LET'S TALK MONEY®

January/February 2022

Insurance Front: Are You Covered?

Having adequate insurance coverage to protect yourself and your family from financial loss should be part of a comprehensive financial plan. Five types of insurance that everyone should consider are described below.

Automobile Insurance

Auto insurance covers the cost of vehicle repair, property damage and medical expenses if you're involved in an accident. Most states require you to carry auto insurance if you own a car. Policies generally have three components. Liability covers injuries and property damage. Collision covers the cost of repairing or replacing a vehicle that has been damaged or destroyed in an accident. Comprehensive covers theft or damage to a vehicle from vandalism, fire, hail, floods and similar events.

Homeowners/ Renters Insurance

A homeowners policy pays to repair or rebuild your home if it's damaged or destroyed. Homeowners and renters policies also cover items inside the home that have been damaged or stolen.

Health Insurance

The high cost of medical care makes having health insurance a necessity for your entire family. It can help pay for routine care, lab work, diagnostic tests and major medical expenses. Some plans cover prescription drugs.

Long-term Disability Insurance

Long-term disability insurance replaces part of your income if you become disabled and are unable to work for an extended period of time.

Life Insurance

Would your family be able to maintain its current standard of living if you were to die unexpectedly? Proceeds from a life insurance policy* can help replace income, pay funeral costs or fund a child's college education.

If you're looking for protection that exceeds the limits of your auto or homeowners policy, purchasing an umbrella policy may bring you peace of mind. Your insurance agent can help you choose coverage that meets your needs.

**Applications for life insurance are subject to underwriting. No insurance coverage exists unless a policy is issued and the required premium to put it in force is paid. Accessing cash values may result in surrender fees and charges and may require additional premium payments to maintain coverage and will reduce the death benefit and policy values. Guarantees are based on the claims-paying ability of the issuer.*

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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

LTM Client Marketing
helping financial professionals stay connected

Natural Disasters: Are You Covered?

Hurricanes, wildfires, catastrophic flooding — if your home or business were affected by a natural disaster, would your current insurance cover the damage? You might be surprised to learn that a typical homeowners or business insurance policy generally does not cover flood damage. For that, you'll need flood insurance.

Getting Flood Insurance

The National Flood Insurance Program (NFIP) provides coverage for dwellings and their contents to people living in one of 23,000 participating NFIP communities. Homes and businesses located in high-risk flood areas with mortgages from government-backed lenders are required to have flood insurance. Flood insurance is available through the federal government and private insurers.

Federal Assistance

The federal government provides disaster assistance following a Presidential Disaster Declaration. Assistance comes in two forms: loans that must be paid back with interest, and grants, averaging $5,000 per household. More information is available at fema.gov.

However, flooding can happen anywhere at any time due to poor drainage systems, summer storms, broken water mains, etc. Flood insurance pays for damage to your home or business regardless of whether there is a disaster declaration.

Separate Coverage

Flood insurance offers building coverage and content coverage. Policies generally have separate deductibles. Building coverage pays for damage to structures, electrical and plumbing systems, furnaces/water heaters, foundations, detached garages, fuel tanks, well-water tanks/pumps, solar energy equipment, etc. Coverage limits for homeowners are typically $250,000 for buildings and $100,000 for contents. Coverage limits for businesses are up to $500,000 for buildings and $500,000 for contents. Businessowners may want to purchase additional insurance for valuable equipment and property not covered by a flood insurance policy.

Other Disasters

People in earthquake-prone areas may be able to purchase earthquake coverage as an add-on to a homeowners or business policy, or as a separate policy. Although fire damage generally is covered by homeowners and business insurance, special coverage may be available in certain brush and wildfire areas.

Post-disaster Tax Filing

Although taxes may be the last thing on your mind after a disaster, filing a tax return may help you recoup some of your losses. But reconstructing documents can be challenging.

You'll need the lost records for federal assistance, reimbursement from your insurance company and reporting losses on your return. Financial institutions, title companies, insurance providers, contractors, city/town tax offices and the IRS can help you replace records that are missing.

The IRS often allows penalty-free extended filing deadlines and payments for affected residents and business owners following a federally-declared disaster, and states typically follow suit. This relief also usually applies to those whose tax records were in the damaged region and workers from other areas who provide help to victims.

You can stay informed of filing deadlines by visiting the Tax Relief in Disaster Situations page at IRS.gov.

How to Stop Living Paycheck to Paycheck

If it seems your money is spent soon after you get your paycheck, it's probably time to make some changes. Controlling spending may be hard, but it's not impossible. Here are some ideas to help you get started.

Find Out Where It's Going

It's easy to lose track of how much you're spending. Keep a log of everything you buy. At the end of each week, review your log to see where your money is going.

Create a Spending Plan

Start by reviewing your fixed monthly expenses, such as mortgage or rent, insurance, loan payments, and so on. Determine how much you typically spend on food, utilities, and discretionary items, including dining out and subscriptions. Then look for places to save.

Automate Your Savings

Set up automatic transfers to savings each pay day. Having your savings account at a different institution from your checking account may make it harder for you to transfer money out of your savings. Add any bonuses, raises, or tax refunds you receive to your savings.

Eliminate Debt

Prioritize paying off personal loans or credit card balances. Reducing high-interest debt immediately increases your ability to save.

Meet with Your Financial Professional

The sooner you act, the sooner you'll stop living paycheck to paycheck.

How Much Should You Save?

Determining how much you need to save is different for everyone, but here are a few general guidelines that apply to most people.

Your Emergency Fund

A major expense or a sudden job loss can devastate your finances if you're not prepared. Money you set aside in an emergency fund can help pay for an unanticipated repair or medical bill or cover your living costs while you're not working. Your goal should be to save 6-12 months' worth of expenses in a savings or money market account that allows you quick, penalty-free access to your cash.

Your Savings

The amount you save for a specific goal, such as a new car, a down payment on a house or a vacation, will vary, depending on what you're saving for and when you'll need the money.

Your Retirement

The general rule is to save at least 15% to 20% of your income in a retirement account. Make sure you save enough to take full advantage of any company matching funds, at a minimum, and save more if you can.

Majority of Americans Live Paycheck to Paycheck

According to the research, 54 percent of consumers in the US (125 million adults) are living paycheck to paycheck and 70% have less than $15,000 saved for emergencies.

RESEARCH RESULTS BY INCOME BRACKET

Household Income	Over $100,000	Between $50,000 & $100,000	Less than $50,000
Live Paycheck to Paycheck	40%	53%	72%
Struggle to Pay Bills	12%	18%	33%

Source: Reality Check: Paycheck-to-Paycheck Study, June 15, 2020

Why Use an Irrevocable Life Insurance Trust?

All life insurance policy proceeds are paid income-tax free and can provide immediate cash to pay final expenses and income for survivors. So why would you consider an irrevocable life insurance trust (ILIT)?

Privacy and Protection

Policy proceeds avoid probate, which is a public proceeding and protects the benefit amount from your beneficiaries' creditors.

Reduce Estate Taxes

When you place a policy into the trust, you transfer ownership of that asset to the trust, effectively reducing the size of your estate and any estate tax you may owe.

Setting Up the Trust

ILITs have complex rules so work with your estate planning attorney to create an irrevocable trust and help you to name a trustee. You'll set the terms of the trust, specifying who will have control, how premiums will be paid, who will benefit and how payments will be distributed. Your decisions are final because retaining any control over the policy after it's transferred to the trust will result in the policy being included in your taxable estate.

The trust must be in existence for three years prior to your death to avoid estate taxes on the death benefit. You may be able to prevent this by having the trust purchase a new policy instead of transferring an existing one.

Paying the Premiums

You have options for paying the premiums on the life insurance policy you transfer to the trust. You can continue making the premium payments yourself or purchase a single premium policy so that no further payments will be due. Another option is to give money for premiums to someone else to make the payments. However, this could trigger gift taxes if the payments exceed the gift tax exemption amount.

Consider Disadvantages

Before you decide to create a life insurance trust, consider the drawbacks. Once created, the trust is irrevocable. You can't borrow from the policy. You also can't change the beneficiaries, so if family dynamics or friendships change, the beneficiaries you named when you created the trust will still receive the policy proceeds.

We Value Your Input...

Your feedback is very important to us. If you have any questions about 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.

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 04, 2021

Reference: **FR2021-0914-0138/E**
Link Reference: FR2021-0722-0130

Org Id: 23568

1. LTM JanFeb 2022 - Insurance

   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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FINRA will host a free live webinar on October 12, 2021 titled "Ask FINRA Advertising Regulation Senior Staff" to answer questions on how to embrace the future of communications while remaining compliant. To register please access the webpage at https://www.finra.org/events-training/webinars/ask-finra-advertising-senior-staff-webinar.

Also, on October 5, FINRA will offer a virtual conference panel titled "Back to Basics: Fundamentals of FINRA Rule 2210" that can be viewed free on demand on FINRA.org.

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