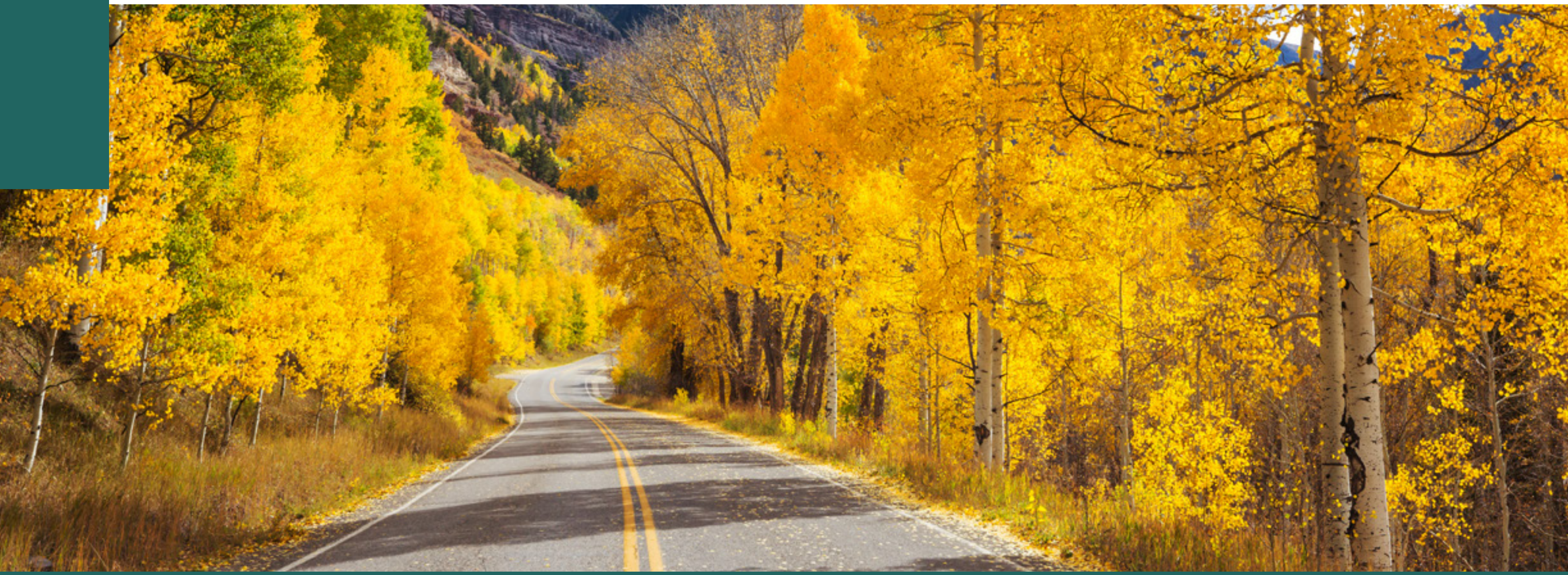
smartlife™
MONTHLY NEWSLETTER

CORBETT ROAD
WEALTH MANAGEMENT

October 2024



WHAT'S INSIDE

42%

Percentage of working retirees who cite "needing to make ends meet" as one reason for earning a paycheck.

Source: *Employee Benefit Research Institute, 2024*

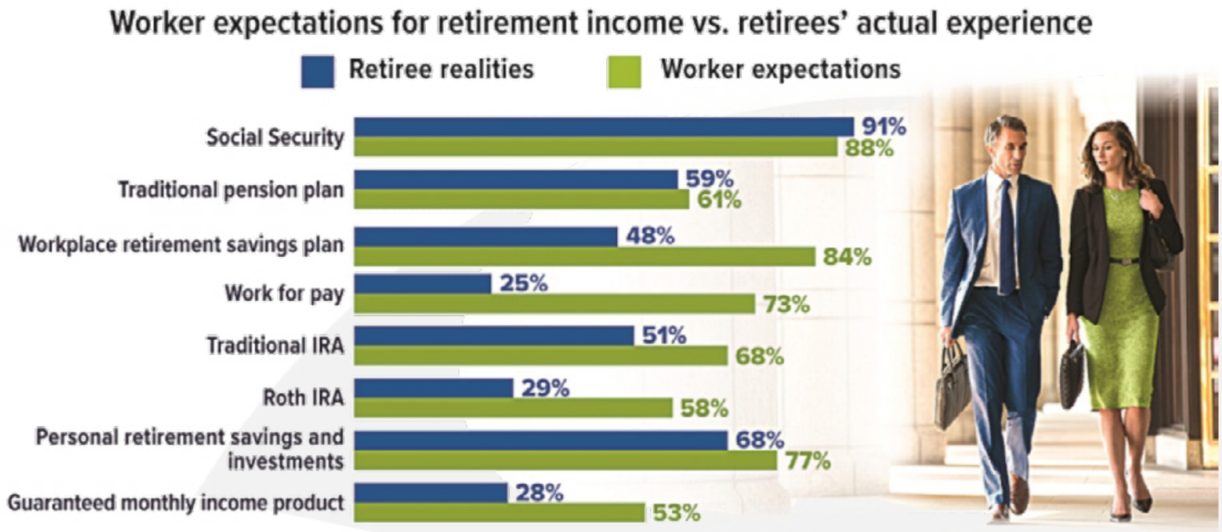
1.9 million

Number of U.S. farms in 2022, down from 2.1 million in 2002.

Source: *U.S. Department of Agriculture*

SOURCES OF RETIREMENT INCOME: WORKER EXPECTATIONS VS. RETIREE REALITIES

About 90% of retirees say they rely on Social Security, approximately the same as the percentage of workers who expect Social Security to help them meet their retirement income needs. Similarly, about 60% of workers expect a traditional pension plan to provide income, which is only slightly higher than the percentage of retirees who say a pension helps pay their bills. In other cases, worker expectations differ dramatically from retiree realities.

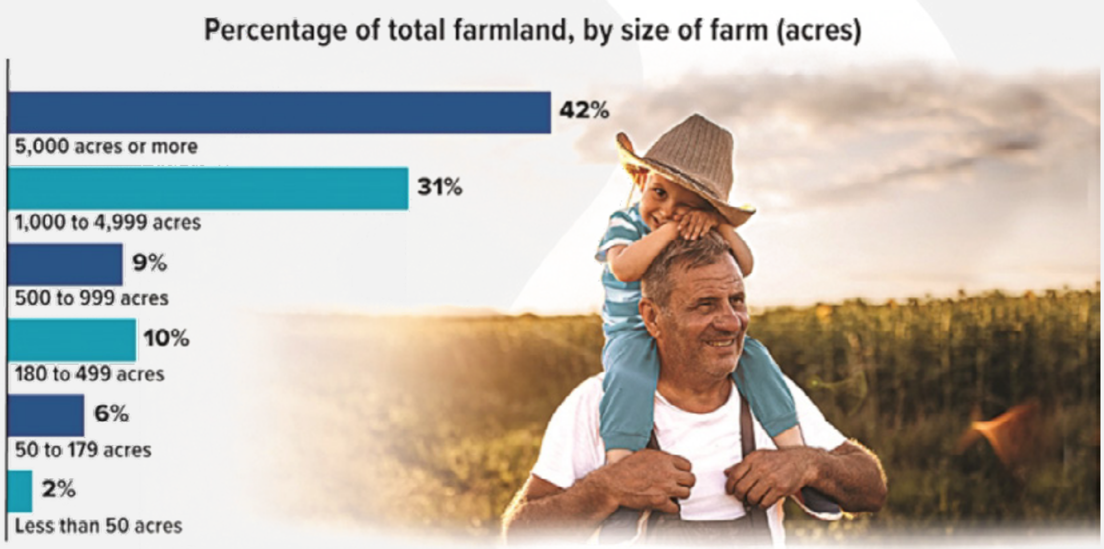


Source: *Employee Benefit Research Institute, 2024*

VANISHING FAMILY FARMS

According to the latest Census of Agriculture, the number of U.S. farms declined 6.9% in the five years between 2017 and 2022, while the average farm size increased 5.0%. This trend continues a decades-long period of consolidation in U.S. agriculture.

Smaller, independent farms, including those owned and operated by families, often struggle to compete with larger, corporate-owned operations. And the agricultural giants have plenty of resources to buy up small farms that throw in the towel. In 2022, the largest 2% of U.S. farms (5,000 or more acres) controlled 42% of the nation's farmland, up from 35% in 2002.



Source: *Redfin, 2023*

IF YOU DON'T HAVE A WILL YET, WHY NOT?

A will is a fundamental estate planning document. It outlines how you wish your property to be distributed, who should handle matters related to settling your estate, and who you want to care for your children after you pass, among other things.

If you don't yet have a will, you're not alone. According to a recent survey by Caring.com, 64% of Americans think having a will is important, but only 32% have one.[1] There are many reasons people put off drafting a will — here are four that you might relate to.

1. Just haven't gotten around to it

It's easy to procrastinate when it comes to drafting a will. Even if it's something you think you should do, it's probably not high on the list of things you want to do. Perhaps you're uncomfortable thinking about your own mortality, or maybe you're worried about how complicated or costly the process will be.

Focusing on some of the benefits of having a will might give you the motivation you need to get started. A will is a way to make sure your loved ones are cared for and that your last wishes are honored. A legally binding will gives you more control over what happens to your property and helps ensure that your treasured possessions end up in the right hands. You can name an executor or personal representative who you believe will responsibly handle the details of settling your estate. And having a will is especially important if you have minor children and want to protect them by naming a guardian who will best be able to handle the responsibility of raising them.

If making these decisions sounds daunting, there's help available. An estate planning attorney can help address your concerns and guide you through the process.

2. It's not the right time

Too young? Not married? Childless? In good health? Not wealthy enough? People often think it's not the right time to draft a will, but there's no better time than now. Most adults have money or possessions that they would like to leave to someone, and waiting until the circumstances seem perfect is risky. Health problems may come on suddenly, and trying to draft a will at that time can be stressful. Even worse, if you suddenly become incapacitated, it may be too late.

Your life will inevitably change as the years pass, and any will drafted now can (and should) be reviewed and revised occasionally to account for family and financial changes.

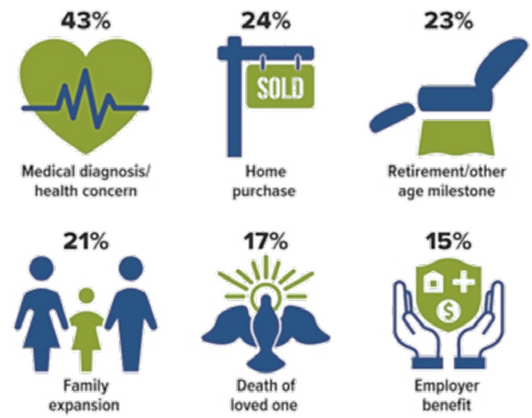
3. Don't think it's important

Unless you have personal experience with settling an estate, you may underestimate the consequences of dying without a will (called dying intestate). Decisions will be made by the court on your behalf, and your property will be distributed according to the laws of your state. Who is entitled to your assets will depend on those laws, and handling that when there is no will can be especially complicated, time-consuming, stressful, and expensive for your family.

Motivating Situations

Almost one out of four Americans without a will say that nothing would motivate them to get one. Here are the percentages of those without a will who say these situations would motivate them.

Source: *2024 Wills and Estate Planning Study, Caring.com (multiple responses allowed)*



4. Family dynamics are complex

Putting off drafting a will might seem logical when you are facing deep-rooted family issues or complicated situations. Why not just leave it to others to sort out after you're gone? Unfortunately, not having a legal document that outlines your specific intentions can make an already difficult situation worse. Leaving the disposition of your assets up to the court to decide may have unintended consequences for family members and lead to irreparable rifts or even litigation.

A will is only part of an estate plan

Finally, as important as a will is, it's just one component of your estate plan. You may need other legal documents such as trusts, powers of attorney, and advance medical directives to fully address your needs. Ask an estate planning attorney to evaluate your individual situation and help you put a plan in place.

1) *2024 Wills and Estate Planning Study, Caring.com*

DO YOU KNOW YOUR MEDICARE COVERAGE OPTIONS?

There are two ways to obtain Medicare coverage: (1) Original Medicare (Part A hospital insurance and Part B medical insurance), often combined with a Medigap supplementary policy and a Part D prescription drug plan; and (2) Medicare Advantage (Part C), which replaces Original Medicare and often includes prescription drug coverage as well as features similar to those provided by a Medigap policy.

New beneficiaries can choose among these options when they enroll, while current beneficiaries can make changes during the annual Open Enrollment Period from October 15 to December 7 (see chart). Some changes can also be made at other times of the year.

Original Medicare with Medigap and Part D

Original Medicare is administered directly by the federal government and includes standardized premiums, deductibles, copays, and coinsurance payments. While these out-of-pocket costs are relatively moderate for doctor visits, laboratory tests, short hospital stays, and other medical services, there is no out-of-pocket maximum, so a serious illness or extended hospital stay could be financially devastating.

For this reason, beneficiaries often purchase a Medigap policy offered by private insurers, which pays nearly all or a percentage of Medicare out-of-pocket costs, and for some services not covered by Medicare such as emergency medical care outside the United States. In most states, Medigap policies are labeled by letter (for example, Plan A). Benefits for each plan are standardized, but premiums vary by insurance company, location, gender, tobacco use, and marital status.

The best time to buy a Medigap policy is when you first enroll in Medicare Part B. You then have a six-month period during which you can buy any Medigap policy in your state for the same premium the insurance company charges to healthy enrollees, even if you have health problems. If you miss this opportunity, a company can charge you more for coverage or refuse coverage altogether, depending on your health.

Part D prescription drug plans are offered by private insurers under Medicare supervision. Monthly premiums, deductibles, and out-of-pocket costs vary by plan.

Medicare Advantage

Medicare Advantage (MA) is offered by private insurers but mostly funded by Medicare. These “all-in-one” plans are generally more cost-effective than the combined costs of Original Medicare, Medigap, and Part D. All MA plans have out-of-pocket maximums and may offer additional benefits such as dental care and eyeglasses. In return for lower costs, MA plans strongly encourage or require the use of network providers and may deny claims that would be paid by Original Medicare.

Annual Open Enrollment

Medicare beneficiaries can make the following changes during annual Open Enrollment from October 15 to December 7, with changes effective January 1.

In addition, you can change from MA to Original Medicare or switch MA plans during the Medicare Advantage Open Enrollment Period from January 1 to March 31. You may also be able to make changes during other special enrollment periods.

Personalized comparisons

The best place to start exploring optional plans is at medicare.gov/plan-compare. After entering your zip code, you will have a choice to find a Medicare Advantage Plan, a Medicare Part D drug plan, or a Medigap policy. If you are already a Medicare beneficiary, you can save time by logging in to your online account, or create a new account. When exploring MA plans, be sure that your preferred providers are included in the plan’s network. Recently, an increasing number of providers have left MA networks due to claim denials and stringent preauthorization requirements.[1]

Please see important disclosures at the end of this newsletter

Open Enrollment offers the opportunity to change MA plans or return to Original Medicare. Keep in mind, however, that when you change from an MA plan to Original Medicare, you may pay a higher premium for a Medigap policy, or be unable to obtain a policy, depending on your health.

When exploring Part D drug plans, be sure to accurately enter the name, dosage, and frequency of your prescription drugs. Slight differences, such as a tablet vs. a capsule or generic vs. brand, can make a big difference in the cost of the medication. Note that Medicare Part D out-of-pocket costs will be capped at $2,000 starting in 2025.[2]

1) *KFF Health News, November 29, 2023*
2) *The Part D cap will be adjusted annually based on the change in Medicare Part D per capita spending (i.e., the amount that Medicare spends on each Part D beneficiary).*

TWO TAX-FRIENDLY RETIREMENT PLANS FOR THE SELF-EMPLOYED

As a business owner, you may devote most of your time, energy, and profits to running and growing your business. But working for yourself means that saving money for retirement is entirely up to you.

This is not the only reason it may be worthwhile to divert a sizable portion of your earnings to one of these tax-deferred retirement accounts. Doing so could significantly reduce your taxable income.

Solo 401(k)

A solo 401(k) is a one-participant plan for business owners who have no employees (other than a spouse). As the employee, you can contribute as much as 100% of your annual compensation on a pre-tax basis, up to the $23,000 annual maximum in 2024 ($30,500 if you are age 50 or older). As the employer, you can also contribute an additional 20% of your earnings (25% if the business is incorporated) and deduct it as a business expense. Total contributions are capped at $69,000 in 2024 ($76,500 if age 50 or older).

A solo 401(k) plan may also allow plan loans and/or hardship withdrawals.

The deadline to establish a solo 401(k) and formally elect salary deferrals is December 31 of the year in which you want to receive the tax deduction (or before fiscal year-end for corporations). For businesses taxed as sole proprietors and partnerships, salary deferrals and profit-sharing contributions for 2024 must be deposited into the account by the April 15, 2025, tax filing deadline* (October 15 if an extension is filed).

SEP IRA

If you are self-employed, you can contribute 20% of net earnings, up to $69,000 in 2024, to a Simplified Employee Pension (SEP) plan. A SEP IRA may also be an appropriate choice for business owners with a small number of employees for whom they would like to provide retirement benefits. All employees age 21 and older who have worked for the employer for at least three of the last five years must be included. The plan may exclude employees earning less than $750 in the current year.

The same percentage of salary (up to 25% of compensation or $69,000) must be contributed to each eligible employee's SEP IRA, including the owner's. However, the business is not required to contribute every year. You have until the due date of your business's federal income tax return (including extensions) to set up a SEP IRA and make contributions.

Distributions from 401(k) plans and SEP IRAs are taxed as ordinary income. Early withdrawals (prior to age 59½) may be subject to a 10% federal income tax penalty.

*In Maine and Massachusetts, the tax filing deadline is April 17, 2025, due to state holidays.

FAFSA FOR 2025-2026 SCHOOL YEAR OPENS DECEMBER 1

For the second year in a row, the Free Application for Federal Student Aid, commonly known as the FAFSA, will be delayed. The FAFSA for the 2025–2026 school year will open on December 1 instead of the typical October 1 date. Last year, despite a redesigned FAFSA that was supposed to be easier to complete, families faced a perfect storm — a delayed rollout, technical glitches, and processing delays, which led to confusion and late financial aid packages from colleges. By one estimate, as of March 2024, FAFSA completions for the class of 2024 were down 40% from the prior year, with only about 27% of the class of 2024 successfully completing a FAFSA, compared to 45% for the class of 2023.[1]

Tips for submitting the FAFSA

The 2025–2026 FAFSA is the same as the redesigned, streamlined version from last year. Here's what you need to know about completing the form.

- FSA ID. To file the FAFSA online, parents and students each need their own FSA ID, which is a username/password combination that functions as a legal signature. You can create an FSA ID online, and the same ID can be used for all years of college.
- Income and assets. The FAFSA requires two key types of information: income and assets. For income, the 2025–2026 FAFSA will rely on information from your 2023 federal income tax return (it essentially looks back two years). This data will be automatically imported from the IRS. For assets, the FAFSA will use the value of your assets as of the date you submit the form.
- Student Aid Index. The FAFSA calculates a figure called the "Student Aid Index," which is a yardstick that measures aid eligibility. Colleges use this figure to craft a financial aid package that attempts to meet a student's financial need (colleges are not obligated to meet 100% of need).
- Eligibility for Direct Loans. All students who file the FAFSA are eligible for an unsubsidized federal Direct Loan, regardless of financial need. But students who demonstrate need on the FAFSA are eligible for a subsidized Direct Loan, which means the government pays the interest that accrues during school and any loan deferment periods. Students with a high level of financial need may also qualify for a federal Pell Grant.

- College aid. Some colleges might require the FAFSA before awarding students certain college-based aid, including merit scholarships and grants, so filing it can still be beneficial, even if a student does not plan on taking out any federal loans.

The FAFSA must be submitted every year for students to be eligible for federal aid. For more information, families can visit the federal student aid website at studentaid.gov.

1) *National College Attainment Network, April 8, 2024*

IMPORTANT DISCLOSURES

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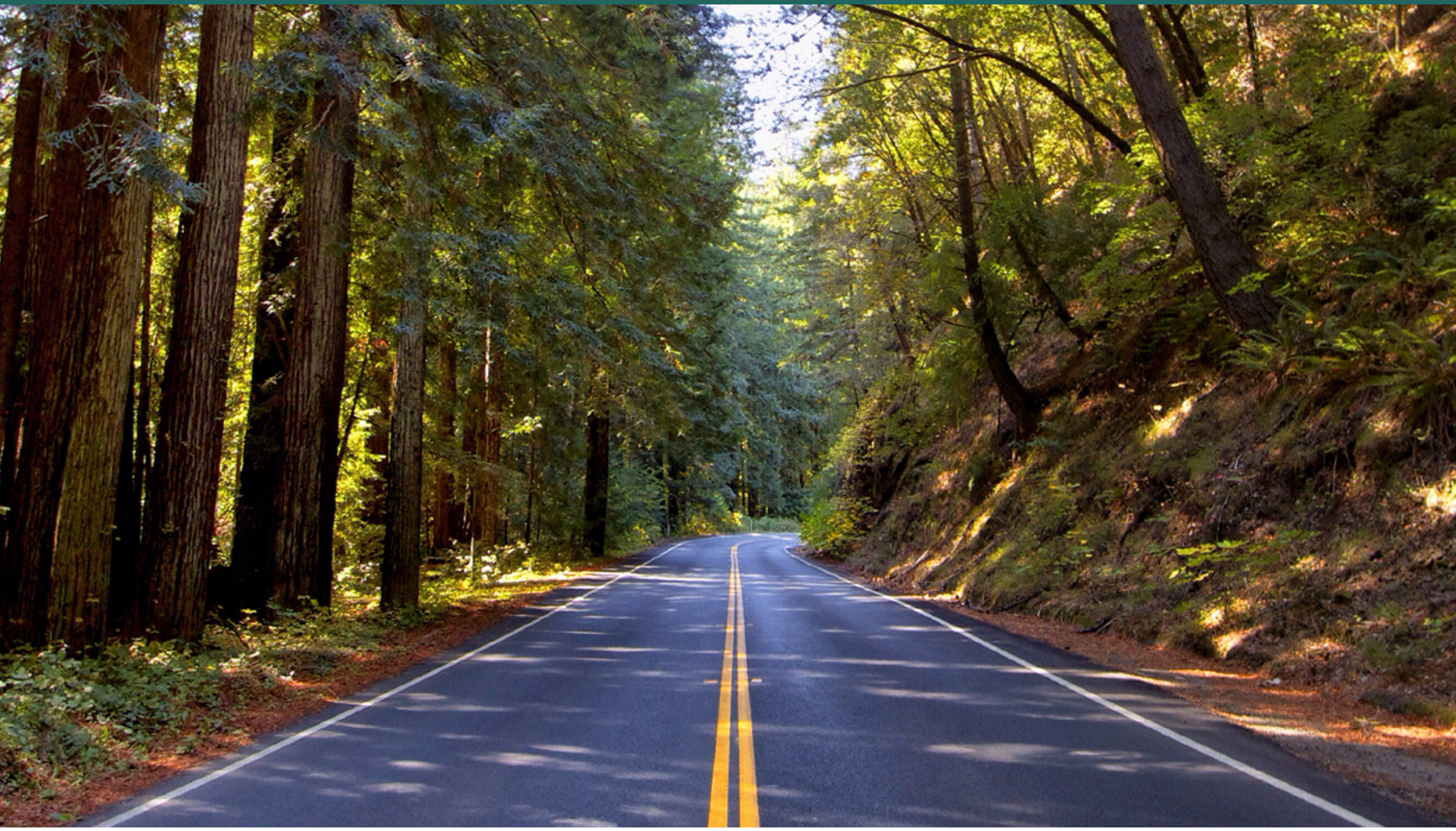

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