WHAT TO DO AFTER THE DEATH OF A LOVED ONE

Losing a loved one is difficult. In addition to the emotional trauma that may be involved, you may also be responsible for handling a variety of financial, legal and administrative tasks. You may find yourself unsure of where to begin and what to do.

However, do not be hasty when settling your loved one’s estate. Important decisions need to be made regarding distributions, which must be made in compliance with the will and applicable laws. Seek an experienced estate planning professional for advice. The following suggestions may provide a road map to help you navigate through the process.

Initial tasks

Some of the following tasks may have to be completed by the estate’s personal representative.

- Upon the death of your loved one, call close family members, friends and clergy first because you’ll need their emotional support.
- Arrange the funeral, burial or cremation, and memorial service. Hopefully, your loved one will have made arrangements ahead of time. Then notify family and friends of the final arrangements; place an obituary in the local paper (often the funeral home will handle this for you).
- Obtain certified copies of the death certificate (again, the funeral home should be able to get copies for you).
- Find and review your family member’s finances, and look for relevant documents such as a will and trusts, deeds and titles to motor vehicles.
- Report the death to the Social Security Administration. If your loved one was receiving benefits via direct deposit, request that the bank return funds received for the month of death and thereafter to Social Security. Do not cash any Social Security checks received by mail. Return all checks to Social Security as soon as possible.
- Make a list of assets and debts. Be on the lookout for pension plans, individual retirement accounts, 401(k) accounts and other retirement plans owned by the deceased, as well as life insurance policies, bank accounts and investments. Notify those named as beneficiaries of assets such as life insurance and retirement plans.
• Make sure mortgage and insurance payments continue to be made while the estate is being settled.
• Notify all credit card companies of the death. Cancel all cards unless you’re named on the account and wish to retain the card.

Within one to three months of death
• File the will with the appropriate probate court. If real estate was owned out of state, file ancillary probate in that state. If there is no will, contact the probate court for instructions or contact a probate attorney for assistance.
• Notify creditors by mail and by placing a notice in the newspaper. Claims must be made within the statute of limitations, which varies from state to state (30 days from actual notice is common). Insist on proof of all claims. Notify heirs named in the will. Often, the probate process will require formal notification to heirs and others named in the will.

Within six to nine months of death
• Federal and/or state estate tax return(s) may need to be filed, usually within nine months of death, although state laws may vary.
• Also, federal and state income taxes are due for the year of death on the normal filing date, unless an extension is requested. If there are trusts, separate income tax returns may be necessary.
• Update your own estate plan if your loved one was a beneficiary or appointed as an agent, trustee or guardian.

FOR COLLEGE SAVINGS, 529 PLANS ARE HARD TO BEAT
Raising kids is hard enough, so why not make things easier when it comes to saving for college? Ideally, the best savings vehicle would:

1. Not impose arbitrary income limits on eligibility
2. Allow for contributions that are large or small, depending on your current financial priorities and circumstances
3. Allow for automatic, recurring contributions from your checking account
4. Offer the potential to stay ahead of college inflation, which has been averaging 3% to 4% per year¹
5. Offer tax benefits so all your available dollars can go to college savings, not Uncle Sam

Can you find all of these things in one college savings option? Yes, in a 529 plan.

Benefits
529 college savings plans offer a unique combination of features that are hard to beat when it comes to saving for college. It is no surprise that assets in 529 plans have grown steadily since their creation over 20 years ago.

• Eligibility. People of all income levels can contribute to a 529 plan—there are no restrictions based on income (unlike Coverdell accounts, U.S. savings bonds and Roth IRAs).
• Ease of opening and managing account. It’s relatively easy to open a 529 account, set up automatic monthly contributions and manage your account online. For example, you can increase or decrease the amount and frequency of your contributions (e.g., monthly, quarterly), change the beneficiary, change your investment options, and track your investment returns and overall progress online with the click of a mouse.
• Contributions. 529 plans have high lifetime contribution limits, generally $350,000 and up. (529 plans are offered by individual states, and the exact limit depends on the state.) Also, 529 plans offer a unique gifting feature that allows lump-sum gifts up to five times the annual gift tax exclusion—in 2020, this amount is up to $75,000 for individual gifts and up to $150,000 for joint gifts—with the potential to avoid gift tax if certain requirements are met. This can be a very useful estate planning tool for grandparents who want to help pay for their grandchildren’s college education in a tax-efficient manner.
• Tax benefits. The main benefit of 529 plans is the tax treatment of contributions. First, as you save money in a 529 college savings plan (hopefully every month!), any earnings are tax deferred, which means you don’t pay taxes on the earnings each year as you would with a regular investment account. Then, at college time, any funds used to pay the beneficiary’s qualified education expenses—including tuition, fees, room, board, books and a computer—are completely tax-free at the federal level. This means every dollar is available for college. States generally follow this tax treatment, and many states also offer an income tax deduction for 529 plan contributions.

Drawbacks
529 plans also have some potential drawbacks.

• Tax implications for funds not used for qualified expenses. If you use 529 plans funds for any reason other than the beneficiary’s qualified education expenses, earnings are subject to income tax (at your rate) and a 10% federal penalty tax.

• Restricted ability to change investment options on existing contributions. When you open a 529 college savings plan account, you’re limited to the investment options offered by the plan. Most plans offer a range of static and age-based portfolios (where the underlying investments automatically become more conservative as the beneficiary gets closer to college) with different levels of risk, fees and management objectives. If you’re unhappy with the market performance of the option(s) you’ve chosen, you can generally change the investment options for your future contributions at any time. But under federal law, you can change the options for your existing contributions only twice per year. This rule may restrict your ability to respond to changing market conditions, so you’ll need to consider any investment changes carefully.

Getting started

529 college savings plans are offered by individual states (but managed by financial institutions selected by each state), and you can join any state’s plan. To open an account, select a plan and complete an application, where you will name an account owner (typically a parent or grandparent) and beneficiary (there can be only one); choose your investment options; and set up automatic contributions if you choose. You are then ready to go. It’s common to open an account with your own state’s 529 plan, but there may be reasons to consider another state’s plan: for example, the reputation of the financial institution managing the plan, the plan’s investment options, historical investment performance, fees, customer service, website usability and so on. You can research state plans at the College Savings Plans Network found at collegesavings.org.

HOW TO LAND A BETTER FINANCIAL AID PACKAGE

Your child has applied to several colleges, and the financial aid awards are starting to arrive. But when you take a look, they’re less than what you expected. Or maybe your returning college student got less aid than he or she did last year. Is there anything you can do to get more financial aid?

First, compare apples with apples

When comparing financial aid awards from different colleges, make sure you’re comparing apples to apples. Specifically, look at what your actual out-of-pocket costs will be at each college, not just the total amount of aid offered. To determine your out-of-pocket cost, subtract the total amount of grants/scholarships and work-study offered from the total cost of each school.

For example, consider the following three aid awards:

<table>
<thead>
<tr>
<th>College</th>
<th>Total cost</th>
<th>Aid package</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$30,000</td>
<td>$13,000</td>
</tr>
<tr>
<td></td>
<td>$10,000</td>
<td>$10,000</td>
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<tr>
<td></td>
<td>$17,000</td>
<td>$13,000</td>
</tr>
</tbody>
</table>

In this example, even though College C is the most expensive school and has the highest loan amount of all three schools, it has the lowest out-of-pocket cost. And even though College B’s total aid package is double College A’s award, College B will end up costing you more than College A. In fact, College B will cost $9,000 more out-of-pocket than College C, even though College C’s sticker price is $20,000 more than College B.

Look closely at grant details

College grants often make up the largest portion of a student’s financial aid award, especially at private colleges. If your child’s aid package contains a college grant, you’ll want to understand the details. First, confirm whether it’s being offered for all four years or just one year. Second, is it based on need, merit or both? If the grant is based on financial need, keep in mind that the amount may fluctuate with changes to your financial picture. Third, if the grant carries through all four years, find out if there are any requirements your child will need to satisfy to maintain eligibility, such as a minimum grade point average, community service hours or participation in a certain activity. Also, it couldn’t hurt to ask if the grant will increase each year to keep up with the likely annual increase in tuition and fees.

Getting a more favorable deal

Let’s assume you’ve compared aid awards and you’re ready to zero in on one or two colleges that your child has his or her heart set on. Is it possible to request a more favorable aid package? The answer is yes. The financial aid administrator (FAA) at each college has the authority to exercise “professional judgment” to reduce the loan portion of your child’s aid award and increase the grant, scholarship and work-study component. Your chances of prevailing are best in two situations:

1. You have a special circumstance that affects your ability to pay (e.g., a recent job loss, prolonged unemployment, unusually high medical expenses, or some other situation that puts above-average constraints on your income and savings).
2. Your child has been accepted at two competing colleges, and one has offered a more generous aid package than the other. In this case, you might try to play one college against the other. Although many colleges don’t mind losing an applicant to a more (or less) selective college, they generally don’t like to lose an applicant to a direct competitor.

If neither of these situations applies, you can still contact the FAA to plead your case, but the outcome may be more uncertain.

The process typically involves a polite business letter or email to the FAA, with a follow-up telephone call or meeting a week or so later. Avoid calling first and complaining. Instead, explain in positive terms how much your child wants to attend that particular school, highlight your child’s accomplishments, and politely request if any additional grant, scholarship or work-study aid might be available. Make sure to put your child’s name at the top of all correspondence, and keep a copy for your records. You want to be persistent, but not to the point of being a pest.

Your success will depend primarily on the individual circumstances of the college. How much discretionary grant aid does the college have available? Is it meeting its enrollment goals? Does your child possess the qualities or skills that would make the school more diverse and well-rounded in a way that fulfills the college’s needs? No one can predict the answers to these questions, which is why requesting a more favorable aid package can’t hurt, as long as it’s done the right way.

While financial literacy offerings in schools have increased in popularity, a recent study reported that only 17 states require high school students to take a personal finance course before they graduate. Here are some ways you can teach high school students the importance of financial literacy.

- Advocate saving. Encourage your children to set aside a portion of any money they receive from an allowance, gift or job. Be sure to talk about goals that require a financial commitment, such as a car, college and travel. As an added incentive, consider matching the funds they save for a worthy purpose.
- Show them the numbers. Use an online calculator to demonstrate the concept of long-term investing and the power of compound interest. Your children may be surprised to see how fast invested funds can accumulate, especially when you match or contribute an additional amount each month.
- Let them practice. Let older teens become responsible for paying certain expenses (e.g., clothing and entertainment). The possibility of running out of their own money might make them think more carefully about their spending habits and choices. It may also encourage them to budget their money more effectively.
- Cover the basics. By the time your children graduate from high school, they should at least understand the basic concepts of financial literacy. This includes saving, investing, using credit responsibly, debt management and protection planning with insurance.

HOW CAN I TEACH MY HIGH SCHOOL STUDENT THE IMPORTANCE OF FINANCIAL LITERACY?

Even though your child is just in high school, he or she may still have to deal with certain financial challenges. Whether this involves saving for an important purchase like a car or learning how to use a credit card responsibly, it’s important for your high schooler to have a basic understanding of financial literacy concepts in order to manage his or her finances more effectively.


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