Keystone Financial Partners
Jim Trull, AIF®, CFP®
Wealth Manager
1255 Crescent Green
Suite 440
Cary, NC 27518

Our Team:

Jim Trull, AIF®, CFP®
Wealth Manager

Christopher Walsh, CFP®
Wealth Management Associate

Tami Hollingsworth
Director of Business Development

Holly Garman
Client Relationship Manager

Karen Brock, CFP®
Paraplanner

Contact Us:
Local: 919-463-0018
Toll-Free: 877-400-2899
FAX: 919-463-0064

Find Us on the Web:
www.keystonefinancialpartners.com

Summer 2015

Summer 2015 is Here

Summer is here and it has been a hot one so far. We hope you have a way for staying cool while still enjoying the season. Maybe you have some fun summer travel plans to visit new or favorite places, friends or family. In this newsletter, you will find articles of interest and information on recent and upcoming happenings with Keystone Financial Partners.

Jim Trull Recently Interviewed on Radio Program

Jim was interviewed on the weekly live radio program "Eye on Health" on WPTF 680 AM in June. Regarding the topic "A Conversation about How to Support Widows," Jim discussed the biggest financial challenges widows face, key advisors widows need, changes for today's widow from 20 years ago and common mistakes that families make prior to the loss of a spouse that could easily have been avoided, allowing a widow to be left in a better position.

Jim was interviewed along with two other widow experts. Many different areas regarding this important topic were covered during the program. A podcast of this program will be available on our web site soon.

Jim Continues Studies in Financial Transition Planning

Over the past year and a half, Jim has been involved in a program that will help Jim better serve his clients with major life transitions, including retirement, loss of a spouse, divorce and receiving an inheritance. These techniques are not addressed in traditional financial planning training. This program adds to Jim's unique skill set to assist our clients in their planning needs.

Next Women Only Workshop is Sept 10

After 35 years in the financial services industry, Jim could say that he's "seen it all." He's seen up markets, down markets, the dot com rise and the dot com bust. He's seen investment trends come and go. Ultimately what Jim understands the most is the importance of helping clients make smart choices with their money. He helps clients position their investment portfolio to give them the best chance of accomplishing their financial plan and reaching their goals.

Ladies, join us for this workshop to learn from Jim about the things that matter most with financial planning. He will discuss different investment strategies he's seen, some that have worked better than others, and how investor behavior and the cycle of market emotions can be key factors in your portfolio performance.

When: Thursday, Sept 10, 11:30 am
Where: Prestonwood Country Club
Topic: Investment Lesson's I've Learned after 35 Years in the Financial Planning Profession
RSVP to Tami Hollingsworth at 919-463-0018 or tami@keystonefinancialpartners.com.

Introducing our free Second Opinion Service

We represent a select group of families whom we can have a major beneficial impact. We enter into new relationships mostly through personal introductions from our clients. To help the people you care about make informed decisions, we offer our free Second Opinion Service of their current financial plan. From our evaluation, we'll assess if there are any gaps that we could provide a significant advantage in helping them reach their goals.

Who do you care about the most that would benefit from this service? Let us know! We'd be happy to schedule an informal meeting over lunch with your personal introduction.

Planned Charitable Giving

Planned giving is the process of thinking strategically about charitable giving to maximize the personal, financial, and tax benefits of your gifts.

There may be costs and expenses associated with trusts, private foundations, and donor-advised funds. Income from charitable trusts and charitable gift annuities is not guaranteed.

Today more than ever, charitable institutions stand to benefit as the first wave of baby boomers reach the stage where they're able to make significant charitable gifts. If you're like many Americans, you too may have considered donating to charity. And though writing a check at year-end is one of the most common ways to give to charity, planned giving may be even more effective.

What is planned giving?

Planned giving is the process of thinking strategically about charitable giving to maximize the personal, financial, and tax benefits of your gifts. For example, you may need to receive income in exchange for the assets you donate, or you may want to be involved in deciding how your gift is spent--things that typically can't be done with standard checkbook giving.

Questions to consider

To help you start thinking about your charitable plan, consider these questions:

- Which charities do you want to benefit?
- What kind of property do you want to donate (e.g., cash, stocks, real estate, life insurance)?
- Do you want the gift to take effect during your life or at your death?
- Do you want to retain an interest in the property you donate?
- Do you want to be involved in deciding how your gift is spent?

Gifting strategies

There are many ways to donate to charity, from a simple outright cash gift to a complex trust arrangement. Each option has strengths and tradeoffs, so it's a good idea to consider which strategy is best for you. Here are some common options:

Outright gift. An outright gift is an immediate gift for the charity's benefit only. It can be made during your life or at your death via your will or other estate planning document. Examples of property you can gift are cash, securities, real estate, life insurance proceeds, art, collectibles, or other property.

Charitable trust. A charitable trust lets you split a gift between a charitable and a noncharitable beneficiary, allowing you to integrate financial needs with philanthropic desires. The two main types are a charitable remainder trust and a charitable lead trust. A typical charitable remainder trust provides an annuity or unitrust interest for one or two persons for life. An annuity interest provides fixed payments, while a unitrust interest provides for payments of a fixed percentage of trust assets (valued annually). At the end of the trust term, assets remaining in the trust pass to the charity. This can be an attractive strategy for older individuals who seek income. There are a few other variations of the charitable remainder trust, depending on how the income stream is calculated. With a charitable lead trust, the order is reversed; the charity gets the first, or lead unitrust or annuity interest, and the noncharitable beneficiary receives the remainder interest at the end of the trust term.

Charitable gift annuity. A charitable gift annuity provides a fixed annuity for one or two persons for life. It's easier to establish than a charitable remainder trust because it doesn't require a formal trust document.

Private foundation. A private foundation is a separate legal entity you create that makes grants to public charities. You and your family members, with the help of professional advisors, run the foundation--you determine how assets are invested and how grants are made. But in doing so, you're obliged to follow the many rules and regulations governing private foundations.

Donor-advised fund. Similar to but less burdensome than a private foundation, a donor-advised fund is an account held by a charity to which you can transfer assets. You can then advise, but not direct, how your assets will be invested and how grants will be made.

Tax benefits

Charitable giving can provide you with great personal satisfaction. But let's face it, the tax benefits are valuable, too. Your gift can result in a substantial income tax deduction in the year you make the donation, and it may also reduce capital gains and estate taxes. With a charitable remainder trust, you generally receive an up-front income tax deduction equal to the estimated present value of the interest that will eventually go to charity.

Charitable contribution deductions are generally limited to 50% of your adjusted gross income (AGI), or 30% or 20% of AGI depending on the type of charity and the property donated. Disallowed amounts can generally be carried over and deducted in the following five years, subject to the percentage limits in those years. Your overall itemized deductions may also be limited based on the amount of your AGI.

The charity must be a qualified public charity in order for you to enjoy these tax benefits. Not all tax-exempt charities are qualified charities for tax purposes. To verify a charity's status, check IRS Publication 78, or visit www.irs.gov.

Why avoid probate?

- ***It can be slow; getting needed assets into the hands of your heirs may be delayed***
- ***It can be costly, especially if an estate is large or complex, or ancillary probate is needed***
- ***It is public; documents that you wish to remain private can be accessed by the public***

How to avoid probate

- ***Own assets jointly with right of survivorship***
- ***Own assets that pass by beneficiary designation, such as life insurance and retirement plans***
- ***Use a trust***
- ***Gift assets during your lifetime***

COMMONWEALTH *financial network*

Avoiding Probate: Is It Worth It?

When you die, your estate goes through a process that manages, settles, and distributes your property according to the terms of your will. This process is governed by state law and is called probate. Probate proceedings fall under the jurisdiction of the probate court (also called the Surrogate's, Orphans', or Chancery court) of the state in which you are domiciled at the time of your death. This court oversees probate of your personal property and any real estate that is located in that state. If you own property located in a state other than the state in which you are domiciled at the time of your death, a separate "ancillary" probate proceeding may need to be initiated in the other state.

Note: *"Domicile" is a legal term meaning the state where you intend to make your permanent home. It does not refer to a summer home or a temporary residence.*

Items that are subject to probate are known as probate assets. Probate assets generally consist of any property you own individually at the time of your death that passes to your beneficiaries according to the terms of your will. Examples of nonprobate assets include property that is owned jointly with right of survivorship (e.g., a jointly held bank account) and property that is owned as tenants-by-the-entirety (i.e., real property owned jointly by a husband and wife). Other examples are property that passes to designated beneficiaries by operation of law, such as proceeds of life insurance and retirement benefits, and property held in trust. Property that does not pass by will, right of survivorship, beneficiary designation, or trust will also be subject to probate.

Why avoid probate?

Most wills have to be probated. The rules vary from state to state, but in some states, smaller estates are exempt from probate, or they may qualify for an expedited process.

Probate can be slow. Depending on where your executor probates your estate and the size of your probate estate, the probate process can take as little as three months or as long as three years. Three years can be a long time to wait for needed income. It can take even longer if the estate is a complicated one or if any of the heirs are contesting the will.

Probate can be costly. Probate costs usually include court costs (filing fees, etc.), publication costs for legal notices, attorney's fees, executor's fees, bond premiums, and appraisal fees. Court costs and attorney's fees can vary from state to state. Typically, the larger the estate, the greater the probate costs. However, if a smaller estate has complex issues associated with its administration or with distribution of its assets (e.g., if the person who died owned property in several states), probate can be quite costly.

Probate is a public process. Wills and any other documents submitted for probate become part of the public record--something to consider if you or your family members have privacy concerns.

Why choose to go through probate?

For most estates, there's usually little reason to avoid probate. The actual time and costs involved are often modest, and it just doesn't make sense to plan around it. And there are actually a couple of benefits from probate. Because the court supervises the process, you have some assurance that your wishes will be abided by, and if a family squabble should arise, the court can help settle the matter. Further, probate offers some protection against creditors. As part of the probate process, creditors are notified to make their claims against the estate in a timely manner. If they do not, it becomes much more difficult for them to make their claims later on.

In addition, some states require that your will be probated before the beneficiaries under your will can exercise certain rights. Among the rights that may be limited are the right of your surviving spouse to waive his or her share under the will and elect a statutory share instead, use your residence during his or her remaining life, set aside certain property, and receive a family allowance.

How to avoid probate

An estate plan can be designed to limit the assets that pass through probate or to avoid probate altogether. Property may be passed outside of probate by owning property jointly with right of survivorship; by ensuring that beneficiary designation forms are completed for those types of assets that allow them, such as IRAs, retirement plans, and life insurance (to avoid probate you shouldn't name your estate as beneficiary); by putting property in a trust; and by making lifetime gifts.

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What is this new chip-card technology I've been hearing about in the news?

In recent years, data breaches at major retailers have increased across the United States. As a way to counteract these data breaches, many U.S. credit-card companies have started implementing a more secure chip-card technology called EMV (which is short for Europay, Mastercard, and Visa).

Currently, most retailers use the magnetic strips on the back of your debit or credit card to access your account information. Unfortunately, the information contained in the magnetic strips is easily accessed by hackers. In addition, the magnetic strips use the same account information for every transaction. So once your card information is stolen, it can be used over and over again.

With the new EMV technology, debit cards and credit cards are embedded with a computer chip that generates a unique authentication code for each transaction. So if your card information is ever hacked, it can't be used again--it's a "one-and-done" scenario.

While many developed nations moved to EMV technology years ago, U.S. retailers have previously been unwilling to shoulder the costs. Fortunately, there is good news for U.S. consumers on the horizon.

Beginning in 2015, many large retailers will switch to the new EMV technology by installing payment terminals designed to read the new chip-embedded payment cards. It may take additional time, however, for smaller retailers to adopt this latest technology.

Along with EMV, even more advanced encryption technology is being developed that will increase security for online transactions and payments made with smartphones. In fact, new mobile payment options like Apple Pay and Google Wallet could eventually make paying with plastic entirely obsolete.

In the meantime, in the wake of these data breaches, you should make it a priority to periodically review your credit-card and bank account activity for suspicious charges. If you typically wait for your monthly statements to arrive in the mail, consider signing up for online access to your accounts--that way you can monitor your accounts as often as needed.

Am I liable for unauthorized transactions on my debit card?

It depends. Federal law provides consumers with protection against most unauthorized credit- and debit-card transactions.

Under federal law, consumer liability for unauthorized credit-card transactions is limited to $50. However, many banks and credit-card companies offer even more protection for credit cards in the form of "zero liability" for unauthorized transactions.

For unauthorized debit, rather than credit, transactions, the rules get a bit trickier. For the most part, you won't be held responsible for any unauthorized debit-card withdrawals if you report the lost card before it's used. Otherwise, the extent of your liability depends on how quickly you report your lost card. If you report your lost debit card within two business days after you notice your card is missing, you'll be held liable for up to $50 of unauthorized withdrawals. If you fail to report your lost debit card within two days after you notice your card is missing, you can be held responsible for up to $500 of unauthorized withdrawals. And if you fail to report an unauthorized transfer or withdrawal that's posted on your bank statement within 60 days after the statement is mailed to you, you risk unlimited liability.

The good news is that some banks and credit-card companies are offering the same "zero liability" protection to debit-card users that they offer to their credit-card users. This zero liability protection, however, does come with exceptions. In order to have zero liability for unauthorized debit-card transactions, consumers may be required to report the loss of their card "promptly" (typically, no more than two days after they learn of the card loss or theft). In addition, a consumer may need to exercise "reasonable care" to safeguard his or her debit-card information. For example, an individual who gives someone else his or her debit card and PIN could be held responsible for any unauthorized transactions.

It's important to remember that, unlike credit cards, debit cards directly link to your financial accounts. As a result, you should act quickly and call your bank or credit-card company as soon as you learn of any unauthorized transactions on your account.