Subject: January Newsletter: New Uses for 529 Accounts, Making an IRA to Charity Transfer, and Writing Your Last Letter

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From: Greenleaf Financial Group

To: info@greenleaf-fg.com

Hello Greenleaf:

Welcome to the Greenleaf Guide

A Newsletter for Clients of Greenleaf Financial Group

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In Review

Market Update

The first month of 2020 was mostly positive for stock and bond investors, but stocks recently took a step backward as concerns about the coronavirus increased.

Stocks in the travel and tourism industries fell the most, while the impact was also felt on sectors sensitive to growth in China, such as energy and technology.

Questions about the threat of the pathogen remain, while geopolitical events, including the trade war and Brexit could

January 2020

Spotlight On

Two New Uses for 529 Accounts

Legislation in the SECURE Act, passed in late December, 2019, included two valuable new options for using 529 account savings

Previously, distributions from 529 accounts could be used to pay for higher education expenses, including tuition, room and board, books, fees, and expenses related to required materials for courses.

If withdrawals are used for any of these qualified expenses, then the withdrawals are free of taxes and penalties.

A few years ago, legislation passed that permitted tax-free and penalty-free withdrawals up to $10,000 per year from 529 accounts for private kindergarten through 12th grade tuition costs. Please note that, unlike accepted uses for college 529 costs, tuition is the only allowed expense for private primary or secondary education.

Now, there are two additional tax-free and

also cause market volatility in 2020.

Still, many market watchers see little likelihood of a recession and a strong chance for further growth and ongoing low inflation. Low interest rates will continue to make borrowing cheap for corporations and consumers. Spending by consumers and companies typically supports economic expansion.

This does not mean that the global economy is on absolutely solid ground, though. A major political or financial shock could trigger a downturn.

In essence, there is a wide range of possibilities in this market environment. We think it is important to identify -- and act on -- potential risks and potential opportunities among stock sectors and industries.

We will continue to use mutual funds whose analytic teams conduct in-depth research and we will add our own carefully structured combination of diversification and asset allocation.

Financial Planning Calendar: What to Do in February

Next month, we encourage clients to do the following.

Task: Write a "Last Letter" to Your Loved

Now, there are two additional tax-free and penalty-free 529 uses:

Student Loan Repayment

Families may take tax-free withdrawals from a 529 account to repay principal and interest on student loans.

This sounds simple, but the details are a bit complicated. The loan must be a qualified education loan and any interest on that loan paid by the 529 withdrawal ***can not*** be included in the taxpayer's student loan interest deduction.

Furthermore, the lifetime limit is $10,000 for the 529 account's beneficiary. This is not an annual limit, but is indeed a total $10,000 limit for the student.

However, a lifetime limit of $10,000 worth of student loan repayment is also allowed for each of the 529 beneficiary's siblings (namely brother, sister, stepbrother or stepsister).

This new feature is especially useful for grandparent-owned 529 accounts. Since withdrawals from a grandparent-owned 529 prior to January 1st of the student's sophomore year of college must be included as untaxed income for the student on the FAFSA, we advise grandparents to, first, wait until withdrawals no longer affect untaxed income on the FAFSA, and/or, second, to wait until the student graduates and then pay down $10,000 of a student's loans.

Apprenticeships

The SECURE Act also allows 529 account withdrawals to be used tax-free for apprenticeship programs. The intention with this new opportunity is to dispel parents' concerns that their student might not go to college.

The apprenticeship program must be

Ones

Why: To avoid regret, to get past grudges, or to simply to say the things that are important before it's too late.

I noticed in a recent AARP publication that longtime personal finance expert and author Jane Bryant Quinn was going to give retirement a try and would no longer be writing for AARP. In honor of her years of outstanding advice, I am passing on recommendation to write a "last letter."

A few years ago, Jane talked about how helpful it can be to write your spouse, best friend, kids, family members, or others a letter that says the things you'd like to say, but that are never said because life is busy or saying such things is hard.

Perhaps you don't say "I love you" very much or you want to tell your kids how proud you are of them. Perhaps you want to reminisce about special times or repair a damaged relationship with an apology.

Whether it is one letter to family and friends or multiple letters is up to you. Length is not important. When you're finished, put the letter (or letters) with your will or in a place that you store important things.

Of course, you may decide to deliver your letters, which is fine, too. The delivery just may inspire others to write their own letters.

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registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act.

Such programs are typically offered by employers and provide on-the-job training in industries such as construction, manufacturing, information technology, health care, energy, and logistics.

Tax-free distributions can be used to pay for expenses associated with apprenticeship programs including fees, textbooks, supplies, and equipment. The cost of tools required for the trade is also an acceptable expense.

Question of the Month

Question

I was going to transfer money from my IRA to a charity this year because I turn 70 1/2 and it is a tax-smart way to make charitable contributions. Under the new rules, however, must I now wait until I reach age 72?

Answer

Although the SECURE Act changed the required minimum distribution age from tax-deferred IRAs to age 72, it did not change your ability to make a tax-free transfer from your IRA to a charity beginning at age 70

Los Angeles Office
jhartman@greenleaf-fg.com
323-395-8801
1239 S. Rimpau Blvd.
Los Angeles, CA 90019

Indianapolis Office
khartman@greenleaf-fg.com
317-253-0544
2555 E. 55th Pl,
Suite 213
Indianapolis, IN 46220

1/2.

You may still transfer up to $100,000 directly to a charity each year. Known as a "qualified charitable distribution," the transfer counts dollar for dollar for those who do have required minimum withdrawal amounts.

However, the process must be done correctly and you can not receive the money yourself first. We will gladly work with you to ensure your charitable donation from your IRA is accomplished safely and correctly.