LET'S TALK MONEY®

May/June 2021

Is Life Insurance Optional?

Everyone hopes to live a long and healthy life. But the fact is, there are no guarantees. Would your family or business survive financially if you died suddenly or your company lost a key employee? Life insurance is designed to provide for families or businesses if the unexpected happens.

Life insurance protects your family or business by offering a cash benefit upon the death of the insured. Consider these key reasons for purchasing life insurance.

For Individuals

Life insurance can be used to:

❖ Cover funeral and burial expenses. The average funeral costs between $7,000 and $12,000 — or more. Life insurance proceeds can be used to cover expenses, leaving more of your assets intact for your family.

❖ Replace income. Proceeds from a life insurance policy can help your family maintain its standard of living after the loss of your income.

❖ Pay for your children's college educations. With one less income, saving for college may be difficult for your spouse. Life insurance proceeds can help pay college expenses.

❖ Eliminate debt. Your spouse can use the benefit to pay off a mortgage or settle other debts.

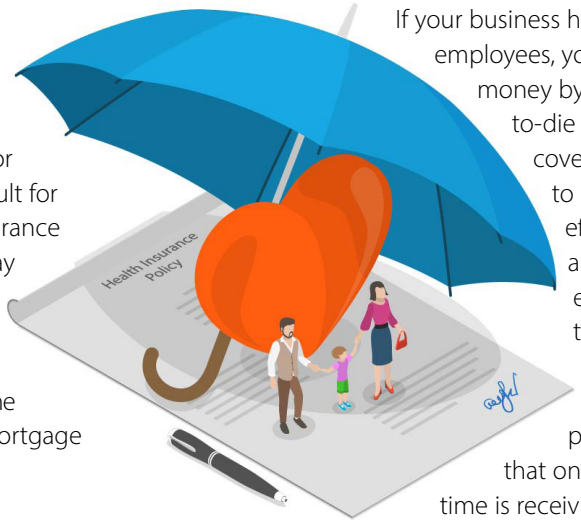
Consider purchasing a life insurance policy on a non-working spouse as well. If your spouse dies, the proceeds can pay for services such as child care and housekeeping.

For Business Owners

The loss of a key employee can be a devastating event for your business. Key person life insurance covers individuals who are crucial to company operations.

The proceeds can be used to:

❖ Compensate the company with cash.
❖ Pay off debts.
❖ Buy out surviving shareholders' interests.
❖ Finance training for a new employee.



If your business has several key employees, you might save money by purchasing a first-to-die policy. The policy covers the first person to die, then remains in effect to cover another key employee. Although the policy provides coverage to several employees, the premiums reflect that only one person at a time is receiving coverage.

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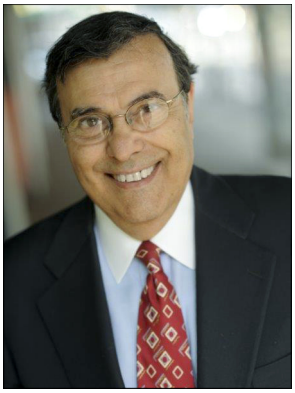
FINRA Reference FR2020-1217-0070/E INS



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The Banking Dilemma

Is a traditional bank or an online bank the best choice for you? It may depend on the features that are most important to you.

Traditional Banks

Brick-and-mortar banks have been a banking mainstay for many years. They offer in-person banking and personalized customer service and the convenience of having multiple branches and ATM locations within a short distance of your home.

Traditional banks typically offer a variety of checking and other accounts, and many have budgeting tools that can help you track spending. Most have mobile and online banking options for monitoring your account, transferring funds, paying bills and depositing checks with your phone or other device.

However, traditional banks do have a few drawbacks. Because of higher operating costs, they generally offer lower interest rates than online banks. Accounts may also have maintenance costs, high overdraft charges and out-of-network ATM fees that you'll want to consider.

Online Banks

With an online bank, you set up and manage your accounts on your computer or mobile device. Their low operating costs generally mean few or no fees. Online banks typically offer higher interest rates since they have no branches to maintain. And, your account is accessible around the clock, so you can transfer funds, pay bills or deposit checks at any time of the day or night.

The drawbacks of an online bank: Customer service is strictly over the phone, so if you have an issue with your account, you may have to speak with several people before it's resolved. Online banks may also offer fewer account options than traditional banks. And keep in mind that cash may be hard to deposit since there are no branches.

A Presidential Proclamation designates May as the month for honoring older people in our communities. It can also serve as a reminder to ask older relatives about their health and finances. Consider talking with loved ones about:

Estate Planning

At a minimum, make sure your relative has a will and up-to-date beneficiary designations on retirement accounts and insurance policies.

Long-term Care Insurance

Most people will require some form of care as they age. Long-term care insurance can help pay the high costs.

Will, Health-care Proxy and Durable Power of Attorney

These documents, respectively, specify end-of-life treatment and appoint someone to make medical and financial decisions when a person is incapacitated and can't make these decisions on his or her own.

Downsizing

Moving into a smaller home or apartment or one without stairs encourages older relatives to clear years of clutter and can make upkeep easier to manage.

On Their Own

Student loan debt, job loss during the pandemic or even fear of being on their own are some of the reasons why many young adults decide to live with their parents. Here are some steps you can take to get your child started along the path to independence.

Decide on a Timetable

Ask your child what he or she thinks is a realistic time frame for moving out. By agreeing on a date in advance, your child may be more likely to adhere to it. Knowing there's a date when the arrangement will end might help all of you to make the best of the situation.

Give Budgeting Lessons

Now is the perfect time to discuss the steps involved in creating a budget. Ask your child to track spending for a few weeks. Your child's current expenses might include car insurance, student loan payments and cell phone plan costs. But, in the future, your child also will need to budget for items such as rent, utilities and food. Banking websites often have good information about budgeting, so suggest that your child check them out.

Encourage Automatic Savings

Your child should have money from each paycheck automatically transferred to a savings account. Doing so can provide the cash needed to rent an apartment and start an emergency fund.

Offer to Match Funds

Provide an incentive to leave the nest by offering to match any money your child saves while living at home.

How Balance Transfers Affect Your Credit Score

Eliminating credit card debt is always a good plan. But accumulating interest can make it difficult to pay off your balances, especially if you're making only minimum payments.

Consolidating credit card balances on a new card with a low promotional rate can save you money. And having a single monthly payment may be easier to manage.

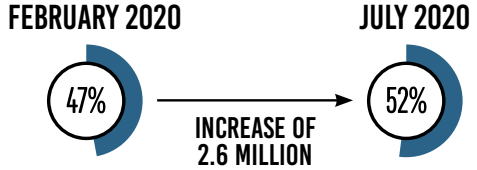
What effect will a balance transfer have on your credit score? A lot depends on you. Here are some tips for consolidating credit card debt that will potentially boost your score.

- Calculate the monthly payment you'll need to make to pay off the balance before the introductory rate ends.
- Don't cancel your old cards. In addition to eliminating your credit history, closing accounts reduces your available credit. Both can have a negative impact on your credit score.
- Avoid charging purchases to your old cards unless you can pay off the balance each month. People often fail at debt consolidation because they run up new debt.

Young Adults Living at Home During the Pandemic

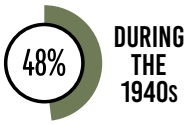
Since the pandemic began in the U.S., the percentage of young adults ages 18-29 living with relatives has become a majority. The numbers surpass the previous peak that occurred during the Great Depression.

Percentage of adults ages 18-29 living with one or both parents



Percentage of adults ages 18-29 reporting that someone in the household has been laid off or taken a pay cut

Highest percentage of young adults living with parents before 2020



Pew Research Center September 24, 2020

Leave a Legacy

You may think of life insurance as a means to protect your loved ones financially should something happen to you. But life insurance can also be structured to accomplish specific estate planning objectives that reflect your final wishes. As part of an estate plan, life insurance proceeds can be used to:

Offset Estate Taxes

Using the benefit to pay estate taxes can leave more of your estate intact for your heirs.

Equalize Estate Distributions

If one of your children will inherit a significant asset, such as a business or real estate, life insurance death benefits can be used to provide an equal inheritance to your other children. For example, assume you own a business that you want to leave to the child who helps you run it. Since your two other children have no interest in the business, you purchase a policy on your life having a death benefit equal to twice the business's value and name your other children as beneficiaries. At your death, one child inherits the business, while your other children receive the life insurance proceeds.

Make a Charitable Gift

You can name a charity as beneficiary of your life insurance policy. Upon your death, the charity receives the death benefit proceeds, reducing your estate by the amount of the benefit. Another option is to donate the policy to the charity, which also will reduce your estate's value. Any premiums paid after the date of the gift are deductible.

Provide for a Special Needs Dependent

Life insurance proceeds can help provide for someone who is unable to manage his or her own finances or care. Setting up a special needs trust and naming the trust as beneficiary of the policy's death benefit is an option you may want to consider. Creating a trust generally ensures that your dependent can still qualify for state and federal benefit programs.

Buy a Deceased Owner's Share of a Business

Life insurance can provide funds to purchase a deceased owner's share of the business from his or her estate or heirs. Legacy planning can be complex, so consult your legal, financial and insurance professionals for guidance.

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