Ullmann Brown Wealth Advisors

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Save the Date!

Friday, August 9, 2:00 p.m.
Building Foundations for Financial Success - A Workshop for Young Adults

Back by popular demand! Our summertime workshop will educate young adults about the importance of building a strong financial foundation.

Thursday, September 26, 5:00 p.m.
Redefining Investment Advice

Weston Wellington, Vice President of Dimensional Fund Advisors, will be our guest speaker at this engaging special event.

Spring 2019

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President's Letter

Dear Friends,

Happy Spring! We hope you enjoy reading our quarterly newsletters as much as we relish pulling new ideas and articles together for you. Current topics in this issue include charitable giving through community foundations, digital assets in your estate plan, and a reminder (and step by step tutorial) about a new portfolio technology tool available to you through the Ullmann Brown Wealth Advisors portal.

A community foundation supports local charities generally in a specific geographic area. They offer a number of different grant making programs as outlined in the enclosed article. One of the programs we particularly like is the donor-advised fund, which we often recommend as part of our client's charitable giving plan. A donor-advised fund allows you to receive an immediate tax deduction and then recommend grants from the fund over time. You can establish a donor-advised fund with us through Fidelity, a variety of other financial institutions and with The Community Foundation of Northeast Florida. Most of us at Ullmann Brown have already established Donor Advised Funds—it is an amazing way to impact, in a meaningful way, issues that are important to you and your family.

With your help and patience, we have successfully completed our custodian transfer from SagePoint/Pershing to Fidelity. Thank you for adapting to new statements and new (and improved) technology. As an FYI, be aware that SagePoint will continue to send you statements for the foreseeable future. As someone conscious about waste and safeguarding our environment, it is frustrating not being able to turn those off. We apologize for this inconvenience but we do not have any control over it as we are no longer affiliated with SagePoint.

On behalf of our entire team, thank you for being a friend of our firm. We appreciate you.

Sincerely,

Glenn Ullmann
President

Charitable Gifting Through Community Foundations

–Helen Modly, CFP, CWPA, and Sandra Atkins, CPA/PFS

As a lesser-known but viable alternative to a private foundation, a community foundation offers a number of philanthropic—as well as tax-related—benefits, especially for smaller donors.

Creating a family legacy through charitable giving receives a lot of press when the likes of Bill Gates and Warren Buffett commit to leaving huge amounts of their fortune to charity. We typically think of a private foundation as a solution for someone with substantial assets, or as a commercial gift fund sponsored by various fund families. However, another option that is not that well known but can work for smaller donors is your local community foundation.

What is a community foundation?

A community foundation is a tax-exempt Section 501(c)(3) public charity created for a specific geographic region to improve the quality of life for its residents through lasting charitable giving. There are over 795 community foundations in the United States giving away $7 billion each year. Community foundations offer a low-cost alternative to private foundations and provide access to experienced staff with knowledge of local issues to help donors and their advisors design a gift plan that meets the donors' needs.

Community foundations offer different types of funds to meet each donor's needs. A donor-advised fund allows the donor to stay involved in recommending the charities they wish to support. An endowment-type fund allows the donor to establish a fund in perpetuity to support causes in the community for generations. These funds can be set up in the name of an individual or family, or they can remain anonymous.

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Charitable Gifting Through Community Foundations

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Donor-advised funds

A donor-advised fund is a charitable giving vehicle established by a public charity that manages charitable donations on behalf of individuals, families, and organizations. It offers an organized, inexpensive, and flexible way to give to charity as an alternative to creating a private foundation.

Several large custodians and fund families offer donor-advised funds. Community foundations also provide donor-advised funds under their umbrella with the added benefit of their valuable local knowledge and relationship with local beneficiaries.

As the name implies, the donor "advises" or recommends which charitable organizations will receive grants, when they will be made, and for how much. The sponsoring organization has final approval on the grants based on certain guidelines, including the determination that the recipient charity is a qualified tax-exempt organization under Section 501(c)(3).

Donor-advised funds can be established very easily and usually have fairly low minimums ($5,000 to $10,000, depending on the fund). The donor gets a charitable tax deduction in the year in which the donation is made, even if the funds aren't granted to charities until later years.

Grants can be as much or as little as the donor wants— from zero to the entire fund—and can be designed to pay out in full at the donor's death or carry on for one or more generations, depending upon the fund.

Private foundations

Private foundations are normally considered endowment funds, but they have a payout requirement of 5% per year. The donors can stay involved in the charitable decision-making throughout their lifetimes and can create a board of directors consisting of family members and others who will identify the grant recipients and the amounts to give in the future. Private foundations are normally set up to continue in perpetuity.

Flexibility in giving

A community foundation can offer the best of both worlds: the flexibility of commercial donor-advised funds plus the permanence offered by private foundations.

If you are interested in working with a community foundation, start by meeting with the foundation staff. They will help you understand the types of funds they offer and how each works. Although these may vary between foundations, they have similar characteristics. The community foundation staff can also help identify nonprofits in the area that address the causes most important to you.

If you do not want to stay involved with the grant- making decisions, choose an endowment fund. In this case, the grant-making responsibilities are managed by the grants committee and board of directors of the community foundation. There are several different types of funds in this area:

- **Field-of-interest funds.** These allow you to target a specific community need or area of interest. For example, if you want to set up a memorial fund to honor a parent who was an artist, you could create a fund that supports arts organizations.
- **Designated funds**. These can provide ongoing support for your favorite charity or multiple charities. This is a simple way to be sure the support happens annually and endures beyond your lifetime. The community foundation manages the funds and awards annual grants.
- **Unrestricted funds.** As the name implies, these funds enable the board of directors of the community foundation to identify and respond to the community's needs as they change over time. This is a good option for someone who wants to make a gift that will impact the community but doesn't have a special area of interest and doesn't want a named fund.

Working with your community foundation

A community foundation is a good solution if you:

- Care deeply about the local community
- Are interested in creating a local personal or family legacy
- Have considered creating a private foundation but are concerned about the cost and administrative complexity
- Want to use local expertise and develop local relationships in your charitable planning
- Want to receive the highest tax benefit for your charitable contributions

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Charitable Gifting Through Community Foundations

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Getting involved in your community foundation will allow you to engage with other donors with similar interests, and identify your local community's needs. You can create a family legacy that can extend for generations in an uplifting and meaningful way.

Tax facts

Donations made to community foundations and donor-advised funds receive higher tax benefits than donations made to private foundations because a higher percentage of the gift is tax deductible.

For instance, cash gifts are deductible up to 60% of adjusted gross income vs. 30% for the private foundation, and gifts of appreciated property are deductible up to 30% rather than 20%.

A community foundation may accept gifts of appreciated property, such as securities or real estate, as well as cash, and it can be named as the beneficiary of an IRA or a life insurance policy. Your advisor and the staff of your local community foundation will work with you to design and implement a personalized charitable gifting strategy.

Another plus is that many community foundations allow your current investment advisor to continue to manage the investments in the fund that is created. Typically there are asset minimums involved, and the community foundation will perform due diligence on the advisor as it must with all advisors that manage funds under the foundation's umbrella. You win, your advisor wins, and your local community wins!

Helen Modly, CFP, CWPA, and Sandra Atkins, CPA/PFS, write on charitable giving and personal finance for Horsesmouth, an independent organization providing unbiased insight into the critical issues facing financial advisors and their clients.

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Including Digital Assets in Your Estate Plan

What should you know? What should your executor know?

When people think about estate planning, they may think in terms of personal property, real estate, and investments. Digital assets might seem like a lesser concern, perhaps no concern at all. But it is something that many are now considering.[1]

Your digital assets should not disappear into a void when you die. You can direct that they be transferred, preserved, or destroyed per your instructions. Your digital assets may include information on your phone and computer, content that you uploaded to Facebook, Instagram, or other websites, your intellectual/creative stake in certain digital property, and records stemming from online communications. (That last category includes your emails and text messages.)[1]

You can control what happens to these things after you are gone. Your executor – the person you appoint to legally distribute or manage the assets of your estate – will be assigned to carry out your wishes in this matter, provided you articulate them.[1]

In most states, you can legally give your executor the right to access your email and social media accounts. That reflects the widespread adoption by many states of the Uniform Fiduciary Access to Digital Assets Act, which the Uniform Law Commission (ULC) created as a guideline for states to adopt or use as a model for their own legislation. UFADAA was later modified into the Revised Uniform Fiduciary Access to Digital Assets Act (RUFADAA).[1]

Your executor must contact the custodians of your digital assets. In other words, the websites hosting your accounts. In states without the above laws in place, your executor or other loved ones may have a tough time because, in theory (despite recent legal challenges), the custodians still have outright power to bar access to accounts of deceased users. Yahoo! takes this a step further by abruptly terminating email accounts when a user dies.[2,3]

The uniform law (UFADAA) established a hierarchy governing digital account access. The instructions you have left online with the account custodian come first. Instructions left in your will rank second. Absent any of that, the custodian's terms-of-service agreement applies.[4]

Facebook, Snapchat, and Instagram have famously declared in their TOS agreements that all content uploaded by the user becomes their property. While claims like these have been scoffed at, the websites are not hesitant to stand by such assertions and may cite user account preferences to back them up – which, in some states, could mean a legal struggle for heirs.[2]

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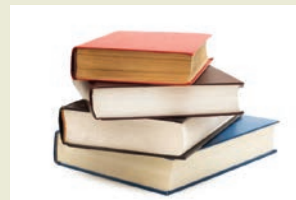

UBWA Reads

Next Year in Havana
by Chanel Cleeton

Midnight in Chernobyl
by Adam Higginbotham

Billion Dollar Whale: The Man Who Fooled Wall Street, Hollywood, and the World
by Tom Wright and Bradley Hope

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Including Digital Assets in Your Estate Plan

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Do you need privacy protection once you die? Before the onset of digital media, the prevalent legal view on that issue was "no." Now, things are different. You should not include online passwords in your will, for example, since a will can be made public. You must give your executor permission in writing to access your online accounts – if you do not have such a document in place, the bar is set very low for an unscrupulous heir, friend, or business partner to claim to be your executor and get away with it.[3]

Did you know that you need to specifically grant access to your email accounts in your estate plan, or alternately, through the email software's tools? If you fail to do this, your executor may only review the log of your email communications rather than the actual messages.[4]

Similarly, think about the risk of your digital assets being drained or manipulated if you can no longer care for yourself. You may want to appoint someone as a fiduciary for your digital assets through a Power of Attorney form, so that this responsible person can make decisions about them in your best interest should you lose the capacity to do so while living.[2]

What other steps should you take? Leave a digital access map for your executor – your accounts, your passwords. This need not be seen until you pass away or are unable to maintain your digital profiles and accounts. It can be a file stored on a flash drive or similar backup media – and it can also exist on paper.

Check with websites to see what their policies are for transferring or maintaining digital assets when a user passes away. See how reward points and credits are transferred and how pending financial or investment transactions are handled.

Is the executor of your estate plan a technophobe? If so, then think about appointing a second executor just to handle your digital assets. It may be worthwhile.

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Citations.
1 - nolo.com/legal-encyclopedia/ufadaa.html [5/29/18]
2 - nj.com/times-opinion/index.ssf/2018/05/safeguarding_digital_assets_sz.html [5/13/18]
3 - scientificamerican.com/article/estate-planning-for-your-digital-assets/ [2/7/18]
4 - kiplinger.com/article/retirement/T021-C000-S004-devise-a-plan-for-your-digital-assets.html [4/3/18]

Technology Roundup

Welcome to a new recurring section of our newsletter! In each issue, we will focus on a different tool that is available to clients through the Ullmann Brown portal. These features are available to help you keep track of your account balances, holdings, and transaction history.

This quarter, we are featuring the Performance Report function of the portal.

Reminder: To log in to the client portal, visit ullmannbrown.com/client-login and click on Ullmann Brown Account Access link.

Performance reports

1) Once logged into the portal, select Vault in the menu box at the top of the screen.
2) Select Reports.
3) Click on Quarterly Performance Report.
4) This reports shows the performance of each of your individual accounts, as well as an aggregate overall portfolio return.

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