

## Announcements:

**Our office will be closed:**

Monday, May 27th (Memorial Day); Wednesday, June 19th (Juneteenth) & Thursday, July 4th (Independence Day)

**Office Hours:**

Monday – Friday  
8:30 am – 4:30 pm

**Tax Day:**

Monday, April 15th

**Beneficiaries:** remember to review your beneficiaries at least once a year. If you'd like to make changes, please let us know and we can start that process for you.

**Annual Meetings:** Has it been over a year since your last meeting with us? If yes, call us to schedule an annual review of your portfolio and financial plan.

**Referrals:** We would love to help your families & friends who need investment management or financial planning guidance.

April 2024 Newsletter

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## Please Welcome Eric Hallman



Westview is pleased to announce that as of January 2024, Eric Hallman, CFP® has joined Westview as the firm's Financial Planner.

Eric is a thoughtful, meticulous, and insightful individual who brings nearly ten years of industry experience to his position. Before joining our team, Eric served as a Private Wealth Advisor with SVB Private in Boston where he provided bespoke private banking and wealth management solutions to high net-worth investors, executives, and founders. Prior to SVB Private, he spent several years at Fidelity Investments helping investors and retirees create and implement financial plans. A planner at heart, Eric is a Certified Financial Planner, CFP® and avid reader on everything regarding planning.

Once a college athlete, Eric brings a strong sense of team and a collaborative spirit to his role. We are excited for everyone to meet and work with him in the future. Eric is a native Vermonter and thrilled to be back in Vermont after living all over the country from Boston to Maryland to Texas. (Be sure to ask him about his favorite places to eat for any of your upcoming travels!)

Eric is settling into his new home in South Hero with his wife Tiffany and their son Hudson. When not at the office, you will encounter Eric on a hike, playing a round of golf, or coaching youth lacrosse.

**Please join us in welcoming Eric Hallman to the Westview Team!**



*Eric, Tiffany and Hudson Hallman*

# What to Do With an Inheritance

By Eric Hallman, CFP®

You may have heard the expression 'The Great Wealth Transfer' over the past couple of years. If you haven't, this is in reference to the current transition from the Baby Boomer generation to GenX and Millennials. It is estimated that the Baby Boomer generation has over \$68 trillion in assets that will be passed on to children and grandchildren over the next 10-20 years.

While it's an incredible blessing to be able to receive an inheritance, this can create additional challenges and stresses to surviving family members. According to a recent study by New York Life, only 42% of adults expecting an inheritance feel comfortable handling the new wealth. This can range from discomfort of handling the actual finances, to discomfort with the psychology of new money they were unprepared for.

## Slow Down

The first thing anyone going through this needs to do is slow down. Before even thinking about money or finances, take the time to grieve. This is a massive life change and you need to be able to approach these next decisions with a clear mind. Depending on the assets received, it can sometimes take up to 9 months to fully receive money, especially if a probate court is involved. After getting through the bureaucracy of transferring the assets, make a concerted effort to do nothing at first. This part sounds a lot easier than it is in practice.

Working with a team of trusted individuals can help you formulate a plan that is not only financially prudent but also something that you will feel comfortable sticking with for the long term. The beauty of a quality financial plan should be the simplicity. At Westview, we view a financial plan as a living document that always starts with the same beginning hierarchy of saving.

## Hierarchy of Saving

- I. Pay high interest debts
- II. Establish an emergency fund
- III. Fund retirement plans
  - a. 401k match
  - b. IRA's
  - c. Max 401k
- IV. Fund taxable investments
- V. Plan for your legacy

## Understand Tax Impacts

With the very high level of **federal** estate tax exemption currently, the majority of Americans do not need to worry about a large estate tax bill. However, some states do have estate and/or inheritance taxes. As a Vermont based firm, we do have a state estate tax with a much lower exemption (currently \$5 million) while there are 5 other states that have a tax on the inheritance (Kentucky, Maryland, Nebraska, New Jersey, and Pennsylvania). Another reason to stress the importance of working with a trusted team to navigate these differences. Of the money you do inherit, there are some other tax considerations that our team helps clients navigate: step-up in cost basis and the new rules regarding inherited retirement assets (i.e. inherited IRA 10 year rule established in 2020).

Step-up in basis sounds complex but is actually quite straightforward. Any assets the deceased owns simply gets a new cost basis at their date of death. For example; if your parents bought their house for \$250,000 in 1995 and passed away in 2023 when the house was worth \$500,000, when you decide to sell the home, you are only liable for any gain above \$500,000. This applies to other assets as well, like stocks and bonds. The benefit to the inheritor is that they can reinvest the portfolio or dispose of property with minimal or zero tax impact.

The 10 year retirement account rules went into effect for any person who passed away on or after January 1st, 2020 via the SECURE Act. This change drastically changed how non-spouses can receive inherited IRA/401k/403b/etc. Prior to this change, there was a complex lifetime table that set

the rate at which you were required to take distributions (and pay the taxes) from the account. Now, it is straightforward but a shortened time frame of 10 years to withdraw the account. You can break that up however you want within that 10 year period or all at once. While less complex, it can be a drastic tax burden, especially higher earners late in their careers. For example, if you were to inherit a \$1,000,000 IRA from your parent, you would likely be adding \$100k plus to your taxable income every year for a decade. This is taxed as ordinary income and you can see how it quickly can add up!

## Pay Debts

After receiving an inheritance, the most important step is to pay down 'bad debts' and get back to zero. Bad debts are generally higher interest and include credit cards, student loans, car loans, and personal loans. As a general rule, assume any debt above average inflation rates or not tied to an appreciating asset to be 'high interest'.

## Establish an Emergency Fund

While establishing an emergency fund may sound basic, it is often overlooked. The main reason people intentionally leave an inheritance to their heirs is to provide financial security. This is the easiest and quickest way to do so.

## Fund Retirement Savings and Investments

Once the first two buckets (paying off debt and funding an emergency fund) have been satisfied, the additional inheritance opens up options to supercharge your retirement savings. If left with a cash balance, you could be able to divert some of your income to retirement savings and potentially max-out tax advantaged accounts such as 401(k)'s and IRA's.

After maxing out retirement savings you can begin to fund taxable accounts (such as individual or joint investment accounts) and/or maybe you wish to start (or increase) funding a child's 529 plan. Either way, taking a disciplined approach to how this money is invested will have lasting effects for your life and future generations.

As with any investment plan, the key is to focus on the long term and not overcomplicate. At Westview, we take great pride in building customized portfolios for our clients that match their personal financial goals, objectives, and risk tolerance to meet said goals. Whether you are an existing client who received an inheritance or a new client, we take a similar approach to planning and investing for your future.

## Make the Most of This Change

Many people feel immense pressure and sometimes guilt at the responsibility of handling their parents' wealth after their passing. It is always important to understand why we save and invest. There is not a one size fits all answer to something this complex so it is always important to discuss and plan with a trusted team. As a seasoned team and fiduciary, Westview can provide a level of attention and detail to your financial future. ■

Announcing the  
**new**  
Westview website!

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WESTVIEW FINANCIAL

Approach | Team | Investment Management | Financial Planning | Insights | Contact | Client Access | FAQ

Welcome to Westview

Trust | Integrity | Transparency

Independently owned, fee-only investment advisors, dedicated to your financial success

[www.westviewinvest.com](http://www.westviewinvest.com)

(same web address, all new site!)

scan me!

## Total Returns for Q1 2024:

**Dow +5.62%, S&P +10.16%,  
Nasdaq +9.11%, Russell 2000 +4.81%**

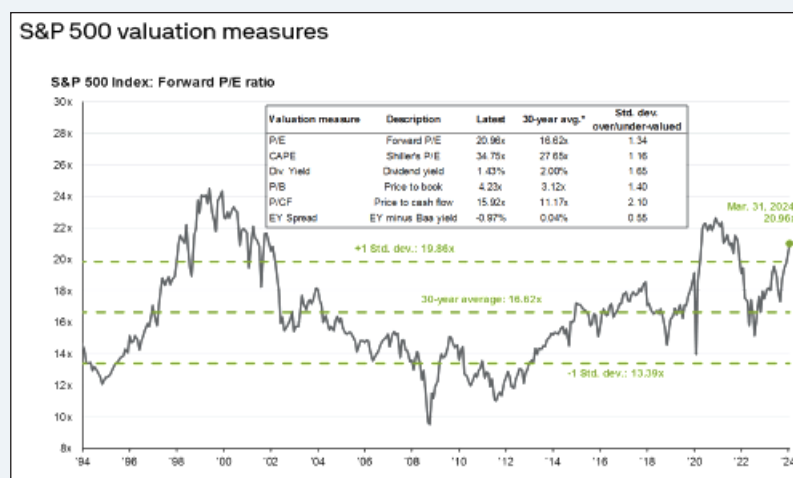
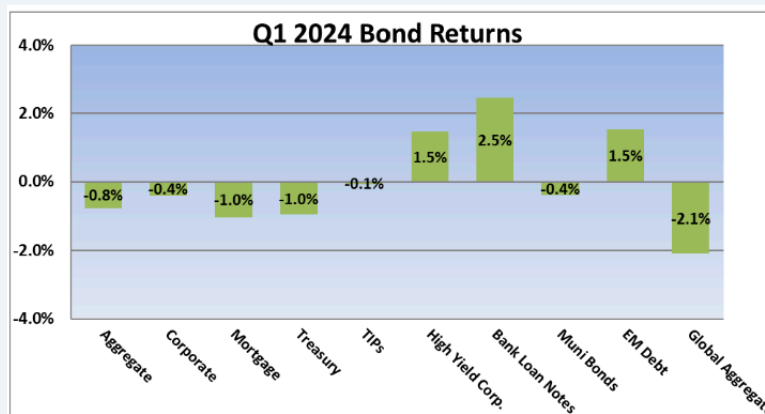
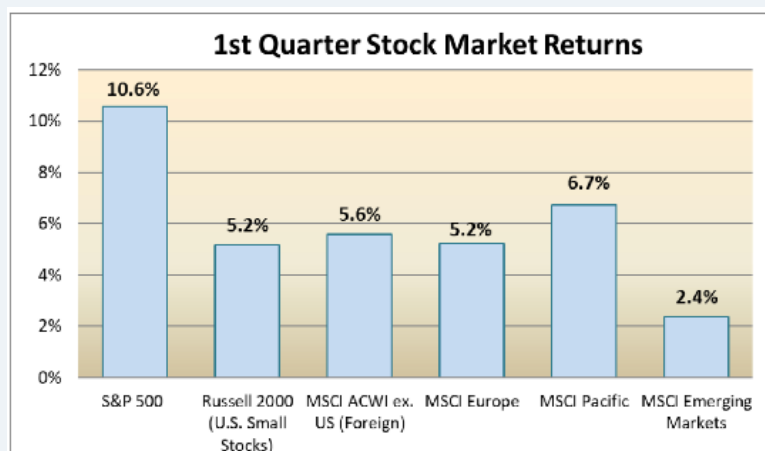
*By Erik Giard-Chase, CFA®*

Investors dialed back their expectations for rate cuts during the first quarter of 2024 and now expect the Federal Reserve to lower interest rates only three (as opposed to six) times this year.

Despite the firmer interest rate outlook, another quarter of year-over-year earnings growth and long-term monetary policy that is supportive of investor risk-appetites allowed stocks to move higher in the period. Indeed, breadth returned to the market (finally) and the S&P 500 delivered healthy gains of +10.16%, outperforming the tech-heavy Nasdaq's return of +9.11%.

Inflation continues to cool, but investors are now contending with hotter valuations. Asset prices in most sectors of the economy have meaningfully appreciated since this time last year, and as this newsletter goes to print the S&P 500 trades for 21x next-twelve-month's earnings, which is historically considered expensive.

We remain encouraged by the economic backdrop and corporate sector fundamentals but are eager to remind investors that forward returns are a function of two things: fundamentals and valuation. Our approach to managing your assets continues to emphasize prudence and patience, and we are grateful for the trust you place in us as we help you navigate and plan your financial future. ■



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