



## Asset Preservation Strategies, Inc.

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We have exciting year round Lunch & Learn Workshops.

On September 10th Stella Shvil, a private fiduciary will present on the importance of choosing a private fiduciary as your successor trustee. Private fiduciaries are heavily regulated and have the knowledge and the means to work with your other advisors to carry out your wishes for generations to come. Stella will also discuss what to look at when choosing a private fiduciary and the most common mistakes of choosing a family member as your successor trustee. Come prepared to ask questions!

If you are headed into retirement and want to make wise social security decisions, then check out our new resources at <https://jjenkins.sswise.com>

Please be on the lookout for your invitation to future Lunch and Learn Workshops as well as to invite a friend who may benefit from a relationship with Asset Preservation Strategies.

Please RSVP to Janet Silva. We hope to see you at our workshops!

We do not schedule Lunch & Learn Workshops in August, November or December.

## September 2014

Preparing for the Unexpected

10 Basic Tax To-Dos for the Rest of 2014

The Potential Pitfalls of DIY Estate Planning

I just learned that my credit- and debit-card information was part of a data breach. What should I do?

## Preparing for the Unexpected

By: Gregory R. Banner CFP®, CLU®, CRTP

You

### Our Firm

Last month, our founder John Jenkins, during scheduled medical tests, found irregularities in his vascular system. This resulted in open heart bypass surgery. John's surgery was a success and he is doing well! By the time this is published, he will be back at work full time. The timing of John's surgery gave us only one day's notice to prepare. Because of the planning we already had in place, John and I needed only 30 minutes to review a few things for the business to continue to operate in his absence, even though he was going to be out for an extended period of time. For those of you who know what a cycling fanatic John is, we are sure that he enjoyed the opportunity to lie in bed and watch the Tour de France for 8 hours a day!

### The Future

Life's uncertainties often prompt conversations with our clients about estate planning. The tax law changes implemented at the end of 2012 have created estate planning revisions for many of our clients. This is largely because of the permanency and inflation indexing of the estate tax exemption, currently set at \$5,340,000 per person. Now, there is a greater emphasis on income tax reduction planning over future estate tax savings because the majority of people will fall under the estate tax exemption amount. Before the tax law changes, most professionals structured their planning to mitigate future estate taxes as estate taxes were the primary concern. Now that we have more clarity on the laws, it is actually better in many cases to seek a step-up in cost basis on assets as many people will not be subject to estate taxes. In order to take advantage of these tax law changes, trust documents may need to be updated. We are happy to talk about these issues in person and to work with your attorney to make sure your estate plan is in order.

Whether you are a business owner or an individual, there are key questions that you should be asking:

-Do the professionals with whom you work have succession and business interruption plans in place?

- Does your family have an emergency plan in case of an earthquake or natural disaster?  
-What happens if you are at work and your kids or family members are at school, work, or other locations?

-Where is your safe location to meet?  
-How will everybody get there?

-Do you have adequate supplies?

There are several great resources that are available to you to start or build upon your emergency plan. Here are some of our favorites:

Federal information on getting a kit, making a plan, and staying informed.  
<http://www.ready.gov> .

Be Prepared California is the state website for emergencies. There is detailed information on different levels of emergency planning including what to include in your emergency supply kit.  
<http://www.bepreparedcalifornia.ca.gov> .

A detailed resource for earthquake awareness is <http://www.shakeout.org> . We like this site because it has information for both individuals and businesses. If you are a business owner and have not implemented a business continuity or disaster recovery plan, this is a great starting place.

## 10 Basic Tax To-Dos for the Rest of 2014

Here are 10 things to consider as you weigh potential tax moves between now and the end of the year.

### 1. Make time to plan

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings when you can assess whether you'll be paying taxes at a lower rate in one year than in the other. So, carve out some time.

### 2. Defer income

Consider any opportunities you have to defer income to 2015, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services. Doing so may enable you to postpone payment of tax on the income until next year.

### 3. Accelerate deductions

You might also look for opportunities to accelerate deductions into the 2014 tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year, instead of paying them in early 2015, could make a difference on your 2014 return.

**Note:** *If you think you'll be paying taxes at a higher rate next year, consider the benefits of taking the opposite tack--looking for ways to accelerate income into 2014, and possibly postponing deductions.*

### 4. Know your limits

If your adjusted gross income (AGI) is more than \$254,200 (\$305,050 if married filing jointly, \$152,525 if married filing separately, \$279,650 if filing as head of household), your personal and dependent exemptions may be phased out, and your itemized deductions may be limited. If your 2014 AGI puts you in this range, consider any potential limitation on itemized deductions as you weigh any moves relating to timing deductions.

### 5. Factor in the AMT

If you're subject to the alternative minimum tax (AMT), traditional year-end maneuvers such as deferring income and accelerating deductions can have a negative effect. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions, making it a significant consideration when it

comes to year-end tax planning. For example, if you're subject to the AMT in 2014, prepaying 2015 state and local taxes probably won't help your 2014 tax situation, but could hurt your 2015 bottom line. Taking the time to determine whether you may be subject to AMT before you make any year-end moves can save you from making a costly mistake.

### 6. Maximize retirement savings

Deductible contributions to a traditional IRA and pretax contributions to an employer-sponsored retirement plan such as a 401(k) could reduce your 2014 taxable income. Contributions to a Roth IRA (assuming you meet the income requirements) or a Roth 401(k) plan are made with after-tax dollars, so there's no immediate tax savings. But qualified distributions are completely free from federal income tax, making Roth retirement savings vehicles appealing for many.

### 7. Take required distributions

Once you reach age 70½, you generally must start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working and participating in an employer-sponsored plan). Take any distributions by the date required--the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of the amount that should have been distributed.

### 8. Know what's changed

A host of popular tax provisions, commonly referred to as "tax extenders," expired at the end of 2013. Among the provisions that are no longer available: deducting state and local sales taxes in lieu of state and local income taxes; the above-the-line deduction for qualified higher-education expenses; qualified charitable distributions (QCDs) from IRAs; and increased business expense and "bonus" depreciation rules.

### 9. Stay up-to-date

It's always possible that legislation late in the year could retroactively extend some of the provisions above, or add new wrinkles--so stay informed.

### 10. Get help if you need it

There's a lot to think about when it comes to tax planning. That's why it often makes sense to talk to a tax professional who is able to evaluate your situation, keep you apprised of legislative changes, and help you determine if any year-end moves make sense for you.



#### AMT "triggers"

*You're more likely to be subject to the AMT if you claim a large number of personal exemptions, deductible medical expenses, state and local taxes, and miscellaneous itemized deductions. Other common triggers include home equity loan interest when proceeds aren't used to buy, build, or improve your home, and the exercise of incentive stock options.*

#### IRA and retirement plan contributions

*For 2014, you can contribute up to \$17,500 to a 401(k) plan (\$23,000 if you're age 50 or older) and up to \$5,500 to a traditional or Roth IRA (\$6,500 if you're age 50 or older). The window to make 2014 contributions to an employer plan generally closes at the end of the year, while you typically have until the due date of your federal income tax return to make 2014 IRA contributions.*



## The Potential Pitfalls of DIY Estate Planning



*The one-size-fits-all, fill-in-the-blank forms that do-it-yourself estate planning sources provide may be attractive to some individuals because they cost a fraction of what attorneys typically charge. But is saving a few dollars worth the risk of doing things incorrectly?*

Americans, by and large, are do-it-yourselfers. Books, websites, software programs, and even giant box stores exist solely to help ambitious Americans tackle all kinds of everyday challenges, from fixing leaky faucets to building backyard sheds. The same holds true for estate planning--there's certainly no dearth of information for those wanting to prepare their own wills and other important documents. However, do-it-yourselfers may want to exercise a bit of caution here.

Although do-it-yourself (DIY) estate planning can cost a fraction of what attorneys charge, depending on your personal situation, this may be a case of being penny-wise and pound-foolish.

### Cheap, easy, and better than nothing

Proponents of DIY estate planning typically have two arguments:

1. **It's cheap and easy:** Creating a will and other estate planning documents on your own can cost far less than doing so with an attorney's assistance. You can find resources online and in the library that could help.
2. **It's better than nothing:** What happens if you die or become very ill without important estate planning documents? In that case, the state will make important decisions for you, such as how your property will be distributed, who will care for your minor children, and what medical care you'll receive if you are unable to make your wishes known.

These points are valid: For those who cannot afford to pay an attorney, DIY may be an economical alternative. For others, a poorly drafted will may be better than no will at all, especially when naming a guardian for minor children is involved. But there are several risks to DIY estate planning, including the risk that your wishes will not be carried out exactly as you intend.

### Basic is not always ideal

Although DIY sources can typically handle the needs of simple estates, they generally are not appropriate for even the most common complexities such as children from a prior marriage, children with special needs, property that has appreciated in value resulting in capital gains, and estates that are large enough to be subject to estate taxes (typically those worth more than \$5,340,000 in 2014). Also, DIY sources generally fail to take advantage of sophisticated estate planning strategies because they usually can't account for an individual's unique circumstances.

Further, you may make an error by failing to understand the instructions or by following the instructions incorrectly.

The result is that the documents you create could be invalid, ineffective, or contain legal language having consequences you never intended. You might not know if that is the case during your lifetime, but at your death your loved ones will find out and may suffer the lasting consequences of your mistakes.

### You may benefit from legal advice

DIY sources provide forms but not legal advice. In fact, these sources clearly state that they are not a substitute for an attorney, and that they are prohibited from providing any kind of legal advice.

Estate planning involves a lot more than producing documents. It's impossible to know, without a legal education and years of experience, what the appropriate legal solution is to your particular situation and what planning opportunities are available. The actual documents produced are simply tools to put into effect a plan that is specifically tailored to your circumstances and goals.

### Estate planning laws change

Laws are not static. They constantly change because of new case law and legislation, especially when it comes to estate taxes. Attorneys keep up with these changes. DIY websites, makers of software, and other sources may not do as good a job at keeping current and up-to-date.

### Fixing mistakes can be costly and time-consuming

As previously stated, working with an attorney to create your estate planning documents can be very expensive, costing anywhere from several hundred to several thousands of dollars, depending on the complexity of your estate. But these costs are minor compared to the costs and frustrations that your loved ones may experience if there are serious errors in your DIY estate plan. Many more thousands of dollars and many hours with attorneys may have to be spent to undo what was done wrong. Before embarking on a DIY estate plan, consider these risks very carefully.

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## I just learned that my credit- and debit-card information was part of a data breach. What should I do?

Now, more than ever, consumers are relying on the convenience of credit and debit cards to make everyday purchases, such as gas and groceries, and to make online purchases. With this convenience, however, comes the risk of having your account information compromised by a data breach.

In recent years, data breaches at major retailers have become commonplace across the United States. Currently, most retailers use the magnetic strips on the backs of credit and debit cards to access account information. Unfortunately, the account information that is held on these magnetic strips is also easily accessed by computer hackers.

While many U.S. banks and financial institutions are in the process of replacing the older magnetic strips with more sophisticated and secure embedded microchips, it will take time for both card issuers and retailers to get up to speed on these latest card security measures.

In the meantime, if you find that your account information is at risk due to a data breach, you should make it a priority to periodically review

your credit card and bank account activity. If you typically wait for your monthly statement to arrive in the mail, consider signing up for online access to your accounts--that way you can monitor your accounts as often as needed. If you see suspicious charges or account activity, you should contact your bank or credit-card company as soon as possible.

In most cases, your bank or credit-card company will automatically issue you a new card and card number. If not, request to have new cards and card numbers issued in your name. As an additional precaution, you should also change the PIN associated with the cards.

Whether you will be held liable for the unauthorized charges depends on whether the charges were made to your credit- or debit-card account and how quickly you report them.

For more information on your rights if you are affected by a data breach, visit the [Federal Trade Commission](#) and [Consumer Financial Protection Bureau](#) websites.



## I'm purchasing a new laptop. Should I also purchase an extended warranty to go along with it?

If you've ever purchased an electronic device or major appliance, chances are you've been asked if you also wanted

to purchase an extended warranty or service contract. Extended warranties are offered by retailers for an additional cost to customers and provide repair or product maintenance for a specific period of time.

For many retailers, selling extended warranties makes up a large part of their business. It's an easy way for them to make money because they get to keep a percentage of what they charge for the service contracts.

Before you purchase an extended warranty for your laptop, consider the following questions.

- Does your laptop come with a manufacturer's warranty? Most technology products already come with a warranty from the manufacturer that covers replacement or repairs within a certain time period, typically one year.

- Will the manufacturer's warranty overlap with the extended warranty? You may want to forgo purchasing an extended warranty if it will result in duplicate coverage for your laptop.
- Do you plan on purchasing your laptop from a well-known manufacturer? Research online product reviews regarding your laptop's reliability. If you purchase a reliable product, most problems you'll encounter will typically occur outside of any extended warranty period.
- If your laptop does need repairs, will they be costly? You should weigh the cost of the extended warranty against what it will cost to pay for the repairs out-of-pocket.

Finally, if you do end up purchasing an extended warranty, read the terms carefully. Many extended warranties contain exceptions and limitations regarding what is and isn't covered. In addition, some extended warranties may also add on additional charges to have a covered product serviced (e.g., deductibles, fees, and shipping costs).