NORTH Dakota | Teachers' Fund For Retirement
Be Legendary. RETIREMENT & INVESTMENT

Retirement Education Workshop

Tuesday, July 25, 2023

[Microsoft Teams attendee link]

9:30 am	**Welcome** Jan Murtha, Retirement and Investment Office
9:35 am	**TFFR Program Overview** Chad Roberts and Denise Weeks, Retirement and Investment Office
10:15 am	**Legal and Estate Planning** Susan E. Johnson-Drenth, JD Legal Planning PLCC
11:00 am	**Break**
11:15 am	**Financial Planning** Shawn Rehm, Horace Mann
11:45 am	**Health Insurance and PERS Options** Cheryl Coyle, ND Navigator, and Denise Weeks, RIO
12:15 pm	**Working After Retirement** Denise Weeks, Retirement and Investment Office
12:30 pm	**Wrap Up** Sarah Mudder, Retirement and Investment Office

Retirement Education Workshop

Teachers' Fund for Retirement

July 25, 2023 – Virtual Event

The workshop will begin at 9:30 a.m., CT

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1

2

TEACHERS' FUND FOR RETIREMENT BOARD

The Teachers' Fund for Retirement (TFFR) Board of Trustees has statutory responsibility for the retirement program for North Dakota public school educators.

Mission: *to administer a comprehensive retirement program that provides North Dakota public educators with a foundation for retirement security.*

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3

RETIREMENT AND INVESTMENT OFFICE

The Retirement and Investment Office (RIO) coordinates the activities of the State Investment Board and the Teachers' Fund for Retirement.

Mission: *to provide prudent and transparent investment services for our client funds and support North Dakota public school educators with responsible benefit administration.*

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4

WHO WE ARE?

TFFR Board of Trustees

Dr. Rob Lech, President
Represents School Administrators

Mike Burton
Represents Retired Members

Cody Mickelson
Represents Active Teachers

Jordan Willgohs
Represents Active Teachers

Vacant
Represents Retired Members

Thomas Beadle
State Treasurer

Kirsten Baesler
State Superintendent

RIO staff who directly serve TFFR members

Jan Murtha
Executive Director

Chad Roberts
Deputy Executive Director/Chief Retirement Officer

Denise Weeks
TFFR Retirement Program Manager

Jayme Heick and Stephanie Schilling
TFFR Retirement Specialists

Denise Leingang-Sargeant
Membership Specialist

Rachelle Smith and Mensah Anyide-Ocloo
TFFR Administrative Assistants

Sarah Mudder
Communications and Outreach Director

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5

RETIREMENT AND INVESTMENT OFFICE

Contact Us

- Phone: 701-328-9885 or 800-952-2970
- Fax: 701-328-9897
- Email: rio@nd.gov
- Website: www.rio.nd.gov

Business hours are Monday-Friday, 8:00 a.m.-5:00 p.m.
To ensure availability, contact RIO for an appointment.

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6

TYPE OF PLAN

TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code. In simpler terms, TFFR is a tax-exempt pension plan where benefits are defined by state law.

North Dakota Century Code §15-39.1-35 and Title 82 of the North Dakota Administrative Code contain the actual language governing the fund.

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7

TYPE OF PLAN (CONTINUED)

The TFFR plan is funded on an actuarial reserve basis. That is, money is invested for future retirement benefits while members are actively teaching.

Benefit funding comes from three sources:

Employee contributions – 11.75% of salary

Employer contributions – 12.75% of salary

Investment earnings

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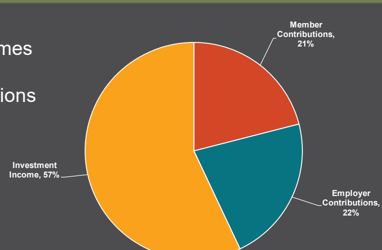
TFFR REVENUE SOURCES (FY 2021-22)

Benefit funding comes from member and employer contributions and investment earnings.



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TFFR LEGISLATIVE UPDATE

Program and Policy Changes (HB 1219, effective Aug. 1, 2023)

- Working After Retirement (TFFR covered employment only)
  - The program was updated to exclude reporting of salaries for extracurricular activities and professional development.
  - If you exceed the Annual Hour Limit and have your benefit suspended, upon re-retirement a benefit recalculation will include your new service with no actuarial offset.
- Purchasing Refunded Service Credit
  - To provide plan consistency, the cost of purchasing refunded service credit by members was changed from an interest calculation to an actuarial equivalent. Regardless of their previous status, the individual becomes a Tier 2 Member.
- Social Security Leveling
  - Eliminated for members who have a retirement date of Aug. 1, 2023, or after.

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TFFR LEGISLATIVE UPDATE

Veteran Exemption (HB 1150, effective Aug. 1, 2023)

- An exception to mandatory participation in the TFFR program for first-year teachers who served at least 20 years in the US Armed Forces on full-time active duty and retired with full military retirement benefits.

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11

12

MEMBERSHIP

Individual Membership

- Must be licensed to teach in North Dakota and under contract with a TFFR employer.
- Tier 1 Grandfathered – members who had TFFR credit on July 1, 2008, and were within 10 years of normal retirement as of June 30, 2013.
- Tier 1 Non-grandfathered – members who had TFFR credit on July 1, 2008, and were more than 10 years from normal retirement as of June 30, 2013.
- Tier 2 – new and returning refunded members on or after July 1, 2008.

Dual Membership

- You may qualify as a dual member if you have service credit in TFFR and the Public Employees Retirement System or Highway Patrol Retirement System.

20-year Military Retiree Exemption

- 2023 Legislation exempts a 20-year military retiree, optional.

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13

SALARY

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14

SALARY (CONTINUED)

Salary does NOT include:

- Amounts received in lieu of previously employer-provided benefits or payments.
- Bonuses.
- Bus driving.
- Early retirement incentive or severance pay.
- Fringe benefits (i.e., allowances, meals or lodging).
- Insurance programs.
- Janitorial pay.
- Referee pay/ticket taking.
- Teacher's aid pay.

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15

BENEFICIARY

You may name the following:

- If married, your spouse.
- If not married or, if you have written consent from your spouse, any person, organization, church, charity or estate.
- If more than one beneficiary, they are not eligible for a lifetime monthly annuity.

You may name contingent beneficiaries, not required.

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16

DIVORCE

TFFR benefits are generally considered a marital asset and subject to valuation and division in a divorce.

- Division of benefits can only occur if a Qualified Domestic Relations Order (QDRO) is approved by the TFFR Board before its signed by the judge.
- QDRO model has been established by TFFR and specific language must be used in preparing the order.
- Former spouse (i.e., alternate payee) may only receive a lump sum payment from TFFR if you elect a refund upon termination of employment.
- Alternate payee can elect to receive a monthly benefit for life based on the accrued benefits at the time of divorce.

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17

DIVORCE (CONTINUED)

Monthly benefit to the alternate payee can begin when:

- You reach normal retirement.
- You reach early retirement (age 55).
- The alternate payee reaches a certain date (must be after you reach age 55).
- You retire.

Alternate payee can begin benefits and you can continue working.

The actuarial value of the alternate payee's current and future benefits will reduce your benefit.

If TFFR is not to be divided, the divorce decree should state that you retain sole ownership of the retirement account.

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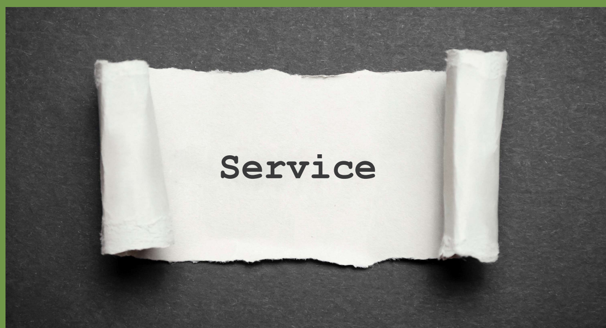
18



19

SERVICE CREDIT

Earned Service Credit

- 700 compensated hours = 1 year
- If compensated for less than 700 hours, service credit is granted in proportion to 700 hours.
  - Example: 650 hours/700 = .929 year

Vesting – entitled to lifetime benefit when eligible.

- Tier 1 requires 3 years of TFFR service.
- Tier 2 requires 5 years of TFFR service.
- Public employment included for vesting and eligibility.

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PURCHASE OF SERVICE CREDIT

Active members may purchase service credit for:

- Refunds previously taken from TFFR.
- Air time.
- Out-of-state teaching.
- Non-public school teaching.
- Leave of absence.
- Legislative service.
- Military service.
- Government agency teaching.

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21

COST TO PURCHASE

Actuarial Equivalent Calculation

1. Current Final Average Salary.
2. Current and Retirement Age.
3. Number of Years to Normal Retirement.
4. Increase in Benefits Resulting From Purchase.
5. Loss of Contributions from Earlier Retirement Eligibility.

RIO may accept tax deferred money by direct rollover from eligible retirement plans including IRAs (not Roth IRA), qualified 401(a) and 401(k) plans, 403(b) tax-sheltered annuity plans, and 457 governmental plans.

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23

RETIREMENT BENEFIT

Eligibility

- Vested member
  - T1 – 3 years of service credit
  - T2 – 5 years of service credit
- Cease covered employment

Retirement Classifications

- Unreduced retirement
  - T1G = Rule of 85
  - T1NG = Rule of 90, minimum age 60
  - T2 = Rule of 90, minimum age 60
  - Age 65
- Reduced retirement
  - Age 55
- Deferred retirement
  - Inactive vested member defers retirement benefits until a later date

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BENEFIT FORMULA

Final Average Salary* x 2.0% x Service = Monthly Single Life Annuity

What percent of your Final Average Salary (FAS) will you receive under the 2.0% multiplier?

Years of Service	Percent of FAS
10	20%
15	30%
20	40%
25	50%
30	60%
35	70%
40	80%

*Tier 1 Members FAS – 3 high fiscal year salaries ÷ 36
*Tier 2 Members FAS – 5 high fiscal year salaries ÷ 60

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25

BENEFIT OPTIONS

- Refund of Account Value
- Single Life Annuity
- 100% Joint and Survivor; 50% Joint and Survivor
- 10 Year Certain and Life; 20 Year Certain and Life
- Partial Lump Sum

2023 Legislation removed the Level Income Option

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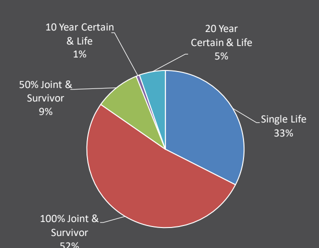
26

SERVICE RETIREMENT OPTIONS (FY 2021-22)

Retirement Option	Number
Single Life	129
100% Joint and Survivor	172
50% Joint and Survivor	34
10 Year Certain and Life	3
20 Year Certain and Life	14
Total	352



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27

DISABILITY BENEFITS

1. Eligibility
   a. 5 years of service credit.
   b. Active member of TFFR when disability occurs.
   c. Application filed within 36 months from last date of employment.
   d. Disability must result in the inability to perform the duties of a teacher.
   e. Certified eligible by TFFR Board of Trustees
   f. Disability must be total but can be temporary (at least 12 month).
2. Disability Formula
   a. FAS x Service Credit (actual years) x 2.0% = Disability Single Life Annuity.
   b. No age reduction.
   c. Benefit options available.

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28

SURVIVOR BENEFITS

1. Eligible survivors
   - Designated beneficiary.
   - Surviving spouse.
   - Estate.
2. Death prior to retirement
   - Nonvested member – refund of account value.
   - Vested member
     - Refund of account value.
     - Monthly benefit for life (if only one beneficiary designated).
3. Death after retirement
   - Benefit is paid based on the plan selected at retirement.

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29

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30

It's 2023 – Is your Estate Plan Ready?

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*CERTIFIED AS AN ELDER LAW ATTORNEY BY THE NATIONAL ELDER LAW FOUNDATION

1

IMPORTANT NOTICE

These materials and the related presentation are intended to provide the participants with guidance in estate planning and administration. The materials and the comments of the speaker do not constitute, and should not be treated as, legal advice regarding the use of any particular estate planning technique or the tax consequences associated with any such technique. Although every effort has been made to assure the accuracy of these materials and comments, the speaker and JD Legal Planning do not assume responsibility for the reliance of any individual on the written or oral information disseminated. You should independently verify all statements made in the materials and in the seminar before applying them to a particular fact situation, and should independently determine both the tax and non-tax consequences of using any particular estate planning technique before using it or recommending it either on your own behalf or on behalf of another.

2

OVERVIEW

3

DURABLE GENERAL POWER OF ATTORNEY (POA)

- Name in advance who you want to take care of your affairs: financial; real estate; income tax; banking; etc. when you can no longer do it.
- Every person over 18 should have a POA signed.
- Names alternates.
- Best to sign when you do your Will.
- Be wary of internet forms.
- If no POA is in place before your incapacity, your family must have you declared incompetent in a Court guardianship proceeding.

 4

4

POA EXAMPLE

Don Johnson: Single, age 55

- Wrecks his car; has head injury
- Mortgage and car loan are due
- Need someone to file for disability
- Who can sign for him?

 5

5

POWER OF ATTORNEY VS. CONSERVATORSHIP

Power of Attorney	Conservatorship
Private	Intrusive
Approximately $400	$6,000 +
Sign it once	Annual court filings
Grant permission as you wish	Ask Judge for permission
Can list alternates	Return to court for changes

 6

6

POA POINTERS

- Sign before incapacity
- Sign when you do your Will
- Name alternates
- Sign an extra original for each person named
- Best if drafted by a lawyer
- Be very wary of internet forms
- POA power ends at death

 7

7

HEALTH CARE DIRECTIVE

- Like a POA over medical decisions
- 2 stage document
  - HIPAA release
  - End-of-life wishes
- Forms are free at clinic/hospital

 8

8

HEALTH CARE DIRECTIVE

- Name your decision-makers in advance.
- Make sure your wishes on end-of-life issues are upheld:
  - Tube-feeding
  - IV hydration
  - Ventilator
  - Organ/tissue donation
  - Etc.

 9

9

HEALTH CARE DIRECTIVE EXAMPLE

- Vicky suffers a stroke. Vicky is age 75 and single. Vicky has severe mental deficits now. Vicky never signed the free Health Care Directive form.
- Who can sign medical consent now?
- Who can talk to the health insurance office?
- Who can transfer Vicky to a different hospital for special rehabilitation?

 10

10

HEALTH CARE DIRECTIVE

- Every person listed on the Health Care Directive should have an original or photocopy
- Your primary doctor should have a photocopy
- You should keep two extra photocopies for yourself
- North Dakota offers a Health Care Directive Registry website

 11

11

North Dakota Health Care Directive Registry

- NDCC § 23-06.5-19
- www.ndhin.nd.gov
  - Email: NDHIN@nd.gov/ Phone: 701-328-3190
- www.nd.gov/hdir/login - (to upload docs)
- ND IT Technical Support
  - 701-328-4470
  - 877-328-4470

 12

12

North Dakota Health Care Directive Registry

A secure North Dakota Registry for North Dakota citizens to store, share and have internet access to their health care directives.

 13

13

 14

14

Does A Will Avoid Probate?

- A will does not avoid probate
- A will is a roadmap for the probate Judge to follow in court after you die
- If the Will is used when you die, your family is in probate court
- For Example: Your Family cannot just show your will to the bank when you die to collect your account

15

15

PROBATE IS CAUSED:

- When a person dies as the sole owner of an asset (without a "joint tenant" co-owner, without a beneficiary, and without a trust owning the asset)
- The asset triggers probate because:
  - It is any value of real estate in your name alone
  - It is not real estate and exceeds $50,000 in value (cumulatively) in North Dakota and $75,000 in Minnesota

16

16

DO I HAVE MY DEED TO MY REAL ESTATE?

- Your name is on the deed from when you received your real estate, but often times no one give you the deed, so you have to ask for it.
- Your deed is usually 1-3 pages long. Your did **IS NOT** your abstract, which is the history book of the action on your real estate since the federal government gave a patent on it.
- Everyone should have a photocopy of the recorded deed from when they received their real estate.
- You have a copy of the title to your car, you should have a copy of the title to your real estate.

17

17

HOW DO YOU GET YOUR DEED

1. Bring your property tax statement to the County Recorder's Office.
2. Ask for a copy of the deed in which you received the real estate.
3. It is helpful for the recorder to know the approximate year you took title.
4. You want your deed, **NOT** your mortgage or promissory note.

18

18

HOW TO INHERIT REAL ESTATE WITHOUT PROBATE

- "Joint Tenants" on warranty deed
- Transfer-on-death beneficiary deed
- Life estate deed
- Revocable Living Trust owns real estate

19

"JOINT TENANTS" OWNERSHIP

- "Joint Tenants" ownership of real estate:
  - If you are married (or have someone you want to co-own and inherit real estate from you), the most common way is to own your real estate as "Joint Tenants" on your warranty deed
  - Check your deed at home; it has to say "Joint Tenants" in order to avoid probate
    - "as husband and wife" = won't work
    - "and" = won't work
    - "as tenants-in-common" = won't work

20

"JOINT TENANTS" OWNERSHIP

- If you find your deed doesn't say Joint Tenants, see your attorney to have a new deed done (usually $300 or less, plus county recording fee)

21

TRANSFER-ON DEATH BENEFICIARY DEED

- Transfer-on-death beneficiary deed to avoid a probate on real estate:
  - A recent law in MN
  - Can be done by a single person or married couple
  - Can be done with a home, land or mineral rights
  - Best option when you don't want to co-own real estate with your heirs, because you retain full control to sell, mortgage or change your mind
  - Revocable, so it does not have nursing home protection

 22

22

LIFE ESTATE DEED

- Life estate deed to avoid a probate on real estate:
  - Best option when you want to protect real estate from nursing home costs (has 5-year MA look back penalty waiting period before MA eligibility)
  - Can be done by a single person or married couple
  - Can be done with a home, land or mineral rights
  - You retain the right to live in home, get rental/farm/mineral income and you pay property taxes
  - You lose the right to be able to sell the real estate without the co-signature of the others
  - Irrevocable

 23

23

REVOCABLE LIVING TRUST OWNERSHIP

- Revocable Living Trust ownership of real estate to avoid probate:
  - In Minnesota, it may be best for estates exceeding $3.0 million in value because of estate taxes
  - Common choice for those who own real estate in more than one state
  - Revocable, so it does not have nursing home protection

 24

24

MEDICAID (MA)

- Is it your long-term care plan?
- How is MA different from Medicare?
  - 1. You need long-term care in a facility or your home;
  - 2. You (and your spouse) are down to the asset limits legally; and,
  - 3. You (and your spouse) have not given anything away (for free or for less than fair market value) to anyone for any reason in the last 5 years.

 25

25

ND MA ASSET LIMITS FOR 2023

- Medicaid asset limits for 2023:
  - Single person – $3,000 in "available" assets.
  - Married:
    - $3,000 in "available" assets for institutionalized spouse
    - One-half (½) of combined marital "available" assets (as determined in an Asset Assessment Form based on asset values on day of admission to hospital or nursing home)
    - In North Dakota, not less than $27,724 and not more than $148,620
    - North Dakota community spouse income allowance is $2,550/month

 26

26

MN MA ASSET LIMITS FOR 2023

- Medicaid asset limits for 2023:
  - Single person – $3,000 in "available" assets.
  - Married:
    - $3,000 in "available" assets for institutionalized spouse
    - One-half (½) of combined marital "available" assets (as determined in an Asset Assessment Form based on asset values on day of admission to hospital or nursing home)
    - In Minnesota, not more than $148,620 (with no minimum)
    - Minnesota community spouse income allowance is $3,435/month

 27

27

MA

- What are "available" assets?
  - Assets which are at your disposal
  - Assets which you have a legal ability to make available (with or without penalties) – Examples:
    - Bank accounts and investments (not including qualified retirement plans like IRAs in North Dakota)
    - Annuity balances (not including certain single premium immediate annuities)
    - Cash value of life insurance
    - A second vehicle
    - Real estate other than your primary home
    - 529 college plans

 28

28

MA

- If you are married, what else can you keep in addition to "available" asset limit?
  - Homestead, which may include contiguous farmland acreage
  - One motor vehicle (unlimited value usually)
  - Personal effects (household goods, furniture)
  - Certain income-producing assets (business assets and some farming assets) with very specific guidelines
  - Funeral accounts and burial plots for both spouses (must meet Medicaid guidelines)

 29

29

MA GIFTING EXAMPLE

- On February 1, 2023, Dixie gives each of her 5 children $2,000, for a total gift of $10,000.
  - Does the IRS care? No, because she gave less than $17,000 per child. But Dixie might need MA, and the IRS gifting rules don't apply to MA eligibility.
  - If Dixie needs MA for long-term care services between February 1, 2023 and January 31, 2028, she will not be eligible unless she gets the $10,000 back from her children first. After February 1, 2028, she is no longer required to get the $10,000 back.
  - What if Dixie's children won't or can't give it back? Dixie is required to sue that child and get a judgment.

 30

30

MA

Any and all uncompensated transfers made by an applicant or spouse to any individual or entity for gifts, presents, church or charitable donations, tuition assistance or political donations after 2/8/06 and within 5 years of a Medicaid application must be reported and will affect eligibility. No federal exception for nominal amounts or charitable intent.

PROPERTY AND ASSET PROTECTION PLANNING MUST BEGIN 5 YEARS BEFORE YOU NEED MEDICAID AND BEFORE THE INDIVIDUAL BECOMES INCAPACITATED.

 31

31

MA

Tim signs a deed placing his property into a life estate with his children.

Life Estate = Rights to live on property, get rent (or mineral income), responsible for property taxes and upkeep

 32

32

MA

The value of a life estate is an excluded asset for Medicaid, so a life estate deed is the best way to protect any real estate or mineral rights from having to be sold to pay long-term care expenses. However:

- Still subject to 5 year look back period from date of deed
- Income generated from property must be used toward your nursing home care

 33

33

MA

- It is very common for parents in North Dakota and Minnesota to sell their farmland to their farming children on a contract for deed, with favorable terms to the child. This is a Medicaid trap for parents, because contracts for deed are scrutinized for any disqualifying transfer (ie: price, interest rate, term, if payments are current) and if it passes scrutiny, the whole contract must be sold to a company like JGWentworth at a discount

34

34

NORTH DAKOTA MA – COMMUNITY SPOUSE INCOME

- Income rules for community spouse
  - Community spouse allowed all of their own income without limit.
  - If community spouse's income is below $2550, then they are allowed all of his or her own income, plus enough of the institutionalized spouse's income to reach $2,550/month.
  - Community spouse may also purchase a SPIA (Single Premium Immediate Annuity) after the effective date of the Asset Assessment with excess assets.

35

35

MINNESOTA MA – RULE CHANGE FOR COMMUNITY SPOUSE INCOME

- Effective June 29, 2015, community spouse may now purchase an immediate annuity (SPIA) after the effective date of the Asset Assessment with excess assets.

36

36

NORTH DAKOTA MA – RETIREMENT PLANS

- Effective July 2014, North Dakota Medicaid now considers any retirement plan for community spouse or institutionalized spouse as an excluded asset.
  - IRA
  - 401K
  - SEP-IRA
  - ROTH IRA
  - Etc.
- Effective August 28, 2015, Excluded retirement plans must be annuitized after your spouse is in the nursing home

37

37

MINNESOTA MA – RETIREMENT PLANS

- Still count as an available asset.

38

38

ND MA EXAMPLE ASSET ASSESSMENT (husband in nursing home)

	Available	Excluded
Home ($87,000 mortgage)		$250,000
Wife's IRA		200,000
Checking (joint)	$ 3,000	
Husband's prepaid funeral		11,000
Old car		500
Household goods		15,000
Investment account (joint)	217,000	--------
	$220,000	- - -

39

39

ND MA EXAMPLE ASSET ASSESSMENT (husband in nursing home)

1. Wife is allowed:
   a. $220,000 ÷ 2 = $110,000
   b. House titled in her name only
   c. Car and household goods
   d. Name on $3,000 joint account
2. Husband is allowed:
   a. Name on $3,000 joint account
   b. $11,000 prepaid funeral (could be more)

40

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ND MEDICAID EXAMPLE ASSET ASSESSMENT (husband in nursing home)

3. Need to legally spend excess $107,000 ($220,000 - $110,000 wife - $3,000 husband)
   a. Pay off $87,000 mortgage
   b. Buy new car for $20,000
4. Need to annuitize wife's IRA
   Age = 70
   - Life expectancy = 15 years (180 months)
   - $200,000 IRA ÷ 180 months = $1,111 more income to wife each month
   - Wife also keeps her Social Security

41

41

I HAVE ENJOYED MY TIME WITH YOU TODAY.

If you have any further questions, please call me at 701-364-9595 or 855-299-9595.

Susan E. Johnson-Drenth, CELA*
*Certified Elder Law Attorney by the National Elder Law Foundation

JD LEGAL PLANNING PLLC

 42

42

JD LEGAL PLANNING P.L.L.C.

Susan E. Johnson-Drenth

Sue's practice areas include elder law, estate planning, probate, probate litigation, guardianships, and trust law including special needs trusts for the disabled. Sue is the only Certified Elder Law Attorney (CELA) in North Dakota and Northwestern Minnesota. Sue is a Fellow in the American College of Trust and Estate Counsel and is a former State Chair for North Dakota. In addition to practicing law, Sue continues to hold licensure as a registered nurse in North Dakota. Sue is also a certified mediator specializing in contested probate and guardianship matters, having received her training at Northwestern University in Chicago.

Sue received her Bachelor of Science Degree in Business Administration, and her Associate's Degree in Nursing from North Dakota State University. Sue graduated with distinction from the University of North Dakota School Of Law.

Sue gives frequent presentations on all areas of elder law and has written numerous articles on elder law topics for newspapers, magazines and newsletters. Sue has been selected as a Great Plains Super Lawyer every year since 2015 for exhibiting excellence in her areas of practice. Sue was also named a Minnesota Law and Politics Rising Star.

Sue is licensed to practice law in Minnesota and North Dakota, and is a member of the Probate & Trust Law Sections of the Minnesota State Bar Association, North Dakota State Bar Association and is also a member of the Red River Valley Estate Planning Council. Sue is the Chair of the Elder Law Section of the State Bar Association of North Dakota.

Sue is a native of Fargo, North Dakota. She and her husband, Dan Drenth, enjoy golfing, snowmobiling and spending time at the lake with family.

Practice Areas:

- Elder Law
- Estate Planning
- Probate
- Probate Litigation
- Guardianship
- Trust Law
- Special Needs Trusts

Admitted to Practice:

- 1997: Minnesota
- 1997: North Dakota

Memberships:

- Cass County Bar Association
- Clay County Bar Association
- North Dakota State Bar Association
  - Chair of Elder Law Section
- Minnesota State Bar Association
  - Former Seventh District Ethics Committee Investigator
- National Academy of Elder Law Attorneys
  - Certified Elder Law Attorney by National elder Law Foundation
- American College of Trust and Estate Counsel
  - Former State Chair of North Dakota
  - Fellow of the College
- Red River Valley Estate Planning Council
- Seventh Judicial District Bar Association (MN)
- Guardianship Association of North Dakota

PHONE: 701-364-9595
EMAIL: sdrenth@jdlegalplanning.com

OFFICE: 902 28th St. S., Ste. 2, Fargo, ND 58103
WEBSITE: www.jdlegalplanning.com

JD LEGAL PLANNING P.L.L.C.

902 28th St. S., Ste. 2 • Fargo, ND 58103
Phone: 701-364-9595 • Toll Free: 855-299-9595 • Fax: 701-364-9596

ESTATE PLANNING TERMS AND DEFINITIONS

Durable General Power of Attorney:

*For managing your assets (i.e., financial and real estate).
*The person(s) you appoint can do any and all paperwork, and make financial decisions on your behalf.

Health Care Directive:

*The person(s) you appoint can make immediate and long-term health care decisions even if you are not terminally ill.
*Your wishes on end-of-life treatment options are followed (i.e., ventilator, CPR, tube-feeding, IV hydration, organ donation).

Wills:

*Your wishes for: personal representative; distribution of your estate; guardians for minor or adult disabled children.
*Your Will provides a roadmap for the Court through Probate Process. A will does not avoid probate.

Transfer on Death (TOD) Deeds for Real Estate or Mineral Rights:

*New in North Dakota and Minnesota. Names beneficiaries on real estate to avoid probate. No transfer of ownership. No nursing home protection. Revocable.

Life Estate Deed for Real Estate or Mineral Rights:

*Grant ownership in real estate to others, but keep life estate right to live in property and get income. Nursing home protection after 5 years. Avoids probate. Irrevocable.

Revocable Living Trust:

*The primary purpose is to avoid probate. This trust is designed to manage your financial affairs when you are unable to do so due to disability or death.
*Best option for married couples with taxable estates ($1-$5+ million).
*Very beneficial if you own real estate in more than one state.
*May include generation-skipping trusts for your children to minimize estate tax when your children die.

Irrevocable Living Trust:

*The primary purpose is to avoid estate taxes in larger estates and avoid probate (land, residence, cash, life insurance).
*Not as common as Revocable Living Trusts due to recent law changes.
*More common for Minnesota residents due to Minnesota estate tax law.
*Can no longer be used effectively for nursing home asset protection.

Children's Trust:

*The primary purpose is to manage assets gifted by parents for long-term care planning purposes. Be careful to check the children's level of risk (i.e., substance abuse, spend-thrift, divorce, bankruptcy).

Partnership/LLC:

*A technique of transferring land or other business assets to family, but retaining some income and some control.

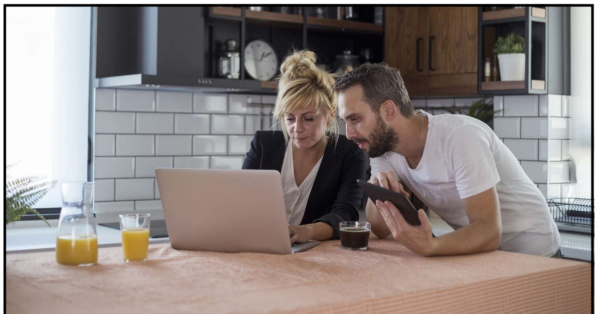
Special/Supplemental Needs Trust:

*To include in your estate planning to provide inheritance for a disabled loved one so no government benefit (Medical Assistance or SSI) is lost.

Other tools to avoid probate:

*Naming beneficiaries, life estate, POD (pay-on-death) beneficiaries, JTWROS (joint tenants with rights of survivorship) -but be careful of these methods, there are downsides.

LEGAL ADVICE SHOULD ALWAYS BE PART OF YOUR FINANCIAL PLANNING!



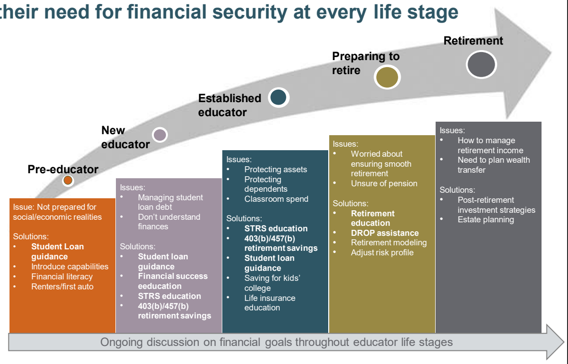
Financial Success

Horace Mann

PPT-00126 (11-22)

1

Horace Mann provides solutions to help educators meet their need for financial security at every life stage



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2

Make your money work for you

Budget Credit Protect Save Plan

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3

Protect your assets

Auto insurance

Home insurance

Life insurance

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4

Saving for your financial future

Retirement

Estate planning

Horace Mann 5

5

Invest in yourself

Horace Mann 6

6

Saving with retirement plans

Horace Mann 7

7

How much income do you need for retirement?

Many experts say you will need 80% of your pre-retirement income in retirement[1]

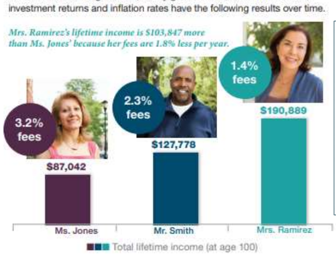
1. What lifestyle do you want in retirement?
2. You might be able to eliminate certain expenses in retirement.
3. Typically, no one ever says they saved too much.
4. Test drive your retirement.

Horace Mann [1] Motley Fool, How Much Do I Need to Retire, August 18, 2022 8

8

Tale of three teachers

Estimated lifetime income
Consider this hypothetical example. Three teachers, all the same age, with identical starting salaries, salary growth rates, contribution rates, investment returns and inflation rates have the following results over time.



Assumes a $35,000 starting salary at age 25, 1% salary growth, 5% contribution rate, 7.5% gross investment return, 2.8% inflation rate (used as the interest rate to determine the present value of payments made to the client), and assumes a systematic withdrawal of 4% per year beginning at age 65, followed by a required minimum distribution beginning at age 72, in present day dollars. This hypothetical example assumes contributions over 40 years and does not factor in tax considerations. It is for illustrative purposes only and is not intended to predict or project investment results/future values.

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9

Why start now?

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10

State Teachers' Retirement System

- Do you know how your State Teachers' Retirement System works?
- Is there a gap between what you need and what you have for retirement?
- There are a number of ways to save for retirement (403b, 457, IRA, Roth)

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11

A guide to retirement plans

How will you save for your future?

403(b)

Employer-sponsored, tax-deferred retirement plan that may be offered to employees of public schools, 501(c)(3) tax-exempt organizations and certain ministries.

457(b)

Employer-sponsored, tax-deferred retirement plan that may be offered to employees of the state and federal government and tax-exempt organizations.

IRA

Pre-tax contributions. Eligibility requirements for tax-deductible contributions are based on income, tax filing status and participation in other retirement plans.

Roth IRA

After-tax contributions. Eligibility requirements for contributions are based on income and status.

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12

Estate planning

Things to consider:

- Will/Trust
- Transfer on death accounts
- Financial power of attorney
- Advance care directive
- Creating a list of accounts, policies and passwords
- Beneficiaries know how to access the information
- Keep your beneficiaries current
- Have the hard conversations

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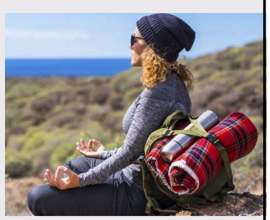
13

Next steps

- Establish a budget/plan.
- Continue to monitor your credit.
- Make sure you have a life insurance policy/review your current life insurance policy to make sure it is sufficient.
- Review your beneficiaries you have in place for your estate.
- Review your retirement plan and your spouse's retirement provisions.
- Scan the QR code to schedule time to review or establish your financial strategy.



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14

Thank you for investing in yourself

For additional information, please contact:
Shawn Rehm
Horace Mann
701-232-7353
shawn.rehm@horacemann.com

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15

Disclosures

The information provided here is for general informational purposes only and should not be considered a recommendation, investment, tax or legal advice.

Withdrawals from a 403(b) and 457(b) account are restricted by the Internal Revenue Code and may be further restricted by your employer's plan. Generally, you may make a withdrawal from a 403(b) account only upon reaching age 59½, severance from employment, disability or certain hardships (if allowed by the plan); a 457(b) account only upon reaching age 59½, severance from employment, disability or an unforeseeable emergency (if allowed by the plan). If you take money out before age 59½, you could be subject to a federal penalty tax of 10% (except for 457(b) accounts) in addition to income taxes. You should consult with a tax advisor regarding any tax-favored products.

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16

Disclosures

This presentation provides general information. It is does not address comprehensive financial planning. HMII and its representatives <u>do not</u> provide financial planning services.

Horace Mann Life Insurance Company underwrites Horace Mann life insurance products.

Horace Mann Insurance Company and its affiliates underwrite Horace Mann auto and homeowners/renters insurance.

Horace Mann is not affiliated with state teachers' retirement systems, and the content of its workshops has not been endorsed or approved by state teachers' retirement systems.

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17

Disclosures

Horace Mann's Student Loan Solutions program includes services provided by an independent third party, Tuition.io. Horace Mann is an independent company not affiliated with the Department of Education or the federal government. No assistance provided by Horace Mann constitutes official action for purposes of student loan forgiveness programs or guaranteed results.

Potential savings of educators assisted by Horace Mann with Public Service Loan Forgiveness from October 2016 through 2021 based on assumptions established by the U.S. Office of Federal Student Aid. Monthly and annual savings are based on 2021 only. For more information regarding the U.S. Office of Federal Student Aid assumptions, refer to www.studentaid.gov/loan-simulator.

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18

Disclosures

While you can receive the benefits of tax deferral in any product used in an IRA, an annuity offers additional benefits, including a death benefit and the opportunity to choose lifetime income options. In order to offer these benefits, there may be additional fees included in the annuity. There are no additional tax benefits in an annuity when used in an IRA. Annuities should be considered long-term investments.

The factors which affect your decision to contribute to a traditional or Roth IRA are complicated and can change each year. Contributions to traditional and Roth IRAs are aggregated for purposes of annual limits. ***If you take money out before age 59 ½, you could be subject to a penalty tax of 10% in addition to income taxes.*** *This is not intended to be tax advice. You should consult with a tax adviser regarding any tax-favored products and your specific situation.*

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19

Appendix

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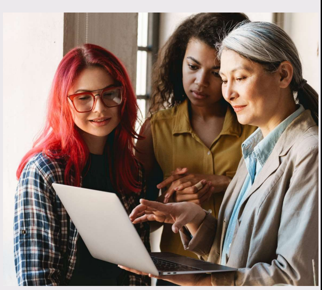
20

403(b) plans

- Employer-sponsored, tax-deferred retirement plan that may be offered to employees of public schools, 501(c)(3) tax-exempt organizations and certain ministries
- Pre-tax contributions
- Designated Roth contributions may be made if allowed by your employer's plan
- Income taxes apply when funds are withdrawn
- Withdrawals from a 403(b) can begin:
  - upon reaching age 59½
  - if severed from employment
  - in case of disability
  - in case of certain hardships (if allowed by the plan)
- Withdrawals before age 59 ½ may be subject to a 10% federal penalty tax in addition to income tax.



Your employer's plan may have additional restrictions on distributions.

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21

Roth IRA

- After-tax contributions
- There are limits to how much you can contribute
- Eligibility requirements to contribute are based on income and tax filing status
- You can withdraw funds at any time
- Withdrawals and earnings made before age 59 ½ and within 5 years of the first Roth IRA contribution may be subject to a 10% federal penalty tax

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22

Bridging the Gap:
Understanding Your Health Insurance Coverage Options

ND Navigators
Health Insurance Marketplace

NDCPD North Dakota Center for Persons with Disabilities

1

What are my options?

- **Spouse's insurance policy**
- **COBRA**
  Cost of plans vary – 18 months after separation date is typical
- **Insurance carrier plan**
  Not eligible for premium tax credits
- **Medicare/ND PERS Dakota plan**
  For Medicare assistance, contact SHIC - (888) 575-6611 or ndshic@nd.gov

2

What are my options?

Health Insurance Marketplace plan

Losing coverage qualifies as a Special Enrollment period
(60 days before to 60 days after separation date)

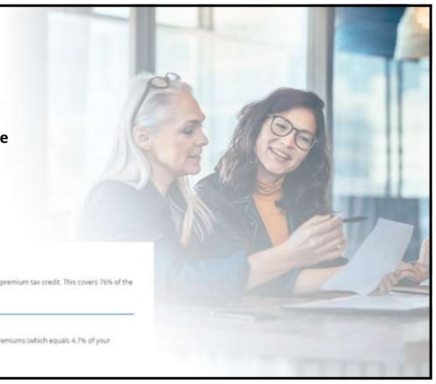
- Voluntarily dropping coverage doesn't qualify
Would need to wait until Open Enrollment (November 1 – January 15)

Can get premium tax credits if you are not enrolled in retiree coverage

3

Show Me the Numbers!

Health Insurance Marketplace Calculator on www.ndcpd.org/NDnavigator



Example Results

You are likely eligible for financial help

Estimated financial help:	**$604** per month ($7,249 per year) as a premium tax credit. This covers 76% of the monthly costs.
Your cost for a silver plan:	**$192** per month ($2,303 per year) in premiums (which equals 4.7% of your household income).

4

2022 Federal Poverty Guidelines (Coverage Year 2023)

# in Household	100% FPL	138% FPL	150% FPL	200% FPL	250% FPL	300% FPL	400% FPL
1	$13,590	$18,754	$20,385	$27,180	$33,975	$40,770	$54,360
2	$18,310	$25,268	$27,465	$36,620	$45,775	$54,930	$73,240
3	$23,030	$31,781	$34,545	$46,060	$57,575	$69,090	$92,120
4	$27,750	$38,295	$41,625	$55,500	$69,375	$83,250	$111,000
5	$32,470	$44,809	$48,705	$64,940	$81,175	$97,410	$129,880
6	$37,190	$51,322	$55,785	$74,380	$92,975	$111,570	$148,760
7	$41,910	$57,836	$62,865	$83,820	$104,775	$125,730	$167,640
8	$46,630	$64,349	$69,945	$93,260	$116,575	$139,890	$186,520

For households with more than 8, add $4,720 for each additional person. Source (plus Hawai'i and Alaska guidelines): aspe.hhs.gov/poverty-guidelines
Eligibility for premium tax credits in coverage year 2023 is based on 2022 poverty guidelines. FPL = federal poverty line.

Expected Premium Contribution (Coverage Year 2023)

Annual Household Income (% of FPL)	Up to 150% FPL	200% FPL	250% FPL	300% FPL	400% FPL & Above
Expected Premium Contribution (% of Income)	0%	2%	4%	6%	8.5%

Source: American Rescue Plan Act Public Law No: 117-2; Inflation Reduction Act Public Law No: 117-169

Employer-Sponsored Insurance is considered unaffordable if premium is more than 9.12% of household income

5

All plans offered in the Marketplace cover these
10 Essential Health Benefits:

Ambulatory patient services (***outpatient care*** you get without being admitted to a hospital)	**Emergency services**	**Hospitalization** (like surgery and overnight stays)	**Pregnancy, maternity, and newborn care** (both before and after birth) Plans must also include the following benefits: Birth control coverage & Breastfeeding coverage	**Mental health and substance use disorder services**, including behavioral health treatment (this includes counseling and psychotherapy)
Prescription drugs	**Rehabilitative and habilitative services and devices** (services and devices to help people with injuries, disabilities, or chronic conditions gain or recover mental and physical skills)	**Laboratory services**	**Preventive and wellness services** and chronic disease management	**Pediatric services**, including oral and vision care (but adult dental and vision coverage aren't essential health benefits)

6

Metal Categories: Bronze, Silver and Gold
(Platinum not available in ND)

How you and your insurance plan split costs

Estimated averages for a typical population. Your costs will vary.

Plan Category	The insurance company pays	You pay
Bronze	60%	40%
Silver	70%	30%
Gold	80%	20%
Platinum	90%	10%

7

Bronze

- **Lowest monthly premium**[1]
  $
- **Highest** costs when you need care
  $$$
- Bronze plan **deductibles**[2] can be thousands of dollars a year.
  $$$$
- **Good choice if:**
  You want a low-cost way to protect yourself from worst-case medical scenarios, like serious sickness or injury. Your monthly premium will be low, but you'll have to pay for most routine care yourself.

Silver

- **Moderate monthly premium**
  $$
- **Moderate** costs when you need care
  $$
- Silver plan **deductibles** are usually lower than those of Bronze plans.
  $$
- **Good choice if:**
  You qualify for "extra savings" — or, if not, if you're willing to pay a slightly higher monthly premium than Bronze to have more of your routine care covered.

Gold

- **Highest monthly premium**
  $$$
- **Low** costs when you need care
  $
- Gold plan **deductibles** are usually low.
  $
- **Good choice if:**
  You're willing to pay more each month to have more costs covered when you get medical treatment. If you use a lot of care, a Gold plan could be a good value.

[1] **Premium:** *Your monthly cost to maintain coverage*
[2] **Deductible:** *the amount of medical costs you pay before your plan starts to pays (not including preventative care)*

8

Open Enrollment

- **Financial help is available**
- **More affordable plans**
- **Save money**
- **Comprehensive plans**

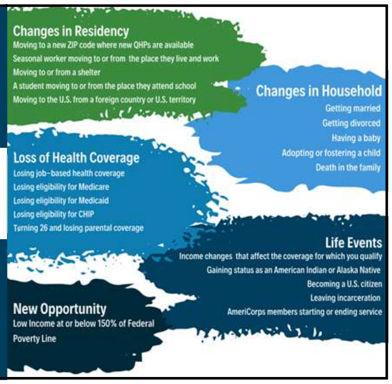
Enrolled tribal members may enroll any time

Open Enrollment

- Begins **November 1**
  for coverage starting January 1
- Last day is **January 15**
  with coverage starting February 1

9

Do you qualify for a Special Enrollment Period for health coverage?



10

Navigator Project

NDCPD North Dakota Center for Persons with Disabilities at Minot State University

MINOT STATE UNIVERSITY

In Fall of 2021, the North Dakota Center for Persons with Disabilities (NDCPD) at Minot State University received funding for a cooperative agreement with CMS. This funding enables Navigators to provide enrollment and educational assistance with health insurance through the Marketplace and for assistance with Medicaid enrollment.

11

Who are we?

Individuals trained and certified to provide free and unbiased help to consumers, small employers, and their employees as they look for coverage health through the Marketplace.

12

What information will I need?

My Marketplace Application Checklist

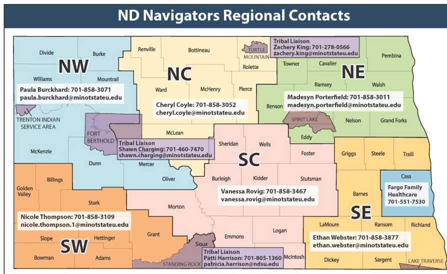
When you visit HealthCare.gov to apply for or re-enroll in your Health Insurance Marketplace® coverage, you'll need to give this information about you and your household:

- ☐ Information about your household size. Figure out who in your household will apply together before you start your application. Visit HealthCare.gov/income-and-household-information/household-size for help figuring out who needs coverage.
- ☐ Home and/or mailing addresses for everyone applying for coverage.
- ☐ Information about everyone applying for coverage, like Social Security Numbers and birth dates.
- ☐ Information about the professional helping you apply, if you're getting help completing your application.
- ☐ Information on how you plan to file your taxes in 2022.
- ☐ Employer and income information for every member of your household (like from pay stubs or W-2s). Visit HealthCare.gov/income-and-household-information/income to learn more about what types of income to include and not include.
- ☐ Your best estimate of what your household income will be in 2022. Visit HealthCare.gov/income-and-household-information/how-to-report for help estimating your income.
- ☐ Policy numbers for any current health plans covering members of your household.
- ☐ A completed Employer Coverage Tool for every job-based plan you or someone in your household is eligible for. (You'll need to fill out this form even for coverage you're eligible for but don't enroll in.) Visit HealthCare.gov/downloads/employer-coverage-tool.pdf to view or print the tool.
- ☐ Notices from your current plan that include your plan ID, if you have or had 2021 Marketplace coverage.
- ☐ Document information for legal immigrants and naturalized citizens.

13

The North Dakota Navigators are here to make sure you and your family are covered.

14



ND Navigators Regional Contacts

Toll Free ND Navigators (North Dakota Center for Persons with Disabilities) – 1-800-233-1737
Secure Contact Email – NDNavigators@MinotStateU.Edu
Project Director – Cheryl Coyle: 701-858-3052, cheryl.coyle@minotstateu.edu
Marketing Specialist/Certified Navigator - Kristin Michels: 701-858-3821, kristin.michels@minotstateu.edu

NDCPD North Dakota Center for Persons with Disabilities

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Health Insurance Marketplace

15

31

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32

33

WORKING AFTER RETIREMENT

You may return to TFFR covered employment under employment limitations.

1. General Rule – Annual Hour Limit
   a. Maximum Number of Hours in FY (July 1-June 30) based on Length of Contract.
      i. 9-month contract = 700 hours
      ii. 10-month contract = 800 hours
      iii. 11-month contract = 900 hours
      iv. 12-month contract = 1,000 hours
   b. Excludes in-staff subbing, extracurricular duties and professional development.
   c. Employer and employee contributions are paid on retirement salary, excluding in-staff subbing, extracurricular duties, and professional development. Does not impact monthly benefit.

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34

WORKING AFTER RETIREMENT (CONTINUED)

2. Exception A – Critical Shortage Area
   a. Critical Shortage Areas are determined by Education Standards and Practices Board.
   b. Can exceed the Annual Hour Limit without losing retirement benefits.
   c. If you retire after Jan. 1, 2021, a one-year waiting period is required.
   d. Must reapply for this exception annually.
   e. Excludes in-staff subbing, extracurricular duties and professional development.
   f. Employer and employee contributions are paid on retirement salary, excluding in-staff subbing, extracurricular duties, and professional development. Does not impact monthly benefit.

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35

WORKING AFTER RETIREMENT (CONTINUED)

3. Exception B – Benefit Suspension and Recalculation
   a. Can exceed the Annual Hour Limit.
   b. Benefits are suspended the first month following the month you reach the limit.
   c. Employer and employee contributions are paid on all retirement salary before and after the benefit suspension.
   d. Upon subsequent retirement, your benefits may be recalculated using all the years you were reemployed.
   e. All employee contributions will be added to retiree's account value.

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36

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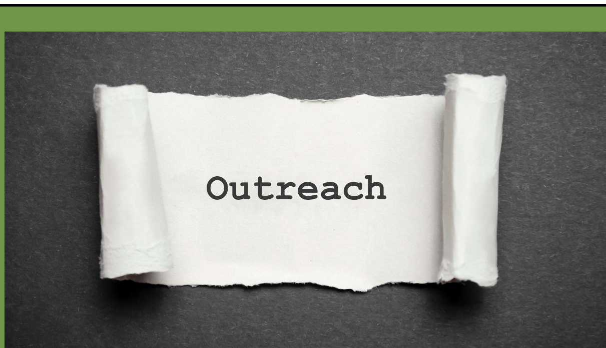
37



38

OUTREACH

Retirement Education Workshops
- Introduction to retirement process.

Group Benefit Counseling
- Personalized TFFR benefit information and a discussion of benefit options.
- Discuss the process and paperwork required to begin TFFR benefit.

Individual Benefit Counseling
- Virtual appointments or in-person (Bismarck office).

Questions
- Contact RIO at anytime, 701-328-9885, 800-952-2970 or rio@nd.gov.

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39

PENSION ACCOUNT ACCESS

TFFR member account
- Go to www.rio.nd.gov and select TFFR Member Login.
- Enter Personal ID and Password.
- If you need assistance, contact RIO.

Active (non-retired) members can access:
- Member Account Value.
- Annual Statement.
- Salary and Service details by fiscal year.
- Refund and Purchase of Service details.

Retired members and beneficiaries in payment can access:
- Retirement account details.
- Pension payment and deduction details.

40

PENSION ACCOUNT ACCESS (CONTINUED)

RIO is launching **new** Pension Administration System in fall 2024.
- The new PAS will be called "MyTFFR."
- In addition to the information now available, you will be able to update your banking information, mailing address, and beneficiaries.
- The system will help RIO track your attendance at our outreach events, and you'll also be able to schedule appointments.

41

WORKSHOP FOLLOWUP

Virtual registration still open, will be recorded.

Newsletters

Evaluations

42