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Tune in to Jeffrey's podcast, *Financial Focus*, by visiting http://financialconceptsmesquite.com/podcast/

Chocolate Lava Cake

INGREDIENTS

- Baking spray, for spraying custard cups
- 1 stick butter
- 2 oz. bittersweet chocolate
- 2 oz. semisweet chocolate
- 1 1/4 cups powdered sugar
- 2 whole eggs
- 3 egg yolks
- 1 tsp. vanilla
- 1/2 cup all-purpose flour
- Vanilla ice cream, for serving

DIRECTIONS

1. | Preheat oven to 425 degrees F. Spray four custard cups with baking spray and place on a baking sheet.

2. | Microwave the butter, bittersweet chocolate and semisweet chocolate in a large bowl on high until the butter is melted, about 1 minute. Whisk until the chocolate is also melted. Stir in the sugar until well blended. Whisk in the eggs and egg yolks, then add the vanilla. Stir in the flour. Divide the mixture among the custard cups.

3. | Bake until the sides are firm and the centers are soft, about 13 mintues. Let stand 1 minute. Invert on individual plates while warm and serve with vanilla ice cream.

https://www.foodnetwork.com/recipes/chocolate-lava-cakes-2312421

Jeffrey Bird-RICP®

Financial Focus

A Monthly Insight Into Your Finances

February 2021

Over-Looked Tax Breaks For Retirees

Preparing for taxes in retirement is one financial strategy move you can make to help keep more money in your pocket. And, to that end, there are several often-over-looked tax breaks that cater to retirees that you should be aware of.

The first potentially over-looked tax break to note is the spousal IRA contribution.

In most cases, you have to earn income to kick money into an IRA. But if you're married and your spouse is still working, they can often contribute as much as $7,000 per year to a traditional or Roth IRA that you own.

But don't forget the year's total combined contributions to your IRA or your spouse's IRA can't be greater than $13,000 if only one of you is 50 or older or $14,000 if both of you are at least 50.

Continued on next page…

M&M stands for Mars and Murrie

Forrest Mars (son of the Mars Company founder) first spotted the British confection Smarties during the Spanish Civil War and noticed the candy shell prevented the chocolate from melting. He teamed up with Bruce Murrie (son of Hershey Chocolate's president) and the company later trademarked the "Melts in Your Mouth, Not in Your Hand" slogan.

https://www.goodhousekeeping.com/life/g25692093/random-trivia/?slide=11

OVER-LOOKED...

MEDICARE PREMIUMS

The next potentially valuable deduction is Medicare premiums. If you become self-employed after you retire – something that's becoming more common – you may deduct the premiums you pay for Medicare Parts B and D as well as the cost of Medigap policies or Medicare Advantage plans.

One note on this one: You aren't allowed to take this deduction if you're still eligible for employer-subsidized health plan offered either by your employer or your spouse's employer.

CHARITABLE GIVING

Giving money to charity is another potentially good way for retirees to reduce their tax burden a bit. Once you reach 70 ½, you can contribute to your favorite charities in a tax-friendly manner without having to deal with itemization.

The qualified charitable distribution, or QCD, allows you to transfer as much as $100,000 every year from a traditional IRA directly to a charity. If you're married, your spouse can add an additional $100,000 from their IRA. The transfer isn't considered taxable income and it counts toward your RMD.

Just note that you can't also claim the transfer as a charitable deduction on your Schedule A.

GIFT TAX

While it's true that not many folks need to worry about the federal estate tax, given that most people will be able to pass on a little more than $12 million to their heirs in 2022. Oh, and in 2022, married couples will be able to pass on $24 million. Not bad, right?

However, if there's a chance the estate tax may become something you have to strategize for, you'll want to utilize the annual gift tax exclusion. With this rule in 2022, you can give as much as $16,000 every year to any number of people without facing a gift tax. Your spouse can give that same person an additional $16,000, making the tax-free gift $32,000.

REAL ESTATE

You should also be aware of the potential for tax-free profit off the sale of a vacation home. Qualifying for this one is actually fairly simple. The home you're selling must be your principal residence and you must have both owned and lived in it for a minimum of two of the last five years prior to the sale. But there is in fact a way to grab some tax-free profit from selling a vacation home.

For example, let's say you sell your family homestead and utilize the break that makes as much as $250,000, or $500,000 if you're married and filing jointly, of the profit tax-free. From there you move into the vacation home you've owned for many years. As long as that vacation home is your principal residence for a minimum of two years, some of the profit of an eventual sale will be tax-free.

These are just some of the potential tax breaks that are available to retirees, so be sure to work with a financial services professional to devise a retirement tax strategy that's tailored to your needs.

SOURCE
https://www.kiplinger.com/retirement/603058/most-overlooked-tax-breaks-for-retirees

International Investing: Opportunity Overseas?

For the past decade, U.S. stocks have outperformed foreign stocks by a wide margin, due in large part to the stronger U.S. recovery after the Great Recession. In general, U.S. companies have been more nimble and innovative in response to changing business dynamics, while aging populations in Japan and many European countries have slowed economic growth.[1] Despite these challenges, some analysts believe that foreign stocks may be poised for a comeback as other countries recover more quickly from the effects of COVID-19 than the United States. On a more fundamental level, the lower valuations of foreign stocks could make them a potential bargain compared with the extremely high valuations of U.S. stocks.[2–3]

Global Growth and Diversification

Investing globally provides access to growth opportunities outside the United States, while also helping to diversify your portfolio. Domestic stocks and foreign stocks tend to perform differently from year to year as well as over longer periods of time (see chart). Although some active investors may shift assets between domestic and foreign stocks based on near- or mid-term strategies, the wisest approach for most investors is to determine an appropriate international stock allocation for a long-term strategy.

A World of Choices

The most convenient way to participate in global markets is by investing in mutual funds or exchange-traded funds (ETFs) — and there are plenty of choices available. In Q1 2021, there were more than 1,400 mutual funds and 600 ETFs focused on global equities.[4] International funds range from broad, global funds that attempt to capture worldwide economic activity to regional funds and those that focus on a single country. Some funds are limited to developed nations, whereas others may focus on nations with emerging economies.

The term "ex U.S." or "ex US" typically means that the fund does not include domestic stocks. On the other hand, "global" or "world" funds may include a mix of U.S. and international stocks, with some offering a fairly equal balance between the two. These funds offer built-in diversification and may be appropriate for investors who want some exposure to foreign markets balanced by U.S. stocks. For any international stock fund, it's important to understand the mix of countries represented by the securities in the fund.

Additional Risks and Volatility

All investments are subject to market volatility, risk, and loss of principal. However, investing internationally carries additional risks such as differences in financial reporting, currency exchange risk, and economic and political risk unique to a specific country. Emerging economies might offer greater growth potential than advanced economies, but the stocks of companies located in emerging markets could be substantially more volatile, risky, and less liquid than the stocks of companies located in more developed foreign markets.

Domestic vs. Foreign

Over the past 20 years, stocks in emerging markets have outperformed U.S. stocks but have been much more volatile. Stocks of developed economies outside the United States have yielded less than domestic stocks over the 20-year period, but have outperformed in nine of those 20 years.

Diversification is a method to help manage risk; it does not guarantee a profit or protect against loss. The return and principal value of all stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares. Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1, 2) U.S. News & World Report, October 1, 2020
3) CNBC, January 23, 2021
4) Investment Company Institute, 2021