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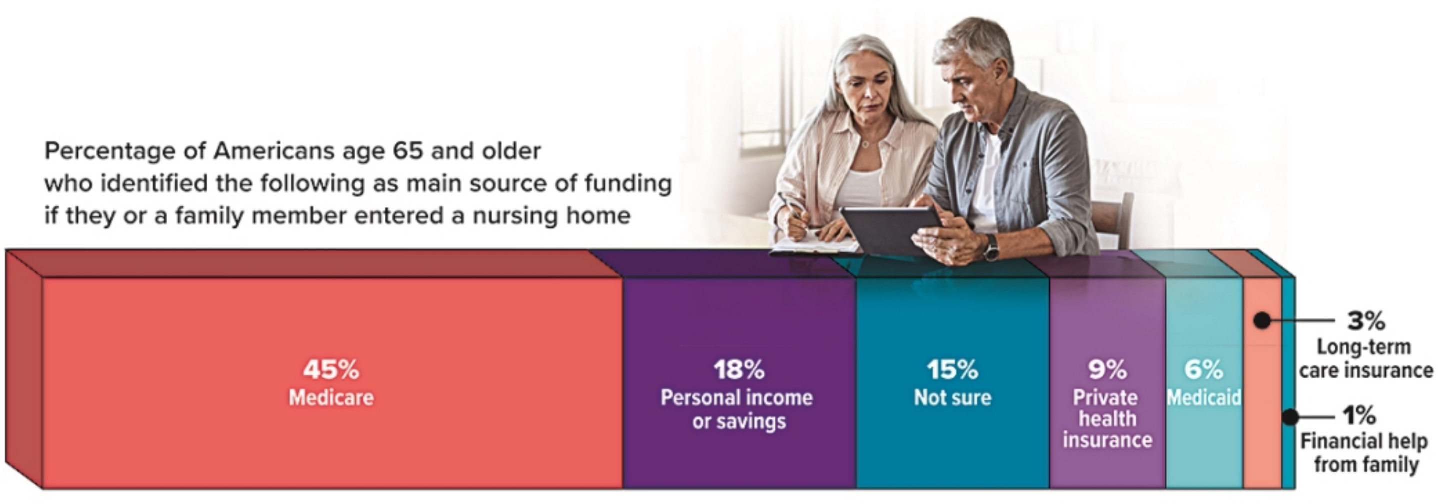
How Would You Pay for Long-Term Care?

According to the U.S. Department of Health and Human Services, seven out of 10 people age 65 and over will need some type of long-term care. Medicare only pays for skilled services or rehabilitative care in a nursing home for a maximum of 100 days, and unfortunately, it does not pay for non-skilled assistance with activities of daily living, including walking, bathing, dressing, and many other long-term care services.

Despite this limited coverage, almost half of Americans age 65 and older said that Medicare would be the main source of funding if they or a loved one entered a nursing home due to a long-term illness or disability. And only 6% identified Medicaid, even though it is the primary source of such funding.



Source: Kaiser Family Foundation, 2023 (may not total 100% due to rounding)

Social Security 101

Social Security is complex, and the details are often misunderstood even by those who are already receiving benefits. It's important to understand some of the basic rules and options and how they might affect your financial future.

Full retirement age (FRA)

Once you reach full retirement age, you can claim your full Social Security retirement benefit, also called your primary insurance amount or PIA. FRA ranges from 66 to 67, depending on your birth year (see chart).

Claiming early

The earliest you can claim your Social Security retirement benefit is age 62. However, your benefit will be permanently reduced if claimed before your FRA. At age 62, the reduction would be 25% to 30%, depending on your birth year. Your benefit may be further reduced temporarily if you work while receiving benefits before FRA and your income exceeds certain levels. However, when you reach FRA, an adjustment is made, and over time you will regain any benefits lost due to excess earnings.

Claiming later

If you do not claim your benefit at FRA, you will earn delayed retirement credits for each month you wait to claim, up to age 70. This will increase your benefit by two-thirds of 1% for each month, or 8% for each year you delay. There is no increase after age 70.

Spousal benefits

If you're married, you may be eligible to receive a spousal benefit based on your spouse's work record, whether you worked or not. The maximum spousal benefit, if claimed at your full retirement age, is 50% of your spouse's PIA (regardless of whether he or she claimed early) and doesn't include delayed retirement credits. If you claim a spousal benefit before reaching your FRA, your benefit will be permanently reduced.

Dependent benefits

Your dependent child may be eligible for benefits after you begin receiving Social Security if he or she is unmarried and meets one of the following criteria: (a) under age 18, (b) age 18 to 19 and a full-time student in grade 12 or lower, (c) age 18 or older with a disability that started before age 22. The maximum family benefit is equal to about 150% to 180% of your PIA, depending on your situation.

Survivor benefits

If your spouse dies, and you have reached your FRA, you can claim a full survivor benefit — 100% of your deceased spouse's PIA and any delayed retirement credits. Note that FRA is slightly different for survivor benefits: 66 for those born from 1945 to 1956, gradually rising to 67 for those born in 1962 or later.

Claiming Early or Later

Year of birth	Full retirement age (100% of PIA)	Worker benefit at age 62: percentage of PIA	Worker benefit at age 70: percentage of PIA
1943–54	66	75.00%	132.00%
1955	66 and 2 months	74.17%	130.67%
1956	66 and 4 months	73.33%	129.33%
1957	66 and 6 months	72.50%	128.00%
1958	66 and 8 months	71.67%	126.67%
1959	66 and 10 months	70.83%	125.33%
1960 & later	67	70.00%	124.00%

You can claim a reduced survivor benefit as early as age 60 (age 50 if you are disabled, or at any age if you are caring for the deceased's child who is under age 16 or disabled, and receiving benefits). If you are eligible for a survivor benefit and a retirement benefit based on your own work record, you could claim a survivor benefit first and switch to your own retirement benefit at your FRA or later, if it would be higher.

Dependent children are eligible for survivor benefits, using the same criteria as dependent benefits. Dependent parents age 62 and older may be eligible for survivor benefits if they received at least half of their support from the deceased worker at the time of death.

Divorced spouses

If you were married for at least 10 years and are unmarried, you can receive a spousal or survivor benefit based on your ex's work record. If your ex is eligible for but has not applied for Social Security benefits, you can still receive a spousal benefit if you have been divorced for at least two years.

These are just some of the fundamental facts to know about Social Security. For more information, including an estimate of your future benefits, see [ssa.gov.](https://ssa.gov)

Is Tip Fatigue Wearing You Out?

Traditionally, tipping has been a way to reward workers for providing good service. But the norms around tipping are changing, and if you've recently felt more pressure to tip, you're not alone. A survey by the Pew Research Center found that 72% of adults said that tipping was expected in more places today than it was five years ago, a phenomenon known as "tip creep" or "tipflation."[1]

Why tipping culture is changing

Tipping affects everyone (even tipped workers have to tip others!) and confusion and complaints about tipping abound. If you're among those feeling uneasy about tipping, blame the pandemic. That's when tipping culture started to change. Consumers, anxious to reward front-line workers and support struggling businesses, left more and bigger tips. Businesses adopted digital ordering and payment solutions that made tipping more convenient and could be programmed with preset tip suggestions that were often higher than customers were used to.

And then inflation took its toll. Businesses that lost employees during the pandemic increasingly realized that tips could help fill wage gaps and attract employees reluctant to return to service positions. But consumers, already having to make their money go further, began to grow weary of seemingly constant tip requests, especially in situations or places where they had not previously been asked to tip.

To Tip or Not to Tip?

Source: Pew Research Center, 2023

Tipping guidelines

Tipping often feels good, but the pressure to tip can be guilt-provoking and confusing. When a worker turns a screen around and you're prompted to choose a preset tip, it can feel wrong to choose the lowest option. While you might always tip your server at a sit-down restaurant, in situations where you've had little to no direct interaction with any employee, should you even tip at all?

Ultimately, tipping is always voluntary and it's up to you to decide who, where, and how much to tip. While there are no set rules, here are some guidelines you can use to inform your decisions.[2]

- Full-service restaurant or food delivery: 20% of total bill
- Quick service restaurant: 10%
- Online food orders/takeout: $1 to $5 per order
- Bar or coffee shop: $1 to $2
- Hotel bellstaff: $1 to $5 per bag
- Hotel housekeeping: $1 to $5 per night
- Valet/parking attendant: $1 to $5 when car is delivered
- Rideshare/taxi driver: 15% to 20% of the fare

Finding a balance

Planning ahead can help you avoid some of the frustration around tipping and still tip fairly and appropriately.

Do an informal audit. How much have you spent on tips during the last month or two? Does that align with your budget?

Set tipping limits you're comfortable with. You can always make adjustments at the register.

Reserve higher tips for special situations. This might be rewarding a worker at your favorite coffee shop, or showing your appreciation when someone provides extra-special service.

Don't feel bound by on-screen tip recommendations. Use the "custom" tip option when available to leave the amount you want.

Carry small bills. These can be used in traditional tip jars, or when traveling, to reward workers who don't have access to digital tips.

Talk to the manager or business owner if you have questions or complaints. It's not always clear where your tips are going (for example at fast-casual restaurants or when ordering online), so feel free to ask. And reserve your complaints about tipping expectations for management, rather than workers.

Respect policies. While many businesses encourage tipping, some do not allow their employees to accept tips for legal reasons. Instead, consider leaving positive feedback.

1) Pew Research Center, 2023

2) Toast, 2023; American Hotel & Lodging Association, 2023; *U.S. News & World Report,* 2023

How a Family Limited Partnership Can Power an Estate Plan

One challenge faced by family-run businesses involves transitioning both the ownership and operations from one generation to the next. A family limited partnership (FLP) is a legal agreement that enables business owners and their heirs to address succession, estate, and tax planning needs all at once.

Business owners who want family members to inherit their businesses in the future could use FLPs to transfer assets out of their taxable estates during their lifetimes. And to do so, the owners of a valuable business might begin this process many years before they intend to give up operational control.

Estate tax threat

The IRS calculates the estate tax due on an individual's gross taxable estate by adding the value of all owned assets, including a home and a business, and subtracting any applicable exemptions. Even if the taxable estate falls below the current generous federal estate tax exemption level ($13.61 million or $27.22 million for a married couple in 2024), the family might not be entirely out of the woods, especially if they live in a state that has an estate tax or an inheritance tax with a lower exemption amount. Perhaps more concerning, the federal estate tax exemption is scheduled to revert to lower, inflation-adjusted 2017 levels in 2026.

When business owners fail to consider that federal and state estate taxes could be due upon their passing, the funds needed to pay the taxes may not be available, and their heirs may be forced to borrow the money or liquidate the business.

Family discount

With an FLP, general partners run the business. Limited partners (such as the children of general partners) have no vote and no say about day-to-day operations, and they are not liable for the debts of the FLP.

A general partner (or a corporation or limited liability company controlled by the general partner) can gift ownership shares to limited partners in installments that conform to the annual gift tax exclusion of $18,000 per recipient (in 2024). Because limited partners have restricted rights, these annual gifts may be valued at a discount — typically 30% or more — from fair market value. For example, more than $25,000 worth of property or business shares (currently valued at $18,000 for gift tax purposes) could potentially be transferred to each limited partner without triggering gift taxes. Of course, every family's situation is different, and actual results will vary.

Setting up a family limited partnership can involve complex tax rules and regulations, and there are up-front costs as well as ongoing fees and operating expenses to consider. Be sure to consult with your tax and estate planning professionals.