



# Horizons - February 2019

## *Planning Your Future*

### Horizons Insurance and Financial Svcs

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Dear clients and friends,

The beginning of the year is usually a good time to "click the re-start button" and get a clean start on everything from health to financial goals. If you are one that has already established clear goals and objectives, then this time is good to make an assessment and adjust course if necessary.

Our motto at Horizons is "Helping you protect what you have today and plan for tomorrow", and we take this very seriously. We want to make sure that our clients are planning for a not-so-distant future and that they are taking all the possible actions now to guarantee a comfortable life in the years to come.

Let's take some time to review your current financial situation and make sure you are doing what is needed now to ensure a bright future for you and your loved ones.

We look forward to hearing from you soon,  
Mauricio Giraldo

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## Famous People Who Failed to Plan Properly



It's almost impossible to overstate the importance of taking the time to plan your estate. Nevertheless, it's surprising how many American adults haven't done so. You

might think that those who are rich and famous would be way ahead of the curve when it comes to planning their estates properly, considering the resources and lawyers presumably available to them. Yet there are plenty of celebrities and people of note who died with inadequate (or nonexistent) estate plans.

### Most recently

The Queen of Soul, **Aretha Franklin**, died in 2018, leaving behind a score of wonderful music and countless memories. But it appears Ms. Franklin died without a will or estate plan in place. Her four sons filed documents in the Oakland County (Michigan) Probate Court listing themselves as interested parties, while Ms. Franklin's niece asked the court to appoint her as personal representative of the estate.

All of this information is available to the public. Her estate will be distributed according to the laws of her state of residence (Michigan). In addition, creditors will have a chance to make claims against her estate and may get paid before any of her heirs. And if she owned property in more than one state (according to public records, she did), then probate will likely have to be opened in each state where she owned property (called ancillary probate). The settling of her estate could drag on for years at a potentially high financial cost.

### A few years ago

Prince Rogers Nelson, who was better known as **Prince**, died in 2016. He was 57 years old and still making incredible music and entertaining millions of fans throughout the world. The first filing in the Probate Court for Carver County, Minnesota, was by a woman claiming to be the sister of Prince, asking the court to appoint a special administrator because there was no will or other testamentary documents. As of November 2018, there have been hundreds of court filings

from prospective heirs, creditors, and other "interested parties." There will be no private administration of Prince's estate, as the entire ongoing proceeding is open and available to anyone for scrutiny.

### A long time ago

Here are some other notable personalities who died many years ago without planning their estates.

**Pablo Picasso** died in 1973 at the ripe old age of 91, apparently leaving no will or other testamentary instructions. He left behind nearly 45,000 works of art, rights and licensing deals, real estate, and other assets. The division of his estate assets took six years and included seven heirs. The settlement among his nearest relatives cost an estimated \$30 million in legal fees and other related costs.

The administration of the estate of **Howard Hughes** made headlines for several years following his death in 1976. Along the way, bogus wills were offered; people claiming to be his wives came forward, as did countless alleged relatives. Three states — Nevada, California, and Texas — claimed to be responsible for the distribution of his estate. Ultimately, by 1983, his estimated \$2.5 billion estate was split among some 22 "relatives" and the Howard Hughes Medical Institute.

**Abraham Lincoln**, one of America's greatest presidents, was also a lawyer. Yet when he met his untimely and tragic death at the hands of John Wilkes Booth in 1865, he died intestate — without a will or other testamentary documents. On the day of his death, Lincoln's son, Robert, asked Supreme Court Justice David Davis to assist in handling his father's financial affairs. Davis ultimately was appointed as the administrator of Lincoln's estate. It took more than two years to settle his estate, which was divided between his surviving widow and two sons.





## Key Retirement and Tax Numbers for 2019



Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2019.

### Employer retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$19,000 in compensation in 2019 (up from \$18,500 in 2018); employees age 50 and older can defer up to an additional \$6,000 in 2019 (the same as in 2018).
- Employees participating in a SIMPLE retirement plan can defer up to \$13,000 in 2019 (up from \$12,500 in 2018), and employees age 50 and older can defer up to an additional \$3,000 in 2019 (the same as in 2018).

### IRAs

The combined annual limit on contributions to traditional and Roth IRAs increased to \$6,000 in 2019 (up from \$5,500 in 2018), with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2018	2019
<b>Single/head of household (HOH)</b>	\$63,000 - \$73,000	\$64,000 - \$74,000
<b>Married filing jointly (MFJ)</b>	\$101,000 - \$121,000	\$103,000 - \$123,000
<b>Married filing separately (MFS)</b>	\$0 - \$10,000	\$0 - \$10,000

*Note: The 2019 phaseout range is \$193,000 - \$203,000 (up from \$189,000 - \$199,000 in 2018) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.*

The modified AGI phaseout ranges for individuals to make contributions to a Roth IRA are:

	2018	2019
<b>Single/HOH</b>	\$120,000 - \$135,000	\$122,000 - \$137,000
<b>MFJ</b>	\$189,000 - \$199,000	\$193,000 - \$203,000
<b>MFS</b>	\$0 - \$10,000	\$0 - \$10,000

### Estate and gift tax

- The annual gift tax exclusion for 2019 is \$15,000, the same as in 2018.
- The gift and estate tax basic exclusion amount for 2019 is \$11,400,000, up from \$11,180,000 in 2018.

### Kiddie tax

Under the kiddie tax rules, unearned income above \$2,200 in 2019 (up from \$2,100 in 2018) is taxed using the trust and estate income tax brackets. The kiddie tax rules apply to: (1) those under age 18, (2) those age 18 whose earned income doesn't exceed one-half of their support, and (3) those ages 19 to 23 who are full-time students and whose earned income doesn't exceed one-half of their support.

### Standard deduction

	2018	2019
<b>Single</b>	\$12,000	\$12,200
<b>HOH</b>	\$18,000	\$18,350
<b>MFJ</b>	\$24,000	\$24,400
<b>MFS</b>	\$12,000	\$12,200

*Note: The additional standard deduction amount for the blind or aged (age 65 or older) in 2019 is \$1,650 (up from \$1,600 in 2018) for single/HOH or \$1,300 (the same as in 2018) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.*

### Alternative minimum tax (AMT)

	2018	2019
<b>Maximum AMT exemption amount</b>		
<b>Single/HOH</b>	\$70,300	\$71,700
<b>MFJ</b>	\$109,400	\$111,700
<b>MFS</b>	\$54,700	\$55,850
<b>Exemption phaseout threshold</b>		
<b>Single/HOH</b>	\$500,000	\$510,300
<b>MFJ</b>	\$1,000,000	\$1,020,600
<b>MFS</b>	\$500,000	\$510,300
<b>26% rate on AMTI* up to this amount, 28% rate on AMTI above this amount</b>		
<b>MFS</b>	\$95,550	\$97,400
<b>All others</b>	\$191,100	\$194,800

\*Alternative minimum taxable income



## Tax Scams to Watch Out For



*It is important to remember that the IRS will never initiate contact with you by email to request personal or financial information. This includes any type of electronic communication, such as text messages and social media.*

While tax scams are especially prevalent during tax season, they can take place any time during the year. As a result, it's in your best interest to always be vigilant so you don't end up becoming the victim of a fraudulent tax scheme.

Here are some of the more common scams to watch out for.

### Phishing

Phishing scams usually involve unsolicited emails or fake websites that pose as legitimate IRS sites to convince you to provide personal or financial information. Once scam artists obtain this information, they use it to commit identity or financial theft.

It is important to remember that the IRS will never initiate contact with you by email to request personal or financial information. This includes any type of electronic communication, such as text messages and social media. If you get an email claiming to be from the IRS, don't respond or click any of the links; instead forward it to [phishing@irs.gov](mailto:phishing@irs.gov).

### Phone scams

Beware of callers claiming that they're from the IRS. They may be scam artists trying to steal your money or identity. This type of scam typically involves a call from someone claiming you owe money to the IRS or that you're entitled to a large refund. The calls may also show up as coming from the IRS on your Caller ID, be accompanied by fake emails that appear to be from the IRS, or involve follow-up calls from individuals saying they are from law enforcement. Sometimes these callers may threaten you with arrest, license revocation, or even deportation.

If you think you might owe back taxes, contact the IRS for assistance at [irs.gov](https://www.irs.gov). If you don't owe taxes and believe you have been the target of a phone scam, you should contact the [Treasury Inspector General](https://www.treasury.gov) and the [Federal Trade Commission](https://www.ftc.gov) to report the incident.

### Tax return preparer fraud

During tax season, some individuals and scam artists pose as legitimate tax preparers, often promising unreasonably large or inflated refunds. They try to take advantage of unsuspecting taxpayers by committing refund fraud or identity theft. It is important to choose a tax preparer carefully, since you are legally responsible for what's on your return, even if it's prepared by someone else.

A legitimate tax preparer will generally ask for proof of your income and eligibility for credits and deductions, sign the return as the preparer, enter the Preparer Tax Identification Number, and provide you with a copy of your return.

### Fake charities

Scam artists sometimes pose as a charitable organization in order to solicit donations from unsuspecting donors. Be wary of charities with names that are similar to more familiar or nationally known organizations, or that suddenly appear after a national disaster or tragedy. Before donating to a charity, make sure that it is legitimate. There are tools at [irs.gov](https://www.irs.gov) to assist you in checking out the status of a charitable organization, or you can visit [charitynavigator.org](https://www.charitynavigator.org) to find more information about a charity.

### Tax-related identity theft

Tax-related identity theft occurs when someone uses your Social Security number to claim a fraudulent tax refund. You may not even realize you've been the victim of identity theft until you file your tax return and discover that a return has already been filed using your Social Security number. Or the IRS may send you a letter indicating it has identified a suspicious return using your Social Security number. If you believe you have been the victim of tax-related identity theft, you should contact the IRS Identity Protection Specialized Unit at 800-908-4490 as soon as possible.

### Stay one step ahead

The best way to avoid becoming the victim of a tax scam is to stay one step ahead of the scam artists. Consider taking the following precautions to keep your personal and financial information private:

- Maintain strong passwords
- Consider using two-step authentication
- Keep an eye out for emails containing links or asking for personal information
- Avoid scam websites
- Don't answer calls when you don't recognize the phone number

Finally, if you are ever unsure whether you are the victim of a scam, remember to trust your instincts. If something sounds questionable or too good to be true, it probably is.



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## Women: Are you planning for retirement with one hand tied behind your back?

Women can face unique challenges when planning for retirement. Let's take a look at three of them.

First, women frequently step out of the workforce in their 20s, 30s, or 40s to care for children — a time when their job might just be kicking into high (or higher) gear.

It's a noble cause, of course. But consider this: A long break from the workforce can result in several financial losses beyond the immediate loss of a salary.

In the near term, it can mean an interruption in saving for retirement and the loss of any employer match, the loss of other employee benefits like health or disability insurance, and the postponement of student loan payments. In the mid term, it may mean a stagnant salary down the road due to difficulties re-entering the workforce and/or a loss of promotion opportunities. And in the long term, it may mean potentially lower Social Security retirement benefits because your benefit is based on the number of years you've worked and the amount you've earned. (Generally, you

need about 10 years of work, or 40 credits, to qualify for your own Social Security retirement benefits.)

Second, women generally earn less over the course of their lifetimes. Sometimes this can be explained by family caregiving responsibilities, occupational segregation, educational attainment, or part-time schedules. But that's not the whole story. A stubborn gender pay gap has women earning, on average, about 82% of what men earn for comparable full-time jobs, although the gap has narrowed to 89% for women ages 25 to 34.<sup>1</sup> In any event, earning less over the course of one's lifetime often means lower overall savings, retirement plan balances, and Social Security benefits.

Third, statistically, women live longer than men.<sup>2</sup> This means women will generally need to stretch their retirement savings and benefits over a longer period of time.

1) Pew Research Center, The Narrowing, But Persistent, Gender Gap in Pay, April 2018

2) NCHS Data Brief, Number 293, December 2017



## Can a flexible work schedule help you stay in the workforce after having children?

Yes, it just might be the key. Your job is the foundation for general financial security, including retirement. In

addition to providing you with a steady salary and valuable employee benefits, it typically brings with it the ability to save in a tax-advantaged employer-sponsored retirement plan like a 401(k), and if you're lucky, a pension. It also allows you to start qualifying for Social Security retirement benefits.

Women and men may start out on relatively equal financial footing in their 20s. But when children come along, women are much more likely to take time out of the workforce to care for them.<sup>1</sup> A common refrain is "my salary would just go to daycare costs anyway, so what's the point?" This is often true. But it's really not fair for one parent to assume sole responsibility for child-care costs; it is a *shared* financial responsibility that both parents should take on.

Many women want to keep at least one foot in the workforce after having children, not only for financial reasons but also for career mobility and personal fulfillment. If you'd like to keep

working but can't accommodate the traditional, 40-hour-per-week, in-office schedule, consider requesting a modified schedule if your job allows it. This could mean telecommuting from home one or more days per week, having a flexible work schedule (such as 11 a.m. to 7 p.m.), working part-time, or some combination thereof. In many cases, a flexible work arrangement can be the difference between staying in the workforce or having to leave it, so consider exploring this possibility before you exit prematurely.

Think about what your ideal work arrangement would be and request a meeting with your manager to discuss your well-thought-out proposal. This plan should include a trial period after which both sides can come back to the table and evaluate how things are working. Employers are increasingly recognizing that flexible schedules are key to having a diverse, gender-neutral workforce. In the end, asking for a flexible schedule might just allow you to keep that steady salary and continue saving for retirement.

1) U.S. Department of Labor Blog, Women and Retirement Savings, March 2017