LET'S TALK
MONEY®

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Two-for-One Life Insurance

Today's life insurance policies generally can do much more than policies of years ago. For example, joint life insurance is one of those twists on this important coverage that may not be familiar, but it may be appropriate for some families and business owners.

Comparing the Two

Joint life insurance comes in two varieties: first-to-die and survivorship life. Both types insure both spouses (or business partners) with just one policy and eventually, will pay one benefit. One pays benefits after the first death of a person named on the policy, and the other pays only after both insured people die.

The similarities are more numerous. At its core, life insurance provides basic income replacement — a necessity for most families with children to raise or assets to protect against estate and inheritance taxes. Joint life may also be less expensive than the cost of two separate life insurance policies, especially if one person has preexisting health conditions. Either type can serve as a financial legacy to loved ones and favorite charities.

Making the Choice

Its name isn't very attractive, but its reason for being may be: First-to-die life insurance may be the most economical choice for parents of minor children. It can also financially protect a spouse who is concerned with replacing the regular income of a deceased parent or, in the case of a deceased homemaker, the care needed for younger children. And while survivorship life insurance has a more pleasant name, its purpose is just as noble: to provide financial protection for beneficiaries.

There are a couple of reasons why joint life insurance isn't right for everyone. One is the simple reality that you and your loved ones or business partners may need more than one life insurance policy. Another reason, which most policyowners don't realize until after the fact, is that divorce can make dividing a joint life policy difficult without a related rider.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Insurance Version

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Smart Money Moves for the New Year

Go through your budget with a fine-toothed comb to find dollars you needn't spend, and then put them toward your most important goals.

If you don't already maintain one, create an emergency fund for life's unexpected financial shocks.

Pay estimated taxes on untaxed gig income, realized investment gains and other income to save on penalties and interest.

Keep your vehicle after you make the last payment and put the extra money toward retirement, a child's college education or other long-term goals.

Increase your retirement plan contributions — your retired self will appreciate it.

Check How Much You're Withholding

The start of a new year is a good time to make sure you have the right amount of money withheld from your paycheck. You may want to withhold less if you consistently receive refund checks or more if you have untaxed gig or other income. Marriage, pay raises and new deductions could also warrant a change.

Know that you could owe the IRS a penalty and interest when you underestimate taxes. To change your withholding, ask your employer for a W-4 form and add allowances to withhold less or request fewer allowances to withhold more.

Ways to Help Minimize Your Taxes

Big Changes

Don't forget the obvious when looking for tax deductions and credits. If you were married last year or became a new parent, you'll find increased deductions and potentially new credits. If you don't itemize on your tax return, the standard deduction for joint filers in 2019 is $24,400; it's half that for a single tax filer.

You can also find tax credits if you care for an elderly person declared as a dependent or pay for child care if you qualify by income. Tax credits are more valuable than deductions because they reduce your taxes, not your taxable income.

For Itemizers

If you itemize on your tax return, you can deduct real estate and local income taxes, up to certain limits. You might also deduct donations to qualified charities and home office expenses.

Don't forget that you have until the 2019 tax-filing deadline to contribute to a traditional IRA, which may reduce your taxable income, or a Roth IRA, which may reduce taxable income in the future.

What is the AMT ?

While the most recent changes to federal income tax regulations reduced the number of people who must pay the Alternative Minimum Tax (AMT), the tax is sizable if you're the one paying it.

As its name indicates, the AMT is an alternative to paying ordinary federal income taxes. Generally, it hits taxpayers with high income and deductions, with the latter including state and local taxes, mortgage interest and incentive stock options. The AMT disallows some credits and deductions typically allowed on an ordinary tax return.

By the Numbers

The AMT is designed to ensure wealthy individuals pay at least some income tax. The AMT exemption amount for 2019 for single and joint filers respectively is $71,700 and $111,700, with the exemption phasing out at $510,300 and $1,020,600. *

**https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2019*

How to Save for a Down Payment

A home for many Americans is the largest purchase and continuing expense, and the down payment for one can be a big chunk of change. If you're buying your first home, you may shift your savings efforts into another gear by following these steps:

- Check your credit rating and raise it, if possible, to get the best mortgage rates
- Reduce your debt and put the savings toward your down payment
- Temporarily eliminate or downsize a few areas of your life, from travel to restaurants, and save more
- Work overtime or find a part-time gig to increase your income — and down payment
- Put bonuses and pay raises toward your down payment

6 Questions to Ask Before Buying Your First Home

Owning a home remains part of the American Dream, but doing so requires a strategy and discipline. If you're looking to buy your first home, answer the following questions to help ensure you do everything you can to make this experience a success.

How Much House Can I Afford?

It's important to calculate all your costs, from monthly expenses such as mortgage, taxes and insurance to occasional maintenance and repair costs.

Where Do I Buy?

Determine if your new home will add or subtract expenses to your budget due to the commute and public school taxes.

How Much Should I Put Down?

In most cases, you'll want at least a 20% down payment on your new home. Smaller down payments often trigger the necessity of private mortgage insurance, which will add to your total costs.

Have I Done my Homework?

Make sure your credit rating is as strong as possible and comparison-shop for your best mortgage options.

Which Mortgage is the Best?

Many first-time homebuyers try to limit upfront costs, but doing so can increase your total costs if folded into your loan. Instead, look to pay no points when possible and limit other closing costs, including origination fees. When comparing mortgages, know that shorter-term options — such as a 15-year mortgage — usually offer lower rates and lifetime costs than a 30-year mortgage does.

What Do I Buy?

This ultimately depends on your financial means and lifestyle. First-time homebuyers may consider buying a lower-cost condo, but buying a two-family home can be a cost-effective option. You may want the finest home in the area, but a fixer-upper will likely be less expensive and a good candidate for price appreciation if you are handy and can make some updates.

Financially Smart Divorce

No one gets married planning to get a divorce, but it happens often. If you are in the midst of a divorce, you may understandably be concerned about the most obvious issues, including child custody and possession of the family home. But there can be less apparent concerns as well.

Life Insurance

Will you continue to have an insurable interest in your spouse once divorce is finalized? You may if you will depend on child or spousal support and if your ex-spouse will pay big-ticket expenses, such as tuition. You will, however, need to sort through the specifics before the divorce.

If you or your spouse has permanent life insurance with cash value, the cash component will also factor into divorce negotiations. Splitting a joint life insurance policy may prove difficult, unless it has a clause that dictates how this may happen in the event of divorce.

A final decree may order one spouse to continue paying premiums for equivalent life insurance coverage on the other spouse. Once your divorce is official, you will want to review your life insurance policy for adequacy, while making sure you'll be protected financially if you become disabled or need long term care.

Other Changes

Once you are divorced, you should also review your beneficiary designations to make sure they are in line with your new reality. This becomes more complex when one or both spouses remarry.

You'll also need to revisit your coverage for auto, home and health insurance, as new policies could be required in each case.

You may be able to keep a former spouse's employer-provided health coverage for yourself and pay for it for up to 36 months, using the provisions in the Consolidated Omnibus Budget Reconciliation Act (COBRA), which allows such coverage for major life changes.

We Value Your Input...

Your feedback is very important to us. If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 11, 2019

Reference: **FR2019-1004-0083/E**

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The communication submitted appears consistent with applicable standards.

Reviewed by,

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Manager

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