



PROTECTING YOUR PLANS

FRESH ADVICE FROM THE PITON WEALTH TEAM



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The Piton team is uniquely dedicated to advising and guiding their clients, so they have a path toward their financial goals, and, more importantly, in ways that result in a generous life. At this time of year, the team devotes some time to refreshing a key component of any good plan, protection planning. No plan can prevent something from going wrong, but protection planning can keep loved ones moving toward their goals even when something has gone wrong. Here we want to share the Piton perspective on what protection planning means as part of a larger plan for financial and life goals.

– Michelle A. Clary, CEO & Founder

DO BENEFICIARIES HAVE TO PAY TAXES ON LIFE INSURANCE PROCEEDS?



“In this world nothing can be said to be certain, except death and taxes.”

– Benjamin Franklin

That’s bad news and good news.

The bad news, of course, is that ol’ Benjamin was right. Death and taxes are inevitable. As much as we’d like to avoid both, in the end we can’t avoid either.

Now for the good news.

When it comes to life insurance, you probably won’t have to deal with death AND taxes at the same time. That’s because life insurance proceeds generally aren’t taxable.

It’s one of the benefits of using life insurance to provide for your heirs.

There are, however, a few exceptions to keep in mind:

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1. Income Taxes

Usually, a life insurance benefit is paid out in a one-time lump sum. In that case, it's not subject to income taxes. If it's paid in installments, however, the beneficiary would need to pay income tax on any interest that accrues.

2. Gift Taxes

In most cases, the owner of an insurance policy is also the one who's insured, so gift taxes don't apply. If the policy owner is someone other than the insured, however, the insurance proceeds could be subject to gift taxes. That's because the IRS sees the proceeds as a gift from the policy owner to the beneficiary.

When could this apply? Let's say you bought an insurance policy on your spouse, and your child was the beneficiary. If your spouse passed, the insurance benefit would count as a gift from you to your child.

WHAT YOUR LOVED ONES NEED YOU TO KNOW ABOUT LIFE INSURANCE BENEFICIARIES.



Many people buy life insurance and then promptly forget about it. They have peace of mind about providing for their loved ones, and they just move on.

But life insurance isn't a fix-it-and-forget-it solution.

Especially when it comes to naming beneficiaries, there are mistakes and omissions we can make that will create problems for our loved ones in the future. That's why taking care of beneficiary details

2. Estate Taxes

If you have a high net worth, estate taxes could also come into play.

When you pass, the executor of your estate reports the value of your life insurance policies on your estate tax return. Let's say your spouse is the beneficiary of that life insurance. Since spouses are typically exempt from estate taxes, the insurance proceeds wouldn't be subject to an estate tax.

But if someone else is the beneficiary – your child, parent, or other relative – the insurance proceeds would be added to the value of your estate and could be subject to federal and even state estate taxes. Then, if the value of your estate exceeds the exclusion limits, any life insurance proceeds would be included in your estate taxes.

is a gift you can give to your loved ones long before you pass away.

Here are five simple steps to get your beneficiaries in order:

STEP 1

Name a beneficiary.

Okay, this one seems pretty obvious, but it's worth saying. If you buy an insurance policy but don't name a beneficiary, the proceeds will be paid directly to your estate. And that could create a legal hassle for your loved ones after you're gone.

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STEP
2

Be specific.

When you name a beneficiary, always include details like their full name, current address, and social security number. This helps the insurance company pay the benefit to your beneficiary as efficiently as possible.

ing beneficiaries, while per stirpes benefits are paid to living beneficiaries AND the dependents of any deceased beneficiaries. Keep in mind that life insurance policies are per capita by default, so you'll need to specify if you want per stirpes instead.

STEP
3

Include primary and contingent beneficiaries.

It might seem like you only need to name a primary beneficiary, like your spouse or child, but your beneficiary could predecease you. That's why it's best to name contingent beneficiaries as well, so that, if the primary beneficiary cannot receive the proceeds, your next beneficiaries will.

STEP
5

Update your beneficiary regularly.

This crucial last step is the easiest to overlook. It's important to review and update your life insurance beneficiaries every few years, and especially after a major life change like marriage, divorce, or the birth of a child. This ensures that your insurance death benefit goes exactly where you wish.

STEP
4

Decide if the beneficiary is per capita or per stirpes.

Per-what? 'Per capita' and 'per stirpes' are legal terms that describe how a death benefit is distributed. Per capita benefits are paid equally to all liv-

If you have other questions about beneficiaries, or you'd like help with your insurance planning needs, contact Piton Wealth to schedule an appointment with an advisor.

EMPTY NEST? HERE'S WHY DROPPING YOUR LIFE INSURANCE NOW COULD BE A MISTAKE

Congratulations!

Your youngest child just moved out, and you're officially an empty nester. You crossed the finish line.

Now you can relax and celebrate, right?

Well...yes and no.

Having an empty nest does change your financial picture. As you cut many of the expenses related to raising kids, you'll probably enjoy more financial freedom and discover extra wiggle room in your budget.

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You might wonder if it's time to cut your life insurance expense too, especially if you bought a policy to protect your family when your kids were little.

But this is where many empty nesters discover they haven't quite crossed the finish line yet.

You may need to keep that life insurance policy, even after your last child has moved out. Here are five reasons why:

1. TO SUPPORT DEPENDENTS

Although your children aren't living in your home, they might not be financially independent yet. If they're still in college, or they aren't fully settled on their own, you could need insurance to support them if you pass away.

2. TO SUPPORT AGING PARENTS

You may also be caring for elderly parents or other relatives. If you pass away before they do, your life insurance could cover the cost of a caregiver in your place.

3. TO PROVIDE ADDITIONAL INCOME FOR SURVIVING SPOUSE

If you pass away, Social Security pays survivor benefits to your spouse and children, but those benefits end when your children finish high school. Your surviving spouse then needs to wait to apply for further benefits based on your age of eligibility (age 60 minimum). This benefit gap is known as the "blackout period," and life insurance can help cover it.

4. TO PAY OFF DEBT

Many people in their 50s are still paying off mortgages, car loans, and parent student loans. Life insurance would protect your spouse from being left with any debts, if you pass away.

5. TO CONTINUE SAVING FOR RETIREMENT

If you pass away, you've lost the ability to save money for retirement—something your spouse may have been counting on. If you and your spouse haven't saved enough yet for a comfortable retirement, you may want a short-term insurance policy to cover that shortfall.

Having an empty nest is an exciting stage of life. It's also a great time to reevaluate your financial plan and insurance needs.

The risks and hazards that trigger insurance are never the goals that we seek, but protecting the real goals should be a part of the plan. The real goal is a fulfilling and generous life. The Piton team hopes to see you as part of that life at one of Piton's community events, or any of the many life-affirming events in our communities, and we would love to talk to you about a plan, so please reach out to us when you want to find out about a potential Navigated Journey for you and your loved ones.

Visit pitonwealth.com/learning for videos and more free information

If you are interested in Piton Wealth's services, call (509) 582-0570 or visit pitonwealth.com/request-an-appointment/

We hope to hear from you!

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