

Market Update 8/11/14 and What Beneficiaries Need to Know!

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Thomas Cymer CFP® CRPC® Presents:

WEEKLY ECONOMIC UPDATE

August 11, 2014

WEEKLY QUOTE

"The real voyage of discovery consists not in seeking new landscapes but in having new eyes."
- Marcel Proust

WEEKLY TIP

Here's a good reason not to prematurely withdraw funds from a qualified retirement plan: it will be some of the costliest money you can find. Taxes and penalties could leave you with as little as 50% of that money in the end.

WEEKLY RIDDLE

If I am used in an emergency, I can help the hero - yet when you multiply all the numbers on my face, all you get is zero. What am I?

Last week's riddle:

Fill in the blank: if Ruby's mom is Patricia, then Patricia is the _____ of Ruby's mother.

Last week's answer:
Name.

U.S. SERVICE SECTOR IS BOOMING

The Institute for Supply Management's July non-manufacturing PMI came in at a stellar 58.7, indicating rapid expansion. It hadn't been that high since December 2005, and its new orders sub-index reached a peak unseen since August 2005. On Wall Street, some investors worried that the Federal Reserve would take the news as additional grounds for raising short-term interest rates - but in the big picture, it expresses the strength of the recovery. ISM's service sector PMI had a reading of 56.0 in June.¹

FACTORY ORDERS RISE 1.1%

June's gain far outshined the 0.5% increase forecast by analysts surveyed by Briefing.com. This was a nice comeback for the indicator after the (revised) 0.6% decline in orders that the Census Bureau recorded for May.²

HEADLINES BOOST GOLD PRICES; OIL PULLS BACK

Geopolitical risk in Eastern Europe and the Middle East meant more interest in the yellow metal last week as investors sought a place to park some cash. In New York, gold settled at \$1,310.60 per ounce Friday, up 1.35% for the week. NYMEX crude actually lost 0.28% for the week, settling Friday at \$97.35.³

FRIDAY RALLY TURNS DOWN WEEK AROUND

Reports that Russian troops were no longer conducting maneuvers near Ukraine's border helped the S&P 500 climb 1.15% Friday. The broad benchmark gained 0.33% across 5 days, closing the week at 1,931.59. Minor weekly gains also came for the Nasdaq (0.42% to 4,370.90) and the Dow (0.37% to 16,553.93).⁴

THIS WEEK: Earnings season rolls on Monday as American Apparel, Aramark, Priceline.com, Tata Motors, Procter & Gamble and Sysco report quarterly results. Tuesday, the Street considers earnings from Prudential, Fossil, La Quinta Holdings, LoJack and Towers Watson. On Wednesday, reports on July retail sales and June business inventories complement earnings from Cisco, NetApp, Deere, Macy's, Pinnacle Foods, RE/MAX and Silver Wheaton. In addition to the week's report on initial jobless claims, Thursday brings earnings reports from Wal-Mart, Lenovo, Nordstrom, JC Penney, Red Robin, Applied Materials, Houghton Mifflin and Autodesk. Friday, the July PPI and July industrial output report appear along with Q2 results from Estee Lauder.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-0.14	+6.81	+15.33	+6.87
NASDAQ	+4.65	+19.13	+23.70	+14.63
S&P 500	+4.50	+13.79	+18.23	+8.13
REAL YIELD	8/8 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.19%	0.34%	1.88%	1.85%

Sources: online.wsj.com, bigcharts.com, treasury.gov - 8/8/14^{4,5,6,7}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.
These returns do not include dividends.

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If you would like us to add them to our distribution list, please reply with their address.
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What Beneficiaries Need To Know

What do you do when an account owner passes away?

Provided by Thomas Cymer CFP® CRPC®

If your loved ones have invested, saved or insured themselves to any degree, you may be named as a beneficiary to one or more of their accounts, policies or assets in the event of their deaths. While we all hope "that day" never comes, we do need to know what to do financially if and when it does.

Legally, just who is a beneficiary? IRAs, annuities, life insurance policies and qualified retirement plans such as 401(k)s and 403(b)s are set up so that the accounts, policies or assets are payable or transferrable on the death of the owner to a beneficiary, usually an individual named on a contractual document that is filled out when the account or policy is first created.

In addition to the primary beneficiary, the account or policy owner is asked to name a contingent (or secondary) beneficiary. The contingent beneficiary will receive the asset if the primary beneficiary is deceased.

Some retirement accounts and policies may have multiple beneficiaries. Charities are also occasionally named as beneficiaries. If you have individually listed one (or more) of your kids or grandkids as designated beneficiaries of your 401(k) or IRA, that designation will usually override any charitable bequest you have stated in a trust or will.¹

A will is NOT a beneficiary form. When it comes to 401(k)s and IRAs, beneficiary designations are commonly considered first and wills second. Be mindful of who you select. If you willed your IRA assets to your son in 2008 but named the man who is now your ex-husband as the beneficiary of your IRA back in 1996, those IRA assets are set up to transfer to your ex-husband in the event of your death.¹

If a retirement account owner passes away, what steps need to be taken? First, the beneficiary form must be found, either with the IRA or retirement plan custodian (the financial firm overseeing the account) or within the financial records of the person deceased. Beyond that, the

financial institution holding the IRA or retirement plan assets should also ask you to supply:

- * A certified copy of the account owner's death certificate
- * A notarized affidavit of domicile (a document certifying his or her place of residence at the time of death)

If the named beneficiary is a minor, a birth certificate for that person will be requested. If the beneficiary is a trust, the custodian will want to see a W-9 form and a copy of the trust agreement.²

If you are named as the primary beneficiary, you usually have three options for claiming the assets, regardless of what kind of retirement savings account you have inherited:

- * Open an inherited IRA and transfer or roll over the funds into it.
- * Roll over or transfer the assets to your own, existing IRA.
- * Withdraw the assets as a lump sum (liquidate the account, get a check).

Before you make ANY choice, you should welcome the input of a tax advisor, and discuss any limitations or consequences that may apply to your situation.²

What if you are a spousal beneficiary? If that is the case, you may elect to:

- * Roll over or transfer assets from a traditional IRA, Roth IRA, SEP-IRA or SIMPLE IRA into your own traditional or

Roth IRA, or an inherited traditional or Roth IRA

- * Withdraw the assets as a lump sum
- * Roll over or transfer qualified retirement plan assets from a 401(k), 403(b), etc. into your own retirement account, or take them as a lump sum.^{2,3}

What if you are a non-spousal beneficiary? If this is so, you may elect to:

- * Roll over or transfer assets from a traditional IRA, Roth IRA, SEP-IRA, SIMPLE IRA or qualified retirement plan into an inherited IRA
- * Withdraw the assets as a lump sum.²

What if a qualified (i.e., irrevocable) trust is named as the beneficiary? If that is the circumstance, the trustee has two choices:

- * Transfer assets from a traditional IRA, Roth IRA, SEP-IRA, SIMPLE IRA or qualified retirement plan

into an inherited IRA

* Withdraw the assets as a lump sum.²

The next calendar year will be very important. Inheritors of retirement accounts have until September 30 of the year following the original account owner's death to review and remove beneficiaries, and until December 31 of that year to divide the IRA assets among multiple beneficiaries. Usually, December 31 of the year after the original retirement plan owner's passing is the deadline for the first RMD (Required Minimum Distribution) from an inherited traditional or Roth IRA.⁴

Now, how about U.S. Savings Bonds? If you are named as the primary beneficiary of a U.S. Treasury Bond, you have three options:

* Redeem it at a financial institution (you will need your personal I.D. for this).

* Get the security reissued in your name or the names of multiple beneficiaries. You do this via Treasury Department Form 4000, which you must sign before a certifying officer at a bank (not a notary). Then you send that signed form and a certified copy of the death certificate to a Savings Bond Processing Site.

* Do nothing at all, as the primary beneficiary automatically becomes the bond owner when the original bond owner passes away.⁵

What about savings & checking accounts? Bank accounts are often payable-on-death (POD) assets or "Totten trusts." All a beneficiary needs to claim the assets is his or her personal identification and a certified copy of the death certificate of the original account holder. There is no need for probate. (Some states limit charities and non-profits from being POD beneficiaries of bank accounts.)⁵

How about real estate?

Lastly, it is worth noting that about a dozen states use transfer-on-death (TOD) deeds for real property. If you live in such a state, you have to go to the county recorder or registrar, usually with a certified copy of the death certificate and a notarized affidavit which informs the recorder or registrar that ownership of the property has changed. If the deed names multiple beneficiaries and some are dead, the surviving beneficiaries must present the recorder or registrar with certified copies of the death certificates of the deceased beneficiaries.⁵

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Citations.

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Week of September 30th, 2013

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