STOCKHAM FINANCIAL

EYE ON MONEY

JAN
FEB
2021

One Year to Go!

What to do in the year before retirement.

plus

5 THINGS TO KNOW IF YOU INHERIT AN IRA

FINANCIAL RESOLUTIONS FOR 2021

DISABILITY INSURANCE TIPS

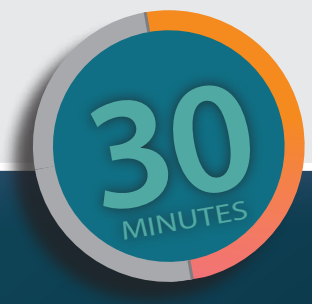
©iStock.com/eakrin rasadonyindee, Spanic, turk_stock_photographer

FINANCIAL

Financial Tasks You Can Tackle In Under 30 Minutes Each

1 **Set up bank account alerts.** Many banks offer email and text alerts that can help you keep an eye on your accounts even when you're on the go. Your bank's choices may include alerts for a wide variety of changes to your account, such as when your balance drops below a specified amount, when a deposit is made, and when a transaction exceeds a specified amount.

2 **Set up calendar reminders for 2021.** To help avoid missing important financial due dates and incurring late fees and penalties, take a few minutes to set up reminders in your calendar for the upcoming year. For example, enter the due dates for your recurring bills and estimated tax payments and then set up reminders to alert you a few days before each payment is due. ■



inside

UP FRONT

2 Financial Tasks You Can Tackle in Under 30 Minutes Each

3 4 Disability Insurance Tips

4 Why Invest in Bonds?

5 About Your Tax Filing Status

FEATURES

6 One Year to Go! What to Do in the Year Before Retirement
Financial tips and considerations to help with the decisions you may need to make in the year leading up to retirement.

12 Financial Resolutions for 2021

14 Five Things to Know if You Inherit an IRA

FYI

16 Lingering in Lyon: Lyon, France

18 Craft Exhibitions and Markets

19 Quiz: America the Beautiful

© 2021 Quinn Communications Inc.
This publication was created by Quinn Communications Inc. (www.quinncom.biz) for the use of the sender. It is intended to provide general information on the subject matter covered. It is not intended to provide a financial, legal, or other professional service. The information in this publication may not be appropriate for you. Contact a financial or legal professional before making changes to your plans.

4 DISABILITY INSURANCE TIPS

TO HELP PROTECT YOUR INCOME AND FINANCIAL STABILITY

Disability insurance is designed to replace part of your income for a period of time if you become too sick or injured to work. Its benefit payments can help you cover your living expenses and may help prevent a serious health problem from turning into a financial disaster.

Prepare for the possibility that you may one day be too disabled to work.

- The reality is that a twenty-year-old worker today has a one-in-four chance of becoming disabled before reaching retirement age, according to the Social Security Administration. With odds like that, it makes good sense to prepare financially for the possibility that an illness or injury may one day make it impossible for you to work and earn a living for an extended period of time. One way to prepare for the possibility is with long-term disability insurance.

Don't assume Social Security has you covered if you become disabled.

- Social Security does pay disability benefits, but only to the most severely impaired workers who can meet the definition of disability under the Social Security Act. And while Social Security benefit payments can be helpful, they are very modest with monthly benefit payments averaging about $1,258 in 2020. Long-term disability insurance from an insurance company may provide a larger monthly payment while you are unable to work.

Check whether company-paid insurance is enough.

- Some employers foot the bill for long-term disability insurance for their employees as part of their benefit packages. And although free benefits are always appreciated, please keep in mind that company-paid insurance may not provide enough coverage for your needs. Talk to your financial professional about how much coverage is appropriate in your situation. If it turns out that the company-paid coverage is not enough, consider purchasing supplemental coverage to help bridge the gap between what your employer's disability insurance will pay and the amount you may actually need to cover your living expenses.

Self-employed? No coverage at work? Consider an individual policy.

- If you do not have access to long-term disability insurance through work, consider purchasing an individual policy on your own. Buying an individual policy gives you the freedom to choose the policy that best suits your needs and your budget. And individual policies are generally portable, meaning that your coverage goes with you when you change employers. ■

Please consult your financial professional for advice about disability insurance.

©iStock.com/Abscent84

© iStock.com/elinedesignservices

Why invest in bonds?

Investors choose bonds for several reasons, including their ability to help manage risk in a portfolio, provide a predictable stream of income, and preserve capital.

DIVERSIFY YOUR PORTFOLIO

Bonds are generally a less risky investment than stocks so adding them to a portfolio that contains stocks can help lower the portfolio's overall risk.

GENERATE INCOME

Bonds typically pay a specified rate of interest on a set schedule, making them a good choice for investors who want a predictable stream of income. Individual bonds usually pay interest twice a year while bond funds usually pass along interest to investors every month. Keep in mind that the amount of interest from a bond fund will fluctuate from month to month as the fund's holdings change.

PRESERVE CAPITAL

If you hold an individual bond until maturity, you will be paid the bond's face value, barring a default. This feature makes individual bonds attractive to investors seeking to preserve the capital they invest. Bond funds, however, generally do not have a maturity date. A bond fund's share price will fluctuate over time, and the amount you receive when you sell your shares may be higher or lower than the price you paid for them.

TAX-EXEMPT INCOME FROM CERTAIN BONDS

The interest from U.S. Treasury securities and tax-exempt municipal bonds receives preferential tax treatment as long as the bonds are held in a taxable account. With U.S. Treasuries, the interest payments are exempt from state and local taxes. With tax-exempt municipal bonds, the interest payments are exempt from federal income tax and may also be exempt from state and local taxes if the bonds were issued in your state. Tax-exempt interest payments make municipal bonds especially attractive to high-income individuals who stand to benefit the most from the tax exemption. ■

Please consult your financial professional for advice.

Please note: Bonds are subject to interest rate risk. When interest rates rise, bond prices usually fall. The effect is usually more pronounced for longer-term securities. Fixed-income securities also carry inflation risk and credit and default risks for both issuers and counterparties. You may have a gain or loss if you sell a bond prior to its maturity date.

Diversification does not ensure a profit or protect against loss in declining markets.

Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial professional for a prospectus containing this information. Please read it carefully before investing.

About Your Tax Filing Status

On your federal income tax return, you are asked to choose a filing status. For some taxpayers, the choice is clear. But if your marital status changed recently or more than one filing status applies to you, your choice may not be so clear cut. Here are a few things to know about the five filing statuses. Please consult your tax professional for specific advice.

Your marital status on the last day of the tax year (generally December 31) determines your marital status for the whole year. For example:

- If you were married on December 31, 2020, you are considered married for the whole year in the eyes of the IRS.
- If you were unmarried, divorced, or legally separated from your spouse on December 31, 2020, you are considered unmarried for the whole year.

5 FEDERAL FILING STATUSES

SINGLE

- **For unmarried people**
- **$12,400 standard deduction**[1]

This filing status is used by unmarried individuals. You may be eligible to use a different filing status if you have a dependent.

MARRIED FILING JOINTLY

- **For married couples**
- **$24,800 standard deduction**

This filing status usually results in lower taxes for married couples than married filing separately.

MARRIED FILING SEPARATELY

- **For married couples**
- **$12,400 standard deduction**

This filing status may be a good choice if you only want responsibility for your own tax or if it results in a lower tax than filing jointly. With this filing status, you cannot claim certain tax credits that are generally available to couples who file jointly.

HEAD OF HOUSEHOLD

- **For unmarried people with dependents**
- **$18,650 standard deduction**

You may be able to lower your taxes by claiming this filing status if you are unmarried or lived apart from your spouse for the last six months of the year, pay more than half the cost of keeping your home, and have a qualifying person, such as your dependent child who lived with you for more than half the year.

QUALIFYING WIDOW(ER)

- **For recent widows(ers) with dependents**
- **$24,800 standard deduction**

The year your spouse dies is the last year you can file jointly. However, you may be able to use this filing status for the following two years if you have a child you can claim as a dependent. This filing status offers the same tax rates and high standard deduction as married filing jointly. ■

Photo © iStock.com/katiho Seisa

1 *The standard deduction amounts are for the 2020 tax year.*

One Year to Go! What to Do in the Year Before Retirement

The decisions you make in the year before retirement regarding your retirement accounts, pensions, Social Security, and other retirement resources may impact you for the rest of your life. The following tips and considerations can help with those decisions, but keep in mind that one of the best decisions you can make is to consult your financial professional for specific advice.

Make certain you can afford to retire on your planned date.
Have you saved enough to afford the retirement you envision? It's time to double-check.

Start by estimating how much you may spend annually in retirement. With retirement only one year away, you may have a pretty clear idea at this point of how much it will take per year to maintain your lifestyle.

Then add up the predictable income you expect to receive annually in retirement. This typically includes income from Social Security, pensions, and annuities. Add to that number the amount you can withdraw from your savings and investments each year without taking too great a risk that you will deplete your savings prematurely. Is the resulting amount enough to cover your annual expenses?

Your financial professional can help you assess whether you can afford to retire on your target retirement date.

Estimate how much money you can safely withdraw each year.
To help minimize the chance of depleting your savings prematurely, it is important to estimate how much money you may be able to withdraw each year and still stand a good chance of your savings lasting your lifetime.

One rule of thumb suggests that retirees who withdraw 4% of their savings in the first year of retirement and then increase the annual withdrawal amount by the inflation rate each year have a strong chance of their nest egg lasting 30 years. For example, if you have $1 million in savings at the start of retirement, you might withdraw $40,000 in year one, $41,200 in year two, $42,436 in year three, and so on, assuming the inflation rate is 3% each year.

Keep in mind that 4% is simply a rough guideline. The percentage was determined a few decades ago based on historical data and generally using a 50/50 mix of stocks and bonds. (Past performance is no guarantee of future results.)

Depending on your investment mix, the number of years you expect to be in retirement, and other factors, it may be a good idea to use a slightly different withdrawal rate. For example, someone who retires early and expects to spend more than 30 years in retirement may be better off using a lower withdrawal rate while someone who retires late and expects to spend less than 30 years in retirement may be able to confidently use a higher withdrawal rate.

It can also help to stay flexible. If a steep drop in the market reduces the value of your portfolio significantly, decreasing your withdrawal amount for a year or two may help your retirement savings last your lifetime.

Your financial professional can help you evaluate your situation and choose an appropriate withdrawal rate that minimizes your risk of running out of money in retirement. Your financial professional can also help you reevaluate your situation throughout retirement in case adjustments are needed.

Develop a tax-minimizing withdrawal strategy.
By the time you retire, your retirement savings may be spread across a variety of financial accounts, such as taxable bank and brokerage accounts, tax-deferred retirement accounts, and tax-free Roth retirement accounts. Because taxable, tax-deferred, and tax-free accounts are subject to different tax treatments, withdrawals from each type of account will impact your taxes in different ways. So how should you tap your accounts to minimize your overall taxes in retirement?

Conventional wisdom suggests that withdrawals should be made from taxable accounts first, followed by tax-deferred accounts, and finally tax-free Roth accounts. The reasoning behind this sequence is that it allows tax-favored accounts to potentially compound tax-deferred or tax-free for as long as possible. For some people, this approach may be too simplistic because it doesn't consider their personal situation and goals.

A better approach is to work with your financial professional to develop a tax-minimizing withdrawal strategy tailored to your specific situation. There may be circumstances where it is more tax-efficient to tap multiple types of accounts in a single year.

Will my Social Security benefits be taxed?

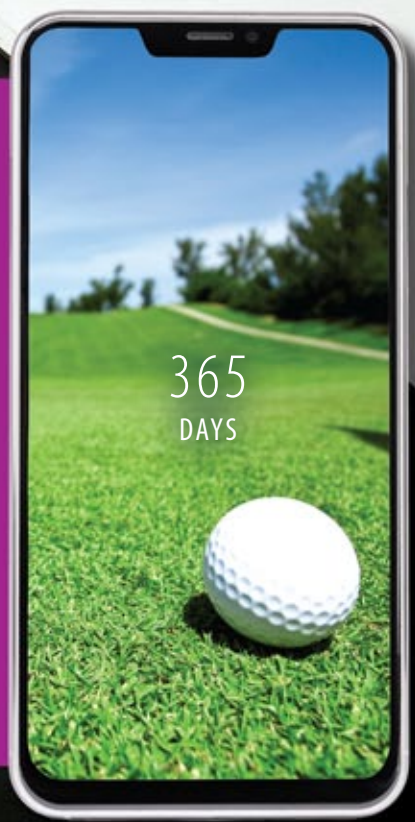
Part of the Social Security benefits you receive will be subject to federal income tax if your "combined income" exceeds a certain amount. Your combined income is the sum of your adjusted gross income, your nontaxable interest, and one-half of your Social Security benefits.

SINGLE

Combined income	*You may be taxed on*
$25,000 - $34,000	Up to 50% of your benefits
Over $34,000	Up to 85% of your benefits

MARRIED FILING JOINTLY

$32,000 - $44,000	Up to 50% of your benefits
Over $44,000	Up to 85% of your benefits



© iStock.com/eakrin rasdonyindee, Spanic turk_stock_photographer

Decide when to begin Social Security benefits.
The age when you begin receiving Social Security benefits will have a significant impact on your monthly benefit amount.

Although you can generally begin receiving benefits at age 62, the longer you wait to begin benefits, up until age 70, the larger your monthly benefit will be.

According to an example from the Social Security Administration, someone who is eligible for a $1,000 monthly benefit at a full retirement age of 66 years and 8 months would receive $716 per month if they began benefits at age 62 or $1,266 per month if they began benefits at age 70. So, beginning benefits at age 70 instead of age 62 would increase their monthly benefit amount by about 76%.

For an estimate of how much you may receive per month if you begin at age 62, full retirement age, or age 70, check out your Social Security Statement, which you can review online at www.ssa.gov.

If you will be collecting benefits based on your spouse's work record, you may want to wait until your full retirement age to begin benefits so that you receive the maximum spousal benefit, which is half of the amount your spouse is entitled to at his or her full retirement age. If you begin sooner, the amount of your spousal benefit will be reduced.

Decide what to do with your 401(k) and other qualified retirement accounts.
When you retire, you'll generally have three options for how to handle the savings you hold in your employer's qualified retirement plan. You can leave your money where it is, transfer it to an IRA, or take a cash distribution. Each option has its benefits and limitations.[1]

The first two options—leave your savings in your current plan or transfer them directly to an IRA—preserve the tax benefits that your savings currently enjoy. Your savings can continue to grow tax-deferred or tax-free for as long as they remain in the employer's plan or the IRA. The third option—cash out the account—will generally have immediate tax consequences. The taxable portion of the cash distribution will be taxed as income in the year you receive it and may also be subject to a 10% tax penalty if you are not yet age 59½.

Retiring early? Plan how to avoid penalties on early withdrawals.
Normally, withdrawals from IRAs and workplace retirement plans prior to age 59½ are subject to a 10% early withdrawal tax penalty. Fortunately for people who retire early, there are exceptions to the "age 59½ rule" that may allow you to tap your savings before age 59½ without incurring the 10% penalty.

One exception states that if you leave your job in or after the year you reach age 55 (age 50 if you are a qualified public safety employee), withdrawals that you

make from that employer's qualified retirement plan after you leave are penalty-free. This exception applies to 401(k) plans, 403(b) plans, and certain other qualified retirement plans. It does not apply to IRAs.

An exception that applies to IRAs and qualified retirement plans allows penalty-free withdrawals before age 59½ as long as the withdrawals are part of a series of substantially equal periodic payments.

Please consult your financial professional about these and other exceptions to the age 59½ rule.

Decide how to handle any employer stock in your 401(k).

If the employer stock has appreciated greatly in value, you may save a bundle in taxes by moving it to a taxable account. If you leave it in a tax-deferred 401(k) or move it to a traditional IRA, it will eventually be taxed as ordinary income when you sell the stock and withdraw the proceeds from the account. But if you move it to a taxable account, part of it may qualify for a lower tax rate when the stock is sold.

Here's how this strategy generally works. When you move employer stock to a taxable investment account, the stock's cost basis (the price originally paid for the stock) will be subject to ordinary income tax that year. The increase in the stock's value, known as its net unrealized appreciation (NUA), will be taxed as a long-term capital gain when the stock is sold, which may significantly reduce the tax on its appreciation.

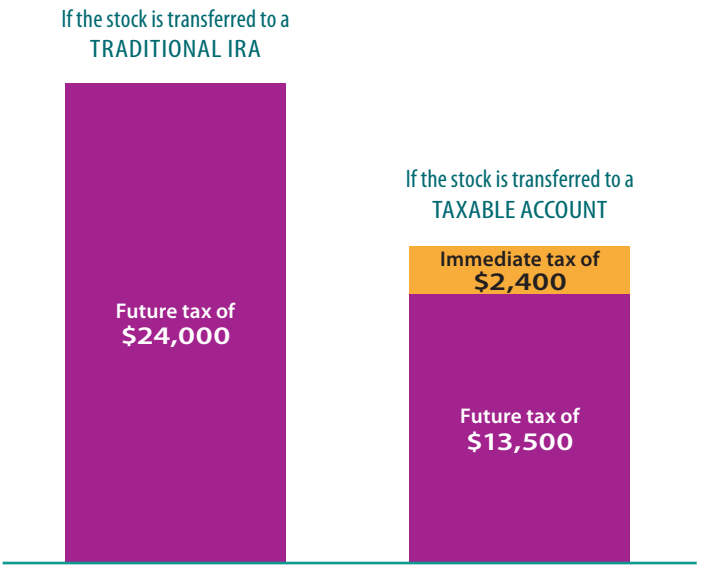
Although this strategy has the potential to trim your tax bill given the right circumstances, it is not suitable for everyone. Please check with your financial professional before deciding how to handle your employer stock.

If you use this strategy, your entire 401(k) account must be distributed within a single year. You can transfer the assets remaining in the account to an IRA if you want to preserve their tax-deferred status.

The NUA Strategy: A Hypothetical Example

If you have appreciated employer stock in your 401(k), you may save a considerable amount in taxes if you move the stock to a taxable investment account rather than an IRA so that the increase in its value can be taxed as a long-term capital gain rather than ordinary income.

Here's an example of how the NUA strategy may work. The example assumes the employer stock has a $100,000 market value and a $10,000 cost basis (the original price paid for the stock) and that the retiring employee is in the 24% federal income tax bracket.



TOTAL FEDERAL TAX: $24,000

The employer stock ($100,000) avoids taxation when it is transferred to the IRA, but is taxed as ordinary income (24% in this example) when it is withdrawn from the IRA.

TOTAL FEDERAL TAX: $15,900

The stock's cost basis ($10,000) is taxed as ordinary income (24% in this example) when the stock is transferred from the 401(k) to the taxable account.

The net unrealized appreciation, or NUA, ($90,000) is taxed as a long-term capital gain (15% in this example) when the employer stock is sold in the taxable account.

This is a highly simplified, hypothetical example for illustrative purposes only. It assumes that the value of the stock does not change after it is distributed from the 401(k) plan and that the account owner is old enough to avoid the 10% tax penalty on early withdrawals. It also assumes that the 401(k) plan allows actual securities to be transferred. Not all 401(k) plans allow this. The example does not take into account state and local taxes.

Apply for your pension.
If you are eligible for a traditional pension, find out when you should apply for benefits. Some organizations may need a few months to process your application before benefits can begin.

Also explore your pension payment options so that you are ready to make your choice during the application process. Pension benefits are typically paid as an annuity—that is a series of periodic payments (usually monthly) that begin when you retire and continue for the rest of your life. If you are married, the payments can last for both your life and your spouse's life if you choose. In addition to annuities, the pension plan may offer a lump-sum option that pays you the entire benefit in one payment.

The decisions you make regarding your pension payments will impact you for the rest of your life so please seek advice from your financial professional before making them.

Consider purchasing an annuity.
If the idea of a guaranteed stream of income during retirement appeals to you, you may want to consider using part of your retirement savings to purchase an income annuity.[2]

An income annuity is a contract between you and an insurance company that promises to pay you an income for life or a specified number of years in return for your upfront premium payment.

If you want the income payments to begin immediately, consider purchasing an immediate income annuity. This type of annuity is purchased with one premium payment at or near retirement, and income payments begin nearly immediately.

If you want the income payments to begin later on in retirement, consider purchasing a deferred income annuity. With this type of annuity, you pay the premium now or over time and the income payments begin on a date you select, which can be decades from now.

Line up your health insurance.
If you have health insurance through your employer, check with them in the months leading up to your retirement date to learn what steps you must take regarding health insurance.

If you are retiring before age 65, it is important to plan how you will bridge the coverage gap before you become eligible for Medicare at age 65. Your options may include retiree health insurance from your employer, continued coverage from your employer's health plan for 18 months under COBRA rules, or an individual policy purchased from an insurance company or marketplace. If you are married and your spouse has group health insurance from his or her employer, you may be eligible for coverage under that plan.

If you are retiring right around age 65, explore your Medicare options so that you are ready to arrange for your coverage a few months before your 65th birthday. Will you choose Original

Consider moving the savings in your Roth 401(k) to a Roth IRA.

If you leave them in your Roth 401(k), you will eventually have to take required minimum distributions (RMDs) from them each year.[3] Roth IRAs do not require RMDs so transferring your savings to a Roth IRA gives you the freedom to leave your savings in the account to compound tax-free for as long as you'd like.

Medicare, perhaps combined with a Medigap policy and prescription drug coverage, or will you choose an all-in-one Medicare Advantage plan? You can familiarize yourself with your options online at www.medicare.gov.

Plan how to handle your stock options. If your employer granted you stock options, find out how your retirement may affect them. You may have only a limited amount of time after you leave the company to exercise your options. Talk to your financial professional about when to exercise the options, how to pay for the stock and any related taxes, and when to sell the stock.

Develop an exit strategy if you own a business. If you plan to sell your business, it's a good idea to seek advice from your tax and legal professionals about how to structure the deal in a way that meets your objectives and minimizes the taxes on the sale. ■

Please consult your financial professional for advice about the decisions you face in the year before retirement.

Your financial professional can help you create a comprehensive plan for transitioning into retirement.

1 When you leave an employer, carefully consider all of the options available to you regarding the assets you have in the employer's retirement plan. Your options may include leaving your assets in your former employer's plan, rolling them over to an IRA or your new employer's plan, or withdrawing cash. Consider each option's investment options, services, fees and expenses, withdrawal options, potential withdrawal penalties, required minimum distributions, tax treatment of employer stock, legal and creditor protections, and tax treatment.

2 All guarantees are subject to the claims-paying ability of the issuing insurance company.

3 RMDs from 401(k) plans generally must begin by the later of the year you reach age 72 (70½ if you reached 70½ before January 1, 2020) or the year you retire (if your plan allows this and you are not a 5% owner).

Photos © iStock.com/P10 karandaev, P11 adamkaz

Happy New Year!

It's a brand new year, a fresh start. These financial resolutions can help you make the most of it.

FINANCIAL RESOLUTIONS FOR 2021

The start of a new year is a great time to evaluate your financial situation and take steps to improve it or, if your finances are already in great shape, protect it. These resolutions may help.

As always, please contact your financial professional for personalized advice and help developing financial plans and strategies to move you toward your financial goals and help minimize the risks along the way.

MAKE A PLAN FOR YOUR FUTURE

Whenever you set out for a new destination, it helps to have a map or a GPS. The same holds true with your financial goals—it helps to have a financial plan that identifies where you are, where you want to go, and how to get there.

When making a plan, it's a good idea to keep your goal realistic and achievable by a specific date and to spell out the steps you must take to stand a good chance of reaching your goal by that date.

SAVE MORE OF WHAT YOU EARN

It's never too early or too late to begin saving for the things you want in life, such as a secure retirement or a great education for your kids.

If you are not on track to reach your financial goals, consider saving and investing more of your income this year.

Look for expenses you can trim and divert that money into your savings.

Automating the savings process, such as with direct deposit, can help keep your savings plan on track.

PAY DOWN HIGH-INTEREST DEBT

High-interest debt, such as credit card debt, can hold you back from pursuing your financial goals. Pay down that debt so you can afford to save.

Consider paying off the card with the highest interest rate first.

Or for a more immediate sense of accomplishment, pay off the card with the lowest balance before tackling cards with higher balances.

You will generally pay less interest over time if you pay off the card with the highest interest rate first.

PREPARE FOR THE UNEXPECTED

Life happens and it helps to be prepared for it. Here's how.

Replenish your emergency fund if it is running low.

Create durable powers of attorney for finances and health care.

Review your life insurance and long-term disability insurance coverage.

Pack a financial "go bag" with some cash, copies of your insurance policies, and the contact info for the insurance companies that you can grab in a hurry if you need to evacuate.

PROTECT YOUR CREDIT

Review your credit reports at least once a year for errors and signs of fraud. Free reports are available online at www.annualcreditreport.com.

Consider placing a credit freeze on your credit reports to help prevent scammers from opening new credit accounts in your name.

Improve your credit score by paying your bills and loans on time, keeping your credit card balances well below your credit limit, and avoiding applying for too many credit cards.

REVIEW YOUR ESTATE PLAN

Read over your will, trusts, and other estate planning documents once a year and when major changes occur in your life (marriages, new children, deaths, etc.) to see whether the documents reflect your current wishes.

Check the beneficiary designations on your savings, investment, and retirement accounts and life insurance policies to make certain they are up-to-date.

REVIEW YOUR PORTFOLIO

Review your asset allocation. Is it time for a change? Generally, investors shift to a more conservative mix of assets (fewer stocks) as they draw closer to the time when they will need their money.

Review your portfolio to see if it has strayed significantly from your target allocation. If it has, it may be time to rebalance your portfolio—that is restore it to your target allocation. ■

Asset allocation does not ensure a profit or protect against loss in declining markets.

Five Things to Know if You Inherit an IRA

If you inherit an IRA, you have options. What your options are depend primarily on how you are related to the deceased account owner and when the account owner died. Here are five things to know about the options. Your tax and financial professionals can tell you more.

1 Spouses can treat the IRA as their own.

If you are the sole beneficiary of your spouse's IRA, you can elect to be treated as the IRA's account owner rather than its beneficiary.

If you choose to be treated as the account owner, you will follow the same rules that apply to other account owners. For example, if you inherit a traditional IRA, you do not have to begin required minimum distributions (RMDs) from the account until you reach age 72.

If you inherit a Roth IRA, you do not need to take distributions from the account—ever. This may be a plus if you want to preserve the account for your heirs or you simply want to control the timing and amount of the withdrawals you make from the account.

2 Eligible designated beneficiaries can take distributions over their life expectancies.

If you are in the "eligible designated beneficiary" category, you have the option to take required minimum distributions based on your own life expectancy from the inherited IRA. This option is sometimes referred to as a "stretch IRA" because the annual distributions can be stretched over your lifetime allowing the assets that remain in the IRA to compound tax-deferred, or tax-free in the case of a Roth IRA, for as long as possible.

This option used to be available to all individual beneficiaries, but the SECURE Act of 2019 changed the eligibility rules. Now if the account owner dies after 2019, the beneficiary must be an eligible designated beneficiary to choose this option. If the account owner died in 2019 or earlier, the old eligibility rules still apply.

Eligible designated beneficiaries include surviving spouses, disabled or chronically ill individuals, and individuals who are not more than ten years younger than the deceased account owner. They also include the account owner's minor children, but only until they reach the age of majority at which time they will be required to withdraw the balance within ten years.

Why would a spouse choose this option instead of treating the IRA as their own? One reason has to do with the 10% early withdrawal tax penalty: it does not apply to this option, but it does apply to account owners. So choosing this option allows a young spouse who inherits an IRA to withdraw money before age 59½ without the 10% penalty that generally applies to early withdrawals made by account owners before age 59½.

If you decide to take annual distributions, keep in mind that you can withdraw more than the required minimum amount each year—just not less.

3 Most non-spouse beneficiaries must empty an inherited IRA within ten years.

The SECURE Act eliminated the stretch IRA option for most non-spouse beneficiaries. Now if you inherit an IRA from someone who dies after 2019 and you are not an eligible designated beneficiary, you must withdraw everything from the IRA within ten years of the account owner's death. You do not have to take distributions every year, but the account must be emptied within ten years.

While it may be tempting to leave all of the assets in the inherited IRA for the full ten years to maximize the amount of time they have to potentially compound tax-deferred or tax-free, consider the tax consequences.

With a traditional IRA, the taxable portion of your withdrawal will be subject to income tax when it is withdrawn. If you wait until year ten to withdraw everything, the withdrawal may be large enough to push you into a higher tax bracket. You may be able to minimize the taxes on your inheritance by making smaller withdrawals over a few years or by timing your withdrawals to years when you are in a lower tax bracket.

With a Roth IRA, withdrawals are generally tax-free so waiting until year ten to withdraw everything will not affect your taxes.

4 You can take a lump-sum distribution.

Anyone who inherits an IRA can withdraw their inheritance in one lump-sum distribution. But before you make a withdrawal, it's a good idea to make certain you fully understand the tax implications. First, the assets you withdraw from the IRA will no longer be able to compound tax-deferred or tax-free after they are withdrawn. Second, the taxable portion of the distribution, which in the case of a traditional IRA may be all of it, will be subject to income tax that year. You may be better off taxwise withdrawing the assets over a period of years.

5 You can disclaim the IRA.

One of the first decisions to make when you inherit an IRA is whether you want to accept the inheritance or disclaim it and let it pass to the account's other beneficiaries.

Disclaiming the IRA can be an attractive choice in certain circumstances. For example, you may want to disclaim the IRA if you already have sufficient wealth of your own and believe the IRA's contingent beneficiary may need the money more than you. You may also want to disclaim it if the addition of the IRA's assets to your taxable estate will result in increased estate taxes on your estate.

The tax rules for IRA beneficiaries are complex—and we've only scratched the surface of them here and haven't even touched on what happens if a trust or the estate is named as the beneficiary.

If you inherit an IRA, please seek advice from your tax and financial professionals before you withdraw or move any money. The professionals can help you explore your options and decide how to handle your inheritance. ■

© iStock.com/DNY59

IRA

FR2020-1006-0114/E

© iStock.com/p16 RossHelen, p17 alleko

LINGERING IN LYON | Lyon, France

BY BRIAN JOHNSTON

If you're looking for a less crowded and even tastier alternative to Paris that encapsulates the best of French urban lifestyle, head to Lyon.

IT WON'T TAKE YOU LONG to realize that Lyon is made for lingering. This lovely city of riverfronts, café-cluttered squares, and genteel boutiques encourages browsing, strolling, and idling an hour away over pastries. It encourages what the French call flânerie, a thoroughly enjoyable and stylish time-wasting. Local students do just that along the river, where they sunbathe and strum guitars. Retirees take up street-front positions over coffee, swiveling their heads at the shocks of passing, youthful fashions. Behind the windows of the lived-in old town, cutlery tinkles on the plates of long lunches.

While Lyon isn't Paris when it comes to monuments and museums, it's much less hurried and more approachable, and might just be France's top town. Sitting halfway between the green mistiness of northern France and its sunflower south, the city loiters between the bourgeois proprieties of Normandy and the bohemian, laidback attitudes of the Mediterranean. Lyon isn't overwhelmed with tourists, has fine museums and distinctive neighborhoods and a thriving arts scene. There are so many good restaurants that you can resort to wild gluttony.

This is the gastronomic capital of France. Top chefs come here to train, and Lyon produced the granddaddy of them all, hometown boy and three-Michelin-star legend Paul Bocuse, who died in 2018. You can have your pick of fine dining, and pass half the afternoon away at the table. And of course, you can accompany your meals with wine from the surrounding Beaujolais region, especially known for grape variety Gamay, which produces a light, fruity red wine. Meanwhile just down the Rhône River is another legendary wine region, Côtes du Rhône, which counts Châteauneuf-du-Pape and Hermitage among its most famous drops.

You don't have to be a gourmet expert or endure haute-cuisine formality to enjoy Lyon, however. The city's signature salade lyonnaise is simply composed of lettuce, bacon, and croutons, topped with

A view across the Saône River (left) to Lyon's Fourvière hill. Salad lyonnaisse (below), a mix of lettuce, bacon, and croutons, topped with poached eggs, is one of Lyon's signature dishes.

a gooey poached egg. One of France's most famous dishes, the rustic coq au vin, originated in Lyon centuries ago: a hearty winter dish of chicken, onion, and mushrooms simmered in red wine.

You can have better informal meals than you might ever find in the tourist-trap center of Paris, especially if you look out for the authentic Lyon eateries known as bouchons, which have red-and-white checked tablecloths and a city-awarded 'authentique bouchon Lyonnais' plaque beside the door. Alternatively, look for any restaurant that has andouillette on the menu. You might not want to tackle the evil-smelling tripe sausage yourself, but it's an indicator that the clientele will be mostly local and that other traditional dishes such as dumplings, duck pâté, roast pork, and creamed pike will be served.

Meanwhile, Les Halles de Lyon food market is a mouth-watering meander amid truffles, Beaujolais wines, and premium sausages, and is as deserving of a visit as any museum. Lyon's patisseries are additionally an endless temptation of macaroons, pink tarts, and the local specialty, coussins de Lyon (Lyon cushions) made from green marzipan and chocolate, flavored with Curaçao liqueur, and sold in pretty velvet boxes.

If you're a food lover you need no more reason to visit Lyon, but in fact you could easily work up an appetite with considerable bouts of sightseeing. Start off on Fourvière hillside above town, which has a well-preserved Roman amphitheater that gazes towards the summits of the Alps on the eastern horizon. Nearby is Lyon's looming hilltop basilica, a slightly Disneyesque turreted concoction in white, with a mighty statue of the Virgin Mary squinting into the sunshine, and an interior glittering with glorious Byzantine-style mosaics like some vision of a very ornate heaven.

Below, the exclamation marks of more austere medieval church spires puncture the roofs of the old town. Flights of long steps bring you a thousand years downhill through a disheveled park and into World Heritage-listed St Jean district. Its streets alternate between French Gothic and Italian Renaissance styles: cobbles, wrought iron, gargoyles, headless saints, leaning walls. Covered passageways

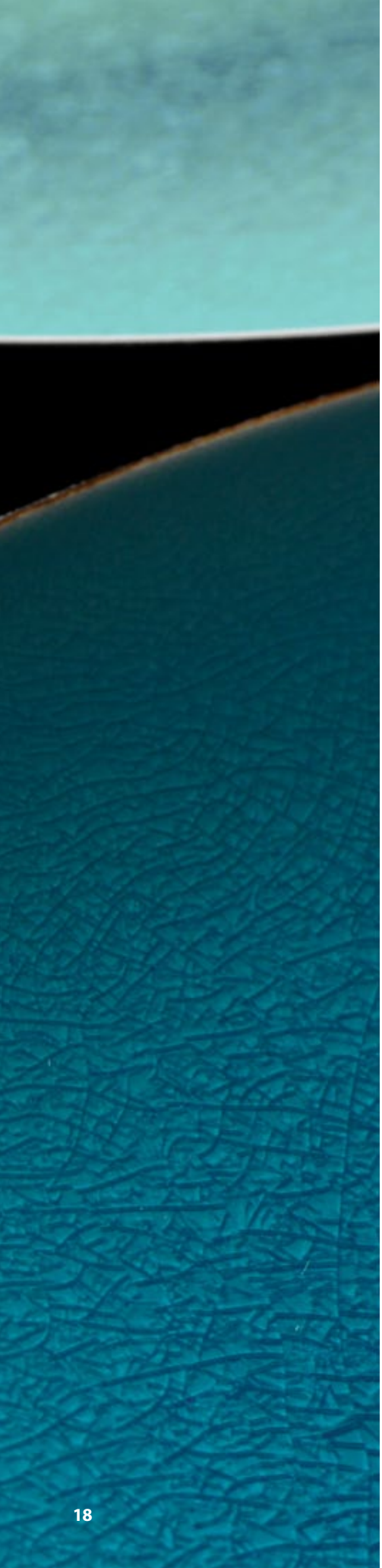
known as traboules burrow through old buildings with cramped, washing-hung courtyards. There are over 300 such traboules linking the old town's parallel streets. Lyon is one place where you should wander down dark alleys, past leaning bicycles, and beneath conversations floating from overhead apartment windows, in order to inspect Italianate arches and medieval spiral staircases.

St Jean is lively and Lyon's most touristy district. Adjacent St Georges is a quieter section of the old town, which you might enjoy for its shuttered streets and lovely buildings which are a legacy of the silk trade that made Lyon wealthy. (There's now only a single surviving silk manufacturer remaining.) From here, it's a hop over the slender Saône River to the newer part of town, called Presqu'Île or 'Almost Island' because it's also flanked by the Rhône River. This takes you away from the Middle Ages to a grander, nineteenth-century district of fine squares and shopping.

A fine neo-classical opera house is topped by a contemporary glass dome by star architect Jean Nouvel. A few minutes' walk away is the Musée des Beaux-Arts, which not only has the biggest collection of Impressionists outside Paris but some rather interesting old Etruscan, Persian, and Sumerian art as well. Unlike in Paris there are no crowds or queues, and the leafy courtyard is another great spot for idleness and feet resting.

The pointy part of Presqu'Île, where Lyon's two rivers, meet is startling. In this revamped former manufacturing district, the latest in cutting-edge architecture from some of Europe's leading architects rises in lurid lime-green and orange. A former sugar factory is now a center for arts exhibitions and concerts, and at weekends transforms itself into a nightclub. The Musée des Confluences —housed in a weirdly-angled, ultra-cool building that looks like a heap of scrap metal—is one of France's newest and most unexpected museums. It explores the intersection between science and the humanities, delving into everything from the Big Bang to the human brain to Peruvian mummies, moon rocks, and African masks. Lyon has a long pedigree, but this new museum places it firmly into the adventurous here-and-now.

There aren't too many reasons to head further west across the Rhône River, but it's a joy to rent a bike and cycle upriver to vast Parc de la Tête d'Or, France's largest public park, with its wandering deer and strutting flamingos. Take a rather unexpected pedal past the giraffes of the zoo, which peer over their fence like disapproving matrons disapproving of the Frisbee-playing teenagers with their shirts off. Greenhouses bulge with orchids, and acres of lawn seem designed for more sun-dappled wandering. In Lyon, lingering pleasures are all around. ■



FYI

Craft Exhibitions and Markets

The works of hundreds of innovative artists and makers are ready to be discovered by you at these craft exhibitions and markets this winter. The dates are subject to change so please confirm them on the organizations' websites.

ASHEVILLE, NC

Folk Art Center | *www.nps.gov/blri/planyourvisit/folk-art-center.htm*

Located at Milepost 382 on the Blue Ridge Parkway, the Folk Art Center celebrates the traditional and contemporary crafts of the Appalachian Region. Visitors can explore craft exhibitions in the Center's galleries, shop for handmade treasures in the nation's oldest craft shop (established in 1895), and perhaps view a demonstration by one of the members of the Southern Highland Craft Guild. Visitors can also stop by the National Park Service's visitor center in the same building for information and maps of the area.

BENTONVILLE, AR

Crafting America | *crystalbridges.org*

Featuring more than 100 works in ceramics, fiber, wood, metal, glass, and other materials, this special exhibition by Crystal Bridges Museum of American Art celebrates the skill and individuality of craft within the broad context of American art. The exhibition includes works by Ruth Asawa, Peter Voulkos, Jeffrey Gibson, Sonya Clark, and others and presents the diverse story of American craft from the 1940s to today. It is scheduled to run from February 6 through May 10, 2021.

NEW YORK CITY, NY

Brian Clarke: The Art of Light | *madmuseum.org*

A major exhibition of the works of one of the world's leading stained-glass artists, Brian Clarke (b. 1953), is scheduled to be on display at the Museum of Arts and Design through February 21, 2021. The exhibition features more than 100 works, including stained glass, compositions in lead, and related drawings on paper. The centerpiece of the exhibition is a group of more than twenty exuberantly colored stained-glass screens. Thanks to recent advancements in the art form, the screens were created without the usual dividing lead support that has been a necessary component of stained glass for hundreds of years.

PHOENIX, AZ

63rd Indian Fair & Market | *heard.org/fair*

This annual event is a great opportunity to watch native American artists demonstrate their skills, as well as to purchase the baskets, pottery, jewelry, and other items they create. The market is typically held on the first weekend in March on the Heard Museum grounds. ■

QUIZ

America the Beautiful

1. If you are strolling through the Hall of Mosses in the Hoh Rainforest, you are in:

A. Maine
B. Washington

2. If you are hiking across a vast sea of white gypsum dunes in White Sands National Park, you are in:

A. New Mexico
B. Texas

3. If you are wandering through the tall winding walls of Antelope Canyon, you are in:

A. Arizona
B. North Dakota

4. If you are getting wet from the spray of the Snake River as it plunges over Shoshone Falls, you are in:

A. Delaware
B. Idaho

5. If you are enjoying the view of Hanging Lake with its waterfalls and vivid green-blue water, you are in:

A. Colorado
B. Florida

6. If you are on Cannon Beach angling for the perfect shot of Haystack Rock, you are in:

A. Oregon
B. Maryland

7. If you are biking the scenic Cades Cove Loop Road in the Great Smoky Mountains National Park, you are in:

A. Tennessee
B. Indiana

8. If you are crossing the Continental Divide on the Going-to-the-Sun Road, you are in:

A. Colorado
B. Montana

9. If you are perched atop Camel's Hump in the Green Mountains, you are in:

A. Vermont
B. New Hampshire

10. If you are paddleboarding on the clear waters of Lake Tahoe, you are in:

A. Texas
B. California

ANSWERS: 1–B, 2–A, 3–A, 4–B, 5–A, 6–A, 7–A, 8–B, 9–A, 10–B

Photos ©iStock.com/P18 Food State, P19 Sean Pavone, Pavlina, OceanFishing

Your Goals Are Our Focus.

Targeted Wealth Management Solutions

STOCKHAM FINANCIAL

Securities offered through First Allied Securities, Inc. Member FINRA/SIPC.
Advisory services offered through First Allied Advisory Services, Inc.
First Allied entities are under separate ownership from any other named entity.

Connect with us at 910-295-6606
90 Aviemore Drive
Pinehurst, NC 28374

www.StockhamFinancial.com