



## Bartholomew & Company, Inc.

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We are proud to announce that Bartholomew & Company has been recognized as a **2019 Best Places to Work for Financial Advisers** by *InvestmentNews*.

Bartholomew & Company was chosen as one of this year's top-75 based on employer and employee surveys delving into everything from company culture, benefits, career paths and more.

*InvestmentNews* partnered with Best Companies Group, an independent research firm specializing in identifying great places to work, to compile the survey and recognition program. Bartholomew & Company was also named to the publication's inaugural list in 2018.

To learn more about the *InvestmentNews* 2019 75 Best Places to Work for Financial Advisers, please go to [InvestmentNews.com](http://InvestmentNews.com). To read the full press release on our website, go to [www.bartandco.com](http://www.bartandco.com).

### April 2019

Rules on Opening a 529 Plan Account for College

Quiz: How Much Have You Thought About Health and Health-Care Costs in Retirement?

How can I get a tax break for child care?

How much does child care really cost?

**InvestmentNews**  
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# BARTHOLOMEW & COMPANY

PROVIDING TRUSTED FINANCIAL ADVICE SINCE 1994.

## Quiz: Social Security Survivor Benefits



Did you know that Social Security may pay benefits to your eligible family members when you die, helping to make their financial life easier? Take this quiz to learn more.

### Questions

#### 1. What percentage of Social Security beneficiaries receive survivor benefits?

- a. 5%
- b. 10%
- c. 15%

#### 2. Your child may be able to receive survivor benefits based on your Social Security earnings record if he or she is:

- a. Unmarried and under age 18 (19 if still in high school)
- b. Married and in college
- c. Both a and b

#### 3. Which person may be able to receive survivor benefits based on your Social Security earnings record?

- a. Your spouse
- b. Your former spouse
- c. Both a and b

#### 4. Your parent may be able to receive survivor benefits based on your Social Security earnings record.

- a. True
- b. False

#### 5. How much is the Social Security lump-sum death benefit?

- a. \$155
- b. \$255
- c. \$355

### Answers

1. **b.** About 10% of the approximately 62 million Social Security beneficiaries in December 2017 were receiving survivor benefits.<sup>1</sup>

2. **a.** A dependent child may be able to receive survivor benefits based on your earnings record if he or she is unmarried and under age 18 (19 if still in high school) or over age 18 if disabled before age 22.

3. **c.** Both your current and former spouse may be able to receive survivor benefits based on your earnings record if certain conditions are met. Regardless of age, both may be able to receive a benefit if they're unmarried and caring for your child who is under age 16 or disabled before age 22 and entitled to receive benefits on your record. At age 60 or older (50 or older if disabled), both may be able to receive a survivor benefit even if not caring for a child (a length of marriage requirement applies).

4. **a.** That's true. To be eligible, your parent must be age 62 or older and receiving at least half of his or her financial support from you at the time of your death. In addition, your parent cannot be entitled to his or her own higher Social Security benefit and must not have married after your death.

5. **b.** The Social Security Administration (SSA) may pay a one-time, \$255 lump-sum death benefit to an eligible surviving spouse. If there is no surviving spouse, the payment may be made to an eligible dependent child. The death benefit has never increased since it was capped at its current amount in a 1954 amendment to the Social Security Act.<sup>2</sup>

This is just an overview. For more information on survivor benefits and eligibility rules, visit the SSA website, [ssa.gov](http://ssa.gov).

<sup>1</sup> Fast Facts & Figures About Social Security, 2018

<sup>2</sup> Research Notes & Special Studies by the Historian's Office, Social Security Administration



### 529 plan assets reach \$333 billion

Assets in 529 plans reached \$333 billion as of September 2018 — \$310 billion (93%) in college savings plans and \$23 billion (7%) in prepaid tuition plans.

Source: Strategic Insight, 529 Data Highlights, 3Q 2018

**Note:** Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information is available in each issuer's official statement and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, and should be read carefully before investing. Also consider whether your state offers a 529 plan that provides residents with favorable state tax benefits and other benefits, such as financial aid, scholarship funds, and protection from creditors. As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated.

## Rules on Opening a 529 Plan Account for College

Year over year, participation in 529 plans continues to rise.<sup>1</sup> Anyone can open an account, lifetime contribution limits are typically over \$300,000, and there are tax benefits if the funds are used for college. Here are some common questions on opening an account.

### Can I open an account in any state's 529 plan or am I limited to my own state's plan?

**Answer:** It depends on the type of 529 plan you have: college savings plan or prepaid tuition plan. With a college savings plan, you open an individual investment account and direct your contributions to one or more of the plan's investment portfolios. With a prepaid tuition plan, you purchase education credits at today's prices and redeem them in the future for college tuition. Forty-nine states (all but Wyoming) offer one or more college savings plans, but only a few states offer prepaid tuition plans.

529 college savings plans are typically available to residents of any state, and funds can be used at any accredited college in the United States or abroad. But 529 prepaid tuition plans are typically limited to state residents and apply to in-state public colleges.

Why might you decide to open an account in another state's 529 college savings plan? The other plan might offer better investment options, lower management fees, a stronger investment track record, or better customer service. If you decide to go this route, keep in mind that some states may limit certain 529 plan tax benefits, such as a state income tax deduction for contributions, to residents who join the in-state plan.

### Is there an age limit on who can be a beneficiary of a 529 account?

**Answer:** There is no beneficiary age limit specified in Section 529 of the Internal Revenue Code, but some states may impose one. You'll need to check the rules of each plan you're considering. Also, some states may require that the account be in place for a specified minimum length of time before funds can be withdrawn. This is important if you expect to make withdrawals quickly because the beneficiary is close to college age.

### Can more than one 529 account be opened for the same child?

**Answer:** Yes. You (or anyone else) can open multiple 529 accounts for the same beneficiary, as long as you do so under different 529 plans (college savings plan or prepaid tuition plan). For example, you could open a college savings

plan account with State A and State B for the same beneficiary, or you could open a college savings plan account and a prepaid tuition plan account with State A for the same beneficiary. But you can't open two college savings plan accounts in the same 529 plan in State A for the same beneficiary.

Also keep in mind that if you do open multiple 529 accounts for the same beneficiary, each plan has its own lifetime contribution limit, and contributions can't be made after the limit is reached. Some states consider the accounts in other states to determine whether the limit has been reached. For these states, the total balance of all plans (in all states) cannot exceed the maximum lifetime contribution limit.

### Can I open a 529 account in anticipation of my future grandchild?

**Answer:** Technically, no, because the beneficiary must have a Social Security number. But you can do so in a roundabout way. First, you'll need to open an account and name as the beneficiary a family member who will be related to your future grandchild. Then when your grandchild is born, you (the account owner) can change the beneficiary to your grandchild. Check the details carefully of any plan you're considering because some plans may impose age restrictions on the beneficiary, such as being under age 21. This may pose a problem if you plan to name your adult son or daughter as the initial beneficiary.

### What happens if I open a 529 plan in one state and then move to another state?

**Answer:** Essentially, nothing happens if you have a college savings plan. But most prepaid tuition plans require that either the account owner or the beneficiary be a resident of the state operating the plan. So if you move to another state, you may have to cash in the prepaid tuition plan.

If you have a college savings plan, you can simply leave the account open and keep contributing to it. Alternatively, you can switch 529 plans by rolling over the assets from that plan to a new 529 plan. You can keep the same beneficiary when you do the rollover (under IRS rules, you're allowed one 529 plan same-beneficiary rollover once every 12 months), but check the details of each plan for any potential restrictions. If you decide to stay with your original 529 plan, just remember that your new state might limit any potential 529 plan tax benefits to residents who participate in the in-state plan.

<sup>1</sup> Strategic Insight, 529 Data Highlights, 3Q 2018

## Quiz: How Much Have You Thought About Health and Health-Care Costs in Retirement?

When planning for retirement, it's important to consider a wide variety of factors. One of the most important is health and its associated costs. Thinking about your future health and the rising cost of health care can help you better plan for retirement in terms of both your finances and overall well-being. This quiz can help you assess your current knowledge of health and health-care costs in retirement.

### Questions

**1. Health-care costs typically rise faster than the rate of inflation.**

True.

False.

**2. You could need more than \$500,000 just to cover health-care costs in retirement.**

True.

False.

**3. Medicare covers the costs of long-term care, as well as most other medical costs.**

True.

False.

**4. The southern, warmer states are generally the healthiest places for seniors to live.**

True.

False.

**5. If you're concerned about health-care costs in retirement, you can just delay your retirement in order to maintain your employer-sponsored health benefits.**

True.

False.

### Answers

**1. True.** The average inflation rate from 2010 to 2017 was less than 2%, while the average spending on prescriptions, doctors, and hospitals grew between 4% and 5%. From 1970 to 2017, annual per-capita out-of-pocket spending on health care grew from about \$600 to approximately \$1,100 (in 2017 dollars).<sup>1</sup>

**2. True.** In 2017, America's Health Rankings projected that a 45-year-old couple retiring in 20 years could need about \$600,000 to cover their health-care costs, excluding the cost of long-term care. The same report projected that about 70% of those age 65 and older will need some form of long-term care services. And according to the Department of Health and Human Services, the average cost of a one-year stay in a nursing home (semi-private room) was \$82,000 in 2016.<sup>2</sup>

**3. False.** Original Medicare Parts A and B help cover inpatient hospital care, physicians' visits, preventive care, certain laboratory and rehabilitative services such as physical therapy, and skilled nursing care and home health care that are not long term. Medicare Part D helps cover the cost of prescriptions (within certain guidelines and limits). Medicare does not cover several other costs, including long-term care, dental care, eye exams related to eye glasses, and hearing aids. Seniors may need to purchase additional insurance to cover these and other services not covered by Medicare.<sup>3</sup>

**4. False.** Interestingly, America's Health Rankings found that the five healthiest states for seniors were (1) Utah, (2) Hawaii, (3) New Hampshire, (4) Minnesota, and (5) Colorado.<sup>4</sup>

**5. Maybe true, maybe false.** Many people believe they will work well into their traditional retirement years, both to accumulate as large a nest egg as possible and to take advantage of employer-sponsored health benefits (if offered beyond Medicare age). While this is an admirable goal, you may not be able to control when you actually retire. In a 2018 retirement survey, nearly 70% of workers said they planned to work beyond age 65; 31% said they would retire at age 70 or older. But the reality is that nearly 70% of current retirees retired before age 65. Many of those individuals retired earlier than planned due to a health problem, disability, or other unforeseen hardship.<sup>5</sup>

The bottom line is that while it's hard, if not impossible, to predict your future health needs and health-care costs, it's important to work these considerations into your overall retirement planning strategies. Take steps now to keep yourself healthy — eat right, exercise, get enough sleep, and manage stress. And be sure to account for health-care expenses in your savings and investment strategies.

<sup>1</sup> Consumer Price Index, Bureau of Labor Statistics, 2018, and Peterson-Kaiser Health System Tracker, 2018

<sup>2</sup> Preparing for Health Care Costs in Retirement, America's Health Rankings, 2017, and LongTermCare.gov, 2018

<sup>3</sup> Medicare.gov

<sup>4</sup> Senior Report, America's Health Rankings, 2018

<sup>5</sup> 2018 Retirement Confidence Survey, Employee Benefit Research Institute



*According to the 2018 Senior Report from America's Health Rankings, social isolation is associated with increased mortality, poor health status, and greater use of health-care resources. The risk of social isolation for seniors is highest in Mississippi and Louisiana and lowest in Utah and New Hampshire.*

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**How can I get a tax break for child care?**

More than 60% of children under age six in the United States have two parents in the workforce.<sup>1</sup> Many of these working parents must spend a burdensome share of their earnings on child care, especially if they don't have relatives who are willing and able to help out.

For example, families with one qualifying child can receive a credit of \$600 to \$1,050; those with two or more children can receive a credit of \$1,200 to \$2,100. A tax credit lowers a family's tax liability dollar for dollar.

The following tax benefits may help you offset some of the costs paid for a nanny, babysitter, day care, preschool, or day camp, but only if the services are used so you can work.

**Dependent-care flexible spending account (FSA)**

Higher-income families may realize a bigger tax benefit from an FSA if it is offered by an employer. Up to \$5,000 a year can be set aside to cover eligible child-care costs for qualifying children, and this money is free of federal income tax and Social Security and Medicare taxes. You are not allowed to use pre-tax money from an FSA and take a credit for the same expenses. However, after spending \$5,000 from an FSA, you may take a tax credit for up to \$1,000 in additional child-care expenses if you have more than one child.

**Child-care tax credit**

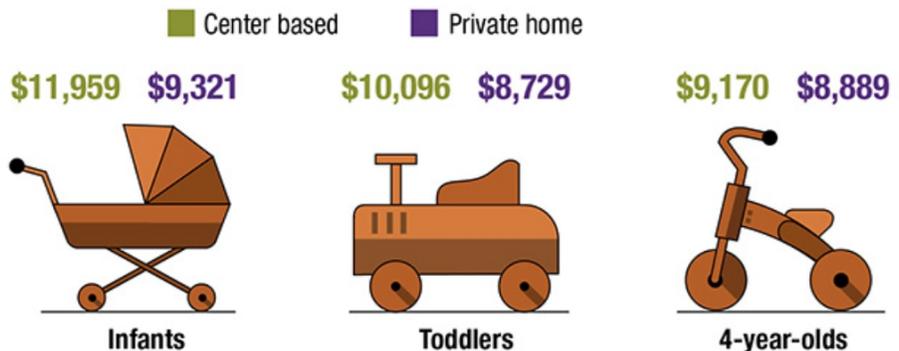
Families with one qualifying child (typically age 12 or younger) can claim up to \$3,000 per year in child-care expenses; those with two or more qualifying children have a \$6,000 annual limit. The credit is worth 20% to 35% of eligible child-care expenses, depending on income. As income rises, the credit amount drops until it hits a minimum of 20% for households with \$43,000 or more in adjusted gross income.

<sup>1</sup> Child Care Aware® of America, 2017

**How much does child care really cost?**

Typical child-care fees vary widely by state, as do other living costs. But in all regions, the average annual cost of center-based care for one infant now exceeds the average amount of money families spend on food and transportation combined. Child-care costs for two children exceed the median cost of housing for homeowners with a mortgage in 35 states and the District of Columbia.

**Average annual cost for full-time child care (nationwide)**



Source: Child Care Aware® of America, 2018 (data for 2017)