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Credit Problems May Hinder Job Search

When you are searching for a job, demonstrating relevant experience and acing the interview are important. But they may not be enough to secure the position. Regardless of the type of job you are seeking, you could be turned down by an employer if you bounced some checks at some point or were late in paying your bills. Concerned about theft and liability issues, growing numbers of employers are running credit and other background checks on job candidates before making offers of employment.

Employers are permitted by law, with some restrictions, to conduct background checks on job candidates during the hiring process and when evaluating current employees for promotion, reassignment, and retention. In an effort to minimize their own risk for theft and liability, it is increasingly common for employers to compile a consumer report detailing a job candidate's personal and credit characteristics.

While screening job candidates for credit problems has long been routine in banking and financial services, the practice is now spreading to other industries. According to a recent survey conducted by the Society for Human Resource Management, 60% of private employers check the credit histories of some of their job applicants, and 13% check the histories of all potential hires. Also, 10% of unemployed Americans have been denied a job because of data in their credit report.

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Retiring Business Owners - Plan for Succession

If you're a small business owner, you've invested a great deal of time and effort into building your company. With day-to-day demands, it may be difficult to imagine your eventual transition into retirement. Yet, if you want to build personal financial security and ensure business continuation, it is important to plan ahead. **Business succession planning** can help create retirement income for a retiring business owner and facilitate the transfer of operations and/or ownership to family or another entity. A succession plan can also provide a strategy to handle unforeseen events, such as death or disability.

Laying the Foundation

It is never too early to begin planning for succession. An early start can allow you ample time to develop an appropriate exit strategy, choose the right person to be your **successor**, and train your successor to manage the daily operations of your company. Consider the following points to create a foundation for a successful plan:

Valuate Your Business. A key aspect of planning for continuation is calculating the worth of your business. There are a variety of techniques for business valuation, and the most appropriate will depend on your

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Estate Planning for Intellectual Property

If you are an inventor, author, artist, or owner of a closely held business, you may have already taken steps to help protect your **intellectual property rights**. Certain types of intellectual property, such as business ideas, visual art, published or unpublished literary and musical works, inventions, computer programs, and designs of clothing and architecture, may be protected by law through copyrights, patents, and trademarks. When planning your estate, carefully consider these valuable assets to help ensure that they are transferred to your heirs according to your wishes upon your death.

Unique Concerns

Intellectual property is a unique asset, as it is an expression of an individual's knowledge and ideas. While not simply a thought itself, intellectual property is an intangible asset that is the direct result of work or trade. Just as no two individuals think alike, each estate that owns intellectual property must be handled differently. This area of estate planning is continually evolving, particularly as intellectual capital continues to gain significance throughout commerce in general.

Initially, it is important to determine if the intellectual property can be passed down to heirs. Certain types of intellectual property may have inherent **renewal** or **termination rights** through copyrights, patents, and trademarks. This can create questions as to *when* intellectual property rights become transferable. To address these concerns, some intellectual property owners choose a second executor to handle intellectual property issues in their estates. For example, an author may appoint a family member to oversee the general administration of his or her estate, as well as a second person or entity with experience in intellectual property to handle posthumous publications.

The valuation of intellectual property also poses a challenge to estate planning. The Internal Revenue Service (IRS) offers guidelines for some, but not all, types of intellectual property. For instance, the valuation of literary work is based on the copyright's future earnings potential reduced to its present value. Theoretically, this valuation methodology may also apply to other types of intellectual property. However, the question may remain as to how far into the future the potential for earnings exists. It may be possible to hire a professional appraiser to help determine the current value of intellectual property and how future trends may affect this value. But, it is also important to choose someone with expertise in the area of intellectual property.

Estate Taxation

Estate taxation affects individuals with substantial assets, regardless of the type of property that is included in his or her estate. However, intellectual property sometimes creates additional concerns. Just as an executor might be forced to sell a family vacation home solely to pay for estate taxes, a best-selling author may fear that, after his or her death, the future publication rights to an unpublished work will need to be sold for the same reason. If a large portion of an individual's assets is "intellectual" in nature, this can be a major concern.

Proper estate planning is pivotal in helping to make sure the decedent's wishes are able to be carried out. A **life insurance** policy purchased and owned by an **irrevocable life insurance trust (ILIT)**, if correctly structured and administered, can provide cash at death to help satisfy estate tax obligations. This use of life insurance can provide flexibility in an estate with only a small amount of liquid assets.

Also, if the intellectual property is of significant size, gifting some or all of the property to a recognized charitable organization at death can help to lower estate taxes. The estate of the decedent would receive a charitable contribution deduction against estate taxes based on the fair market value of the gift at death.

One Step at a Time

Estate planning for intangible assets, such as intellectual property, involves an array of complicated considerations. A basic understanding of the issues involved merely underscores the need for appropriate planning to help ensure the ultimate distribution of your assets according to your wishes. If you own intellectual property, be sure to consult with your estate planning team, including financial, legal, and tax professionals. $

Some Things to Consider When Making Regular Charitable Gifts

Sometimes, our desire to give can lead us into making commitments that are difficult to fulfill. Any endeavor worth undertaking, especially one that can benefit others, deserves our careful consideration *before* we take action. Therefore, when contemplating charitable giving, you may want to consider the following points:

- **Choose your causes.** Worthy causes abound and often demand our immediate attention. Choose a limited number of organizations that concentrate on areas that are important to *you*, and then research what kind of help is needed.
- **Budget your gifts.** Include charitable gifts when planning your annual budget. Distributing your donations throughout the year may lessen the impact on your finances and increase the total you may be able to give.
- **Plan your volunteer activities.** Volunteering can be a rewarding experience, especially when you're able to see the fruits of your labor. Carefully determine the time you have available to ensure your best efforts for the cause, and avoid taking on too much.
- **Review your plans.** Just as you review your annual financial budget, look at your annual time/value budget. Revise your volunteer commitments to include those where the rewards have been the greatest for both you and your cause.
- **Consider a testamentary gift.** If you are fortunate enough to be in a position to increase the amount you donate, or if you are concerned about the future of the organizations you support, consider making a testamentary gift.

Testamentary Gifts

Generally, a testamentary gift is a promise of funds to be given from your estate upon your death. However, using your estate in this way may cause complications. Your intended gift could be reduced if any of the following apply:

- The fair-market value of your assets decreases before your death.
- Unforeseen estate expenses must be met from your assets.
- Your will is contested.

You may be able to protect your gift from estate problems through the establishment of a **trust**. However, the associated legal and administrative costs may have an adverse impact on your gift.

Protection for Your Charitable Gift

Your intentions—and your gift—can be protected from the complications above through the use of life insurance. The potential of **life insurance** may even result in a larger gift than you had originally intended.

The policy can be owned by the charity and removed from your estate, generally protecting your gift from taxation, creditors, and legal contest. It can be purchased and maintained with funds that you contribute to the charity, and as such, your contributions are tax deductible as a charitable gift. As owner of the policy, the charity can decide whether to use your gift to pay the premiums or let the policy lapse. As **beneficiary**, the charity will receive the proceeds of the policy at your death. Depending on the type of policy purchased and the charity's willingness to use your contributions to maintain the policy, these proceeds may be guaranteed and may increase over time. In addition, the proceeds may exceed the amount you would have otherwise given outright during your lifetime or upon your death, depending on the policy type and other factors.

The satisfaction that can come from preparing your charitable gifts ahead of time can be extremely rewarding. When protected with life insurance, your gift could result in the ability to yield more than you ever imagined possible. It may help provide essential funding for your chosen organization, enabling the continuation of its good work.

Be sure to consult a qualified insurance professional to determine the appropriate strategy for your unique circumstances. $

All insurance guarantees are based on the financial strength and claims paying ability of the issuing insurance company.

The Four Forms of Property Co-Ownership

Owning property with another individual or partner can be complicated. Consulting with your legal professional can help you establish the form of ownership that will benefit you and your heirs. The four forms of co-ownership are the following:

Tenancy in common is a form of co-ownership often used between unrelated individuals. Tenants in common may own unequal shares of property; however, shares between partners are said to be "undivided," which means each owns a proportionate interest in the entire property. For example, if two individuals are equal tenants in common to a parcel of land, it is inaccurate to describe one co-owner as owning the west half and the other as owning the east half. Rather, both own a one-half interest in the entire parcel.

Joint ownership is a specific type of co-ownership where each owner's legal interest is equal to the interest of every other joint owner. For example, if there are three joint owners, each owns an equal, undivided, one-third interest in the entire property. In addition, joint ownership carries the **right of survivorship**. When a joint owner dies, the surviving joint owners automatically succeed in ownership of the deceased joint owner's interest. Survivorship rights of a joint owner are given precedence over the claims of the decedent's creditors.

Tenancy by the entirety is a unique form of joint tenancy solely for married couples with one significant difference: The creditor protection of joint ownership extends to the lifetime creditors of the tenants by the entirety.

Community property applies to married couples who own property in any of the following nine states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Regardless of whose name is on any ownership paperwork, any property acquired during the marriage is "owned" by both parties.

Remember, splitting property, for any reason, can be difficult. So, the decision to purchase property with another party is one that requires careful consideration. $

Who Needs Disability Income Insurance?

I'm all set. I'll be fine.
I've got plenty of insurance already.

Have you thought the same about insurance or made these statements before? Maybe you do have an appropriate amount of coverage, but do you have plans to protect your income stream in the future? Although many people understand that an unexpected accident or illness could affect their ability to earn income, they are unprepared for a sudden, permanent disability that could decimate a lifetime of savings and cut off income altogether.

Typically, permanent disability involves sustaining an illness or injury that results in an inability to perform certain work and daily activities for the foreseeable future. While some professions and occupations may be a higher risk than others, all workers who depend on their income may want to consider purchasing protection in the event of an accident or illness.

Consider the benefits of disability income protection under the following scenarios:

Jobs requiring specialized abilities. Replacing income without **disability income insurance** can be especially challenging; comparable pay and work conditions may be

difficult to restore. Years of vocational training, professional experience, and education are invaluable but may be rendered useless if a disability occurs. Occupations that require physical labor are particularly vulnerable to physical disabilities; however, physical impairments are just *one* type of disability. Workers from all professions are equally vulnerable if an *emotional* or *mental* disability affects their usual functioning.

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Who Needs Disability Income Insurance?

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One- and two-income families. Parents, in-laws, siblings, or friends may not be able to offer immediate emergency financial help or ongoing support if you should become disabled. One-income households are particularly vulnerable to the permanent or temporary loss of that income. A family situation in which each partner or spouse covers between 30% to 70% of financial need may also be greatly impacted by the loss of one income.

Small businesses. Partnerships and corporations (i.e., business enterprises run by two or more owners) are particularly vulnerable to the effects of a disability. If a disability curtails the involvement of one owner, the other owner must either "carry" the co-owner or close the business. In addition to earnings lost, the disabled business owner may miss certain planning opportunities, such as preparing for retirement.

High stress, service, and production-oriented occupations. Long hours, deadlines, quotas, and the heightened pace of modern living place a tremendous burden on both mind and body. While a healthy diet, physical exercise, meditation, and relaxation are popular stress inhibitors that may extend our life expectancies, even health-conscious workers face the possibility of sustaining a disabling accident or illness.

Group and individual disability income insurance policies cover most individual concerns and family or business situations. Careful planning with a qualified insurance professional can help ensure that you have the proper amount of coverage for your unique circumstances. $

Getting to the Bottom of Inherited IRAs

Naming a beneficiary for your **traditional Individual Retirement Account (IRA)** need not be a difficult task. Most people choose their spouse, if married, or another loved one. However, the rules governing the distribution of IRA assets to beneficiaries are not as simple. They generally involve two separate issues: 1) the *age* of the IRA owner at the time of death, and 2) the *identity* of the IRA **beneficiary**.

Under IRS regulations, taxpayers who own an IRA must begin taking **required minimum distributions (RMDs)** by April 1 of the year following the calendar year during which they reach age 70½. If an IRA owner dies *before* RMDs have begun, a spousal beneficiary can choose to withdraw all IRA assets within five years, to maintain the IRA under the deceased spouse's name, or to treat the IRA as his or her own.

Suppose Alan (a hypothetical case) dies and his wife, Monica, is the beneficiary of his IRA. If Monica maintains the IRA in Alan's name, minimum distributions do not have to begin until December 31 of the later of 1) the year following the year of Alan's death, or 2) the year in which Alan would have reached age 70½. However, distributions would be based on Monica's life expectancy. If Monica chooses to treat the IRA as her own, she is entitled to name new beneficiaries, and the rules governing RMDs would be the same as if the IRA were originally her own. Therefore, distributions would have to begin by April 1 of the year after the year in which she turns 70½, and the required amount would be based on her life expectancy.

If Alan were to die *after* RMDs had begun, the options for Monica would be different. She could choose to continue receiving distributions based on Alan's life expectancy or her own, whichever is longer. As another option, Monica could opt to **roll over** Alan's assets into her own IRA. (Note that this option is not available for IRAs that have been annuitized.)

Suppose Alan had named his son, Ryan, as the beneficiary of his IRA. Nonspousal beneficiaries may not treat IRAs as their own and cannot name additional beneficiaries. If Alan were to die *before* RMDs had begun, all assets in the account must be distributed by the end of the fifth anniversary year of his death. Alternately, Ryan may elect to receive distributions over his own life expectancy. The amount of distributions is based on *Ryan's* life expectancy, and distributions must begin by December 31 of the calendar year immediately following the calendar year of Alan's death. If Alan were to die *after* RMDs had begun, the assets must be distributed over a period not exceeding the larger of Alan's or Ryan's life expectancy.

Be sure to consult your qualified tax professional for more information about inherited IRAs.$

Help Your College Student "Make the Grade" in Personal Money Management

As your child prepares to head off to college, he or she is likely looking forward to a new level of independence. However, with freedom comes responsibility. One "extracurricular" activity that every student should master while in college is personal money management.

During a school year, the average college or university student spends between $3,950-$5,420 for books, supplies, transportation, and personal expenses (*Trends in College Pricing—2016-17*, The College Board) depending on the kind of institution they attend. Parents who allow their students to "spend as they go" may find themselves refilling a seemingly bottomless well.

Laying the Groundwork

To help prevent overspending, parents can help their students develop basic money management skills. Consider the following steps to help get your child off to a good start at college:

1) Before your student leaves for college, have an open discussion of expectations—both your child's and yours.
2) Consider providing a lump sum each semester, setting guidelines on how long the money must last.
3) Explain when checks or money transfers can be expected, the amount your student will receive, and any rules concerning use of the funds.

Parents have several options for getting the funds to their college student. They can send checks or transfer funds directly into an account through the bank or online. However, it may be difficult to cash a personal check without a local bank account. Even with the convenience of online banking, it may be a good idea for your student to open a small account on campus.

While some parents may avoid credit cards, especially for a student who has difficulty managing money, others may find a credit card to be a useful backup, especially in an emergency or for certain expenses, such as car rentals, plane fares, and train tickets.

Cultivating Money Smarts

To encourage young adults to take responsibility for their finances, parents can start by teaching them to manage their own savings and checking accounts. Have them meet with a bank representative to open the accounts, and practice balancing the monthly statements. This accountability will help set the foundation for future financial independence.

Parents can also emphasize the importance of *disciplined* spending. Recommend that young adults allocate a set amount per week for discretionary spending, so they are not tempted to withdraw funds too quickly or carelessly. By discussing what this amount must cover, students may come to realize that too many late night pizzas or long-distance phone calls to friends can easily exhaust the funds.

Although many schools require first-year students to live in a dorm on campus, parents can use the decision about whether to live on- or off-campus as an exercise in evaluating financial trade-offs. Initially, your child may think it will be cheaper to live off-campus. However, in many college towns with a high demand for off-campus housing, accommodations within walking distance of the campus are expensive. Also, landlords frequently require a one-year lease—a period longer than the school year. On the other hand, living off-campus may allow students to save money by sharing housing expenses and preparing their own meals. You may revisit this decision as your child progresses to the sophomore or junior year, as he or she makes friends and becomes acclimated to the area.

Reaping Rewards

Both you and your college-age child can benefit if he or she "makes the grade" in personal money management. Life can become easier for you if you can count on your child to manage out-of-pocket expenses while away at school. And, your child may be better prepared for future financial independence. $

Credit Problems May Hinder Job Search

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Why do employers investigate a job candidate's credit history? Some employers may be concerned that an employee with financial problems may be tempted to steal, especially if the employee handles money. Employers may also view an employee who is under financial pressure as a security risk, subject to bribery, and vulnerable to offers from competitors trying to buy confidential information. In addition, employers may view a history of bad credit as a sign of irresponsibility that could be indicative of the candidate's future job performance.

Before embarking on your job search, request copies of your credit report from the three nationwide consumer credit reporting companies: Equifax, Experian, and TransUnion. With identity theft on the rise, it has become more important to remain vigilant about your personal credit records. You are entitled under Federal law to request one free credit report a year from each of these credit bureaus. To order your reports, go to www.annualcreditreport.com, or call the Annual Credit Report Request Service at 1-877-322-8228.

When you receive your reports, check for any mistakes that might negatively affect your credit score. Common errors that can appear on a credit report include mistakes involving your name, inclusion of someone else's credit problems in your file, incorrect balances on current credit accounts, closed accounts listed as current, accounts of ex-spouses still listed with yours, and an inaccurate Social Security number.

Notify the credit reporting agency that issued the report of any information you believe to be incorrect. The agency is then required to reinvestigate and, subsequently, confirm, correct, or delete the information. Even if the reinvestigation shows the information to be accurate, you may add brief explanations of extenuating circumstances to your reports.

If, however, your credit report reveals some legitimate problems, you may have time to repair some of the damage before you begin your job search. While most negative information can be reported for seven years, you may be able to improve your score by paying off outstanding debt, taking on no additional debt, and paying your bills on time.

Under the Fair Credit Reporting Act (FCRA), the employer must obtain written authorization from the job candidate before requesting information on the candidate's credit history from a consumer credit reporting company, and the employer must notify the candidate if information contained in the report results in an adverse employment decision.

If a prospective employer requests permission to review your credit history, you are within your rights to refuse to sign the authorization. But this would likely jeopardize your chances of getting the job. Therefore, a better approach may be to tell the employer up-front about any credit problems you believe may be revealed by your report. You may be able to explain, for example, that your financial difficulties were the result of exceptional circumstances, such as a divorce, a medical crisis, or a period of unemployment. The employer may be willing to overlook a bad credit report if you are otherwise qualified for the position and are open and honest about your situation. $

Retiring Business Owners - Plan for Succession

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business circumstances. A qualified professional can help you choose strategies for valuation.

Plan Your Exit Strategy. It is important for a retiring business owner to plan his or her departure from the day-to-day operations of the business. A solid plan can help ensure this transition will go smoothly, as well as facilitate the transfer of ownership.

Choose a Successor. If you plan to keep ownership and control of your business within your family, start by assessing your family members' interests and qualifications, and how well they match the needs of the business. Discuss with family members who will participate in the company and in what capacity. Then, determine how working members will be compensated and what will be given to nonparticipating members.

If you expect unrelated parties to carry on the business, meet with the key people involved for an in-depth discussion about the company and its future. If succession involves the sale of the business, be prepared to address such issues as what the purchase price will be, how it will be paid, and when the succession plan will be activated.

Develop a Business Plan for the Future. Through your business plan, you can outline clear-cut, short-, medium-, and long-term business goals for your successor, along with an action plan for achieving them. Include budgets and financial forecasts that can be modified according to changing conditions in both the industry and the economy.

Choose a Transfer Strategy. Depending on the type of business, its value, and your personal financial situation and goals, determine the best ownership transfer strategy for your business. There are a variety of ways to structure and fund **buy-sell agreements**. For transfers to family members or charity, **gifting** may be an appropriate option. Consult your tax and legal professionals for specific guidance.

Plan for Contingencies. Regardless of your intentions for succession, it can be helpful to compile current information in case an unforeseen event, such as a death or disability, occurs before you have finalized your succession plan. This information should include the following:

- A copy of your current business plan.
- Job descriptions for all positions within the company, including details regarding areas of responsibility and delegation of duties.
- A list of potential successors.
- A plan to ensure extensive "hands-on" training for your designated successor.
- An estate plan that addresses any Federal and state estate tax obligations.

Other Considerations

A comprehensive succession plan involves strategies to handle a number of financial, legal, and tax issues. For instance, how will a successor secure funds to buy out a retiring, deceased, or disabled owner's share of the business? What are the estate planning issues? How can an owner minimize gift taxes resulting from the transfer of company stock to family members? Such situations can be addressed in a succession plan, with the guidance of qualified legal, tax, financial, and insurance professionals.

You owe it to yourself to ensure that your business will continue to flourish after your retirement, as well as in the event of death or disability. Proper planning through a business succession plan can help provide long-term security for your retirement, your company's future, and your family. $

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