LET'S TALK MONEY®

July/August 2022

Trusts: Helpful Planning Tools

You may think you have to be very wealthy to include a trust in your estate plan. But even individuals with modest assets may find trusts to be useful for providing more control over how and when assets are distributed to beneficiaries. Here is a brief overview of some of the estate planning objectives you can accomplish using a trust.

Distribute Assets Over Time

You can control how assets are passed to loved ones who may lack financial experience by setting up a trust designed to distribute assets in stages instead of in a lump sum. Alternatively, a trustee may be instructed to ensure that distributions are used only for essential needs.

Ensure Privacy

Placing assets in a living trust allows you to avoid the probate process and transfer assets to beneficiaries privately.

Prevent Unintentional Disinheritance

In blended families, a trust can be used to distribute assets to a decedent's biological children following the death of the second spouse.

Provide for Disabled Children or Relatives

A special need trust can ensure that assets benefit a disabled beneficiary without causing a loss of government benefits, such as health care and housing.

Appoint a Financial Fiduciary

Couples or individuals without children or other family may want to set up a trust and appoint a trust company to manage their financial affairs should they become unable to do so.

Give to Charity

You can use a trust to make charitable donations while still providing for loved ones. There are many ways to structure a trust. Be sure to consult an attorney who specializes in estate planning for guidance.

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FINRA Reference FR2022-0330-0103/E INS

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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

Buying on Time

Paying for items over time is nothing new. That's essentially how credit cards work. But if you shop online, you may have noticed a new trend: an option to pay for the items in your cart in equal interest-free installments. Should you take advantage of the offer?

A Lot Depends on You

Spreading out interest-free payments over a month or so for items you intended to buy anyway may be relatively harmless. However, not having to pay the full cost of your purchase all at once might tempt you to buy additional items on impulse. Before you realize it, the amount of your payments may be far more than you intended or can comfortably afford.

What If You Miss a Payment?

Generally, installment payments are automatically deducted from your checking account every other week, and you're emailed a reminder in advance. But if you miss a payment because funds in your account are low or for some other reason, you'll be charged a late fee, and possibly interest, on your purchases. If you can't make the minimum payments, these fees can quickly spiral out of control.

They're Counting on You

Retailers can select installment plan services from a variety of vendors. Companies offer the installment option hoping that the smaller installment payments will encourage shoppers to buy more—and more expensive—items than they would have purchased if they had to pay the entire cost at checkout.

A Better Way

Instead of paying for items over time and putting your budget at risk, start saving for the things you want. Then pay cash up front.

Raise Your Credit Score

Lenders use credit scores to determine how likely a borrower is to default on a loan. Credit scores typically range from 300 to 850. Borrowers with higher scores generally receive the most favorable rates and terms. Help ensure your access to credit by following a few simple rules.

- Make loan payments on time.
- Stay below your credit limit.
- Keep your older cards. The length of your credit history is one factor used in determining your score.
- Don't close accounts. That can result in having less credit available, which can hurt your score.
- Avoid opening several new accounts within a short period of time.
- Consider allowing credit bureaus to add utility and telecommunications payments to flesh out your credit report.
- Monitor your credit reports from the three major credit bureaus: Experian, TransUnion and Equifax.
- Check whether your financial institution or credit card company provides your credit score along with your account information.

Mortgages: One Size Doesn't Fit All

The state of the economy has a lot to do with interest rates, including the rate you'll pay on a mortgage loan. But other factors go into the loan equation. Your credit score, the amount of your down payment, the kind of mortgage you're applying for and the term help determine your interest rate.

There are several types of mortgages. Your personal circumstances will dictate which option best fits your situation.

Conventional Loans

Conventional loans offered by banks, credit unions and lending companies account for the largest percentage of mortgages. A borrower must have a good credit score and a sizable down payment—at least 20% of the purchase price, the threshold for not having to pay PMI (private mortgage insurance). PMI protects the lender in case of default and typically adds a substantial amount to monthly mortgage payments.

15 or 30?

Conventional loans come with 15- or 30-year terms. Monthly payments on a 30-year mortgage are lower, but you'll pay significantly more in interest over the life of the loan. Borrowers who are comfortable with a higher monthly payment should consider a mortgage with 15-year term, which typically offers a lower interest rate.

Fixed versus Adjustable Rate

Lenders may offer both fixed-rate and adjustable-rate mortgages. With a fixed-rate mortgage, payments remain the same for the life of the loan. With an adjustable-rate mortgage (ARM), the interest rate rises, or falls based on market conditions. Although rates may start off low, borrowers' risk higher rates in the future. ARMs are more suited to buyers who don't plan to stay in a home long term.

Government-backed Loans

FHA loans require a smaller down payment and may be appropriate for borrowers who don't qualify for conventional loans. Borrowers must pay a mortgage insurance premium (MIP), generally for the loan's term.

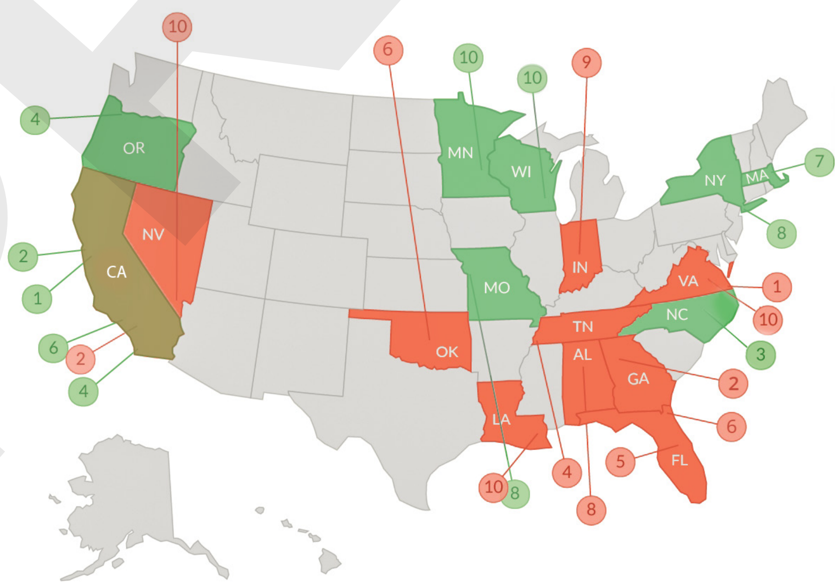
VA Loans are available to servicemembers, veterans, and eligible surviving spouses. This is a lifetime benefit that can be used multiple times. VA loans offer competitive rates and limited closing costs and do not require a down payment or private mortgage insurance.

A Seller's Market

In 2021, competition for homes was very strong in some areas of the U.S. and not as strong in others. According to LendingTree, the most competitive area was San Jose, CA, while the least competitive was Virginia Beach, VA.

Metros with the most competitive homebuyers

- 01 - San Jose, CA
- 02 - San Francisco, CA
- 03 - Raleigh, NC
- 04 (Tie) - Portland, OR
- 04 (Tie) - San Diego, CA
- 06 - Los Angeles, CA
- 07 - Boston, MA
- 08 (Tie) - Kansas City, MO
- 08 (Tie) - New York, NY
- 10 (Tie) - Minneapolis, MN
- 10 (Tie) - Milwaukee, WI



Source: LendingTree

Metros with the least competitive homebuyers

- 01 - Virginia Beach, VA
- 02 (Tie) - Riverside, CA
- 02 (Tie) - Atlanta, GA
- 04 - Memphis, TN
- 05 - Orlando, FL
- 06 (Tie) - Oklahoma City, OK
- 06 (Tie) - Jacksonville, FL
- 08 - Birmingham, AL
- 09 - Indianapolis, IN
- 10 (Tie) - New Orleans, LA
- 10 (Tie) - Las Vegas, NV
- 10 (Tie) - Richmond, VA

Legacy Planning: Keep Taxes in Mind

If you're nearing retirement, you may have two major planning concerns. One is determining how much income you'll need and where it will come from. The other is creating a tax-efficient plan for passing along your assets. If one of your goals is to leave a financial legacy to your family or your favorite charity, you'll want to design a strategy that takes taxes into account.

Expenses and Income

How much money will you need to live on in retirement? In addition to your current living expenses, you may need funds for unanticipated expenses, such medical or long-term care costs. Social Security, pensions and annuities are stable sources of income that you can supplement with retirement plan withdrawals, the sale of investments, and savings.

Your Accounts

Confirming that your accounts are titled appropriately and beneficiary designations are up to date can help ensure that your assets will pass to your beneficiaries as you intend and receive favorable tax treatment. Review designations periodically, especially if your intentions or tax laws change.

Your Strategy

You may be tempted to preserve the assets in a traditional IRA or qualified retirement plan account for your heirs and withdraw funds for living expenses from taxable investment accounts to take advantage of lower capital gains rates. But that strategy could leave your heirs with a large tax bill. Why? Withdrawals from a traditional IRA or qualified retirement plan account are taxed at ordinary income tax rates. However, appreciated assets, such as stocks, generally receive a step up in basis at the owner's death, so any appreciation since you acquired the investment won't be taxable to your heirs. (This benefit may be limited in the future.)

A Work Around

Consider converting all or a portion of the money in a traditional IRA or qualified retirement account to a Roth IRA. Make sure you have other assets to pay income taxes on the conversion.

Being Charitable

Naming a charity as the beneficiary of a qualified retirement plan account or traditional IRA allows the organization to receive the assets tax free. Your estate may also receive an estate tax deduction for the donated assets.

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.

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

April 11, 2022

Reference: **FR2022-0330-0103/E**
Link Reference: FR2021-1221-0263

Org Id: 23568

1. LTM Jul/Aug 2022 - Insurance
   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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