

HELLO SUMMER!



TRANSFER-ON-DEATH DESIGNATIONS

3RD QUARTER DATES TO REMEMBER:

4th of July (markets closed)	JUL 4
Labor Day (markets closed)	SEP 2
3rd Quarter Estimated Tax Payment Due	SEP 16
Extended part- nership and S- Corp returns due	SEP 16
Last day to deter- mine beneficiar- ies after an IRA owner's death in prior year	SEP 30

A Transfer-On-Death (TOD) designation is an agreement between you and a financial institution. In it, you can designate the person(s) who will become owner(s) of the assets in your account upon your death. The transfer-on-death designation is similar to beneficiary designations on a retirement account, but it is typically used for taxable accounts.

The account holder(s) retain full ownership and control of assets in a TOD account during their lifetime. The owner(s) can manage the investments as they see fit, including making additions or withdrawals, and moving or closing the account. They receive all interest, dividends or other income, and are responsible for taxes on any income or capital gains. They may change or revoke the TOD designation at any time, as long as they are not legally incapacitated. Beneficiaries do not have any ownership or other rights in the account during the account holders' lifetime.

Upon death, the named beneficiaries become owners of a designated percentage of the account assets. A TOD designation results in a direct transfer to named beneficiaries. The assets in the TOD accounts are distributed according to the beneficiary designations and the terms of the TOD agreement and are not subject to probate, although they would still be subject to any applicable estate taxes. TOD designations will supersede any language in a will or living trust.

A TOD designation may be appropriate if you want to make a simple outright distribution of assets to one or more beneficiaries in a matter that avoids a potentially expensive and public probate process. TOD may not be appropriate for multiple beneficiaries who don't get along. The designation may also not be appropriate if the account assets may be needed to pay final expenses or estate taxes.



QUESTIONS & ANSWERS ...

Q: How much is the annual gift limit?

A: For 2024, you can gift up to \$18,000 per recipient without triggering the need to file a gift tax return. If you and your spouse want to give together, the exclusion amount is \$36,000 per recipient. You can give to as many individuals as you'd like as long as you don't exceed this annual exclusion amount per recipient.

If you want to give more than the annual gift limit, you may still be able to do so without paying immediate gift tax. The excess amount would generally count against your lifetime gift and estate tax exemption, which is quite substantial (\$13.61 million per person as of 2024 and \$27.22 million per couple).

In Pennsylvania, the inheritance tax is anywhere from 4.5-15% depending on the relationship to the decedent (spouses inherit tax-free). You can limit the amount of tax that your estate would be subject to in Pennsylvania by gifting to the next generation while you are still alive. In most cases, you can gift freely above the annual exclusion without triggering any tax liability, although you will need to file a gift tax return.



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- Roth Conversion Opportunities
- Tax Return Review

Trust & Estate Planning

- Minimize Estate Taxes
- Analyze Trust Needs
- Analyze stepped up cost-basis for highly appreciated assets

Assistance to Others

- Charitable giving through Qualified Charitable Distributions (QCDs)
- Charitable giving of appreciated assets
- 529 College Saving Plans
- Donor-Advised Funds

PER STIRPES VS PER CAPITA BENEFICIARY DESIGNATIONS

When it comes to estate planning, deciding how to allocate your inheritance can already be stressful, but there is a second iteration of beneficiary choices that must be considered. What happens if one of your named beneficiaries dies before you (or simultaneously)? This will be determined based on if the beneficiary was named according to the Latin terminology of “per stirpes” (meaning “by branch”) or “per capita” (meaning “by head”).

When assets are distributed per stirpes, each branch of the family receives an equal share of the inheritance. If a beneficiary dies before the testator (the original owner), their share is divided equally among their own descendants. This ensures

that even if a beneficiary is deceased, their share of the inheritance goes to their children rather than being redistributed among the surviving beneficiaries. For example, let's say a grandfather leaves his estate to his three children, A, B, and C, per stirpes. If child A predeceases the grandfather but has two children of their own, those two grandchildren would inherit child A's share of the estate equally, alongside children B and C.

In a per capita distribution, each living beneficiary receives an equal share of the estate. If one of the beneficiaries has passed away before the testator, their share is not passed on to their descendants but instead is redistributed among the remaining living beneficiaries. In this sce-

nario, child A's share of the estate would be divided equally among children B and C, rather than going to child A's children.

Everyone's family dynamics are different, so it is important to think about who in the family you desire to inherit your estate if something were to happen to your named beneficiary. You can even list some of your beneficiaries as per stirpes and others per capita. You should always update beneficiary information if a named beneficiary were to predecease you, but if you die simultaneously or shortly after, you will want to make sure your assets are distributed according to your wishes.

TRADE SETTLEMENT IS GETTING FASTER

Did you know there's a difference between the date you trade a security and the date the transaction settles? Trade date is the day your order to buy or sell a security is executed; settlement date is the day your order is finalized and on which funds and the securities must be delivered. Based on recent Securities and Exchange Commission (SEC) rule changes, the time between these two dates just got shorter. Effective May 28, 2024, investors now have access to the proceeds from a sale transaction within one business day of the trade execution for most securities traded on the U.S. exchanges. This is an improvement over the previous two day requirement, and as recent as 2017 the settlement cycle was three days after the trade date. This change reflects improvements in technology that allow trades to settle more quickly and will increase liquidity in the markets.

So, what does this mean for you as an investor? The new settlement cycle means most securities transactions will settle on the next business day following their transaction date. For example, if you sell shares of a stock on Tuesday, the transaction will now settle on Wednesday and your funds can be accessed on Wednesday as well.

As a word of caution, investors holding a physical, paper security certificate may need to deliver it to their broker-dealer earlier to meet the new shorter settlement cycle.

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