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WEALTH MANAGEMENT

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In this Issue:

As was the English custom, in the autumn of 1621, the 53 surviving Pilgrims gathered in Plymouth, Massachusetts to celebrate their successful harvest. Surprisingly, there are only two primary source descriptions of the "First Thanksgiving." In *Mourt's Relation*, Edward Winslow concludes his account of the Pilgrims feasting for three days with King Massasoit and his men with this observation, "And although it be not always so plentiful, as it was at this time with us, yet by the goodness of God, we are so far from want, that we often wish you partakers of our plenty."[1]


Kimberly Foss, CFP®, CPWA®

And in *Of Plymouth Plantation*, giving thanks for the Pilgrims' good health and the plentiful harvest, Governor William Bradford reports, "All the summer there was no want; and now began to come in store of fowl, as winter approached, of which this place did abound when they came first (but afterward decreased by degrees). And besides waterfowl there was great store of wild turkeys, of which they took many, besides venison, etc. Besides, they had about a peck of meal a week to a person, or now since harvest, Indian corn to that proportion. Which made many afterwards write so largely of their plenty here to their friends in England, which were not feigned but true reports." [2] (Note that the Pilgrim Hall Museum has translated these passages from the original 17th century spelling.)

Abraham Lincoln inaugurated the annual Thanksgiving Day tradition in 1863, to give Americans a day off to reflect on our good fortunes, gather with family and friends to give thanks—and now, more than 150 years later, maybe watch a little football. (Although records of football games being played on Thanksgiving Day date all the way back to 1887, the first NFL game was played on November 25, 1920, the same year the league was founded.) [3]

In recent years, however, we've seen a "War on Thanksgiving" as retailers try to get a jump on the holiday shopping season. While stores once opened in the pre-dawn hours on Black Friday, retail giants like Walmart, Target, Macy's, and other major chains now open their doors on Thanksgiving Day. Of course, that means thousands of employees aren't able to be with their families. Kudos to Costco for upholding its 30-year tradition and remaining closed on Thanksgiving.

I'd like to share two quotes that, for me, capture the message of Thanksgiving. President Kennedy once said, "As we express our gratitude, we must never forget that the highest appreciation is not to utter words, but to live by them."[4] I also find this challenge from Bill Gates very powerful: "You may have heard of Black Friday and Cyber Monday. There's another day you might want to know about: Giving Tuesday. The idea is pretty straightforward. On the Tuesday after Thanksgiving, shoppers take a break from their gift-buying and donate what they can to charity."

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As you think about philanthropy, remember that appreciated securities often make for more tax-efficient gifts than cash. In addition to receiving a charitable deduction equal to the securities' fair market value, you don't pay capital gains tax on the appreciation. If you cannot decide which charities to support, but want to make a gift this year, consider a donor-advised fund. There, your gifts are treated the same way as gifts to public charities. You receive a tax deduction in the year of your contribution, but are not required to disburse the funds right away. In fact, you can take years and involve the entire family in deciding which charities to support.

Note, too, that if you are interested in making a gift to your young adult children, appreciated securities may be a better choice than cash. If your child is not subject to the kiddie tax and is in the lowest two tax brackets, the gain will be taxed at their rate, 0% or 15%. (Your rate could be as high as 18.8% or 23.8 %.) It also can be effective to gift stocks that are expected to appreciate to get potential growth out of your estate.

Many investors become overly focused on staying below the $14,000 annual gift limit. They think they will need to pay taxes on anything they gift over that amount. In fact, anything above the $14,000—say another $100,000 for a down payment on a house—is simply deducted from the new $5.34 million lifetime exclusion limit, which few will ever surpass. So, for example, if you gift $100,000 more than the annual $14,000 limit this year, your exclusion limit would be reduced from $5.34 million to $5.24 million.

If your estate is larger than the exclusion limit and you are interested in funding a grandchild's education, investing in a 529 college savings plan can reduce your estate's size through accelerated gifting. Although $14,000 a year($28,000 if married) per beneficiary is the annual gifting limit, the 529 plan's special gift tax exemption permits up to five years of contributions to be made in one lump sum of up to $70,000 in one calendar year ($140,000 if married) per beneficiary. That way, grandparents who gift $140,000 to open a 529 for each of their four grandchildren can reduce their estate by $560,000 without tax implications. And they can repeat their contributions every five years. In a 529, those contributions would grow tax-deferred, whereas earnings would be taxed in brokerage accounts.

I wish you and your family a Happy Thanksgiving. And, as tempting as those sale prices might be, I encourage you to choose family time over the mall.

Stay Diversified, Stay the Course!

Kimberly Foss, CFP®, CPWA®
Empyrion Wealth Management, Inc.
www.empyrionwealth.com
(916) 786-7626
(800) 787-7634

http://www.pilgrimhallmuseum.org/pdf/TG_What_Happened_in_1621.pdf

Ibid

http://bleacherreport.com/articles/954490-detroit-lions-a-brief-history-of-football-on-thanksgiving-day

http://quotations.about.com/od/specialdays/a/thanksgiving1.htm

http://www.brainyquote.com/quotes/topics/topic_thanksgiving.html#EtdOBcRYgzdBoo54.99

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Empyrion Wealth Management, Inc., 3741 Douglas Blvd., Suite 130 Roseville, CA 95661