

# LET'S TALK MONEY<sup>®</sup>

March/April 2022

## Life Insurance Can Serve Many Purposes

You may think of a life insurance policy\* only as financial protection for your family if something were to happen to you or your spouse. But life insurance can offer more benefits that you may not have considered.

### Supplement Retirement Income

If you no longer need your permanent life insurance policy's death benefit to provide income for your family, you may be able to make withdrawals\*\* of the cash value to add to your income in retirement. Your insurer can go over the withdrawal options. Keep in mind that any cash value growth beyond your premium payments will be taxed as ordinary income, so plan withdrawals to minimize the tax hit.

### Take Out a Loan

You can access the policy's cash value through a loan.\*\* You'll pay interest, but not taxes, on the loan amount. The death benefit will be used to repay any unpaid loan balance.

### Transfer Wealth to Heirs

Consider using life insurance to benefit your children, grandchildren, or other heirs. The beneficiary(ies) of your life insurance policy generally will receive the proceeds income-tax free. Life insurance can also be used to

equalize an inheritance when only some siblings will receive an asset, such as a home or business.

### Put it in a Trust

An irrevocable life insurance trust (ILIT) is an option to consider if the policy's death benefit could cause your estate's value to exceed the federal estate tax exemption amount of \$12.06 million for 2022 (indexed for inflation). Remember, once established, this trust is irrevocable.

*\* Applications for life insurance are subject to underwriting. No insurance coverage exists unless a policy is issued*

*and the required premium 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.*

*\*\* If tax-free loans are taken and the policy lapses, a taxable event may occur. Loans and withdrawals from life insurance policies that are classified as modified endowment contracts may be subject to tax at the time that the loan or withdrawal is taken, and if taken prior to age 59½, a 10 percent federal tax penalty may apply. Withdrawals and loans reduce the death benefit and cash surrender value.*



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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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# You Have More Than One FICO® Score

Your FICO® score is based on the information in your credit report and shows lenders how likely you are to repay a loan. When you apply for credit, lenders use your score to determine the amount you can borrow and the interest rate you'll be charged. Typically, the higher your score, the better the rate.



FICO scores generally range from 300-850. The length of your credit history, your history of on-time bill payments, and the amount of debt you have relative to your available credit are some of the factors used in determining your credit score. Some industries have refined the base FICO score to reflect the type of credit the borrower is seeking.

**FICO® Auto Scores** are used by auto-financing lenders and give additional weight to your history of making on-time auto loan payments.

**FICO® Bankcard Scores** are used by credit card companies and take into account how responsible you've been with credit cards in the past, which affects whether you'll get credit and the interest rate you're charged.

## Find Extra Cash Hiding in Plain Sight

Looking for extra dollars to invest? They might be right in front of you.

### They're in the Kitchen

Instead of buying coffee on your way to work every morning and going out for lunch every day, bring a thermos of coffee from home and brown bag it at lunch time. Prepare a shopping list for the week and buy only what's on it to save money at the grocery store — and at the gas pump because you'll make only one trip.

### They're in Your Wallet

It's easy to overspend when you're using a credit card. Instead, pay with cash or a debit card. You'll be limited to using money you have in your wallet or bank account.

### They're in Your Phone and TV

Shopping for a less expensive phone plan could save a bundle each month. And can you really watch 300 cable channels, plus streaming options? Cutting back on subscriptions can put cash back in your pocket — and free up time for other activities in the process.

### They're in Your Car

From shopping around for cheaper gas to comparing rates on auto insurance, you can save money on owning a car. If it's time to replace your vehicle, consider buying a previously owned model. You may find one with all the accessories you want for much less than a new car.



# Talk to Your Spouse

You've discussed where you want to live, the next place to go on vacation, and whose family you'll spend the holidays with, but have you talked—really talked—about money? Financial issues are often a major source of stress between partners. Talking about money can lessen the stress and make sure you're both on the same page with your finances.

## Start the Conversation

Knowing how each partner feels about money is a good starting point. If one of you is a frugal saver while the other likes to spend with abandon, you're going to have to compromise. As a couple, commit to saving a specific amount each month. Then set aside a small amount to use as a splurge so the spender won't feel deprived.

## Who's Handling the Money?

Designating one person to pay the bills can be a sensible approach to managing expenses and help minimize the possibility for a payment to be overlooked. Discuss which one of you will take on the task. However, both of you should be knowledgeable about your finances and able to assume the role of money manager at any time.



## Income and Debt




Will you completely merge your finances or keep some things separate? As a starting point, each partner should know the other partner's income. It's also important for both of you to know about outstanding debt, including student or personal loans, car payments or credit card balances. Consider opening a joint account to pay shared expenses and having individual accounts for personal expenses you're each responsible for paying.





## Share Your Financial Goals

One of your most important discussions should be about your saving and investing goals. Share your feelings about the goals that are important to you, such as buying a home, funding college for your children, and saving for retirement. Both of you should develop a relationship with your financial planner, who will help you define your objectives and determine the best plan for achieving them.

# Are You Above Average?

Here's a snapshot of the average U.S. household's finances. See how your own finances compare.

	<b>Gross Household Income:</b>	\$87,864
	<b>Checking Account Balance:</b>	\$10,618
	<b>Monthly Spending:</b>	\$ 5,102
	<b>Credit Card Debt:</b>	\$ 6,194

	<b>Household Debt:</b>	\$145,000
	<b>Social Security Monthly Retirement Benefit:</b>	\$ 1,514
	<b>Savings Rate:</b>	13.7%
	<b>FICO® Score:</b>	711



**Average 401(k) Balance:** \$106,478

### BY AGE GROUP:

<b>Under 25:</b>	\$ 5,419	<b>45-54:</b>	\$135,777
<b>25-34:</b>	\$26,839	<b>55-64:</b>	\$197,322
<b>35-44:</b>	\$72,578	<b>65 +:</b>	\$216,720



**Average Retirement Savings:** \$407,490

### BY GENERATION:

<b>Gen Z:</b>	\$ 35,197
<b>Millennials:</b>	\$ 166,430
<b>Gen X:</b>	\$ 568,750
<b>Baby Boomers:</b>	\$1,029,840



# Planning Around an Age Gap

A significant age difference between spouses can present unique challenges for financial and estate planning. The needs of the younger spouse may be quite different from the needs of the spouse who's closer to retirement. Several areas of concern are worth examining.

## Health Care Dilemma

If the family relies on an older spouse's health insurance at work, that spouse's retirement might leave the younger spouse and any minor children without coverage. In this case, the older spouse may consider delaying retirement until the younger spouse is covered by Medicare, as opposed to paying for private insurance.

## Essential Estate Planning

Estate planning can be complicated when there's a significant age difference between spouses. Since it's likely that the younger spouse will outlive his or her partner, an estate plan must provide for the younger spouse while ensuring that any children from a previous marriage aren't disinherited. An estate planning attorney can help you create a strategy to provide for your spouse during his or her lifetime, while preserving assets that will ultimately go to your children.

## Long-term Care Insurance

Paying for long-term care in an assisted living or skilled nursing facility can exhaust a couple's assets, potentially leaving the healthy spouse without enough money for living expenses. Long-term care insurance can help pay the costs of care and can be a valuable part of a financial plan.

## A Place for Life Insurance

Life insurance can be essential for couples with an age difference. Because the younger spouse may need money for many years into the future, life

insurance can replace lost income, provide money for a child's college education, and pay for services once performed by the deceased spouse. Consult your insurance professional to make sure your needs are sufficiently covered.

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## ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

December 10, 2021

Reference: **FR2021-1122-0162/E**

Link Reference: FR2021-0914-0138

Org Id: 23568

1. LTM MarApr 2022 - Insurance

Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury  
Principal Analyst

hrm

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