes over personal possessions are more apt to cause conflict among heirs than disputes over money. Some items to consider include:

- **Take time to think about who should receive treasured personal possessions.** You might want to detail your wishes in a separate letter to your heirs to prevent disagreements. Indicate why you are distributing possessions in that manner.
- **Ask your heirs what possessions are important to them.** Otherwise, you may inadvertently

give a treasured possession to one child without realizing its importance to another child. Children may then try to read motives into your decisions that didn't actually exist.

- **Don't distribute assets based on arbitrary criteria.** You don't necessarily have to give your jewelry to your daughter or tools to your son. Your son might want to pass on some of your jewelry to his wife or daughter. Likewise, don't give your most valued possessions to your oldest child without considering younger siblings.
- **Devise a method.** You probably won't want to decide how every personal possession should be distributed. After you have determined how to distribute your most valued possessions, detail a method for heirs to distribute the rest of your possessions. It can be as simple as having heirs take turns selecting items or flipping a coin if more than one person is interested in an item. ■■■

child's eligibility for Medicaid and other essential benefits while continuing to provide the best possible lifestyle for them. However, without a proper action plan, an inheritance could disqualify your special-needs child from vital benefits.

To avoid this situation, parents often leave special-needs children out of the inheritance equation, listing other siblings or a designated guardian as heirs with the intention that their special-needs child will be provided for as he/she continues to receive necessary medical benefits. The truth is, misuse of intended funds is always a possibility, as intentions and reality often do not mesh. A much more reassuring path is to consider a special-needs trust, which can assure your child continues to qualify for medical benefits while providing a sound financial future that can include special trips,

therapeutic lessons, and life enhancing activities.

An Irresponsible Adult Child

It's quite common for parents to worry that a child could get into serious trouble when presented with a large sum of money. This depends on a variety of factors, such as age at the time of inheritance, lifestyle, or even addiction issues. Consider establishing a trust — such as a spendthrift trust or incentive trust — where the appointed trustee can limit your child's inheritance to several installments throughout the course of his/her lifetime (even on an annual basis if you so wish), place conditions such as good behavior on the disbursements, or even appropriate the funds for something as specific as college tuition.

Please call to discuss this topic in more detail. ■■■

Leaving a Legacy

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also want to provide for your heirs or receive income during your lifetime, a charitable remainder trust (CRT) may be an option. Here's how it works: You transfer assets to the trust (and get a tax deduction at the time of the transfer), and you or your heirs receive income from the trust for a specified period of time. When that period ends, the remaining assets go to the charity of your choice. A word of caution: CRTs are irrevocable, which means you can't reverse them.

4. Set up a donor-advised fund.

Know that you want to leave money to a charity, but are not ready to hand it over just yet? Consider setting up a donor-advised fund. This fund allows you to make contributions that are earmarked for charity and claim the associated tax deduction in the year you contribute to the fund. You continue to make contributions, which are invested and grow free of tax. When you are ready, you can choose one or more charities to receive all or some of the accumulated assets.

5. Fund a scholarship. Endowing a scholarship is a great way to make a difference in the life of a talented student. Here's how it typically works: You give a certain amount of money to the school of your choice, which earmarks it to fund scholarships, often for certain types of students (e.g., female math majors, former foster children, or students suffering from a certain disease). Other scholarships may be established through community foundations. A seed gift of \$25,000 or \$50,000 may be enough to get started. However, while you may be able to have a say in selection criteria for the scholarship, there's a good chance you won't be able to select the recipient yourself. If you want to do that, you'll need to distribute the money in another way, perhaps by setting up your own nonprofit organization.

5 Estate-Planning Tips for Dependents

When you have people who are dependent on you, like children or elderly parents, you want to ensure they will be well taken care of in the event that you can no longer care for them. Here are five tips:

- **Hire an estate planner** — An estate planner will make sure you think of and lay out every aspect of your estate plan. Estate planners stay up-to-date on tax rules and other laws and regulations, so they can help you ensure that your plan is legally and financially sound.
- **Choose a guardian** — Choosing someone to take care of your children in the event that both you and their second parent are deceased is a huge decision to make and deserves great care and time. You want to choose a guardian who loves your children and has the capacity to take care of them into their adulthood. That means a guardian who has the financial capacity to care for your dependents, as well as the physical ability to do so. So even though grandparents may be able to love and care for your children just as you did, they may not be in good enough health to care for a child or children. The goal of choosing a guardian is to make sure your children are loved and taken care of adequately, they receive a good education, their lives re-

main as stable as possible, and they receive emotional support to cope with your loss. Ask early (and often) if they are comfortable being the guardian of your child or children.

- **Develop a trust** — A trust is often used when people have minor children or dependents who are incapable of taking care of themselves. As the trustor, you put a trustee in charge of the beneficiary's property and/or assets until the beneficiary meets requirements such as reaching a certain age or milestone. Just like choosing a guardian, make sure you take time in choosing a trustee who is trustworthy and capable.
- **Start as soon as possible** — As soon as you have a child or otherwise become responsible for a dependent, it is important to get an estate plan in place to protect them in case of emergency.
- **Reevaluate often** — As time goes on, your situation may change quite a bit from your original plan. Any time major changes happen in your life that impact what you would leave behind and who you'd want to leave it to, revisit your estate plan.

You may have no control over when or how you will die, but you do have control over what happens to your dependents. To get started with your estate plan, please call.

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6. Start a foundation. Starting a family foundation is appealing to many, especially those who like the idea of having greater control over how their money is used, as well as the prestige that comes with running a foundation. Well-managed private foundations can also endure for many generations after you're gone. You'll need substantial assets to make setting up a foundation worth it. Plus foundations are

complicated and expensive to set up and administer. But if you are committed to the idea of giving back and especially want to keep the entire family involved in giving (a concern for many wealthy families), a private foundation could be the way to go.

Curious about steps you can take to leave a meaningful legacy? Please call to discuss this topic in more detail. ■

News and Announcements

From the Thurman Household

More Than a Millionaire — Your Path to Wealth, Happiness and a Purposeful Life, my book, is finally out. Yay! It shares how someone, anyone, under 40 with a basic income can become financially independent within their value systems, and how to be happier along the journey. It has chapters on: budgeting with suggested percentages of spending in various areas; investing; how to attract a raise; the traits of the wealthy and happy; a three-year reading plan for success and significance; and more.

You can find the paperback with this link: [amzn.to/2tidvTM](https://www.amazon.com/dp/B000APR004). I should also have a Kindle version out by the time you get this newsletter.

My son, Levi, is doing well and almost completely recovered from his shoulder surgery already. He recovered much faster than I did (what's up with that?). He's even back to lifting weights. College seems to be going well with one semester remaining for his Associate's degree, including a Chemistry class. He continues to ask why he needs to take classes that he will never use. This is a very good question. I generally mumble something about a well-rounded education...

My wife, Pati, continues to run, bike, and swim. This morning she got up early and ran 11 miles. I look forward to when I can get back into it. It's been slow going.

Until next time,

Randy Thurman, CFP®, CPA/PFS

From the Flinton Household

As I shot out of bed at 5:45 AM, my heart racing, I hoped that I wasn't too late. Have you ever had something extraordinarily important to attend to that slipped your mind?

Well on this fateful morning, I had committed a grave error; I had gone to bed without fulfilling my duty as resident tooth-fairy. Now ordinarily, this wouldn't have been an issue, but my daughter, Emerson, had recently watched the movie *The Tooth Fairy* and had been talking about the tooth fairy for weeks. She had laid out a gift, a snack, and a thank-you note with a drawing of an angel for the tooth fairy as well; this was a big deal. If she was already awake, she would have been crushed.

I hurried to her room to see her starting to stir, and I froze at her doorway, praying she wouldn't open her eyes. It just had to be the light sleeper of the family! She rustled and turned to the wall, and I leapt into action with the skill and deftness of a real-life tooth fairy.

I slowly tried to remove the crispy-foiled pack of treats, the gift, as well as the tooth, and in its place leave the going exchange rate. I couldn't bear to see if she had awakened, and I slithered out the door with the haul in hand.

Not a minute had passed before she shot up like a rocket, squealed with joy, and excitedly shared she actually heard the tooth fairy take the loot. I reacted excitedly that she had only heard, and had not, in fact, seen the tooth fairy that early morning! Too close of a call; I must have had help looking over me that fateful morning.

Make it a wonderful month,

Andrew Flinton, CFP®

From the Rudy Household

In life you have to make important decisions. After my wife, Amy, and I graduated from college and got married, we made a decision to accept jobs in Houston, eight hours south of our hometown of Oklahoma City. We knew very little about Houston, and we were surprised just how far south of Dallas the city really was. We grew to enjoy the city and all that it had to offer. All three of our daughters were born in Houston. We made many great friends and even adjusted to the humidity!

Ten years ago, after much discussion, we made another important decision to move a closer to Oklahoma and to our families. After a lengthy decision process, we decided to make Frisco, Texas, our home. With frequent business trips to Frisco, I was always impressed with the city, and Amy loved the schools.

Moving in 2008 added additional challenges with the backdrop of the stock and home markets. Our focus was the long-term; and 10 years later, we couldn't be happier about our decision. We certainly enjoy our short drives to both Houston and Oklahoma City.

Chad Rudy, CFP®

Staying Safe Online Seminar

Join Retirement Investment Advisors on March 29 from 8:30 a.m. – 10:00 a.m. for our free *Staying Safe Online* seminar.

In this class, you will learn how to protect your personal information and avoid falling prey to common scams.

Advance reservations are required, so save your spot today at www.riastayingsafe.eventbrite.com.