

Independence Bank – IRA Planning in 2018

Do you know...about Coordinating your Charitable Giving with your Required Minimum Distribution?

Under the new federal tax law, it is even more critical to coordinate your charitable giving with your required minimum distribution. If you are over age 70 and required to make withdrawals from your IRA – and you are charitably inclined – consider a Qualified Charitable Distribution. In order to be qualified, simply instruct your IRA custodian/trustee to make the payment from your IRA to the qualified charity of your choice. You will still receive a Form 1099R reporting the distribution as if it were made to you; however, when you report the distribution on your 1040 tax return, you will not enter any amount that was a qualified charitable distribution on the line for the taxable amount. You should enter “QCD” next to the line. This, in effect, lowers your tax-



Jennifer Rone
Vice President, Senior Trust Officer

able income by making the Qualified Charitable Distribution tax free regardless of any other income factors.

Do you know...about the new Kentucky State Tax Law that may affect the taxability of your retirement income?

The Kentucky General Assembly passed House Bill 487 in April, 2018 that may impact your 2018 and future Kentucky Income Tax Returns. HB-487 made many changes to the Kentucky Tax Laws concerning Sales and Use Tax and Corporate Income Taxes. Changes that affect Individual Income Taxes include:

- Replaced previous tax brackets with a 5% flat tax rate
- Eliminated all itemized deductions (including health insurance and long-term care insurance premiums) except mortgage interest and charitable contributions

- Reduced the Pension Income Exclusion from \$41,110 to \$31,110 per person

These changes take effect for tax years beginning on or after January 1, 2018. This means you may owe more Kentucky Income Tax than was previously anticipated if your annual withdrawals exceed \$31,110 per year. We advise you to consult with your tax professional to determine if or how these changes to the tax laws may affect your individual return.



Patty Drury
Vice President, Retirement Plan Services

Do you know...that your Last Will and Testament may have no bearing on the payout of your IRA funds at your death?

The beneficiary designation form you filled out for your IRA account determines the payout of your IRA funds. When is the last time you reviewed this form? Did you name a primary and contingent ben-

eficiary? If something happens to you and your primary beneficiary at the same time, if there is no contingent named, the default under the IRA agreement will govern – do you know what that default is? If there is no default, the IRA would be payable to your Estate – how will that impact the choices that your beneficiaries may have otherwise had if they had been named directly? Please be sure to review the beneficiary designations on your IRA and retirement plan accounts and understand

the implications of your choices.

If you have questions about your retirement planning, we stand ready at Independence Bank to assist you. Feel free to contact any of our Trust locations and we will be glad to make an appointment to review your situation.

By Patty Drury and Jennifer Rone, Independence Bank

The New Law on Powers of Attorney in Kentucky

By Susan C. Montalvo-Gesser

With a sweep of legislative changes in the last session of the Kentucky General Assembly, a lot of Kentuckians are left with questions about how the new laws may affect their lives. The main change in the law that will effect seniors is the change in how a Power of Attorney can be established and used in Kentucky. This new legislation, House Bill 11, provides specific definitions and procedures necessary to ensure the power of attorney's validity in the eyes of the law and a third-party accepting the power of attorney. This is especially important when the principal, the person giving the power of attorney, has become incapacitated in some way, such as developing dementia.

The new requirements for powers of attorney only apply for powers of attorney which are created after July 15, 2018

which are not limited in nature or for a specific purpose or transaction. The law makes a major change in the signing process by requiring the principal to sign the document before “two (2) disinterested witnesses” and a notary. House Bill 11. It provides a way for a principal who cannot physically sign a document to have someone else sign for them. The power of attorney is now specifically effective when executed and durable, stays in effect, unless otherwise stated somewhere else in the document. The law also dictates when a power of attorney terminates or when and how an agent can resign or be removed, like when a guardianship determination is made by the court under a case of disability by a state district court.

Another section of HB 11 adds in requirements of responsibility, duties and accountability to the Power of Attorney as

an agent which had never been part of the old law. Agents are now required to act in good faith, loyally for the principal's benefit and with care, competence and diligence. Agents are required to keep a record of all monies received and disbursed and any transactions made on behalf of the principal. The records are to be made available to the principal, a court or governmental agency or testamentary fiduciary upon request. The law limits the agent's financial or personal liability for their actions unless they engage in “bad behavior”. The statute lists who may petition the District Court to review the power of attorney's conduct. The law specifically permits co-agents to exercise their authority individually unless specified otherwise in the document. An agent who has actual knowledge of “bad behavior” by another agent of the same principal is required to notify the principal or take other action to safeguard the principal's best interest and if the agent fails to do so, the agent is liable for the foreseeable damages which were incurred by the failure to act. While most Powers of Attorney in the past had these require-

ments in the body of the document itself, the new law makes the duties and responsibilities statutory.

HB11 also specifies third parties who must accept the power of attorney and when and what are the options if the third party is not sure of its validity. The law puts a time limit for rejection of the document after it has been presented. The law lists the reasons under which a valid rejection may be made and provides protection from liability to the person or entity who accepts a power of attorney in good faith. In addition, the person accepting the power of attorney “shall not be responsible to determine or ensure the proper application of funds or property by the agent.” HB11.

At Kentucky Legal Aid, we can assist those who would like to establish a Power of Attorney, create and execute one free of charge. We go to senior sites in the GRADD area at least once per quarter in each GRADD county. At our senior site visits, we can consult about the creation of a Power of Attorney. Also, seniors can call our intake line at 1-866-452-9243 to set up an appointment to obtain a Power of Attorney at their convenience.