ISSUE
3
QUARTERLY NEWSLETTER
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James River Wealth Advisors™

Intergenerational Wealth Planning

In This Issue:

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James River Wealth Advisors™

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Our Values.

- To treat each client as they want to be treated.
- To give back to our community.
- To live by the principles of our faith.

Our Actions.

- Every client now receives a complimentary financial plan.
- We act on a model of service: to our clients, to our community, and to each other.

Your Legacy

You've spent a lifetime accumulating wealth to create the life you imagined. Now it's time to dream about the next step – and create a lasting legacy. A legacy, in its simplest definition, is money or property handed down for a will. But beyond the money and property is what you want to accomplish with that money. We work with you to determine what you desire your legacy to be – and then guide you through the process to accomplish your goals in the simplest, most tax efficient way possible.

The James River Wealth Advisors Legacy

Before you think about planning for the next generation and what to do with your estate, one must think of one's legacy. What do you want people to remember you by? Who and what do you want to benefit from your presence here? How would you like people to remember you?

At James River Wealth Advisors, we decided that we want to be remembered by more than financial planning and investing. Through Eli's Village, we plan to offer a service in the marketplace that is not currently available – we won't simply do something better than anyone else, we will do something that others are not doing. To benefit a community of people that need the service.

I was brought onto James River Wealth Advisors to be the continuity that our clients need through the next generation – and I am proud to also bring our legacy, through Eli's Village. I hope that you enjoy reading our newsletter about ideas for how to continue your legacy – and learn more about our legacy, Eli's Village.

James River Wealth Advisors™

Eli's Village™
A division of James River Wealth Advisors

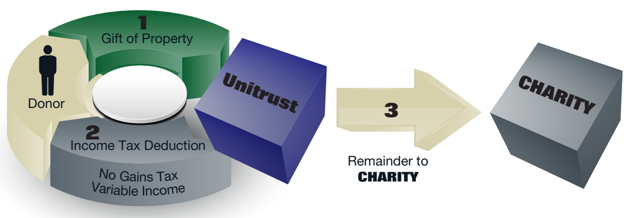
As always, please email me at kcarleton@jrwealth.com, or call me at 919-433-7713 with any ideas, comments, or concerns you may have.

Sincerely, Kristin Carleton

Charitable Remainder Unitrust – an Overview of an Important Financial Planning Tool

The charitable remainder unitrust is a vehicle that is making a comeback after having gone out of favor. A CRUT is an irrevocable trust that can help you reach your financial goals by:

1. Providing income.
2. Save taxes.
3. Enhance diversification of concentrated, highly appreciated, or illiquid assets.
4. Give money to charity
5. Eliminate the provisions of the 10-year required distribution of a beneficiary IRA (bring back the "Stretch IRA."



How it Works

1 You transfer cash, securities, or other property to a trust.

2 You receive an income tax deduction and pay no capital gains tax.

During its term, the trust pays a percentage of its value each year to you or to anyone you name.

Regarding Capital Gain Tax - At the sale of the appreciated assets, capital gain tax is deferred allowing for the full reinvestment of the assets.

The Typical Donor:

1. Needs income for life or a specified term of years.
2. Desires more income as the trust value increases.
3. Desires tax deductions.
4. Tolerates some investment risk to provide for growth.
5. Wants to make additional gifts to the trust.
6. Has illiquid or highly appreciated assets and desires diversification.
7. Is between the ages of 55 and 80.

The ending amount that is passed to the charity must be at least 10% of the initial value of the assets that were granted to the trust. That also allows the grantor to take an immediate tax write-off of that 10% value.

Here are a few examples of how a CRUT could be used.

1. Colin has owned Microsoft stock for thirty years. The stock has appreciated demonstrably, and his initial $5,000 investment is worth $2,200,000. Since Colin's current income is $250,000/year, his capital gains tax rate will be 15%. That will mean that if Colin sells his stock, he will need to pay

   However, if Colin puts together a CRUT as a standard unitrust, he takes an immediate tax deduction for 10% of the initial $2,200,000 ($220,000) AND avoids paying the immediate capital gains tax of $329,259.

MICROSOFT STOCK

Worth	$2,200,000.00
Initial Investment	-$5,000.00
Amount Taxed	$2,195,000
Capital Gains %	x .15
Payment Amount	$329,259.00

The CRUT can sell the Microsoft stock and invest in a diversified portfolio of Colin's choosing, and pay Colin 5% of the total value of the portfolio annually (resulting in approximately $110,000/year in income, depending on the value of the portfolio over time).

Colin chooses the charitable beneficiary, and is now able to give a sizeable donation to that charity at the end of the CRUT.

Standard Unitrust

Tax Deduction:	$2,200,000.00
Avoided Capital Gains Tax:	$329,259.00
Total Tax Benefit:	$549,259.00

2. Pam is aware of the elimination of the stretch IRA. She is 75 years old and has about 2,000,000 in an IRA that she would like to leave to her son Benjamin. However, Benjammakes $250,000/year, and taking an additional $200,000/year or more in income would push him into the 35% tax bracket from the 24% tax bracket.

   This would result in him paying an additional $27,500 in taxes on his own income, PLUS $75,000 in taxes on the income from the beneficiary IRA. His total increased tax burden over the ten years would be $970,500.

Tax Savings

$27,500.00	in taxes on own income
$75,000 .00	in taxes on income from beneficiary IRA
$102,500.00	Total Annual Tax Savings

   Instead, Pam works with her financial advisor and estate planning attorney to establish a charitable remainder unitrust with her church as the ultimate beneficiary. The CRUT is named as beneficiary of her IRA and so is funded upon her death. The CRUT is set-up as a net income unitrust, allowing Benjamin to defer payments until his retirement. The trust is invested in stocks that do not pay dividends, so the income of the trust is minimal throughout time until his retirement, when he switches to receiving 5% of the trust for the rest of his lifetime.

   After ten years of more growth, the beneficiary IRA grows to $3,500,000. Benjamin takes 5% of income starting at his retirement, of $175,000/year. And when he passes away, the church ends up with $500,000 in a total donation as the remainder of what is left in the trust.

Net Income Unitrust

Total Retirement Income to Benjamin:	$175,000/year
Total Left to Church:	$500,000.00
Total Tax Savings over first ten years:	$1,025,000.00

These are just a few examples of how a charitable remainder unitrust could be utilized to minimize taxes, maximize charitable donations, and establish an income stream for the beneficiary. For more information, please contact me, talk to your estate planning attorney, or your tax advisor. I can be reached at kcarleton@jrwealth.com.

How to Save Your Heirs Taxes – Despite Uncle Sam's Best Efforts

The individual retirement account, or IRA, is the savings vehicle most widely used for retirement. Due to its ability to defer taxes, to rollover from a 401k, and to pass onto heirs, it is widely used and trusted. The IRA is most Americans largest asset apart from their home.

Prior to December 2019, a non-spousal heir (or heirs) could inherit the IRA and "stretch" out the required minimum distributions over their lifetime – which is why it was called the stretch IRA. In non-legal speak, this means that when your children are your heirs after you and your spouse have passed away, they would pay less in taxes to the government and have the ability to take advantage of investing the beneficiary IRA over their lifetime and reap the benefits of that investing.

As of December 2019, President Trump signed into law some changes to the tax code that have changed the way an IRA is treated for tax purposes for non-spousal beneficiaries. Going forward, while a spouse can still stretch the IRA distributions over their lifetime, any non-spouse beneficiary must take all distributions within ten years.

For children in their prime earning years, this could mean that as much as 37% of your hard-earned money goes towards paying taxes. It also means that while we are thinking that there is no estate tax, the government is clawing back a good portion of your estate through the taxes you are paying on your IRA later.

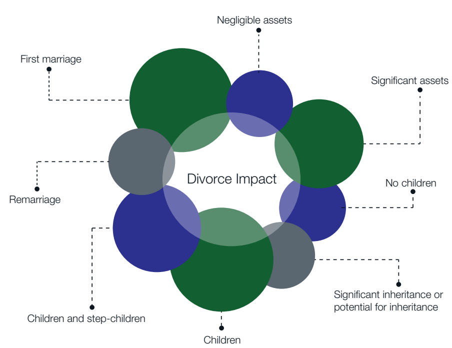
So, what are some options for how to reduce the taxes that your heirs will pay? Here are a few.

- Consider converting your IRA to a Roth IRA. This year is a particularly good year to convert at least part of your money, when RMD requirements have been waived.
- Use your IRA to make qualified charitable distributions.
- Consider utilizing a Charitable Remainder Unitrust.
- If you have a family member with a disability, consider leaving the IRA money to their trust, as it will be able to be stretched over their lifetime through the trust.
- Consult a tax planning attorney on putting together an accumulation trust.
- Consult with us on other options that might be more applicable to your specific situation.

At James River Wealth Advisors, we want your financial legacy to last as long as possible, and for you and your heirs tax burden to be as low as possible. Call us to discuss your options today.

Post-Divorce Estate Planning:
Impact on Intergenerational Wealth Transfer

Divorce is hard. It's not only a difficult time emotionally, but the decisions seem to be endless with serious long-term consequences. We need to add one more item to the post-divorce "to do" list. Address your estate plan. The plans are typically filed deep in a drawer and not revisited after being executed years ago with the best intentions that divorce has blown apart. The documents plan the disposition of joint assets and dreams. Now, these assets may need to support the divorced couple independently for years eroding the financial impact on children, grandchildren, and philanthropy. Take care of it now. Not convinced, let us visit 7 reasons to not wait:



1. Update your health care proxy. If you are in an accident, who will make the health care decisions for you? The odds are your former spouse. Will that continue to be in your best interest?
2. Update your will. Would you want your current spouse in charge of your estate? What guardianship questions need to be remedied?
3. Find out what the state statutes allow you to modify pre and post-divorce. Operate with the intent of no surprises.
4. Change your power of attorney. If you have a durable power of attorney, it gave your spouse access to all your accounts and assets. You need to revoke the power of attorney and execute a new one.
5. Beneficiary designations need updated. There are instances where ex-spouses are still named to inherit the assets. This leads to litigation and serious unintended consequences.
6. Financial obligations that survive divorce. Certain marital assets will continue to have tax implications post-divorce including estimated tax payments, passive loss carryovers, and capital loss carry-overs to name a few.
7. AMEND YOUR TRUST. If state law allows, amend your revocable trust immediately. What are the implications to the disposition of marital assets held in a Irrevocable Trust?

Initiating these steps will go a long way in avoiding costly probate issues and potential litigation Psychologically, it can be difficult for former spouses to adapt to life without the same financial certainty experienced in marriage. Omitting the estate conversation early in the divorce process may prove to be a long term disaster for the planned intergenerational wealth transfer.

Helping exceptional families and business owners make wise decisions since 1982

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Charitable Giving: Consider A Donor-Advised Fund

You have decided that charitable giving is an important part of your legacy. A donor-advised fund is an important tool to be aware of as you put together your legacy plan. A donor-advised fund is an account that allows an individual to donate and receive an immediate tax deduction, but maintain control as an advisor of how the money is invested and what organizations receive the funds. The amount and frequency of donations to separate organizations are controlled by the donor and/or the donor's representatives.

A donor advised fund has several unique characteristics, that when combined, make it highly attractive:

1. A donation does not need to be made as a lump-sum, so it can be given as annual income to a non-profit. This is especially important if the longevity of the non-profit is in question.
2. Highly appreciated assets can be donated to the DAF, so the donor can receive an above the line deduction (not paying taxes on the capital gains of the appreciated asset), and below the line deduction (receiving an immediate deduction on income taxes for the total amount of the donation. In estate planning, donations given to a donor-advised fund may help avoid paying an estate tax.
3. You can designate others after your death to remain as advisors to the DAF, determining who receives the money and how it is invested.
4. The donor does not maintain control of the money and the donation is irrevocable (cannot be changed), the donor remains an advisor to the DAF and advises where the funds are distributed and how the funds are invested.
5. A donor-advised fund provides an alternative to creating a direct foundation that is more cost-efficient and convenient.

Consider Tom and Mary. Both prioritize charitable giving and have tithed to their church their entire lives. At their deaths, they plan to tithe 10% of their estate to their church. However, they have concerns about the elders current spending and are not happy with the current expansion they have planned.

After consulting with their financial advisor, Tom and Mary decided to set-up a donor-advised fund and have Mary's cousin administer the funds. She also goes to their church and is aware of their wishes. She will make sure the church is given an annual contribution, but has the flexibility to change donations to a different organization if the church continues to spend in ways that do not agree with their values.

Form CRS

SEC regulations require our Firm deliver to you, our Client, the new disclosure document, Form CRS (Client Relationship Summary), also referred to as Part 3 on the ADV. Form CRS is intended to be a simple and easy-to-read summary regarding the nature of a retail client's relationship with our Firm, or any financial professional. According to the SEC, Form CRS will provide you with a high-level overview of a firm's services, fees, costs, conflicts of interest, the standard of conduct, and disciplinary history to help you decide whether to engage a particular firm or financial professional and provide you with guidance while deciding whether to seek investment advisory or brokerage services. The adviser brochure, by contrast, requires substantially more detailed, albeit similar, disclosures, specific to advisory services, and it covers additional topics not addressed in Form CRS.

To comply with industry regulations, Form CRS is required to be delivered, initially, to you by July 30, 2020, as well as ongoing within 60 days of any material updates to the Form CRS.

Finally, please remember to contact us if there are any changes in your financial situation or investment objectives, or if you wish to impose, add, or modify any restrictions to your account. Note, however, that any requests for a change must also be acknowledged and agreed to in writing by us.

Announcements

Market Update Calls have moved to a monthly format. Market Calls are now every third Thursday of the month at 12:30, so please stay tuned for details for our next call scheduled for September 17th.

Please let us know what you think about some of these newest efforts to keep our clients informed and connected, we would love to have your feedback! You can share your thoughts to our new dedicated email for clients customerappreciation@jrwealth.com

Eli's Village™

A division of James River Wealth Advisors

Eli's Village – Imagine: a lifetime of exceptional.

"The faithful mission of Eli's Village is to help every exceptional person and their families live the life imagined."

As mothers of exceptional children, Kathy and I have spent many a sleepless night lining up services for our child, scouring the internet for the newest research, worrying about a future that might not include us, and trying to balance all of that with the needs and dreams of our neurotypical children. When we met, we knew that there had to be a better way – one that could provide lifestyle and care solutions today, while also planning for the future. An answer to lifelong worries and current obstacles. That vision birthed Eli's Village.

The faithful mission of Eli's Village is to help every exceptional person and their families live the life imagined.

Rather than a family having to work with separate entities to develop special needs trusts, establish medicaid-funded services, and a host of other essential solutions, Eli's Village takes a holistic approach where these services are comprehensively applied to lifelong planning for the entire exceptional family.

Our intergenerational lifetime planning approach brings peace of mind to families – ensuring that each generation, and each member of the family is living the life they desire, now and in the future. All family members are included in a plan that is balanced, enduring, and lifelong.

When creating a lifelong plan for a family, it is critical to not only plan for the needs of the exceptional member, but to also plan for the needs of all members of the family. The plan encompasses the lifestyle needs and obstacles of today, the goals of each for the future, and the ability to live out dreams. We work with you to find out what your needs, goals, and dreams are – and then provide the solutions to ensure they can be reached. We partner with you to take care of the details of trusts, microboards, ABLE accounts, Medicaid and Social Security benefits, service provider coordination, and much more.

James River Wealth Advisors is founded on helping families find solutions for current obstacles, and plan for a long-term future. Eli's Village expands that mission further by providing specialized planning for exceptional families. Families with exceptional members, such as children with developmental disabilities, often face uncertainty about the future. Many parents find themselves scouring the internet late at night hoping to find information about services and resources that can help ensure their child's well-being, particularly beyond the time that they will be here to support them. This is an overwhelming task often fraught with helplessness and disappointments.

Kathy and I will work together to build your village of support. We will facilitate meetings with providers, annual microboard meetings, legal and tax experts, payroll companies, and the myriad of other services and providers you may need. My background in financial planning and Kathy's experience with special education will provide you with expert guidance every step of the way. We will guide you through an intake process where we first determine your needs, put together a proposal, and then execute together – in a simple and straightforward process that will remove some of your daily stresses and lifelong worries.

The journey an exceptional family takes can feel lonely at first, particularly when lifetime planning seems like an impossible mountain to climb. What Eli's Village does is takes that journey with the family so that from the start and along every step of the way, the team guides, finds resources, and most importantly creates a plan that is comprehensive and targeted. So that every exceptional family can live the life imagined. If you or someone you know has an exceptional family member, please invite them to visit www.elisvillage.com for more information about how we can help them in their journey.

Understanding Caregiver Stress

Caregiver stress is a concept easily understood by most people. Many of us have been a caregiver to children, an elderly parent, or perhaps someone with a serious health condition or exceptional need. When we are taking care of someone, we devote long hours and energy to ensuring their health and comfort during a time of need. We may find ourselves monitoring and assisting with scheduled therapies and doctor's visits, helping to adhere to a special diet, and facilitating daily routines and activities. In doing this, we often become very knowledgeable, if not expert, on their needs. What helps us to endure on their behalf, is knowing that at some point they will no longer need our assistance. In most cases, our caregiving will end as the person gains (or regains) independence.

For caregivers of children with exceptional needs, the challenges are atypical and a constant, sometimes hidden, level of stress can develop. This stress is rooted in the fact that exceptional caregivers often provide some level of care for life. Parents of children with lifelong disabilities face atypical challenges. It is not the periodic care experienced when raising children or caring for an elderly parent. Even as exceptional children mature over time, their need for some level of support or supervision typically remains.

Exceptional caregivers often have expert knowledge in their child's needs, observe and implement needed therapies, oversee their child's education to ensure their needs are met and goals are appropriate, seek out additional therapies, services, and specialists as needed, and often unintentionally become the child's primary source of social engagement. More than 65 million people, or 29% of the United States, serve as caregivers to family members or friends who are chronically ill, have disabilities, or are aged. As of 2011, 71% of individuals with intellectual and developmental disabilities lived with a family caregiver . Although many of these individuals receive some level of paid care, most receive the majority of their care from unpaid family, friends, and neighbors.

Understandably, the stress of managing someone's care for decades is unimaginable for some. The years exceptional caregivers spend putting someone else's needs ahead of their own can take a toll. Interestingly, exceptional families are not likely to admit to their stress. As a parent of an exceptional child myself, I'm less likely to admit how hard it can be at times. Rather, I like to focus on the positive, as many parents do.

One of the best ways to address caregiver stress is simply that…address it. Talk about it. The more we admit that caring for someone can be challenging without the guilt felt in admitting that, the better off we are. Sometimes we fear that in saying we are stressed, it might hurt the person we are caring for. We need to set that aside and agree together that acknowledging stress does not take away from the fact that we are devoted and committed to helping. Both giving and receiving help can feel uncomfortable, so let's clear the air, agree to the challenges, and march forward. With that said, another way to help caregivers is by giving them time. That may seem obvious, but it is easier said than done. It is important to focus here on quality over quantity. It may not seem realistic to have an entire night off or even a half day. But could you consider 20 consecutive, uninterrupted minutes? Start there. Sitting outside listening to music or taking a brisk walk around the block can go a long way in giving you a minute to clear your head and focus on your own wellness. Secondly, caregivers need to keep their medical appointments. Although it may be hard to squeeze in your healthcare needs alongside the person you are caring for, it is a must. This is a great time to use the phone-a-friend option to help you ensure you make it to your own appointments. Your friends and supporters have been offering to help so here is where you can finally accept it. Last, but not least, find others who share your experience. There are others who have been in your situation and who are similarly needing help and support. Sharing stories, tips and resources among each other is a lifeline. As we continue our love and care for others, addressing our own caregiver stress will help along that journey.

Introducing Dr. Katherine Matthews

When Kathy attended our first Eli's Village Focus Group, she knew that she wanted to help – and at that time, she thought that would mean giving feedback or serving as a board member on Eli's Hope. But quickly, we realized that her role would be much bigger. The mission of Eli's Village is to help exceptional families live the life imagined – and Kathy's experience makes her the perfect person to integrate the clinical, medical, and service needs of the family into their overall lifespan plan. Her background as the former Executive Director of the Faison Center, and education and knowledge of applied behavioral analysis, as well as her personal experience as a Mom of a boy with autism, make her the perfect fit at Eli's Village. We are thrilled to welcome her aboard and to introduce her to our clients. If you have questions or feedback for Kathy, or just want to say hello, feel free to email her at kmatthews@elisvillage.com