MSM FINANCIAL STRATEGIES
Creating Customized Strategies
For Achieving Your Financial Goals

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Leaving a Legacy

Many of us want to do our part to leave the world a better place. Fortunately, there are many ways you can ensure you'll have a meaningful impact on the world and leave a legacy that lasts long after you're gone, including the work you do or how you raise your family. Of course, you can also leave a financial legacy, using the wealth you've accumulated in your lifetime to do good in the world. Below are five different ways you can leave a financial legacy.

1. Give gifts in your lifetime. If you have the financial freedom to do so, making financial gifts while you are still alive is a great way to leave a legacy. Money you donate to qualified charitable organizations can be deducted from your taxes, saving you money while also helping you support a good cause. If you want to leave a family legacy, consider giving gifts to loved ones while you are living, like helping pay for your grandchild's college education. Just make sure you're aware of annual limits on what you can give to individuals without triggering gift tax ($19,000 per person in 2025).

2. Make a bequest in a will. Many people use their will to make philanthropic bequests, leaving funds to their favorite charity, alma mater, or church. For people who have money to give, recognizing an organization in their will is a relatively easy way to leave a legacy. Bequests in a will don't require any additional planning and are exempt from estate tax, provided the recipient is a qualified charitable organization. However, if you plan to make a substantial bequest to a charity, you may want to inform them of your plans in advance. This is particularly important if you plan to donate physical property, like real estate or artwork, as not all charities will want or be able to accept such donations, or if you plan to place restrictions on how the gift is used.

3. Create a charitable remainder trust. If you would like to make a substantial gift to a charity but also want to provide for your heirs or continue to receive income during your lifetime, a charitable remainder trust (CRT) may be an option. Here's how it works: You transfer property to the trust (and get a tax deduction

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Periodically Review Beneficiaries

Many assets, including individual retirement accounts (IRAs), 401(k) plans, life insurance policies, and annuities, have beneficiary designations that dictate who receives the asset after your death. These selections should be made carefully, since they typically override any provisions in your estate planning documents. Consider the following points:

- ✔ **Select the most appropriate person as beneficiary for each asset.** In some cases, tax and estate planning considerations may help dictate whom to select.
- ✔ **Name contingent beneficiaries.** Without a named contingent beneficiary, the asset will be included in your probate estate.
- ✔ **Indicate what percentage of the asset each beneficiary should receive.** Also, in the event a beneficiary dies before you, decide whether each beneficiary's share should be distributed to that person's heirs or divided among the remaining beneficiaries.
- ✔ **Assess whether beneficiaries are capable of managing the asset.** If not, you may want to set up a trust to control the asset's distribution. ❍❍❍

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at the time of the transfer), and you or your heirs receive income from the trust for a specified period of time. Then, when that period ends, the remaining assets go to the charity of your choice. A word of caution: CRTs are irrevocable, which means once you've made this decision, you can't reverse it.

4. Set up a donor-advised fund. Know you want to leave money to a charity, but not ready to hand it over just yet? Consider setting up a donor-advised fund. A donor-advised fund allows you to make contributions to a fund that is earmarked for charity and claim the associated tax deduction in the year you contribute the funds. You continue to make more contributions to the fund, which are invested and grow free of tax. Then, when you are ready, you can choose a charity to receive all or some of the accumulated assets. It's a great way to earmark funds for charity now while also accumulating a more substantial amount of money to leave as a legacy.

5. Fund a scholarship. Endowing a scholarship is a great way to make a difference in the life of a talented student. Here's how it typically works: You give a certain amount of money to the school of your choice, which earmarks it to fund scholarships, often for certain types of students (e.g., female math majors, former foster children, or people suffering from a certain disease). Other scholarships are established through community foundations. A seed gift of $25,000 or $50,000 may be enough to get started. Be aware, however, that while you may be able to have a say in selection criteria for the scholarship, there's a good chance you won't be able to select the recipient yourself. If you want to do that, you'll need to distribute the money in another way, perhaps by setting up your own nonprofit organization.

6. Start a foundation. Starting a family foundation is appealing to many, especially those who like the idea of having greater control over how their money is used as well as the prestige that comes with running a foundation. Well-managed private foundations can also endure for many generations after you're gone. But you'll need substantial assets to make setting up a foundation worth it. Plus, foundations are complicated and expensive to set up and administer. But, if you are committed to the idea of giving back and especially if you want to keep the entire family involved in giving (a concern for many wealthy families), a private foundation could be the way to go.

Curious about steps you can take to leave a meaningful legacy? Please call to discuss this topic in more detail. ❍❍❍

Financial Harmony in Marriage

If you find yourself engaged in a struggle with a spouse who is your opposite when it comes to saving and spending, there are steps you can take to achieve balance and harmony.

1. Agree to be a team. That starts by giving up individual possessiveness about money: there's no "your money" and "my money." It needs to be "our money."

2. Agree on your goals. Start your teamwork by articulating your long-term goals; they're the most important and the easiest to agree upon. Be sure to be specific. Once you've reached an agreement on your long-term goals, try to set out the same kind of specific plans for your intermediate- and short-term goals.

3. Practice full disclosure. Being a team means each of you is empowered to act on behalf of the other with implicit approval. That requires that each of you has full command of the facts: how much money you make, how much you owe, and how much you spend.

4. Budget and pay bills together. Create a monthly budget that compares the total of your bills and expected out-of-pocket expenses with every penny of incoming cash. Include an itemized list of your debts and scheduled payment amounts, as well as your asset accounts and their balances. Pay your bills at the same time in the same place, and then update your budget spreadsheet as you do. This means revisiting your monthly budget at least once a month.

5. Update your checkbook(s). One way spenders rationalize their behavior is by keeping themselves in the dark about how much they really have to spend. If you're going to be faithful to the budgeting process, you have to keep careful track of your cash on hand and that means being sure your checkbook entries are up to date.

6. Agree on spending rules. You both need to agree on how much you can spend on purchases without consulting each other. Beyond this preset amount, you should talk about the purchase in advance and adjust your budget accordingly.

7. Create a financial plan. Everybody should have a professionally prepared plan, but for couples with polarized spending and saving habits, it's especially important. A professional can provide the expertise and tools you may lack. He/she will also serve as an impartial third party to help you defuse your money debates.

For help creating your financial plan or putting any of the other financial steps into practice, please call. ❍❍❍

8 Questions Financial Plans Should Answer

You may have a financial plan, but is it really working for you? The fact is, not all financial plans are created equal. To make sure your financial plan is going to get you where you want to be financially, make sure it answers these eight questions.

How much do I have, and how much do I owe?

Before you complete any other financial planning task, you need to take stock of where you currently stand. That means taking a complete inventory of your assets as well as assessing how much you owe. Subtracting the second from the first will tell you your net worth. Your financial plan should make it easy to determine your net worth at a glance.

What do I want to achieve with my money?

We all have personal and financial goals. Perhaps you want to buy a bigger house in a nicer neighborhood. Maybe you want to be able to send your kids to college debt-free. You might be dreaming of owning a second home someday, retiring at 55, or starting your own business. Your financial plan should specifically identify your financial goals and outline steps you need to take to turn those dreams into reality.

Are my investments appropriate for my goals?

You know what your goals are, but is your money invested in a way that will help you get there? Your financial plan should point you toward investments that are appropriate for both your goals and your risk tolerance. That means carefully balancing the risk you need to take to achieve acceptable investment returns with the amount of risk you're comfortable taking based on your personality (some of us are natural risk takers, while some are more risk averse).

Am I protected in case of a disaster or emergency?

One of the main reasons to have a financial plan is to protect yourself and your family in the event that the unexpected happens. Part of being prepared is having an emergency fund, and your financial plan will tell you how much savings you should have. But that's just the beginning. You'll also want to protect your income with disability insurance and have proper insurance to safeguard your assets.

Am I paying the right amount in taxes?

Thinking about taxes is no fun, but what's a real drag is realizing you've been paying the government more than you needed to. A comprehensive financial plan will include an evaluation of your tax situation. If necessary, your advisor will make suggestions for steps you can take to better manage your tax burden and keep more of the money you earn.

What's my plan for retirement?

Whether you're a few years or a few decades away from retirement, your financial plan should include a plan for what will happen after you stop working full time. Your financial plan should address how much you need to be saving for retirement and how to invest that money.

What will happen to my money when I die?

Your financial plan and your estate plan go hand in hand. Part of comprehensive financial planning involves checking to make sure the beneficiaries on your retirement accounts and insurance policies match with your overall estate planning goals. A financial planner can also work with your estate planning attorney to make sure your assets aren't lost to unnecessary taxes and address other issues related to how your wealth is distributed after your death.

Who is in charge of helping me achieve my money goals?

Finally, your financial plan should clearly identify who is in charge of helping you achieve your most important money goals. Your financial advisor is a critical partner in your financial life, guiding you to make smart decisions that will put you on the path to achieving your goals.

Please call if you'd like to discuss this in more detail. ❍❍❍

Don't Forget Digital Assets

When preparing an estate plan, people often forget about their digital assets. But with so many managing their lives online, digital assets are an integral part of your estate plan.

Types of Digital Assets

There is a myriad of digital assets to think about as part of your plan, including:

✔ Computers, external hard drives, smart phones, cameras, flash drives, and other electronic devices.

✔ Online accounts such as bank accounts, investment accounts, utilities, mileage and reward accounts, and social media accounts.

✔ Any important documents stored in electronic files, such as tax returns, insurance documents, wills, and trusts.

Take Stock of Your Digital Assets

The first step is to conduct a thorough inventory of all of your digital assets. Make a list that includes the type of asset it is, the location of each asset, website addresses where applicable, usernames, and passwords. You should provide the written list to the person you are entrusting to take care of these assets or keep a copy with your will and clearly identify the person in charge of managing these assets.

Other options to consider for storage of these assets is an online vault and a password manager. The online vault allows you to store all your important documents in one secure online account. The password manager stores all of your usernames and passwords for all of your online accounts. The person who is responsible for your digital assets only needs access to one password that will give him/her the information for all of your other accounts.

Define the Plan

In your estate plan, you will want to provide clear instructions as to who is responsible for your digital assets and how you want them handled. You will want to select someone you trust, because you may have private details that you want kept private. Make sure you indicate if you want accounts closed, documents deleted, and any accounts or documents to go to a certain person, especially if there is any associated monetary value. ❍❍❍

Sharing an Inheritance

Married individuals who receive a large inheritance face a tough decision — should you share the inheritance with your spouse or hold the assets separately? Legally, you aren't required to share the inheritance, even in community property states. Even if all other marital assets are owned jointly, you might want to consider keeping an inheritance separate for a couple of reasons:

✔ Should you get divorced, you probably wouldn't have to split a separately-held inheritance with your spouse.

✔ When you die, you control who receives the inheritance. If the inheritance is owned jointly, it goes to your spouse. If your spouse remarries, there is a chance the inheritance will ultimately go to a second spouse or children from a second marriage.

While there may be sound financial reasons for keeping the inheritance separate, those reasons may be difficult to explain to a spouse. Rather than remaining evasive, discuss your concerns openly with your spouse. Even if you decide to keep the inheritance separate, that doesn't mean you can't share assets for common goals. ❍❍❍

Financial Thoughts

In 2022, roughly 52% of US adults lived in middle-income households, according to Pew Research.

Once you factor in inflation and grants awarded to students, the average net cost of tuition and fees for an in-state freshman attending a four-year public university was $2,480 for the 2024–2025 school year—a 40% drop from $4,140 in 2014–2015. About half of the students who graduated last year finished their degrees without debt, compared to two-fifths of graduates in 2013. Private school tuition has declined by 12% in the last decade. The average net price for a year of private college post-financial aid awards was around $16,510 this year, compared to $18,680 during the school year beginning in 2014 (Source: College Board, 2024).

It's important to note that college is still expensive. For every $1,000 spent by US households last year, $12 of it went to college tuition alone, according to a Bureau of Labor Statistics analysis. And these costs don't include room and board or hidden costs like textbooks.

First-time homebuyers in 2024 had a median income of $97,000, and their median age was 38 (Source: National Association of Realtors, 2024). ❍❍❍