

# Financial Strategies

News You Can Use!!

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81%

Percentage of Americans surveyed who said that Social Security will be an important or very important source of retirement income; 90% of survey respondents said that Social Security Disability Insurance would be an important source of income if their ability to work was limited due to a disability.

Source: National Academy of Social Insurance, January 2025

## Saving Social Security: Which Solutions Do Americans Support?

According to the 2025 Trustees Report estimates, Social Security will only have sufficient funds to pay full benefits until 2033. After that, payroll tax and other revenues would cover only 81% of benefits. However, this financing gap can be closed if lawmakers act on proposed solutions.

A bipartisan survey found that across party lines, generations, and income and education levels, Americans want lawmakers to strengthen Social Security's finances by increasing program revenues rather than cutting benefits. When asked about their views, 85% of those surveyed responded that benefits should not be reduced, or benefits should be increased, even if that meant raising taxes on some or all Americans. Here are a few key solutions that respondents weighed in on.

	Favor strongly or somewhat**	Oppose strongly or somewhat**	Financial impact	Reduce financing gap by
Eliminate the payroll tax cap by 2030*	68%	18%	Raise revenue	70%
Gradually increase payroll tax rate for both employers and employees to 7.2% over 20 years*	57%	28%	Raise revenue	25%
Slow benefit growth by changing the cost-of-living adjustment (COLA) calculation	38%	47%	Reduce benefits	15%
Gradually raise full retirement age from 67 to 68 or 69	37%	48%	Reduce benefits	10% (68) 30% (69)

\*Employees and employers currently each pay a 6.2% payroll tax rate on earnings up to the annual payroll tax cap (\$176,100 in 2025).

\*\*Survey respondents could also answer "Not sure."

Sources: Social Security Administration, 2025; National Academy of Social Insurance, January 2025

# Avoiding Probate with a TOD Deed and TOD Account

If you want to leave your home to your children or other heirs and keep the property out of the costly and time-consuming probate process, you could place your home in a living trust. Trusts offer numerous advantages, but they incur up-front costs, often have ongoing administrative fees, and involve a complex web of tax rules and regulations.

More than half of U.S. states offer a simpler and less expensive way to avoid probate through a transfer-on-death (TOD) deed (also called a beneficiary deed). As the name suggests, this is a legal document that directly transfers ownership of the property from you to your designated beneficiary or beneficiaries upon your death. You retain full ownership and control while you are alive, and your beneficiary has no rights to the property until after your death. (Beneficiaries also inherit any associated financial obligations, such as a mortgage or lien.)

The TOD deed must be filed with the appropriate land records office. The deed supersedes your will, so be sure the provisions of your will match the deed. If you change your mind, the deed can be revoked and/or replaced through a new filing. As with all beneficiary documents, it would be wise to designate contingent beneficiaries in the event that a designated beneficiary predeceases you.

In some states, a married couple who own a house together through joint tenancy or as community property with right of survivorship would each have to complete a TOD deed. The deed for the first spouse who dies would be void, and the deed for the second spouse would transfer ownership to the designated beneficiary(ies).

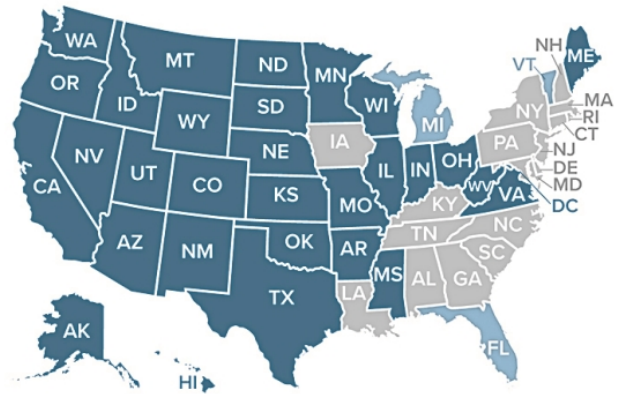
## TOD accounts

In most states, you can apply a transfer-on-death provision to individual non-retirement brokerage accounts. This typically involves filing a form with the financial institution to designate a beneficiary or beneficiaries (including contingent beneficiaries) and register the account as TOD. Ownership of the TOD account would transfer directly to the designated beneficiary(ies) upon your death without going through probate. Like TOD deeds, a TOD account designation supersedes your will.

For a joint account, the effect of a TOD designation would depend on the type of account.\* Retirement accounts generally go directly to the beneficiary(ies) without probate and do not require being retitled as TOD.

Bank accounts offer a similar designation called Payable on Death (POD). One key difference is that POD accounts typically do not allow contingent beneficiaries.

## States in dark blue allow a TOD deed



Florida, Michigan, and Vermont (light blue) allow a similar document called an enhanced life estate deed or Lady Bird deed. Texas and West Virginia allow TOD and Lady Bird deeds. Source: Nolo, October 8, 2024

## Estate and capital gains taxes

A TOD deed or account designation does not remove the property or account assets from your taxable estate. However, with high federal estate tax exclusion amounts, few estates would likely be subject to federal estate taxes.\*\*

If your heirs sell your home or account assets, they could be subject to capital gains taxes regardless of whether they receive the property/account through a living trust or a TOD deed. However, the *step-up in basis* provision of U.S. tax law automatically sets the basis as the fair market value of the home or account at the time of your death, effectively eliminating all capital gains up to that time. Your heirs could shelter \$250,000 of gains (\$500,000 for a married couple) if they live in the home for two out of five years before selling. (There is no shelter provision for financial accounts.)

Although you do not need an attorney to execute a TOD deed in most states, you may want to consult an attorney familiar with the laws of your state. You should consider the counsel of experienced estate planning, legal, and tax professionals before implementing trust strategies.

\*A TOD designation on a *joint ownership/tenancy* or *tenants by/in the entirety* account would only become effective if both owners die simultaneously. A TOD on a *tenants in common* account would be similar to an individual account.

\*\*For estates of those who die in 2025, the exclusion is \$13.99 million, with a combined \$27.98 million exclusion for a married couple.

# Navigating Financial Conversations with Aging Parents

Having a conversation with your parents about their finances can seem like a daunting task. However, it is an essential step in helping to ensure their financial well-being as they get older. Here are some practical tips to help you navigate these discussions.

## Start the conversation

Talking about money can be difficult. However, it's important to initiate a financial conversation with your parents before they become too ill or incapacitated. Your parents may be unwilling to talk to you at first because they are reluctant to give up control over their financial affairs, or they are embarrassed to admit that they need your help. It's important to approach the topic sensitively and make it clear that you fully respect their needs and concerns.

If they are still hesitant to talk to you and are capable of managing their affairs for now, you may want to revisit the discussion later. Or you could suggest that they talk to another family member, trusted friend, attorney, or financial professional.

## Organize financial and legal documents

Once the lines of communication are open, you can help your parents organize their financial and legal documents. Start by creating a personal data record that lists the following types of information:

**Financial:** Include all of your parents' bank/investment account information, including account/routing numbers and online usernames and passwords. You should also list any real estate holdings, along with any outstanding mortgages. Do your parents receive income from Social Security, a pension, and/or a retirement plan? You will want to include that information as well.

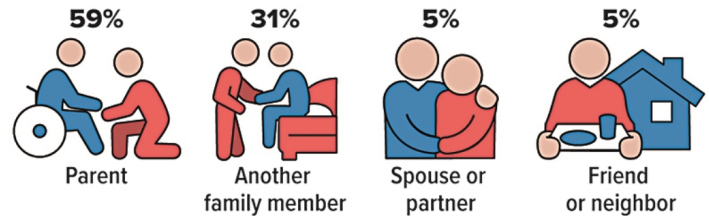
**Legal:** Find out if your parents have had any legal documents drawn up, such as wills, trusts, durable powers of attorney and/or health-care directives. Locate other important documents too, such as birth certificates, property deeds, and certificates of title.

**Medical:** Determine what type of health insurance your parents have — Medicare, private insurance, or both. You should also have the names and contact information for their health-care providers, their medical history, and any current medications.

**Insurance:** List what other types of insurance coverage your parents have — life, home/property, auto, or long-term care, for example — along with the names of their insurance companies and policy numbers.

Store the data record and any other pertinent documents either electronically or in a secure, fireproof box or file cabinet.

## Who Are Caregivers Caring For?



Source: SeniorLiving.org, 2025

## Help with managing finances

You can help your parents manage their finances by examining their budget and finding out their monthly income and expenses. Track your parents' spending to make sure that they are living within their means. You should also discuss ways to address any outstanding debts they may have.

Find out how your parents pay their bills and expenses. If they still use traditional methods, encourage them to set up safer and more convenient ways to bank such as direct deposit and making payments online, instead of mailing paper checks. If your parents are uncomfortable with electronic payments, remind them to mail all bills inside the physical post office and not to use outdoor mailboxes, which may be targets for mail theft.

Do your parents need additional support in managing their finances? There are ways for you to obtain the necessary authorization to assist them. One way is to become a joint account holder on certain bank accounts. This can give you direct access to manage transactions, monitor account activity, and ensure bills are paid. However, being a joint account holder may have certain legal and tax ramifications. Another option is for them to obtain a durable power of attorney, which is a legal document that grants you authorization to make financial decisions on their behalf, even if they become incapacitated. It may also be helpful for them to add you or someone else as a trusted contact for their accounts.

## Discuss estate planning issues

If they haven't already done so, make sure your parents have certain legal documents in place — such as wills and/or trusts — to ensure that their estate planning wishes are followed. In addition, they may need to have a durable power of attorney, health-care proxy, and living will in place so they have someone to manage their money and health-care issues if they become ill/impaired. Issues surrounding the care of an aging parent can be complex. Consider consulting a financial professional and/or elder law attorney who specializes in financial and legal issues that affect older adults.

# Staycations Are About More Than Saving Money

In March 2025, 61% of respondents to a travel-related survey expressed concern that a recession might impact their vacation plans. The same percentage were planning a staycation instead.<sup>1</sup>

Common during the pandemic when air travel and large crowds were not viable options, staycations involve spending your vacation at or near home. While they may be a great way to save money, staycations can also help you reduce stress, one of the primary reasons many people take time off.

## Address stress

From booking airfare and lodging to securing tickets to attractions, along with making restaurant reservations and renting cars, traditional vacations typically require a great deal of advance planning and coordination. Tack on the need to pack for uncertain weather and various activities, find someone to care for pets, and make it to the airport on time — only to discover your flight has been delayed, your luggage was lost, and your hotel bed is uncomfortable — and you have a recipe for vacation aggravation. On the other hand, a staycation requires little to no advance planning, may be flexible and spontaneous, and can include activities to suit your mood, budget, energy level, and even the weather.

## Staycation options

Using your home as base camp for a staycation is a great way to help reduce spending and explore

regional attractions and activities. You can hike in local state parks, attend a major or minor league sporting event, visit museums or amusement parks, dine at the trendiest restaurants, or try a new activity, such as kayaking or pickleball. Or you can simply read, play yard games, and barbecue in the backyard. If it's raining, head to the movies, check out an escape room or indoor sports complex, or try out a new recipe.

If staying home presents too strong a temptation to check email or log in to work for "just one quick virtual meeting," consider a getaway within driving distance. In this case, your staycation can take the form of a few nights at a nearby hotel and taking advantage of such amenities as room service, the fitness center, or pool. Many hotels offer packages that include tickets to a show or local attraction, spa treatments, or meals. For a change of scenery, you might consider renting a condo or house with a pool, near a beach, or on a farm. Camping is also a cost-effective, adventurous way to shed the day-to-day monotony and build great memories.

Regardless of how you spend your time, keep in mind that the two keys to a restorative break, according to a recent study in the *Journal of Applied Psychology*, are fully disengaging from work and participating in physical activity.<sup>2</sup>

1) Beach.com, March 2025

2) ScienceDaily, January 2025

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