The SWA December 2020 Newsletter

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What are some possible clues that your identity is stolen? You get billed for medical services you didn't receive. Your health insurance carrier rejects a claim stating your limit has already been reached. You are turned down for health insurance after medical records show a condition you don't have. The IRS notifies you that your tax return was already filed.

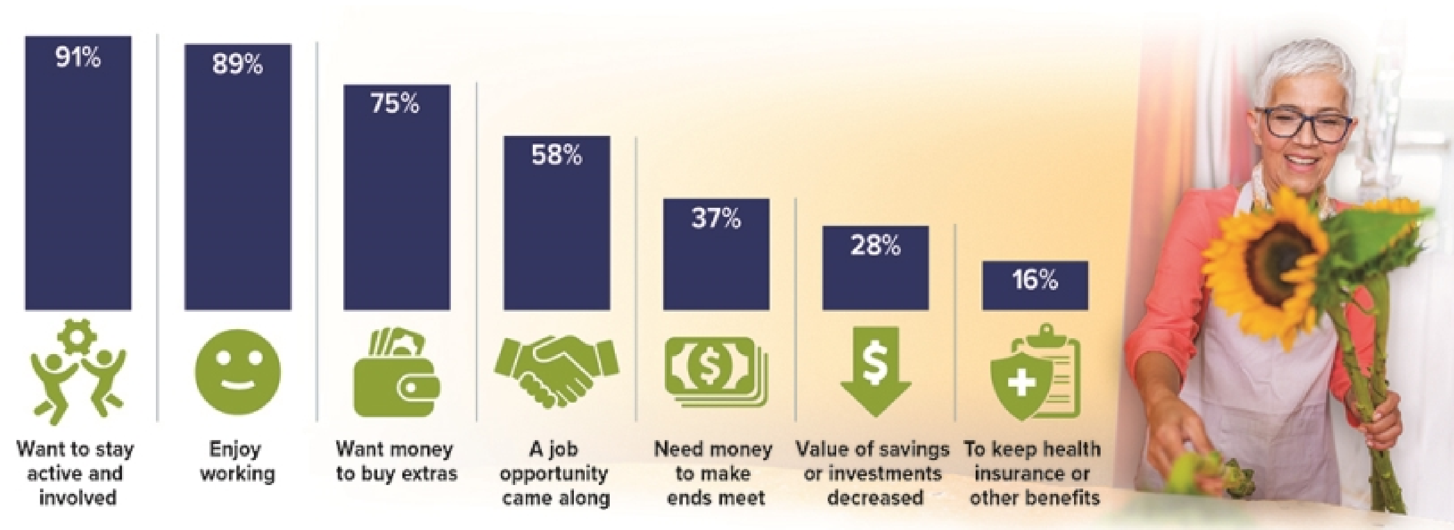
Other ways to detect stolen identity problems include reviewing bank account and credit card activity for unexplained withdrawals and charges. Make sure your bills and other mail arrive as expected and check your credit report for unfamiliar accounts.

Until 2021…
The SWA Team

Working in Retirement

In 2020, 74% of workers said they expected to work for pay after retiring from their regular jobs, but only 27% of retirees said they had actually done so. This large gap between expectation and reality has been fairly consistent in surveys over the past 20 years, and there is no reason to expect it will change. So it may be unwise to place too much emphasis on income from work in your retirement strategy.

Most retirees who worked for pay reported positive reasons for doing so; however, there were negative reasons as well.



Source: Employee Benefit Research Institute, 2020 (2019 data used for chart, multiple responses allowed)

Sharing Your Money Values Can Be Part of Your Legacy

When it's time to prepare the next generation for a financial legacy, you might want to bring your family members together to talk about money. But sitting down together isn't easy, because money is a complicated and emotionally charged topic. Rather than risk conflict, your family may prefer to avoid talking about it altogether.

If your family isn't quite ready to have a formal conversation, you can still lay the groundwork for the future by identifying and sharing your money values — the principles that guide your financial decisions.

Define Your Own Values

What does money mean to you? Does it signify personal accomplishment? The ability to provide for your family? The chance to make a difference in the world? Is being a wise steward of your money important to you, or would you rather enjoy it now? Taking time to think about your values may help you discover the lessons you might want to pass along to future generations.

Respect Perspectives

The unspoken assumption that others share your financial priorities runs through many money-centered conversations. But no two people have the same money values (even relatives). To one person, money might symbolize independence; to another, money equals security. Generational differences and life experiences may especially influence money values. Invite your family members to share their views and financial priorities whenever you have the opportunity.

See Yourself as a Role Model

Your actions can have a big impact on those around you. You're a financial role model for your children or grandchildren, and they notice how you spend your time and your money.

Look for ways to share your values and your financial knowledge. For example, if you want to teach children to make careful financial decisions, help them shop for an item they want by comparing features, quality, and price. If you want teenagers to prioritize saving for the future, try matching what they save for a car or for college. Teaching financial responsibility starts early, and modeling it is a lifelong effort.

Practice Thoughtful Giving

How you give is another expression of your money values, but if a family member is the recipient, your generosity may be misconstrued. For example, your adult son or daughter might be embarrassed to accept your help or worried that a monetary gift might come with strings attached. Or you may have a family member who often asks for (or needs) more financial support than another, which could lead to family conflicts.

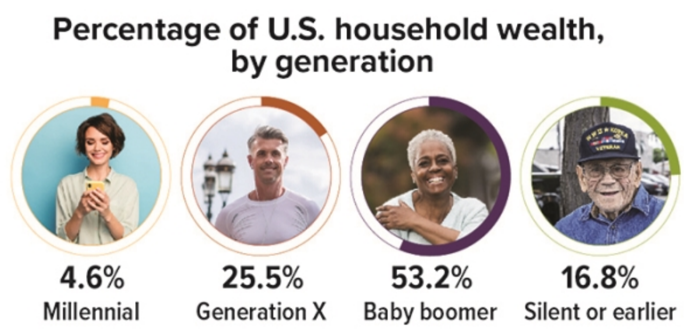
Defining your giving parameters in advance will make it easier to set priorities, explain why you are making certain decisions, and manage expectations. For example are you willing and able to:

- Help fund a college education?
- Provide seed money for a small business?
- Help with a down payment on a home?
- Pay for medical expenses?
- Contribute to an account for a family member with special needs?
- Offer nonfinancial help such as child care or transportation?

There are no right or wrong answers as long as your decisions align with your financial values and you are sure that your gift will benefit both you and your family member. Maintaining consistent boundaries that define what help you are willing and able to provide is key. Gifts that are not freely given may become financial or emotional obligations that disrupt family relationships.

The Great Wealth Transfer

Seventy percent of U.S. household wealth is held by older generations. Although younger people may be far behind today, they stand to inherit much of this wealth in the coming decades, while also accumulating wealth through their own efforts.



Source: Federal Reserve, 2020 (Q2 2020 data)

Reveal Your Experiences with Money

Being more transparent about your own financial hopes and dreams, and your financial concerns or struggles, may help other family members eventually open up about their own.

Share how money makes you feel — for example, the satisfaction you felt when you bought your first home or the pleasure of giving to someone in need. If you have been financially secure for a long time, your children may not realize how difficult it was for you, or for previous generations, to build wealth over time. Your hard-earned wisdom may help the next generation understand your values and serve as the foundation for a shared legacy.

LTC Insurance vs. Hybrid Life Insurance: Comparison

An important part of any retirement strategy involves factoring in the potential expenses associated with long-term care. For many years, people have purchased long-term care insurance to help cover some of those costs.

However, over the past decade, other insurance products have become available that combine life insurance with some type of accelerated and/or extended benefits provision for long-term care. A comparison of the general frameworks of each type of insurance could help you decide which option may be better for you.

Note: *Some insurers offer combination annuity products that offer long-term care benefits. The focus of this article is on hybrid life insurance compared to traditional long-term care insurance.*

Similarities

Hybrid life insurance and traditional long-term care insurance share basic similarities. For instance, both require the applicant for insurance to meet minimum health and cognitive standards in order to get the coverage, both pay claims after the insured incurs long-term care expenses, there is often a waiting, or elimination period before claims are paid, and payments for long-term care are generally received by the insured income-tax free.

Differences

Despite the general similarities, there are differences between hybrid life insurance and traditional long-term care insurance.

Cost. Hybrid life insurance usually costs more than traditional long-term care insurance. Hybrid policies are often paid with a single payment or payments over a few years, usually no more than 10. Long-term care premiums may increase over time, whereas hybrid policy payments generally do not change.

Life insurance death benefit. A hybrid policy includes a death benefit. Payments for long-term care reduce the death benefit, but the policy often has a minimum death benefit even if long-term care payments exceed the total death benefit amount. So if you don't use the hybrid policy for long-term care, there's still a death benefit that will be paid to your named policy beneficiaries at your death. Long-term care insurance is typically a "use it or lose it" proposition. While some long-term care policies may offer a return of premium option, they're usually very expensive and rarely purchased. With most long-term care insurance, if you don't use the policy for long-term care, nothing is paid at your death and there is no reimbursement of your premiums.

Cash value. Most hybrid policies have a cash-value component. While payments for long-term care are generally received income tax-free, withdrawals from the cash-value of a hybrid policy are treated like any other cash-value withdrawals. If the policy is categorized as a modified endowment contract (MEC), then cash value withdrawals are taxed as last in, first out, meaning any earnings on the cash value are deemed withdrawn first and subject to income taxation. Long-term care insurance has no cash value.

Benefit payments. Long-term care insurance benefit payments are often larger than hybrid policy payments.

An individual should have a need for life insurance and should evaluate the policy on its merits as life insurance. Optional benefit riders are available for an additional fee and are subject to contractual terms, conditions and limitations as outlined in the policy and may not benefit all investors. Any payments used for covered long-term care expenses would reduce (and are limited to) the death benefit or annuity value and can be much less than those of a typical long-term care policy.

Permanent life insurance offers lifetime protection and a guaranteed death benefit as long as you keep the policy in force by paying the premiums. A portion of the permanent life insurance premium goes into a cash-value account, which accumulates on a tax-deferred basis throughout the life of the policy. Withdrawals of the accumulated cash value, up to the amount of the premiums paid, are not subject to income tax. Loans are also free of income tax as long as they are repaid. Loans and withdrawals from a permanent life insurance policy will reduce the policy's cash value and death benefit, could increase the chance that the policy will lapse, and might result in a tax liability if the policy terminates before the death of the insured. Additional out-of-pocket payments may be needed if actual dividends or investment returns decrease, if you withdraw policy cash values, or if current charges increase. Any guarantees are contingent on the claims-paying ability and financial strength of the issuing insurance company. Policies commonly have mortality and expense charges. If a policy is surrendered prematurely, there may also be surrender charges and income tax implications.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

Medicaid May Pay You as a Family Caregiver

Each day, parents, children, siblings, and spouses selflessly sacrifice their time and energy to care for family members affected by illness, injury, or disability.

According to the Department of Health and Human Services, about 80% of care at home is provided by unpaid caregivers and may include an array of emotional, financial, nursing, social, homemaking, and other services. More than half (58%) have intensive caregiving responsibilities that may include assisting with a personal care activity, such as bathing or feeding.[1]

Caregiving can exact an emotional and physical toll. It can be financially draining, too. However, if you are a caregiver of a loved one, you may be able to be paid for your services by Medicaid.

Each state and the District of Columbia have programs that allow qualified individuals to manage their own long-term care services, including the selection of a caregiver.

Many states' Medicaid programs allow the participant to hire relatives or friends to provide needed assistance. But Medicaid services are different in each state, and states generally have more than one Medicaid program that may offer caregiver benefits.

For instance, some state programs may pay for family caregivers but exclude spouses or in-laws. Others may only provide compensation if you do not live in the same house as the person in your care.

There are a few things to note. Generally, Medicaid looks at the applicant's financial situation (income and assets) as well as his or her functional ability. Once approved, the applicant can apply for a specific Medicaid program that allows for the applicant to manage their own care, including selection of a caregiver who may be paid, directly or indirectly, by Medicaid.

Contact your state Medicaid office to learn about their specific programs and respective eligibility requirements. Also, some states have programs in addition to Medicaid that may pay for family caregiver services.

[1] Department of Health and Human Services, longtermcare.acl.gov