
Taking Stock

January! February! The holidays are over and it's time to think about paying the bills and gathering your tax information. It can also be a good time to take stock of your financial situation.

For example do you have an updated will? Federal estate tax laws have changed a good deal over the last few years. Right now—and likely for the next few years—we have a fairly generous exclusion from Federal estate and gift taxes: inflation adjusted \$5,340,000 for an individual and \$10,680,000 for a married couple. Wills written a few years ago when the exclusion was drastically lower may simply not “work” anymore. That's because those older wills frequently “pegged” gifts and bequests to the exclusion amount, thus leading to unintended, supersized gifts under the new exclusion rules.

And what about your IRAs, 401Ks, and other tax advantaged retirement savings accounts? We tend to forget that these assets pass by operation of law, that is, by the beneficiary designation form you filled out on the first day of your job or when you opened the account. Do you remember who you designated? It's always a good idea to make sure that you and perhaps your lawyer have copies of these designation forms—and to take a moment to think about whether you chose the right beneficiary.

There is a growing debate about the best way to maintain—and appropriately share—a list of user IDs and passwords. Most of us have some system for storing them for our ever-proliferating investment accounts, medical accounts, online vendors, professional associations, travel sites, and so on. The list is practically infinite! Some of us use encrypted spreadsheets while others prefer the simplicity, and risk, of an old fashioned notebook. And, let's be honest, many passwords are scribbled on Post-Its scattered around our homes and offices. So give some



thought to what is, for you, a practical and safe storage system. And also think about the fact that we all—especially as we get older—need to share that system with a spouse, friend, or lawyer. Otherwise we can easily leave a horrendous riddle for our heirs: deconstructing a life in the absence of passwords often proves daunting and expensive.

Our password list may well serve another important purpose: that of having a master list of investment assets, bank accounts, retirement accounts, insurance policies, real estate holdings, mortgages, and other indebtedness. If you prefer to maintain two separate lists, that's fine. The important thing is to have a clear, readable record of your IDs and passwords as well as of your assets and liabilities. And, finally, remember to share information about your assets and liabilities with a spouse, friend, or lawyer—and to tell them where your safety deposit box and keys are located.

So far we have been talking about the nitty gritty details. But it's also important to take stock of the big picture and to think through your estate plan. Will your assets flow to the right people, the people you really care about? Will these people be able to handle the inheritance or do some of them have “special needs” such that it might be a good idea to include a trustee or custodian? Have you consulted with a lawyer or other adviser to make sure your plan is tax efficient? And have you included gifts to those charities—such as Cato—that you really care about?

IF YOU WOULD LIKE MORE INFORMATION ABOUT PLANNED GIVING AT CATO OR IF YOU WOULD LIKE TO JOIN THE CATO LEGACY SOCIETY, PLEASE CONTACT GAYLLIS WARD, DIRECTOR OF PLANNED GIVING, AT GWARD@CATO.ORG OR AT (202) 218-4631.