The Dollar Gazette

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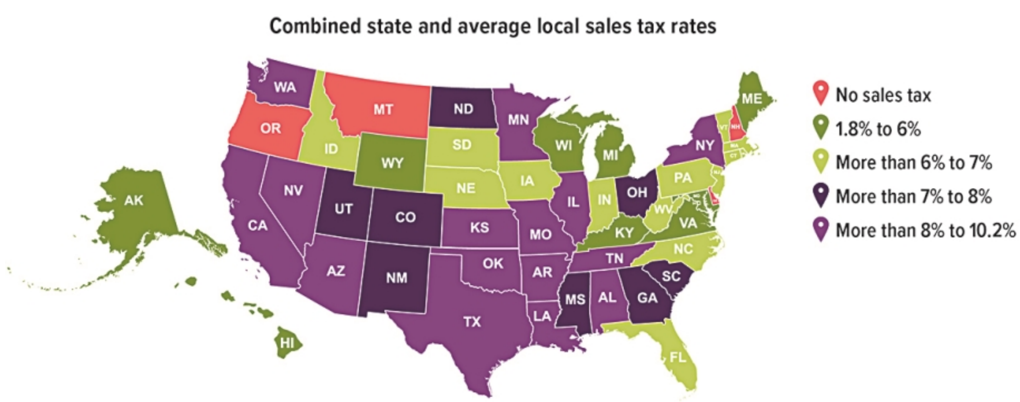
Number of states that don't have a state income tax: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, and Wyoming; and Washington taxes only capital gains

Source: Tax Foundation, February 2025

State and Local Sales Tax Across the Map

Among the 46 states (and the District of Columbia) with a state and/or local sales tax, the combined state and average local sales tax rates range from about 1.8% to 10.2%. The sales tax base (defining what is taxable and nontaxable) can also vary greatly. Some states exempt groceries and/or clothing from the sales tax or tax them at a reduced rate. Five states have no statewide sales tax, and of those, only Alaska allows local sales taxes.



Source: Tax Foundation, February 2025

Estate Planning for Young Families

For young families, even though death or incapacity is hopefully very far in the future, planning for the unexpected is important for a variety of reasons. Creating an estate plan is important for anyone who is over the age of eighteen years old. An eighteen-year-old who is moving away from home for the first time should have a designation of healthcare surrogate and durable power of attorney, the same as a person who is later in life and considering retirement planning. No matter where you are in life's journey, having an up-to-date estate plan can help protect your family in the event of your death or incapacity.

As an elder law attorney, I sometimes get asked the question of whether I can help a younger family in drafting estate planning documents. The answer is YES! I would love to help. It is important to plan any estate from an elder law perspective. Whether that be how to plan for retirement in the future, tax issues that may arise from your estate plan, or how to allow a special needs family member to inherit from you without being disqualified from public benefits. The elder law umbrella is broad, but so important! All families big and small are affected by death or incapacity. As generations transform, children become parents and family dynamics change. Estate planning is about planning for what life may bring at any chapter in life.

It is important to meet with an attorney when drafting your estate plan to better understand your individual goals and needs and what the best plan is for your specific family circumstances. In determining what the best estate plan is for you, it is also essential to make an inventory of all of your accounts and assets, no matter how big or small, to address who is listed as either an owner or beneficiary.

The term "estate plan" really means planning for different phases of life and who can care for you both if you are alive and incapacitated, but also who inherits from you when you die and who can care for minor children.

When creating your estate plan, it is important to consider your family's goals and objectives to protect your finances and affairs in case of an emergency. Every family is different and every person's estate planning goals are different.The more information available to the person who you name in the documents, the easier it will be for them to handle your affairs if you are unable to handle your own affairs in the future.

A good estate plan for a young family will include a set of documents to help plan for what happens if you are alive and incapacitated, and also for who inherits from you and how. The first set of documents that manages who can help handle your affairs while you are alive include the Durable Financial Power of Attorney, Designation of Health Care Surrogate, HIPAA Release, Living Will, Declaration Naming Preneed Guardian, and Nomination of Guardian for Minor Children.

An estate plan will also likely include a Last Will and Testament, which names a Personal Representative to handle your affairs upon death and outlines instructions on the distribution of your assets and naming a guardian to care for minor children.

We live active lives and accidents do happen. Having the right legal documents in place makes someone available to handle your affairs if you become incapacitated. In thinking about starting the process to draft an estate plan, start thinking about who you trust to handle your financial affairs and medical decision making and who you would trust to administer your estate in the future upon your passing.

Your team of financial, legal, and tax advisors can help you accomplish your goals and objectives as part of your wealth and life planning strategy.

Stacey Schwartz is a Florida Bar Board Certified Elder Law Attorney with the Flammia Elder Law Firm in Winter Park. To find out more about how her team can help you, visit her webpage at www.flammialaw.com.

QLACs: Your Retirement Accounts Can Act Like Pensions

These days, most people who work in the private sector don't have pensions, so they can only guess how long their retirement savings might need to last. Those who withdraw too much or live longer than expected could eventually run out of money; others may withdraw too little and live more frugally than might be necessary.

A qualified longevity annuity contract (QLAC) is a special type of deferred income annuity purchased in an IRA or a qualified retirement account such as a 401(k). Lifelong income payments don't begin until the contract owner reaches an advanced age (up to age 85). The longer the payouts are deferred, the higher they will typically be.

With a QLAC, retiring workers can use a portion of their tax-deferred savings to guarantee a certain income stream later in life — a time when they might have little or no ability to work and often face a greater risk of needing long-term care services.

Chances that a 65-year-old nonsmoker, with excellent health, will live to various ages

Age	Male	Female	One member of a couple
85	64%	73%	90%
90	43%	53%	73%
95	20%	29%	43%
100	6%	10%	15%

Source: Longevity Illustrator, Society of Actuaries, 2024

Better your odds

In 2019, the Employee Benefit Research Institute ran a simulation to determine whether using a portion of a 401(k) plan balance to fund a deferred income annuity at age 65 (with payments delayed until age 85) might help improve retirement savings outcomes. The results suggest that low-wage workers, who depend more on Social Security, may have little need for this type of longevity protection, but participants with incomes in the top 50% are more likely to benefit. For this group, the probability of running out of money decreases when an annuity is purchased with 5% to 25% of assets.[1]

The SECURE 2.0 Act raised the amount taxpayers are allowed to invest in QLACs from $155,000 per person in 2022 to $200,000 per person in 2024 and $210,000 in 2025, as the limit is now indexed to future inflation. Plus, a previous rule that limited QLAC purchases to 25% of the taxpayer's total retirement account balances was eliminated.

Despite new federal laws and regulations designed to promote wider adoption of QLACs, only about 4% of defined contribution plans offer them in 2024.[2] Consequently, retirement plan participants who are interested in QLACs might have to roll their funds into an IRA before they can purchase one.

How QLACs work

QLAC funds are exempt from the taxable required minimum distributions (RMDs) that must normally be taken from tax-deferred plans starting at age 73. So, for retirees who don't need RMD income to support their lifestyles, buying QLACs could help reduce their annual tax bills.

Payments must begin no later than the first day of the month following the participant's 85th birthday. Like other distributions from tax-deferred retirement plans, payments from QLACs are taxable as ordinary income. (With nonqualified annuities purchased outside of a retirement plan, only the earnings portion is taxed.)

Income payments can be continued throughout the lifetime of a designated beneficiary (usually a surviving spouse), and some annuities feature death benefits that return unused premiums to heirs. Of course, these options will either cost more up-front or reduce income payments later in life. Without the optional death benefit, insurers will generally keep the premiums paid if the annuity owner dies before (or after) the payout start date.

Cash-out provisions are not allowed in QLACs. Investors should understand that the money invested in the annuity is no longer a liquid asset, and they may sacrifice the opportunity for higher investment returns that might be available in the financial markets. (Nonqualified annuities may offer a cash-out option that permits withdrawals during the deferral phase but surrender charges typically would apply.)

Annuities are insurance-based contracts that have exclusions, contract limitations, fees, expenses, termination provisions, and terms for keeping them in force. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

1) Employee Benefit Research Institute, 2019

2) Plan Sponsor Council of America, 2024

Family Fun for Less: Tips to Help Cut Costs on Your Next Vacation

Rising prices can make planning a budget-friendly family vacation challenging. In fact, the average cost for a week-long vacation for a family of four to a theme park can easily run upwards of $6,000.[1] Consider these saving strategies when planning your next family getaway.

Set a budget. Your first step should be to set a realistic budget for your vacation. Start out by determining the amount of money you are able to spend on your trip. Next, identify your vacation expenses. These include travel to and from your destination, accommodations, food, and activities. Don't forget to include a little extra for any unexpected costs that may arise.

A good way to make sure that you stay on budget is to set expectations for vacation expenses ahead of time. Start with a family meeting to discuss the overall budget and how much you are willing to spend on each component of the trip, such as food, activities, and even souvenirs. It may also help to create a daily vacation budget for your family to help manage expenses and prevent overspending.

Plan ahead. Book flights, accommodations, and tickets to attractions well in advance to secure the best rates. Sign up for price alerts and use online comparison tools to find deals and track price fluctuations.

Be flexible. You might save big on your vacation if you're flexible with your travel dates and destination. Be open to traveling during the off-season or at off-peak times, and consider traveling to lesser-known destinations in order to maximize your savings.

Look for additional ways to trim expenses. If you find that your vacation might run over budget, consider these ways to further reduce expenses:

- Explore alternative options for accommodations by searching online websites for vacation home rentals or think about staying with family/friends.
- Try to save money on food by shopping at a local grocery store and dining in and/or looking online for restaurants that offer dining specials and discounts.
- Look for affordable or no-cost activities, including discounted or free entry to local museums/festivals, or enjoy outdoor recreation (e.g., beaches and hiking) in the area.
- Reduce transportation expenses by comparing the cost and feasibility of flying versus driving to your vacation destination. Consider utilizing public transportation or ride-share apps instead of renting a car once you arrive.

1) NerdWallet, 2025