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Winter 2019

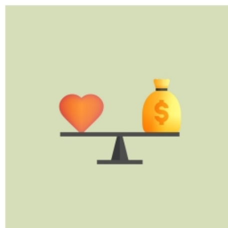
Hindsight Is 2020: What Will You Do Differently This Year?

Key Retirement and Tax Numbers for 2020

What can I do with old or unwanted gift cards?

Peace on earth

How to Give Like a Billionaire When You Don't Have Billions to Give



Since Bill and Melinda Gates and Warren Buffett created the Giving Pledge in 2010, more than 200 of the world's wealthiest individuals and couples have committed to giving the majority of their wealth to philanthropic or charitable causes.

Although the Giving Pledge only invites billionaires to join, "it is inspired by the example set by millions of people at all income levels who give generously — and often at great personal sacrifice — to make the world a better place."*

You don't have to be a billionaire to embrace the spirit of the Giving Pledge: When people come together to give, regardless of wealth, they can improve the lives of others.

Decide which causes matter most to you

Giving Pledge billionaires are a diverse group, coming from 23 countries and ranging in age from their 30s to their 90s. While they're all dedicated to philanthropy, they support many different causes.

For example, Giving Pledge member Sara Blakely pledged to help empower women to prosper when she signed the pledge in 2013. She has since donated money to build homes for impoverished families and funded entrepreneurial programs for girls.

One of the newest signers of the Giving Pledge, Robert F. Smith, focuses on causes that support equality for African Americans. In May 2019, he told graduates of Morehouse College that he was paying off their student loans via a grant that is worth an estimated $40 million.

What causes are you passionate about? What are your values? Do you want to make an impact locally or globally? Aligning the causes you support with what's meaningful to you can help deepen your long-term commitment to giving back.

Write down why you are giving

Director and producer George Lucas and his wife Mellody Hobson joined the Giving Pledge in 2010. Like other members, they wrote a statement explaining why they wanted to join and what they intended to accomplish.

"My pledge is to the process," Lucas wrote; "as long as I have the resources at my disposal, I will seek to raise the bar for future generations of students of all ages. I am dedicating the majority of my wealth to improving education."*

Lucas fulfilled part of this pledge by creating the George Lucas Educational Foundation to transform education through innovation.

Writing down your own intentions can help clarify your philanthropic goals and serve as a reminder of the impact your gift could have.

Inspire and learn by going public

The Giving Pledge hopes to "inspire conversations, discussions, and action, not only about how much, but also for what purposes/to what end."*

Even if you normally prefer to keep your charitable work private, being open about the causes you support might help inspire others to give back.

Other perks of going public include being able to exchange ideas and lessons learned with others, and the opportunity to meet people in your community or around the world who share your commitment.

Connect generations through giving

A major goal of the Giving Pledge is to encourage long-term family giving that will help make the world a better place for generations to come.

Sharing your passion for helping others with your children or grandchildren can be especially rewarding. Setting family goals, choosing worthy causes, and volunteering together are ways that you can help unite generations and make philanthropy part of your family's legacy.

* To learn more about the Giving Pledge and those who have signed it, visit givingpledge.org.

Live within your means

It's easy to want what your friends, colleagues, or neighbors have — and spend money to get those things. That's a mistake. Live within your means, not someone else's.

Hindsight Is 2020: What Will You Do Differently This Year?

According to a recent survey, 76% of Americans reported having at least one financial regret. Over half of this group said it had to do with savings: 27% didn't start saving for retirement soon enough, 19% didn't contribute enough to an emergency fund, and 10% wish they had saved more for college.[1]

The saving conundrum

What's preventing Americans from saving more? It's a confluence of factors: stagnant wages over many years; the high cost of housing and college; meeting everyday expenses for food, utilities, and child care; and squeezing in unpredictable expenses for things like health care, car maintenance, and home repairs. When expenses are too high, people can't save, and they often must borrow to buy what they need or want, which can lead to a never-ending cycle of debt.

People make financial decisions all the time, and sometimes these decisions don't pan out as intended. Hindsight is 20/20, of course. Looking back, would you change anything?

Paying too much for housing

Are housing costs straining your budget? A standard lender guideline is to allocate no more than 28% of your income toward housing expenses, including your monthly mortgage payment, real estate taxes, homeowners insurance, and association dues (the "front-end" ratio), and no more than 36% of your income to cover *all* your monthly debt obligations, including housing expenses plus credit card bills, student loans, car loans, child support, and any other debt that shows on your credit report and requires monthly payments (the "back-end" ratio).

But just because a lender determines how much you can afford to borrow doesn't mean you should. Why not set your ratios lower? Many things can throw off your ability to pay your monthly mortgage bill down the road — a job loss, one spouse giving up a job to take care of children, an unexpected medical expense, tuition bills for you or your child.

Potential solutions: To lower your housing costs, consider downsizing to a smaller home (or apartment) in the same area, researching and moving to a less expensive town or state, or renting out a portion of your current home. In addition, watch interest rates and refinance when the numbers make sense.

Paying too much for college

Outstanding student debt levels in the United States are off the charts, and it's not just students who are borrowing. Approximately 15 million student loan borrowers are age 40 and older, and this demographic accounts for almost 40% of all student loan debt.[2]

Potential solutions: If you have a child in college now, ask the financial aid office about the availability of college-sponsored scholarships for current students, or consider having your child transfer to a less expensive school. If you have a child who is about to go to college, run the net price calculator that's available on every college's website to get an estimate of what your out-of-pocket costs will be at that school. Look at state universities or community colleges, which tend to be the most affordable. For any school, understand *exactly* how much you and/or your child will need to borrow — and what the monthly loan payment will be after graduation — before signing any loan documents.

Paying too much for your car

Automobile prices have grown rapidly in the last decade, and most drivers borrow to pay for their cars, with seven-year loans becoming more common.[3] As a result, a growing number of buyers won't pay off their auto loans before they trade in their cars for a new one, creating a cycle of debt.

Potential solutions: Consider buying a used car instead of a new one, be proactive with maintenance and tuneups, and try to use public transportation when possible to prolong the life of your car. As with your home, watch interest rates and refinance when the numbers make sense.

Keeping up with the Joneses

It's easy to want what your friends, colleagues, or neighbors have — nice cars, trips, home amenities, memberships — and spend money (and possibly go into debt) to get them. That's a mistake. Live within *your* means, not someone else's.

Potential solutions: Aim to save at least 10% of your current income for retirement and try to set aside a few thousand dollars for an emergency fund (three to six months' worth of monthly expenses is a common guideline). If you can't do that, cut back on discretionary items, look for ways to lower your fixed costs, or explore ways to increase your current income.

[1] Bankrate's Financial Security Index, May 2019

[2] Federal Reserve Bank of New York, Student Loan Data and Demographics, September 2018

[3] *The Wall Street Journal,* The Seven-Year Auto Loan: America's Middle Class Can't Afford Their Cars, October 1, 2019

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Key Retirement and Tax Numbers for 2020

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 2020.

Employer retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $19,500 in compensation in 2020 (up from $19,000 in 2019); employees age 50 and older can defer up to an additional $6,500 in 2020 (up from $6,000 in 2019).
- Employees participating in a SIMPLE retirement plan can defer up to $13,500 in 2020 (up from $13,000 in 2019), and employees age 50 and older can defer up to an additional $3,000 in 2020 (the same as in 2019).

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $6,000 in 2020 (the same as in 2019), 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 phases out for the following modified adjusted gross income (MAGI) ranges:

	2019	2020
Single/head of household (HOH)	$64,000 - $74,000	$65,000 - $75,000
Married filing jointly (MFJ)	$103,000 - $123,000	$104,000 - $124,000
Married filing separately (MFS)	$0 - $10,000	$0 - $10,000

Note: *The 2020 phaseout range is $196,000 - $206,000 (up from $193,000 - $203,000 in 2019) 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 adjusted gross income phaseout ranges for individuals to make contributions to a Roth IRA are:

	2019	2020
Single/HOH	$122,000 - $137,000	$124,000 - $139,000
MFJ	$193,000 - $203,000	$196,000 - $206,000
MFS	$0 - $10,000	$0 - $10,000

Estate and gift tax

- The annual gift tax exclusion for 2020 is $15,000, the same as in 2019.
- The gift and estate tax basic exclusion amount for 2020 is $11,580,000, up from $11,400,000 in 2019.

Kiddie tax

Under the kiddie tax rules, unearned income above $2,200 in 2020 (the same as in 2019) 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

	2019	2020
Single	$12,200	$12,400
HOH	$18,350	$18,650
MFJ	$24,400	$24,800
MFS	$12,200	$12,400

Note: *The additional standard deduction amount for the blind or aged (age 65 or older) in 2020 is $1,650 (the same as in 2019) for single/HOH or $1,300 (the same as in 2019) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.*

Alternative minimum tax (AMT)

	2019	2020
Maximum AMT exemption amount		
Single/HOH	$71,700	$72,900
MFJ	$111,700	$113,400
MFS	$55,850	$56,700
Exemption phaseout threshold		
Single/HOH	$510,300	$518,400
MFJ	$1,020,600	$1,036,800
MFS	$510,300	$518,400
26% rate on AMTI* up to this amount, 28% rate on AMTI above this amount		
MFS	$97,400	$98,950
All others	$194,800	$197,900
*Alternative minimum taxable income		

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What can I do with old or unwanted gift cards?

If you're holding on to old or unwanted gift cards, consider the many ways you can help ensure they don't go to waste.

Sell them. Search online for sites that allow you to exchange or sell your gift cards. You may wind up having to pay a small fee to complete the transaction, but at least you can trade in your unwanted gift card for one that you will actually use.

Donate them. Donating unused gift cards can be a great way to contribute to your favorite nonprofits. Plus, your donation may be tax deductible.

Reuse them. Before you throw away any gift cards you might have that carry a low or zero balance, check to see whether it's possible for you to add value back on to them. Many retailers offer customers the ability to reload store-issued gift cards in exchange for rewards and/or discounts.

Gift them to someone else. Did you receive a gift card for a store you dislike or where you never shop? Simply regift it to someone else who may actually shop there. You'll please the gift card recipient as well as save yourself from having to spend money on a future gift for that individual.

Return them. Have realistic expectations before initiating a return: Some retailers might not exchange the full value of the card for cash. You may be refunded only a percentage of the face value of the card, or you could end up receiving an in-store credit (which won't do you much good if you don't shop at the store in the first place). Other retailers might even refuse to accept a gift card return unless you have the purchase receipt. As a result, check the return policy of a gift card's issuer before attempting to return it.

Upcycle them. Most gift cards are made of a plastic called polyvinyl chloride (PVC). This particular type of material is recyclable, but few curbside programs are able to accept this form of plastic because it may contaminate other recyclables in a given batch. You can still do your part to reduce waste, though, by upcycling your empty gift cards. Find creative project ideas online that can help you transform your old gift cards into something useful.