LET'S TALK FINANCIAL WELLNESS®

November/December 2023

While most affluent families may be familiar with estate planning, they might not communicate much more than hopes about how their heirs will use their financial legacies. But estate planning can help turn those hopes into realized dreams. It is one way to give specific directions about how you would like to see your financial legacy live on.

Cover the Basics First

Before drafting a plan or even a simple statement to guide your decisions, work with an estate planning attorney to make sure you have the legal documents necessary to protect and pass on your assets. Also, consider consulting your financial and tax professionals to make sure you have the assets necessary to continue your legacy.

Remember, too, that estate planning is about more than how you'll pass on assets.

In addition to a will and estate plan, you'll need a trio of legal documents. First is an advanced directive, which details the extent of life-saving medical care you want should you no longer be able to speak for yourself. The next two are powers of attorney for healthcare and financial affairs. These empower those you name with the legal right to make financial or healthcare decisions for you if you can't.

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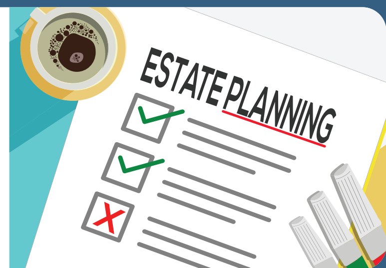
THE ESTATE PLANNING PROCESS

1. Identify Objectives, Heirs & Gather Financial Information
2. Strategize with Estate Planning Attorney & Financial Professional
3. Review Recommendations & Discuss with Heirs
4. Finalize and Implement Plan
5. Monitor & Update Plan as Necessary



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1072356-00001-00 FR2023-0714-0062/E HNW

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

High Net Worth Version

LTM Client Marketing
helping financial professionals stay connected

PROOF

ACTIVE VS. PASSIVE

While many people know the differences between stock, bond and money market mutual funds*, they may not be as familiar with mutual fund styles, such as active versus passive. These styles may have a role in your investing strategy as you maneuver through up and down markets and how far you are from reaching your financial goals.

While your financial professional can help you determine the right asset mix for your situation, it still pays to understand how different styles of mutual funds are designed to take advantage of various market environments.

Some mutual funds blend passive and active management, but most are either one or the other. An example of a passive manager would be an index fund manager. These funds generally try to mimic the holdings of a particular index**, so they don't buy and sell funds as often as an active manager does.

Some index fund managers try to outperform a given index by focusing on a particular part of the index, such as overweighting a country in an international index or underweighting a sector.

An active manager, on the other hand, buys and sells investments, believing the fund can beat a given benchmark. Because this type of fund trades more often, it generally has higher charges and fees than a passively traded fund.

> "THE STANDARD & POOR'S 500 INDEX IS COMMONLY MIMICKED BY PASSIVE INVESTMENT MANAGERS. THE S&P 500 REPRESENTS THE LARGEST COMPANIES BY MARKET CAP TRADED IN THE U.S. STOCK MARKET" *Source: Money, 2023*

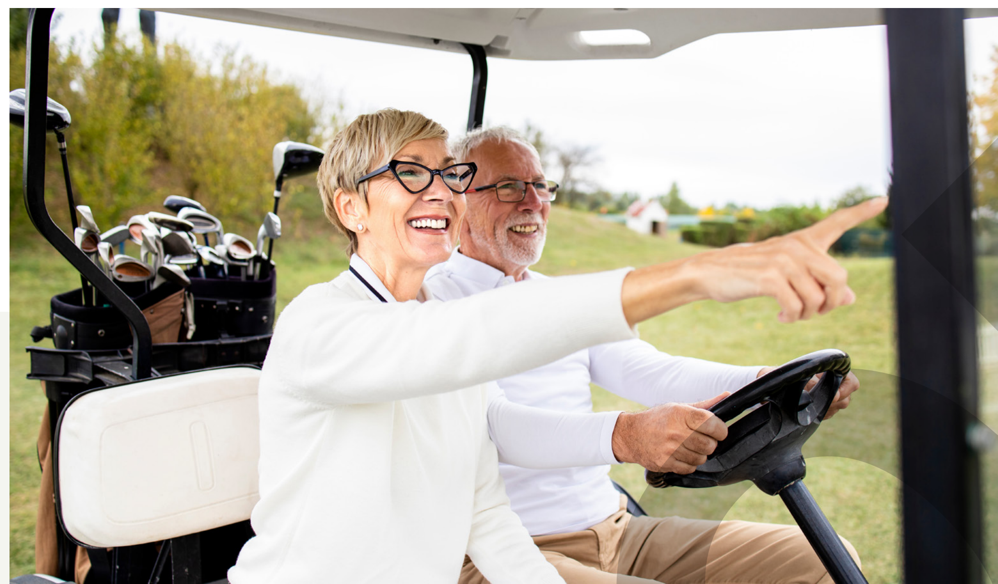
Investors should carefully consider the investment objectives, risks, charges, and expenses of the fund before investing. Read the prospectus carefully before investing or sending money. Because mutual fund values fluctuate, redeemed shares may be worth more or less than their original value. Past performance won't guarantee future results. An investment in mutual funds may result in the loss of principal.

*** You cannot invest directly in an index.*

ESTATE PLANNING TAX STRATEGIES

You can pass more assets to your loved ones when you do so tax-efficiently. Consider utilizing one of these methods when creating or updating your estate plan.

Life Insurance: Passes free of federal income tax.
Capital Losses: Lowers any capital gains tax owed.
Appreciated Assets: Passes free of capital gain tax.
Gifting: Gift *up to $17,000 annually per person—tax-free.*



DISTRIBUTION PLANNING FOR NEAR-RETIREES

We constantly hear about the importance of saving for retirement and put a lot of effort into it during our working years. Yet, the final element of any retirement strategy is often neglected: distribution planning. This tax season, as you begin collecting the information you need to file, consider how you'll take tax-efficient distributions in retirement.

Consider the Roth*

While this time of year focuses on deadlines to minimize taxes, they should play only a part in how you take eventual retirement distributions. From a later required minimum distribution (RMD) age to Roth IRAs and more, there are a variety of ways you can maximize what you receive in retirement and how much you pass on to future generations.

Roth IRA accounts might be appropriate if you expect to have the same or higher income in retirement. In 2023, joint filers can contribute up to $6,500 — plus an extra $1,000 if age 50 or older and have an adjusted gross income of $218,000 or less ($138,000 or less if filing single). Make a partial contribution if your income is less than $228,000 (or $153,000, respectively).

Roth IRAs have no RMD rules during the life of the account owner, but Roth 401(k)s do through 2023.** There are no income restrictions if you have a Roth 401(k) so consider contributing the maximum the plan allows. Withdrawals for both types of Roth accounts are tax-free, subject to restrictions.

Orderly Withdrawals

Beyond the Roth, consider this distribution order for a potentially more tax-efficient withdrawal strategy:

1. Cash in taxable income;
2. Delay RMDs until penalties apply for not taking them;
3. Take Roth distributions.

Make sure to contact your financial and tax professionals to help ensure you have a retirement distribution strategy that meets your unique needs.

**To qualify for tax and penalty-free withdrawals of earnings, a Roth IRA or 401(k) must be in place for at least five tax-years and the distribution generally must take place after age 59½, with a few exceptions.*

***Starting in 2024, Roth 401(k) accounts will be exempt from RMDs during the account owner's lifetime.*

PASSING ON YOUR LEGACY

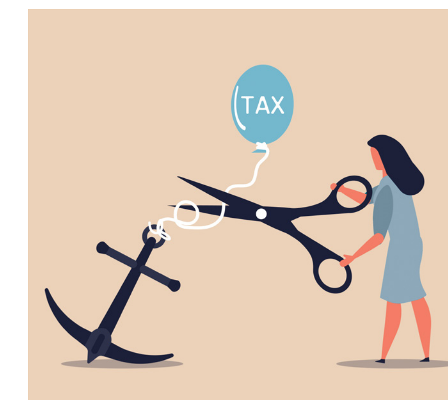
(continued from page 1)

Once you've completed these first steps and have an accounting of all your assets and how they will be distributed, have a conversation – or multiple conversations, if necessary – with involved parties to develop a written statement outlining how your legacy will continue after you're gone.

While your estate plan may dictate how assets are transferred, you may decide to include your children in determining where and how. Perhaps you'll create a foundation or use donor-advised funds from which you'll contribute to a favored charity. Who will continue your charitable endeavors, and how? Do your heirs agree with this strategy?

And, while some people may hesitate to give their children free reign with inherited financial assets fearing they may waste their inheritance, you can put some guardrails in place with a spendthrift trust (see p. 4). This type of trust can delay asset transfer until a later age or parcel assets out gradually, helping to ensure loved ones are responsible with their inherited assets.

To learn more about how you can pass on both your assets and legacy, talk to your estate planning attorney, tax advisor and financial professional.



THREE WAYS TO LOWER YOUR TAXES

Delayed RMD Start Date

The age at which you must start taking required minimum distributions from qualified plans increased from 72 to 73 in 2023. So, if you don't need the distribution, you can wait the extra year to begin taking RMDs.

"Qualify" Your Contributions

Speaking of qualified plans, make the maximum contribution to lower your taxable income for the year. If you own a business and were considering adding a qualified plan for employees, do so by year-end for possible tax credits and deductions. Your financial professional can help in this area.

A "Capital" Idea

The markets were volatile this year. If you sold investments for a loss, deduct them from gains. If your capital losses exceed your capital gains, you can deduct up to $3,000 in realized losses. Remember, you can use losses carried over from previous years and carry over losses exceeding $3,000 to the next tax year. Talk to your tax professional to learn more.

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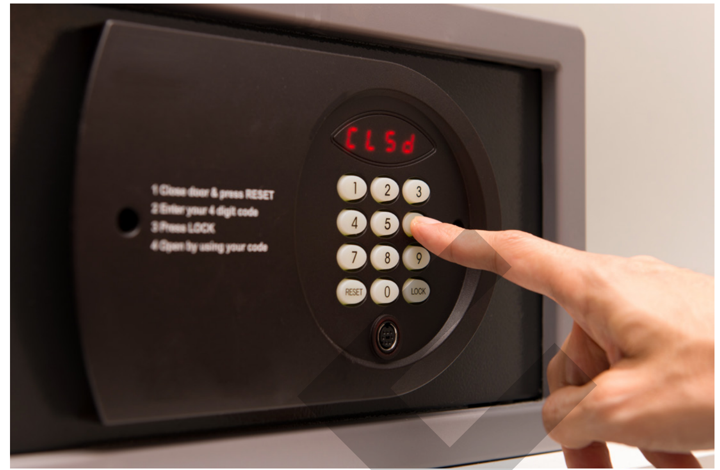
SHIELD YOUR ASSETS WITH A SPENDTHRIFT TRUST



Many high net worth families try to pass as much of their wealth as possible to loved ones, but they may worry how those assets are used. Certain trusts can help your estate distribute assets in a way that meets everyone's needs while helping to ensure the assets your heirs inherit aren't squandered.

One such trust is a spendthrift trust. If you wonder whether your child will be mature enough to handle a significant inheritance at an early age, you might want to explore this trust.

Gradual Release

If you will pass your assets to a loved one through a trust, a spendthrift provision won't prevent that person from receiving an eventual inheritance. Rather, this provision can delay receipt of assets until certain conditions are met. For example, the trust may require that the beneficiary receive a college degree before receiving assets. Or, assets may be released to the beneficiary over time with the hope that maturity comes with age or experience.

The trust can include any or all of the following conditions for the distribution of assets:

- ❖ The release of funds can occur on whatever schedule you like: weekly, monthly or annually;
- ❖ The beneficiary may qualify for faster release of the funds based upon not only achieving certain education, but marrying or becoming a parent;
- ❖ Payment for desired actions, such as tuition, or emergency funds, such as for medical bills.

An important aside: If the trust is irrevocable, you may be able to shield trust assets from creditors. This isn't a minor issue if you have a child who, as the trust states, is a spendthrift and runs up high credit card and installment credit bills.

Next Steps

Because a spendthrift trust can create hard feelings, discuss with loved ones why you believe one is necessary and how they can receive assets when needed.

Choose a trustee who you can depend on, one who will follow the trust's terms to their fullest. Also, consult your financial professional, who may recommend appropriate measures to protect your assets and make them last.

Finally, don't forget to talk to your financial professional, estate planning attorney and tax professional to make sure the spendthrift trust achieves exactly what you want. After all, a properly drafted trust that addresses your wishes and considers the big picture is the goal.

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

July 20, 2023

Reference: **FR2023-0714-0062/E**
Link Reference : FR2023-0511-0075

Org Id: 23568

1. Lets Talk Money - High Net Worth NovDec 2023
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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