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BLOCKWALL STRATEGIES' FINANCIAL NEWS DIGEST

MONEYLINE

A Spouse's Options When Inheriting An IRA

Courtesy of Steven R. Block

A surviving spouse who inherits an IRA can either roll it over into a personal IRA or retitle the account as an inherited IRA in his or her name. Which one is better to do?

It really depends on how old the surviving spouse is when inheriting the IRA and how soon the money might be needed. Keeping the money in an inherited IRA allows a cash-strapped spouse younger than 59 1/2 to access those funds without incurring the 10% penalty for early withdrawals, though taxes would still be owed. Unfortunately, required minimum distributions also come with the territory.

A spouse who is unlikely to need the money before age 59 1/2 or who is already past that age is better off rolling the funds into a personal IRA. That way, the money can continue to grow, with no distributions required before age 72.

A young surviving spouse could also start out keeping the money in an inherited IRA and roll it over into a personal IRA after turning age 59 1/2. That might be a good compromise for a spouse who wants to preserve ease of access in their younger years because once the money is rolled over from an inherited to a personal IRA, you cannot roll it back. In any case, you should consult a tax advisor for guidance on your particular situation.

BlockWall STRATEGIES, INC.
Building your financial wall... one block at a time

Steven R. Block
Financial Services Professional
CA License #0I63830
520 Lake Cook Road
Suite 600
Deerfield, IL 60015
(847) 495-7790
steve@blockwallstrategies.com

Major retailers are selling used clothing. Nordstrom, Macy's, Eileen Fisher, Patagonia and REI are offering—or are planning to offer—what they describe as lightly used apparel, often labeled "pre-owned." And Walmart is selling used clothing from popular brands online. The wide availability of used items ties to consumers' increasing willingness to buy and wear them—without wanting to go to neighborhood thrift shops. The entry of major firms into the used-clothing market also reflects the popularity of secondhand apps and websites such as ThredUp, Poshmark and Tradesy. And eBay remains a power in used-apparel sales—it works best when you search for something specific, then screen by size, price, condition, color and other factors.

Source: AARP.org

Ask credit card issuers to waive annual fees if the pandemic undercut your card's perks, advises credit card expert Ted Rossman. *Example:* If you signed up for a card for its travel benefits but haven't been able to travel, point this out, note that you've been a good customer, and ask that the fee be waived for a year. Issuers agreed to waive or lower annual fees upon request 70% of the time prior to the pandemic, and they're even more likely to do so now…or they might offer rewards points or miles as compensation.

Source: CreditCards.com

"Many a man thinks he is buying pleasure, when he is really selling himself to it."
— Benjamin Franklin

Have An Unclaimed Retirement Account? Here's How To Claim It.

By Elliott Raphaelson, Tribune Content Agency

It is not unusual for individuals who change employers to lose track of their retirement accounts. If they fail to transfer the account properly, and the account becomes dormant, after two years the funds in the account are turned over to the state as unclaimed property. State laws vary a great deal on what happens next.

Anita Mukherjee and Corina Mommaerts, faculty members of the Center for Financial Security at the University of Wisconsin, Madison, have found that many of these accounts — which can run into the tens of thousands — remain unclaimed because most states are not allowed to link them to a Social Security number, and the states make no attempt to contact the account holders.

The accounts are listed as unclaimed property in the state in which they were established. And unless account owners do a state search of unclaimed property, their accounts will remain dormant for many years, perhaps forever.

Mukherjee and Mommaerts also point out that the state of Wisconsin is an exception. The state links accounts to a Social Security number, and thus can and does contact individuals whose accounts have become dormant.

Most employees with retirement accounts know that when they leave their jobs, it is their responsibility to take the proper steps and transfer their retirement accounts. Unfortunately, some fail to take that action, or they may not even know they have a retirement account. Some companies automatically sign their employees up for a retirement account without their knowledge. In other cases, individuals are simply too careless because the size of the account is small.

State databases are free to access. There is no reason for you not to search the unclaimed property database in your state to see whether there is any asset in your name. Generally, all you have to do is search by personal name or business name to determine if there are any assets under your name.

You may find that it is not difficult to have the funds transferred to you if you are the rightful owner of the asset. Several years ago, I recovered thousands of dollars from a CD I was not aware of, left to me and my children by a deceased aunt.

According to Sarah Brenner of Ed Slott & Co., if you recover funds from the state from a retirement account, you are allowed to roll over these funds into a retirement account with a procedure known as self-certification. Revenue procedure 2020-47 covers this situation, and provides a sample letter for you to send to a trustee to allow the rollover. If you don't do a rollover, you may be subject to income taxes and possibly an early withdrawal penalty if you are younger than 59 1/2.

If you do leave your job, and have a retirement account, make sure you take the proper steps to either keep track of it or transfer the account to another financial institution. If you allow the account to become dormant, you will lose the ability to have the account increase in value.

Sharing A Life Means It's Time To Talk About Money

By Rivan Stinson, Kiplinger's Personal Finance

Q: *How can couples talk about money issues without feeling intimidated?*

A: We know that money is arguably the number one topic that couples fight about, so it's really important to get it right. Couples need to make adequate time to talk and put all their cards on the table. You want to do this when you are comfortable with the idea of being honest, transparent and non-judgmental. Each partner needs to come clean about all their debts — whether it's credit card debt or student debt

— their credit scores and more. If one partner has bad credit or debt that the other doesn't know about, that will affect the couple's overall lifestyle.

Q: *After the talk, how do couples set themselves up for success?*

A: Think yours, mine and ours. Paychecks get deposited into personal accounts and from there put into the joint account to pay for joint goals. I also think proportional is fairest. For example, if one person makes $1 million and the other $50,000, it's not fair to split expenses 50-50. If you each have your own credit cards, monthly statements need to be accessible to both partners to prevent them from hiding their spending.

Q: *What if one spouse doesn't work?*

A: If one spouse or partner works and the other stays home, it's really important to recognize the contributions of the stay-at-home partner. The working person should be contributing not only to their own retirement account, but to a spousal IRA for the stay-at-home partner as well. The working person should also put money into a joint or personal savings account for the non-working partner.

Q: *What do you think people get wrong about pre-nups?*

A: The common perception is that talking about pre-nups means you don't love that person or that you're selfish. That has nothing to do with it. It's about protection. What if you have kids from a previous relationship and want to leave most of your money to them when you die? That needs to be stipulated.

Q: *What is the biggest shift in family dynamics that you've noticed with younger couples?*

A: So many couples are living together, buying homes and even having kids without getting married, which is very different from when I was in my 20s. But what if you split up or something happens to one of you? The law doesn't provide the same protections that it does for married couples.

If you buy a house together and you're not married, consider going to an attorney to help you put in writing how much each of you invested, who's responsible for paying the mortgage, how to split the money if the house is sold. What happens if one partner dies or becomes disabled.

"I strongly advise you to diversify your portfolio. That way it will take longer to figure out how much you've lost."

How to keep a late payment from damaging your credit score. If you're accidentally late on a credit card payment, there's a chance you can keep it off your credit report. To do so, make the payment and then either call the card issuer or write a "goodwill letter" apologizing for missing the due date, explaining why your payment was late, promising not to be late in the future and requesting that the issuer not pass along the information to the credit-reporting agencies. The issuer is not required to honor your request, but many will. If you decide to do it by phone, understand that you may have to work your way up to a manager. Unfortunately, some cards have policies prohibiting them from honoring goodwill adjustment requests.

Source: ThePointsGuy.com

Beat text-message scams. Never respond to an urgent call for action. Crooks often urge immediate attention to a non-existent problem—usually by telling victims to click a link. *Watch for anything out of character.* There could be misspellings, grammatical errors or folksy-sounding greetings in a supposed corporate communication. *Look closely at the details of anything the text says to do.* Phony URLs and misspelled domain names are common. *Check out a text through a channel you know is legitimate.* Contact the company through its website or by calling a phone number you have used before—do not use any information contained in the suspicious text.

Source: ZDNet.com

"People are living longer than ever before, a phenomenon undoubtedly made necessary by the 30-year mortgage."
— Doug Larson

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520 Lake Cook Road, Ste 600
Deerfield, IL 60015

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Qualify For The Best Mortgage Rate

By Daniel Bortz, Kiplinger's Personal Finance

Nabbing a lower mortgage rate means lower monthly loan payments and paying less in interest over time. But not everyone qualifies for the best rates.

Take these three steps to snag a lower rate.

Make sure your credit score is up to snuff. A conforming mortgage is one that's equal to or less than the dollar limit set by the Federal Housing Finance Agency, which is $548,250 in 2021 in most areas but tops out at $822,375 in high-cost areas. In normal times, borrowers of a conforming loan need a minimum credit score of 700 to qualify for the best mortgage rates. Now that number is closer to 750, partly because credit scores have gone up during the pandemic. (The average FICO score in the United States was 711 in 2020, up from 703 in 2019, according to data from Experian, one of the three major credit reporting companies.)

If your credit is in bad shape, consider talking to a nonprofit credit counselor who can help you devise a customized plan to raise your score.

Up your down payment. If you can make a large down payment on a home — 20% or higher for a conventional loan — a lender will offer you a better rate because they're assuming less risk that you'll default. Plus, plunking down at least 20% will allow you to avoid paying private mortgage insurance, an extra monthly fee that typically ranges from 0.55% to 2.25% of the original loan amount per year (or roughly between $30 and $70 per month for every $100,000 borrowed, according to Freddie Mac).

Comparison shop. Some recommend that home buyers get quotes from at least three lenders before choosing a mortgage provider. You can use a mortgage rate comparison tool available online to compare multiple lenders. In some cases, you may be able to pit lenders against one another to score a lower rate.