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SCOTT SCHECHTER'S FINANCIAL NEWS

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The Roth IRA Five-Year Rule


Courtesy of Scott Schechter, CFP®, MBA, CAP®

I recently saw this question posed in a financial column: “...I am confused about the five-year restrictions associated with Roth conversions..., to what extent will I be able to withdraw the amounts I converted without taxes or a penalty?”

Here are some thoughts regarding the 5-year rule: The answers for taxes and penalties are unique. Individuals aged 59 1/2 and older can always withdraw earnings from their Roth IRA penalty free but will only enjoy tax free treatment if five years have passed from the tax year in which they first contributed to a Roth IRA, with an

important exception for funds contributed by Roth conversions. For converted funds, a new five-year rule applies to each conversion. Once the applicable five-year rule is met for the converted funds, you can withdraw that block of funds free of both income tax and penalty.

It is important to note that the five-year rule applies only to earnings. You can always withdraw contributions, or the amount converted, i.e. your “basis” free of income tax or penalty, regardless of your age or when the account was opened.

Navigating the complexities of IRA tax rules can be daunting. As always, be sure to consult your tax advisor before initiating transactions. 



Eagle
Strategies
LLC

Scott Schechter, CFP®, MBA, CAP®
Financial Advisor

CA Insurance License #0E52859
AR Insurance License #7026896

(619) 350-3600
sschechter@eaglestrategies.com

Optimize your Wi-Fi network. Even if you have broadband Internet you still may experience spotty streaming or slow surfing with your Wi-Fi connection. Possible reason: it may be a range issue. Positioning the router more centrally in your home might help. If there is no centrally located cable outlet, an extra-long cable might work. If that's not an option, your internet service provider may be able to relocate it. This may require cutting into walls and floors and stringing new cable and may cost. Another solution: larger homes may need a Wi-Fi mesh system - a series of signal repeating nodes that blanket the house in Wi-Fi. These are easy to set up yourself, but companies that offer in-home computer services will be able to do it for you too.

Source: Bottom Line Personal



“A bone to the dog is not charity. Charity is the bone shared with the dog, when you are just as hungry as the dog.”

-Jack London



How To Share Your Wealth During Your Lifetime

By Sandra Block, Tribune Media Services

Baby boomers are expected to transfer more than \$50 trillion in wealth during the next 20 years, with much of it going to Gen X and millennial children. But many don't want to wait until they die to help their heirs and charities.

That leaves those boomers with a difficult calculation. How can they provide financial assistance to family or charities without jeopardizing their retirement security, particularly when it comes to paying for long-term care.

The easiest solution to this dilemma is to postpone gifts to family members and charities until you die, when you'll no longer need funds for living expenses or long-term care.

But holding on to your wealth until you draw your last breath has its downsides too. There's a good chance you or your spouse will live into your nineties, which means your children will probably be in their sixties, or even seventies, when you die. That's a long time to wait if they need money for a down payment on a home or are struggling to repay their student loans.

“Providing for heirs after life is wonderful, but if you help them while you are living, you get to see how your support impacts them,” says Abrin Berkemeyer, a certified financial planner in Houston.

Financial planners say that including “giving while living” in your estate plan provides a way to assist children and grandchildren in reaching important goals while allowing you to gauge how they'll manage their inheritance. And making significant donations to a charity while you're alive can help you to determine whether your money is being used wisely — and provide some valuable tax benefits as well.

The first step, though, is to figure out how much you can afford to give away.

One strategy is to create a timeline of your income and expenses in retirement, which will help determine how much you need to withdraw from your savings each year to pay for any expenses that you can't cover with Social Security benefits, pension payments and other income sources.

It will also give you an idea of how much you can afford to give away. You may need professional guidance to get the most out of this strategy, because you'll need to project your investment returns as well as taxes you'll owe. A financial professional can help you avoid projecting overly optimistic investment returns or underestimating your taxes. [↗](#)

[Editor's note: Since investments are subject to constant market fluctuation, there is no guarantee a strategy will be successful.]

Seeing Other Countries By Train

By Emma Patch, Kiplinger's Personal Finance

Traveling overseas can be a bit of a hassle. But you can avoid some of that by booking and traveling by train.

Here are four trips to consider:

Rocky Mountaineer to Banff. Rocky Mountaineer's two-day Canadian trip on the First



Passage West route begins in Vancouver, stopping overnight halfway through the journey in Kamloops, British Columbia. From there, passengers make their way eastward through the Shuswap region, enjoying stunning lake views the entire way. Breakfast is included onboard, along with a gourmet lunch and wine service.

The trip ends in Banff National Park, home to rugged, snow-capped mountains, turquoise waters and diverse wildlife. One-way tickets from Vancouver to Banff were recently available starting at \$1,720 per person.

Hiram Bingham to Machu Picchu. The Hiram Bingham train, operated by hospitality company Belmond, brings travelers from Cusco, Peru, to the entrance of the 15th-century citadel of Machu Picchu. Round-trip service comes with access to a cocktail bar and a gourmet lunch. The fare includes a transfer from the train station to the citadel, an entrance ticket to the site and a guided tour guide.

After a day experiencing Machu Picchu's grandeur, passengers can enjoy complimentary tea service at Belmond's luxury Sanctuary Lodge, the only hotel located next to Machu Picchu. Room rates at this hotel are pricey, averaging about \$2,250 a night during the June high season. Round-trip

train fare includes a return bus to the train station and a gourmet dinner on your return trip. A September round-trip journey aboard the Hiram Bingham between Cusco and Machu Picchu was recently available for about \$1,000 per adult.

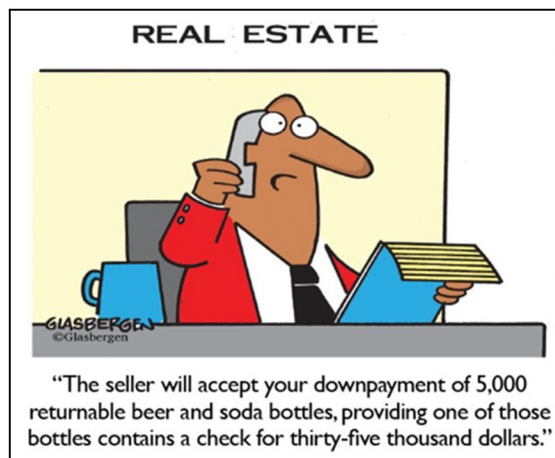
La Dolce Vita Orient Express through Italy. For a rail excursion reminiscent of the fabled Orient Express, consider booking a ride on La Dolce Vita Orient Express's luxurious journey through Italy. Depending on the season, the train takes passengers through various routes on different lines. Cities and regions in the wide range of itineraries include Rome, Portofino, Venice, Siena, Sicily and Palermo.

Accor, the train operator, recently started taking reservations for spring 2025. The trains feature 12 deluxe cabins and 19 suites—all with en suite bathrooms. La Dolce Vita Orient Express also has a restaurant, a lounge and a bar. Prices for a one-night journey start at 3,500 euros (about \$3,800) per person for a deluxe cabin and 4,700 euros (about \$5,050) per person for a suite. Prices vary depending on travel dates.

Japan by bullet train. Japan's Shinkansen — commonly known as bullet trains — connect almost every major city in the country. While residents of Japan use these efficient and reliable trains to get around, they also offer a fast and convenient way to tour Japan.

Tickets for the two-hour, 40-minute route between Tokyo and Kyoto, for example, were recently available for about \$120 to \$160 round-trip.

The trains are punctual, so you'll always arrive promptly, giving you plenty of time to explore Kyoto's rich cultural heritage and historic sites, such as the Kiyomizu-dera Buddhist temple or the Fushimi Inari Shrine. ↗



Homes are overvalued in 90% of major US metropolitan areas. Most recent data on home sales indicated homes we're overvalued nationally by 11.1%. States with the biggest increase of homes being sold at prices above the long-term average were Tennessee, Arkansas, South Carolina, Montana and Alabama.

Source: [fitchratings.com](https://www.fitchratings.com)

Five reasons not to use a safe deposit box.

Contents are not covered by FDIC insurance - it covers checking accounts and savings deposits but not goods stored in safe deposit boxes. No damage or theft insurance - even if the bank burns to the ground you're on your own unless you insured your items independently. You have access only when the bank is open. There are hassles for your estate - your heirs and even your executor might have to jump through legal hoops to open the box. You will continually pay rent - depending on the size of the box you might pay \$15 to \$150.00 per year. Better: purchase a high-quality home safe and ensure the items that you keep in it.

Source: [MoneyTalksNews.com](https://www.moneytalksnews.com)



“Money is better than poverty, if only for financial reasons.”

-Woody Allen

SCOTT SCHECHTER'S FINANCIAL NEWS DIGEST

Scott Schechter, CFP®, CLU®, MBA, CAP®
Financial Advisor

3161 1st Avenue, #2N
San Diego, CA 92103

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Read more about the Forbes SHOOK® Research Top Financial Security Professionals list and the ranking methodology here: <https://www.forbes.com/sites/rjshook/2024/07/10/methodology-americas-top-financial-security-professionals-2024/>

Get Your Creative Juices Flowing For Better Health

By Yvette C. Hammett, Kiplinger's Personal Finance

Don Gilman, a former yacht broker and charter boat captain, finds natural beauty in the rocks he sees on his hikes which he pairs with copper and turns into works of art. Art was something Gilman put off all his adult life to pursue what he believed to be more lucrative endeavors. Not anymore.

The 67-year-old has immersed himself in his art over the past couple of years, donning a welder's mask to meld the two mediums to beget figures like owls and flying fish. And he sells his work. "It definitely staves off depression," he says. "You feel none of that when you are in your art."

You don't have to be a Picasso to enjoy arts and crafts. It just takes a bit of motivation to leave your comfort zone and try something you used to love, such as woodworking, or something you may never have tried like sculpture or pottery making.

Getting the creative juices flowing, studies show, can bring relaxation, lessen agitation and stress, reduce symptoms of dementia and promote social interaction. Scientists are studying how participating in art activities may improve memory function and improve self-esteem.

Gilman's art, he says, has become especially meaningful. "Art gives me a feeling of purpose and ambition and goals to meet," Gilman says.

This energy has not been lost on caregivers who are harnessing the life-affirming character of artistic expression to engage older adults in meaningful activities.

And it is good for brain function. Studies show that those participating in the arts have a decreased risk of developing mild cognitive impairment, while art therapy is linked to improved cognitive functions in those with mild impairment, according to Hebrew Senior Life, a community affiliated with Harvard Medical School, that offers art therapy and promotes its health benefits. 