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Seven Steps To Protect Yourself After Data Breach

On September 7, 2017, one of the "big three" credit reporting agencies in the country dropped a bombshell. Equifax had been hacked, and almost 150 million Americans may have had their credit histories exposed. It was one of the largest cyber-breaches in history, and while it's difficult to get a handle on exact numbers, suffice to say that it's quite likely your information was compromised.

And it isn't just U.S. citizens who are at risk. The hackers also grabbed confidential data on residents of Canada and the United Kingdom. The other two major credit reporting agencies—Experian and TransUnion—weren't affected.

It took some time for Equifax to get the word out. According to media sources, unauthorized access to data occurred during a three-month stretch between May and July of 2017. The breach was reportedly discovered on July 29, 2017.

What were the hackers after? Again, details are spotty and Equifax has promised to follow up with additional information, but at the very least it's likely that names, addresses, dates of birth, Social Security numbers and in some cases, drivers' license numbers were exposed.

Equifax has claimed that there was no evidence of unauthorized activity on its core consumer or commercial credit reporting databases. But do you feel comfortable knowing that your personal information is in the hands of people who could do you considerable financial harm?

What's more, it's easy to be lulled into a false sense of security as time passes and you don't experience any problems related to the hack. But it could be many months or even years before criminals try to use your information, and it pays not to assume that you're immune.

Whether you believe your information was exposed or not, there are several steps you can take in the aftermath of the breach to protect your financial affairs. The Federal Trade Commission (FTC) has recommended the following actions:

1. Visit a special Equifax link at www.equifaxsecurity2017.com that the company set up to help consumers. (This link isn't monitored or controlled by the FTC.) To find out whether your information has been compromised, click on the "Potential Impact" tab and enter your last name and the last six digits of your Social Security number. Your Social Security number is sensitive information, so make sure you're on a secure computer and an encrypted network connection before you enter it. The site will tell you whether you're a victim of the breach.

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Traditional vs. Roth IRA: Which One Is Right For Me?

As the 2017 tax filing deadline approaches, many are preparing to take advantage of IRA contributions. As advisors, we often hear the question "Should I contribute to my Traditional or Roth IRA?" To many of our clients' chagrin, we usually answer this question with more questions:

1. Do you qualify to contribute to a Roth IRA? According to irs.gov, a married couple filing jointly would need to have a Modified Adjusted Gross Income (MAGI) of less than $186,000 to make a full Roth IRA contribution for the year 2017 ($118,000 for a single person). If you do not qualify, a Traditional IRA may be your only choice.

2. What is your investment time horizon? Since Roth IRA contributions are not tax-deductible, the primary benefit of a Roth IRA is the ability to withdraw earnings tax-free after age 59 ½. If you only plan to have the account for a few years before taking withdrawals, you're not leaving a lot of time to allow earnings to accrue. For this reason, Roth IRAs are generally more appropriate for investors with longer time horizons. Investors with shorter time horizons may find more value in a deductible contribution this year.

We are happy to work with you and your CPA to determine which retirement savings vehicle best fits your needs.

Brooke Wano, CFP®, CLU®
Financial Advisor

Four Smart Tools For College Savings

The cost of a college education isn't getting any cheaper. According to the College Board, average annual tuition and fees for a four-year public college for the 2016-17 school year was $24,930 for out-of-staters and a year at a private college cost $34,480. And those sobering price tags are increasing much faster than the overall cost of living.

To help you get ready for your child's expenses for higher education, consider these tax-favored techniques.

1. Section 529 plans. This has become far and away the most popular way for parents to save for college. These plans are operated by states and enable you to set aside almost unlimited funds for the future education of the beneficiaries you name—usually, your own kids. The money you contribute grows tax-deferred, and distributions you use to pay for tuition, fees, and other "qualified expenses" aren't taxed. If you opt for a plan from your own state, you might even be able to deduct your contributions on your state tax return. But some tax reform proponents have 529 plans in their sights, so you may want to lock in tax benefits now.

2. Custodial accounts. Before 529 plans, these were a standard way to save for college. You set up a custodial account under your state's Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA), and a custodian—probably you—manages the funds for the child's benefit until he or she reaches legal age in your state and gets access to the money.

That's a chief drawback to this approach—that just when your children are old enough to go to college, they can tap the money you've saved for whatever they like. There's also the "kiddie tax." Most investment income above an annual threshold ($2,100 for 2017) that a dependent child under age 24 receives will be taxed at the top tax rate of the child's parents.

3. 2503(c) trusts. This type of trust, also called a minor's trust, is designed to provide funds for beneficiaries' college expenses. Like custodial accounts, 2503(c) trusts have been available for years but lately have taken a back seat to 529 plans.

With a 2503(c) trust, the income is taxed directly to the trust, so there's no kiddie tax problem, and assets aren't released to a beneficiary until age 21. However, because the trust tax brackets are narrow, you may still pay tax at a rate that's higher than the child's own tax rate.

4. CESAs. A Coverdell Education Savings Account (CESA) is like an IRA used for education instead of retirement. (It was originally called the "Education IRA.") Payouts for most college costs are tax-free. But the annual contribution limit is just $2,000—compared with much higher limits for 529 plans—and it hasn't budged in years.

But money in a CESA can be rolled over tax-free for the benefit of multiple beneficiaries.

Give us a call to determine which of these college savings vehicles makes the most sense for your situation. ●

Seek The Comfort Of A Pet Trust

Is your pet practically a member of the family? If so, you're certainly not alone, as many pet owners would go to extreme lengths to protect the well-being of their animal companions. In fact, you might even want to spell out plans to care for Fido or Tabby in a legally binding document, especially if you're fearful that your pet will live longer than you do.

"Pet trusts" have been around for years, but their popularity has been rising recently. In 2016, Minnesota became the last state in the nation to approve such arrangements. Now a pet trust can be established with legal authority anywhere in the United States.

As the name implies, a pet trust is a legally sanctioned arrangement that provides for the care and maintenance of one or more companion animals. Typically, the pet owner—called either the "grantor" or "settlor"—sets up the trust and designates a trustee to hold assets for the benefit of the pet. The trustee makes payments out of the trust funds as needed.

Depending on state law, a pet trust may last as long as 21 years or until the death of the pet, whichever comes first. In some states, the trust may continue even longer than 21 years.

The trust may provide specific instructions regarding the care of the pet that the trustee will be required to carry out. For example, if you own a cat that prefers a certain brand of food or your dog enjoys regular romps in the park, those particulars may be included in the trust. You also can impose requirements for regular visits to a vet.

Just like a trust for an elderly person, a pet trust may provide instructions for care in case the animal becomes ill or otherwise incapacitated. You know your pet better than anyone else, so describe the type and length of care your pet should receive.

Besides designating a trustee, as

New Year's Resolution: Review Your Estate Plan

Before you ring in another New Year, you may want to take time out of your busy schedule to observe another annual ritual: a review of your estate plan. If you're like most people, you probably stuck your will and other documents in a drawer or a safe deposit box as soon as you had them drawn up—and have rarely thought about them since. But changes in your personal circumstances or other events could mean it's time for an update.

It normally makes sense to review an estate plan at least once a year, just to make sure it's still meeting your main objectives.

Events That Could Spur Changes

What sort of changes might necessitate a change in your plan? Here are events that require alterations in your will or other estate documents.

- The birth or adoption of a child, grandchild, or great-grandchild;
- The death of a spouse or another family member;
- Marriage, divorce, or re-marriage;
- Illness or disability affecting you or another family member;
- A child or grandchild reaching the age of majority;
- A child or grandchild in need of education funding;
- The death of a guardian, executor, or trustee;
- Taking on or paying off a sizeable debt;
- Significant changes in the value of your assets;
- The sale of your residence or a second home;
- A significant promotion at work or a change in jobs;
- Retirement of you or your spouse;
- A large gift or inheritance;
- Sale of a business interest;
- Revisions in federal or state income tax or estate tax laws.

What You May Need To Do

If one or more of these events happens to you, there are several legal documents you may need to revisit.

Your will: As the centerpiece of your estate plan, your will dictates who gets which assets, and it also specifies a guardian for any minor children. Changes in your life since you had the will drafted could require significant alterations. (Note: If a will is kept in a bank safe, it may be sealed upon death. It's better to keep it in another safe.)

Often that will include revisions in the bequests for some of your heirs. For instance, you might expand the list of beneficiaries to include a newborn in the family or reduce it if you've had a falling-out with a relative. A divorce could necessitate a complete overhaul. Also, you might decide to switch executors. Finally, your will may need to be updated to reflect changes in state or federal laws.

Revocable living trusts: Similar to a will, a revocable living trust provides for the distribution of assets transferred to the trust. Unlike a will, however, these assets don't have to pass through probate upon your death. This can save both time and money, and you might decide to use a living trust to supplement your will.

Because the trust is "revocable," you retain the right to change beneficiaries and reallocate assets designated for certain beneficiaries. The same sort of additions and subtractions used for a will might apply to the trust. In addition, depending on your situation, you could amend other terms, such as changing the guardian of minor children, a trustee, or successor trustees.

Durable power of attorney: A power of attorney is a legal document authorizing someone (the "attorney-in-fact") to act on your behalf in financial affairs. A "durable" power of attorney stays in force if you become incapacitated. This can be a vital component of your estate plan.

Are you planning to buy or sell assets or undergo life-threatening surgery? A durable power of attorney may be especially beneficial in these situations. Include this document in your estate plan if you haven't already done so.

Living will: Finally, a living will can provide guidance to your loved ones should they face difficult end-of-life scenarios. This can be combined with a health care power of attorney to ensure that your physicians and the hospital comply with your wishes.

Living wills are often associated with elderly people, but issues can arise at any stage of life. In your review of your estate plan, look again at this document to see whether it still accurately reflects how you feel. And if you don't have these documents yet, consider adding them to your plan.

Once you've completed the year-end review of your estate plan, circle back to your professional advisors for assistance in implementing any changes that are needed. When you're done, you can look forward to a happy New Year! ●

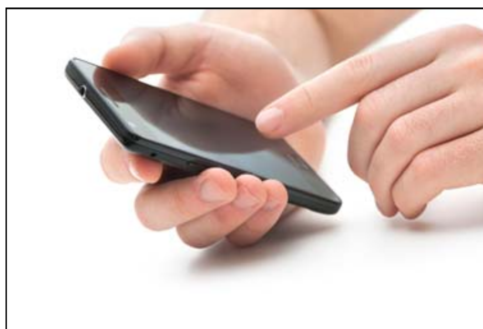
well as a successor and contingent trustee, you should identify your pet to avoid any potential fraud problems; detail your pet's standard of living and care; determine the amount of funds needed for your pet's care; designate a remainder beneficiary in the event the funds in the pet trust aren't exhausted upon the pet's death; require periodic "inspections" by the trustee to ensure that the pet is being properly taken care of; and list instructions for the pet's burial or other disposition.

Best of all, a pet trust offers its owner peace of mind. Instead of leaving matters to chance, you will know that your long-time companion will be cared for until the end of its life. ●

Watch Out For "Grandparent Scams"

It started innocently enough. Bill Frielander picked up the phone one recent morning at around 10 am. The person on the line said, "Hi Grandpa, it's Jason." To Bill, the voice sounded close enough to his grandson's that he didn't worry. The two chatted amiably a few minutes about family and school and nothing else in particular.

But then "Jason" dropped the hammer. He told Bill that he had been in a drunk driving accident in a neighboring state. Someone else had been injured and Jason needed $1,950 to keep his name out of the records. An attorney who was supposedly advising him could make it all go away for that fee. But Jason said he needed the money right away and that he was afraid to tell his parents. And he asked that Bill not tell anyone else about it because he was ashamed.



Bill was almost convinced and ready to ante up. But when the caller requested the money, there was something about his voice that made Bill pause. He had his wife call Jason's personal cellphone from her own phone while Bill was still talking to the person asking for money. It turned out Jason was safely at home, hadn't left the state in weeks and had not been in any accident. When Bill confronted the caller with this information, the imposter quickly hung up.

Bill was fortunate that he didn't fall for this "grandparent scam," but many others haven't been as lucky. Scammers are able to find out personal information and sound enough like the people they are impersonating to be believable. They target elderly people and pull on their heartstrings with a story about needing cash in a hurry.

If you get a call that sounds suspicious, the worst thing you can do is to help out the caller by referring to other confidential information (for example, the names and locations of other family members). Here's what the Federal Trade Commission (FTC) advises:

- Resist the urge to act immediately no matter how desperate the caller's plight appears to be.
- Verify the person's identity by asking questions a stranger couldn't answer.
- Call a phone number for your grandchild that you know is legitimate.
- Check out the story with trusted family members or friends even if you've been told to "keep it a secret."
- Don't wire money, send a check or money order, or use an overnight delivery service or courier to get cash to your "grandchild."
- Finally, the FTC advises consumers to report the incident at ftc.gov/complaint or call 877-FTC-HELP. ●

Steps To Protect Yourself

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2. Regardless of whether your information has been exposed or not, if you're a U.S. citizen you can get one year of free credit monitoring and other services. When you're ready to enroll, return to the site and click "Enroll." Currently, you have until January 31, 2018, to take advantage of this offer, but the deadline may be extended.

3. Check your credit reports from the big three credit reporting agencies by visiting annualcreditreport.com. Accounts or activity that you don't recognize may indicate identity theft. Another link provided at IdentityTheft.gov tells you what to do if you think there's a problem.

4. Consider a "freeze" on your credit files. With a freeze, it's hard for a criminal to open a new account in your name. However, a credit freeze won't prevent someone from making charges to your existing accounts.

5. Continue to monitor credit card and bank accounts closely for charges you don't recognize. Remember that it may take a while for such activity to occur.

6. If you decide against a credit freeze, you might instead place a "fraud alert" on your files. A fraud alert essentially warns creditors that you may be an identity theft victim and that they should verify that anyone seeking credit in your name really is you.

7. File your tax return early. If you're at risk, it helps to get your return into the IRS before a scammer has a chance to. Tax ID theft occurs when someone uses your Social Security number to seek a tax refund or a job. Also, be sure to respond immediately to any letters from the IRS.

Finally, visit Identitytheft.gov/databreach to learn more about protecting yourself after a data breach. Feel free to reach out to your advisor for additional guidance. ●

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