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Investment News

July 2021

Insurance When You Marry After 40

With people marrying later in life these days, coverage has become even more important.

When you marry, you buy life insurance. Right? You buy it out of consideration for your spouse, and also realize that in the event of either your untimely death or your spouse's untimely death, your household could be left with one income to shoulder expenses that may not lessen.

These days, people are marrying later in life. Take first marriages, for example. A recent study by the Pew Research Center says the median age for marriage in America is now 30 for men and 28 for women, compared to respective median ages of 23 and 21 in 1968. Today, 16% of us are waiting until at least our late forties to marry.[1,2]

Maybe you are marrying after age forty, or thinking about it. That might call for other insurance considerations besides having life insurance policy. Whether you are marrying for the first time or the second, third, or fourth time, your earnings and net worth may be much greater than they were ten, twenty, or thirty years ago, and you also may have some age-linked or business-linked insurance priorities.

These are worth discussing on your way to marrying. Are you and your spouse set to run a business or professional practice? Is there a significant occurrence of dementia in your family history, or your spouse's family history? How about a particular, severe illness? These questions may seem tough to mull over as you approach the big day, but being pragmatic now might be wise for the years ahead.

Some of us will live very long lives, and possibly need assisted living someday. Marrying at mid-life or later means giving serious thought not just to life insurance, but also to ways to insure extended care. The Social Security Administration projects that today, the average 65-year-old man will probably live to age 83; the average 65-year-old woman will probably live to age 85. Advances in health care may mean even longer lifespans for those who turn 65 ten or twenty years from now. A percentage of us may be so "above average" that we live past 100, and that percentage may grow with scientific breakthroughs.[3]

Extended care coverage, or coverage that offers the potential to keep a household can be important in the marriage. It may be smart to have a life insurance trust created for the benefit of one spouse, or have one spouse own a particular policy.

Using a life insurance trust involves a complex set of tax rules and regulations. Before moving forward with a life insurance trust, consider working with a professional who is familiar with the rules and regulations.

Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Now is not too soon to think about these matters. Looking into these different insurance coverages could be a very kind thing to do for your future spouse, yourself, and your marriage.

Citations
1. Pew Research Center, May 27, 2020
2. Good Morning America, May 24, 2021
3. NerdWallet, November 6, 2020

INSIDE THIS ISSUE:

Ways to Fund Special Needs Trusts

A look at the different choices & strategies.

If you have a child with special needs, a trust may be a financial priority. There are many crucial goods and services that Medicaid and Supplemental Security Income might not pay for, and a special needs trust may be used to address those financial challenges. Most importantly, a special needs trust may help provide for your disabled child in case you're no longer able to care for them.

Remember, using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

In preparing for a special needs trust, one of the most pressing questions is: when it comes to funding the trust, what are the choices?

There are four basic ways to build up a third-party special needs trust. One method is simply to pour in personal assets, perhaps from immediate or extended family members. Another possibility is to fund the trust with life insurance. Proceeds from a settlement or lawsuit can also serve as the core of the trust assets. Lastly, an inheritance can provide the financial footing to start and fund this kind of trust.

Families choosing the personal asset route may put a few thousand dollars of cash or other assets into the trust to start, with the intention that the initial investment will be augmented by later contributions from grandparents, siblings, or other relatives. Those subsequent contributions can be willed to the trust, or the trust may be named as a beneficiary of a retirement or investment account.[1,2,3]

When life insurance is used, the trustor makes the trust the beneficiary of the policy. When the trustor dies, the policy's death benefit is left to the trust.[1,2,4]

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A lump-sum settlement or inheritance can be invested while within the trust. With a worthy trustee in place, there is less likelihood of mismanagement, and funds may come out of the trust to support the beneficiary in a measured way that does not risk threatening government benefits.

Care must be taken not only in the setup of a special needs trust, but in the management of it as well. This should be a team effort. The family members involved should seek out legal and financial professionals who are well versed in this field, and the resulting trust should be a product of close collaboration.

Citations

1. WSJ.com, June 3, 2021
2. SpecialNeedsAnswers.com April 12, 2021
3. SpecialNeedsAnswers.com July 3, 2019
4. SpecialNeedsAnswers.com October 2, 2019

MARKET PERFORMANCE
01/01/2021 to 06/30/2021

DJIA ^DJI Up 12.73%
S&P 500 ^GSPC Up 14.41%
NASDAQ ^IXIC Up 12.54%
Russell 2000 ^RUT Up 16.70%

* Index performance does NOT include any fees (Gross of fees)

Source: http//finance.yahoo.com

FAFSA Simplification Act

Learn about how legislative changes can help you finance your loved one's education

As a parent or grandparent, you know firsthand the challenges of funding a child's education. The Free Application for Federal Student Aid (FAFSA) Act was passed at the end of 2020 and has changed some of the qualifications for students to receive financial aid.

These changes will affect those applying for financial aid for the 2023-2024 school year. You'll notice these changes on October 1, 2022, which is when the FAFSA opens for the 2023-2024 school year.

529 plans from grandparents are no longer counted as cash against financial aid. One of the most confusing parts of the FAFSA process was how to account for cash funding. While the FAFSA doesn't require 529 accounts owned by grandparents to be disclosed, families are required to disclose cash support that the student receives. This cash support may then include money from a 529 account. If students received money from these accounts, the student was still expected to disclose these disbursements as cash, and very often, financial aid needs and options were reduced.[1]

Parent-owned 529 plans are automatically factored into the FAFSA when a dependent files, and are only evaluated for up to 5.64% available for college use (no more than any other non-qualified asset).

A 529 plan is a college savings plan that allows individuals to save for college on a tax-advantaged basis. State tax treatment of 529 plans is only one factor to consider prior to committing to a savings plan. Also, consider the fees and expenses associated with the particular plan. Whether a state tax deduction is available will depend on your state of residence. State tax laws and treatment may vary. State tax laws may be different from federal tax laws. Earnings on non-qualified distributions will be subject to income tax and a 10% federal penalty tax.

A simplified questionnaire. The FAFSA has been greatly reduced in size, from 108 demographic, educational, and identification questions to a maximum of 36 questions. Part of the restructuring was aimed at clearing up confusion as to who is and is not a dependent student, and what type of assets need to be included.[2,3]

Student Aid Indicator (SAI) calculation changes. Part of the questionnaire changes were due to changes made to the calculations for financial aid. The Student Aid Indicator (SAI) is the math behind the scenes that determines what types of funding and how much a student is eligible for. Keep in mind that these calculations are still complicated, but that overall, eligibility for financial aid has been broadened.[4]

Citations
1. ColumbiaThreadneedleUS.com, May 7, 2021
2. Help.Senate.gov, 2021
3. NerdWallet.com, January 25, 2021
4. AACRAO.org, April 16, 2021

We hope you enjoy our newsletter!
Please e-mail us any topics you would like to see covered in future newsletters.

We welcome your referrals and feedback. Please feel free to share this newsletter with your family and friends.

The Cryptocurrency Conundrum

It's more important than ever to be aware of your risk tolerance.

Recently, you may have seen a number of major cryptocurrencies fall thanks to a continuing sell-off that began last week. In fact, over $250 billion was lost in the crypto market alone.[1]

It may be tempting to view this as another volatile moment in the crypto markets, but there's more at work here than a temporary trend towards selling.

Prior to this moment, over 50% of the world's cryptocurrency was mined in China using custom-built computers with a high hashrate. Hashrate, or the rate at which calculations can be performed, is a crucial factor for those who "mine" cryptocurrency. The higher the hashrate, the more calculations that can be completed per second, and the more cryptocurrency that can be mined.[2]

However, these super-powered machines also require a phenomenal amount of power—enough to overload local infrastructure in some cases.[3]

This has led to China directing its electric companies to cut power to major crypto-mining operations across the country. The question is, why now? There may be multiple reasons, but the Chinese government has claimed that it's acting now because of concerns around crypto's volatile price, concerns over electricity use, and cryptocurrency's potential use for money laundering and illegal dealings.[4]

With all of this in mind, it's more important than ever to be aware of your risk tolerance if you're thinking about exploring cryptocurrency. Cryptocurrency is not a currency at all. It's a speculative asset class that is not appropriate for everyone. Only people with a high-risk tolerance should consider cryptocurrency assets.

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Like other alternative assets, cryptocurrency can be illiquid at times, and its current values may fluctuate from the purchase price. Cryptocurrency assets can be significantly affected by a variety of forces, including government decisions, economic conditions, and simple supply and demand.

Give us a call today if you have any questions about the above, or just want to chat. We're always here to help!

Citations

1. CNBC.com, May 19, 2021
2. Theverge.com, June 23, 2021
3. Visualcapitalist.com, 2021
4. Reuters.com, May 21, 2021