



## Gifts and Transferring Assets

by Jim Lineweaver, CFP®, President and Founder

It is easy to get confused about the best way to transfer money to family and loved ones, so here is some clarification to help your decision before you start gifting or transferring assets:

### 1. Not all gifts are tax exempt.

The 2014 gifting rules limit tax-free gifts to \$14,000 per person. If you are gifting money from a taxable account (i.e., an IRA), the owner of the IRA has to pay income tax on the money before they gift the after-tax money to the recipient. This is one area where it is better to receive than to give, because the recipient does not pay any income taxes on the money received. If you are gifting money from a savings, checking, or after-tax account, then most likely no income taxes will be owed.

### 2. Should you gift appreciated stock?

The good thing about gifting appreciated stock is that you don't have to pay any capital gains tax on the gift, however the recipient will inherit your cost basis. Therefore if you gift a \$100 stock and you paid \$10 for it, whenever the recipient sells the stock, they will have to pay taxes on any gain over the \$10. Keep in mind that if a stock is inherited as opposed to gifted, the recipient will get a full step up in cost basis under the current tax law, and therefore might not owe any taxes on the sale. For example, let's use the same numbers, with a child receiving the same \$100 value of a stock after you pass away as opposed to gifting while you were alive. If the child turns around and sells the stock for \$100, no capital gain tax will be owed.

### 3. What if you want to gift more than \$14,000 in one year?

Keep in mind a husband and wife can gift \$14,000 each to as many different people as they want. If a couple has 3 children, they can gift \$28,000 per child per year, for a total of \$84,000 per year. If they go over this gift amount, they have two options: 1) They can pay taxes on the gift over \$28,000 at around 35%, or 2) they can use their Unified Gift and Estate Tax Credit and not pay any gift tax. Thanks to the American Taxpayer Relief Act of 2012 passed on January 1, 2013, we all have an estate and gift tax exclusion of \$5.35 million for 2014. This means that we can either pass up to \$5.35 million to our heir's estate tax free after death, or we can use some or all of this credit during our lifetime to gift up to this amount without having to pay any gift taxes. IRS Form 709 needs to be filed in the year you make any gifts in excess of \$14,000 per person. Keep in mind spouses in Ohio and most states do not have to worry about any gift or estate taxes when they inherit money from their spouse, and therefore do not need to file Form 709.

### 4. Is there anything you can pay for without worrying about a gift tax problem?

Yes. Instead of giving your child or grandchild money for college, you can always pay the university directly and you don't have to worry about any gift taxes. This also applies to medical expenses that are paid directly to a hospital or provider.

### 5. Be careful about interfamily lending!

If you give your child money in the hope that someday he or she might pay you back, make sure you get some type of promissory note. It is also usually best to have them pay you at least the current market interest rate on an annual basis to make sure it is not deemed a gift.

*continued on page 3*



Jim Lineweaver

## INSIDE THIS ISSUE

Gifts and Transferring Assets page 1

Letter From The President page 2

Let's Take a Walk page 2

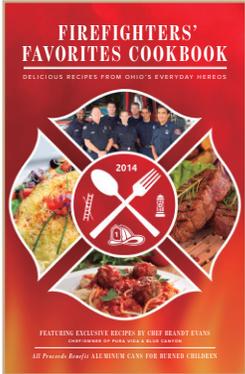
Economic Commentary page 3



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## LETTER FROM THE PRESIDENT

by Jim Lineweaver, CFP®, President and Founder



I have been very fortunate in my life and am grateful to have a wonderful family. Thanks to our valued clients and a great extended family at Lineweaver Financial Group, I am also fortunate to have a successful business. Giving back to the community and contributing to philanthropic causes throughout the area is something I strongly believe in. In the past, LFG has helped support Rainbow Babies and Children's Hospital through their Radiothon; and currently we're collecting for Harvest for Hunger, working toward a goal of providing 10,000 meals to families in need in Northeast Ohio. This year, we're excited to be adding a new charitable effort--Aluminum Cans for Burned Children.

Lineweaver Financial Group helps to service the retirement plans of public service workers in municipalities across Northeast Ohio, including the brave firefighters who help protect our homes, businesses, and families every day. While visiting one station recently, we noticed one of the firefighters cooking lunch for everyone, and it smelled delicious! We thought it would be a great idea to collect recipes from stations across the area to build a *Firefighters' Favorites* cookbook and contribute the proceeds to charity.

Partnering with Aluminum Cans for Burned Children for this charity cookbook is a perfect fit. ACBC was founded in 1986 by the Northern Ohio Fire Fighters and the Northeast Ohio Fire Chief's Association. ACBC and MetroHealth Medical Center have partnered to provide pediatric burn survivors with exceptional ongoing physical and emotional healing and recovery. Their mission and programs help so many children throughout our community, and it's a local charity that is actively supported by many firefighters.

ACBC funds a variety of programs. One primary goal is providing fire safety education and prevention to school-age children in order to reduce the number of pediatric burn injuries. Firefighter volunteers use a 28-foot trailer that travels to local schools to help teach children to develop a fire escape plan and to identify hazards in the home. Another program ACBC funds is Camp Phoenix, a winter and summer camp that allows burn survivors, ages 5 to 17, the chance to enjoy the experiences of camp and gives survivors an opportunity to meet others who have gone through the physical and emotional challenges of burn recovery. ACBC also has young adult programs that are designed to help those 18 and older who were burned as children to define their own future, not to allow their burn injuries to define them.

We're also lucky to have Chef Brandt Evans on board supporting this project. Chef Evans is the chef and owner of Pura Vida and Blue Canyon restaurants. He has generously offered to donate exclusive recipes to this cookbook and will be cooking a special meal for the department with the most cookbook sales.

Help us support the brave firefighters of Northeast Ohio and a cause important to them--Aluminum Cans for Burned Children! The *Firefighters' Favorites* cookbook will be available for a \$10 donation to ACBC. Contact our office at 216-520-1711, or visit [Lineweaver.net](http://Lineweaver.net) to preorder and reserve your copy today. Thank you in advance for your support!

*"Nobody can go back and start a new beginning, but anyone can start today and make a new ending."* - Maria Robinson

## LET'S TAKE A WALK!

Walking is a simple and low-impact exercise that can have a major impact on your life, as more and more studies show that sitting for prolonged periods of time can be detrimental to your health. Easy ways to walk more each day include: parking further away at the grocery store or mall, walking around the house while on the phone or TV commercial breaks, and going into the bank or restaurants instead of using the drive-thru.

Make it a habit to start or end your day with a walk outside. This will also give you a chance to clear your mind, or you can go with a spouse or friend! Plus, you'll get the added benefit of Vitamin D when the sun is out. Lastly, invest in a pedometer and try to walk just a little more each day than the day before. Taking these "steps" can help you live a healthier life.



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*continued from page 1*

## 6. Are you planning on gifting your primary residence to your children?

Don't forget about the step up in cost basis I talked about in #2 above. The same thing that applies to capital appreciated stock can also apply to real estate. However, if you want to make sure you can still live in the house for the rest of your life while the kids own it, think about changing the deed to a life estate.

We use these and other strategies to make sure we are fulfilling our clients' hopes, dreams, and wishes. If you have any questions about these topics or other strategies that might be of benefit to you and your family, please don't hesitate to call our *WealthWATCH* Center!

This is for informational purposes only and should not be construed as tax advice. Consult your tax advisor regarding your specific situation.

## MONEYWATCH

**DJIA: 16,323.06**

YTD: *-.72%*

**10 Year Treasury Note Yield: 2.72%**

3/31/13: *1.85%*    12/31/13: *3.03%*

**30 Year Mortgage Rate: 4.38%**

3/31/13: *3.68%*    12/31/13: *4.58%*

Source: *Yahoo Finance*

*Past market performance is no guarantee of future investment performance or success.*

*It is not possible to invest directly in an index. Close of Market 3/31/14*

## GOLDEN OPPORTUNITIES

Tune in to WKYC Channel 3 at 11:30 am every other Sunday to see Jim Lineweaver on the Golden Opportunities show with Armond Budish. Jim and Armond discuss current financial topics in an easy to understand format.

### Upcoming shows and topics:

**Sunday, April 6, 2014**

*Understanding Annuities*

**Sunday, April 20, 2014**

*Firefighters' Favorites Cookbook*

**Sunday, May 4, 2014**

*College Knowledge*

**Sunday, May 25, 2014**

*The Ins and Outs of IRAs*



## ECONOMIC COMMENTARY

*by Stephen Yarmesch, AIF®  
Riverview Research, LLC*

February 3rd marked the low point for all three major equity indices as the markets began 2014 jolted by the sudden fall in various emerging market currencies and the possibility that China and US economies were easing. Through the above date, the Dow Jones Industrial Average lost 7.25%, the S&P dropped 5.75% and the NASDAQ lost 4.29%.

A harsh winter impeded economic activity. The ISM Index for January dropped to 51.3 from December's 56.5 (Bloomberg). Recent unemployment data from the Bureau of Labor Statistics noted that nearly 6.9 million full time workers reported reduced hours due to bad weather, the most of any February since the Labor Department began tracking such data beginning in 1977 (Money.CNN.com). Regardless of the torrid winter, February saw job growth in construction, health and education and professional services (Bureau of Labor Statistics). Also encouraging, The Commerce Department reported February retail sales increased .3% following a revised .6% decline in January while February's ISM Index climbed to 53.2 (Reuters).

Russia recently annexed Crimea from Ukraine resulting in retaliatory sanctions. Oddly the annexation did not rattle equity markets as much as China's earlier announced February's Purchasing Managers' Index (PMI) falling to 50.2 from January's 50.5, some interpreting this as troubling for global growth (BBC News). However, the non-manufacturing PMI rose to 55 for the same span reflecting vibrant services and export sectors giving credence that current figures were an anomaly, the result of cultural celebrations of the Lunar New Year (Reuters).

Brazil, Argentina, Turkey, South Africa and others saw a steep decline in their respective currencies as underlying economic and political conditions worsened. Compounding the stress were a number of the affected nation's central banks – Turkey and Brazil specifically - raising rates to attract an influx of funds at the cost of increasing already high inflation rates (The Wall Street Journal, CNBC). This shock tied into most major global equity markets, stalling bullish momentum. US Treasuries benefited as investors seeking refuge drove the yield on the 10 YR bond down to a February low of 2.58% from a nearly 3% at the year's start..

We remain confident in the near term outlook of the US economy as it continues to improve and employment is projected to tick higher beginning in the spring. Further the EU is stabilizing with economic conditions improving in Spain and Portugal. As always, please review your objectives to ensure they match your asset allocations.



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## TRIVIA

There are 3750 cherry trees on the National Mall in Washington DC that bloom every year during the Cherry Blossom Festival. The oldest trees were planted in 1912.

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"A wise man once said, 'Yesterday is just a memory, tomorrow is only a vision and today is all that matters.' A wise man, but a lousy investor!"

## EMPLOYEE SPOTLIGHT

*Jennifer Kozlowski, Marketing Coordinator*



Jennifer joined the Lineweaver team in November 2013. She handles all aspects of client and business marketing, including *WealthWATCH* educational programs, magazine articles, and television appearances. She also coordinates promotional materials.

Jennifer graduated from The Ohio State University with degrees in Marketing and Strategic Communication, and currently lives in Rocky River with her husband and new daughter! She enjoys baking and cooking, going to Playhouse Square to see theater shows, watching Cleveland sports, especially the Indians, and of course, cheering on the Buckeyes!

The Spotlight section also features Lineweaver Financial Group clients. Please consider sharing your story with us! If you have an interesting hobby or have been on an exciting adventure, call Jennifer or email her at [Jennifer@lineweaver.net](mailto:Jennifer@lineweaver.net). We would love to hear from you!



If you would like to receive our newsletter through email, please email Jennifer at [Jennifer@lineweaver.net](mailto:Jennifer@lineweaver.net)