

# Personal Financial Update

## Family Stewardship



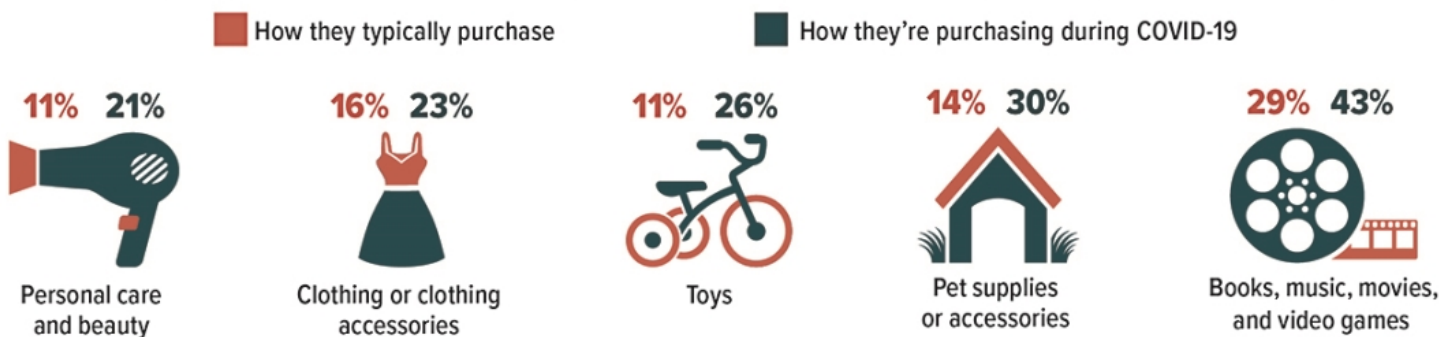
**Cynthia L. Keith, CFA**  
**Executive Director - Investments**  
**Oppenheimer & Co. Inc.**  
5301 Wisconsin Ave, NW Ste 300 • Washington • DC • 20015  
202-261-0769 • 877-999-9280  
cynthia.keith@opco.com • kevin.henry@opco.com



## Baby Boomers Buying More Online

The coronavirus pandemic has forced consumers to change many habits, including how they shop. This is particularly true for baby boomers (ages 56 to 74). Nearly half (45%) said they shop online more, with some product categories seeing a large shift in online purchases.

### Percentage of baby boomers who purchase selected products primarily or entirely online



Source: National Retail Federation, 2020

# Watch Out for These Financial Pitfalls in the New Year

As people move through different stages of life, there are new financial opportunities and potential pitfalls around every corner. Here are common money mistakes to watch out for at every age.

## Your 20s & 30s

**Being financially illiterate.** By learning as much as you can about saving, budgeting, and investing now, you could benefit from it for the rest of your life.

**Not saving regularly.** Save a portion of every paycheck and then spend what's left over — not the other way around. You can earmark savings for short-, medium-, and long-term goals. A variety of mobile apps can help you track your savings progress.

**Living beyond your means.** This is the corollary of not saving. If you can't manage to stash away some savings each month and pay for most of your expenses out-of-pocket, then you need to rein in your lifestyle. Start by cutting your discretionary expenses, and then look at ways to reduce your fixed costs.

**Spending too much on housing.** Think twice about buying a house or condo that will stretch your budget to the max, even if a lender says you can afford it. Consider building in space for a possible dip in household income that could result from a job change or a leave from the workforce to care for children.

**Overlooking the cost of subscriptions and memberships.** Keep on top of services you are paying for (e.g., online streaming, cable, the gym, your smartphone bill, food delivery) and assess whether they still make sense on an annual basis.

**Not saving for retirement.** Perhaps saving for retirement wasn't on your radar in your 20s, but you shouldn't put it off in your 30s. Start now and you still have 30 years or more to save. Wait much longer and it can be hard to catch up. Start with whatever amount you can afford and add to it as you're able.

**Not protecting yourself with insurance.** Consider what would happen if you were unable to work and earn a paycheck. Life insurance and disability income insurance can help protect you and your family.

## Your 40s

**Not keeping your job skills fresh.** Your job is your lifeline to income, employee benefits, and financial security. Look for opportunities to keep your skills up-to-date and stay abreast of new workplace developments and job search technologies.

**Spending to keep up with others.** Avoid spending money you don't have trying to keep up with your friends, family, neighbors, or colleagues. The only financial life you need to think about is your own.

**Funding college over retirement.** Don't prioritize saving for college over saving for retirement. If you have limited funds, consider setting aside a portion for college while earmarking the majority for retirement. Closer to college time, have a frank discussion with your child about college options and look for creative ways to help reduce college costs.

**Using your home equity like a bank.** The goal is to pay off your mortgage by the time you retire or close to it — a milestone that will be much harder to achieve if you keep moving the goal posts.

**Ignoring your health.** By taking steps now to improve your fitness level, diet, and overall health, not only will you feel better today but you may reduce your health-care costs in the future.

---

## The Weight of Too Much Debt

Approximately 70% of workers with non-mortgage debt say their debt has impacted their ability to save for emergencies and retirement, with 40% saying their debt is a “minor” problem and 21% saying it is a “major” problem.



Source: Employee Benefit Research Institute, 2020

---

## Your 50s & 60s

**Co-signing loans for adult children.** Co-signing means you're 100% on the hook if your child can't pay — a less-than-ideal situation as you approach retirement.

**Raiding your retirement funds before retirement.** It goes without saying that dipping into your retirement funds will reduce your nest egg, a significant tradeoff for purchases that aren't true emergencies.

**Not knowing your sources of retirement income.** As you near retirement, you should know how much money you (and your partner, if applicable) can expect from three sources: your personal retirement accounts (e.g., 401(k) plans and IRAs); pension income from an employer; and Social Security at age 62, full retirement age, and age 70.

**Not having a will or advance medical directive.** No one likes to think about death or catastrophic injury, but these documents can help your loved ones immensely if something unexpected should happen to you.

# COVID-19 and the Importance of Disability Income Insurance

The prospect of being unable to work due to an illness or injury may seem remote to many of us, particularly during our younger working years. However, the COVID-19 pandemic has increased the chances of getting sick and not being able to work for an extended period, making disability income insurance (DI) more important than ever, regardless of your age.

Health insurance may pay for some of the medical expenses related to your illness, but it won't cover your lost wages if you can't work. And while many employers offer some form of sick leave, it may not last long enough to cover the length of time you can't work. Disability income insurance pays a portion of your salary if you are unable to work due to an injury or illness. But will DI cover you if you can't work due to COVID-19?

## Will Disability Insurance Pay for COVID-19-Related Disabilities?

Generally, disability income insurance provides income benefits if you are unable to work for a medical reason. Before paying a claim for benefits, most DI policies require that you are unable to work because of a diagnosed medical condition, such as COVID-19, that has been verified by a doctor or other qualified medical professional.

If you are ill, or test positive for the virus, and are unable to work due to your illness or a medical quarantine (i.e., you can't work remotely), you should qualify for DI benefits. On the other hand, even if you tested positive and have a mild illness or are under a medical quarantine, but you have the ability to work, (i.e., you can work remotely), then you probably won't qualify for DI benefits. It is important to note that social quarantine (e.g., a government-mandated stay-at-home order) is not a medical quarantine and will not qualify for DI benefits. Likewise, if your employer shuts down temporarily or permanently due to the virus, you will not qualify for DI benefits.

## Short-Term Disability Insurance vs. Long-Term Disability Insurance

There are two types of disability income insurance, short term and long term. While the provisions may vary by insurer, short-term DI policies usually have short elimination, or waiting periods (3-14 days) following the onset of your disability before the insurance pays. Although some policies offer benefits for up to two years, many contracts pay benefits for six months to one year.

Long-term DI policies have a longer elimination period (typically 90 days), but may pay benefits up to age 65, although, in certain instances long-term DI may pay lifetime benefits. Disability policies typically pay benefits that equal 50% to 70% of your gross monthly base salary. A monthly maximum benefit may apply.

For disability protection related to COVID-19, short-term DI should be enough if you miss work due to a medical quarantine. However, if you're unable to work for a longer time due to complications from the virus, long-term DI would be needed.

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. Guarantees are subject to the financial strength and claims-paying ability of the issuer.

## Where Can You Get Disability Insurance?

In general, access to disability benefits can come from private insurance (individual or group DI policies purchased from an insurance company) or government insurance (social insurance provided through federal or state governments).

Private disability insurance refers to disability insurance that you purchase through an insurance company. Many types of private disability insurance exist, including individual DI policies, group policies, group association policies, and riders attached to life insurance policies.

Private disability policies usually offer more comprehensive benefits to insured individuals than social insurance. Individually owned disability income policies may offer the most coverage (at a greater cost), followed by group policies offered by an employer or association. Check with your employer or professional association to see if you are eligible to participate in a group plan. Even if your employer offers disability insurance, it's probably short-term DI and may not provide benefits if a disability due to COVID-19 lasts for more than three months. For disabilities that last longer or are permanent, you'll need a long-term DI policy to provide benefits while you can't work.

# Umbrella Insurance Offers Extra Liability Coverage

Accidents can happen, no matter how careful you are. Even if you make every effort to help ensure that your house and the surrounding area are safe for visitors, rain, snow, or ice can cause slippery stairs and walkways. You might face an increased risk of having a liability claim filed against you if you have a dog, a swimming pool, a trampoline, employ workers in your home, or own a rental property. Or you could be held responsible for a serious auto accident — a special concern if you have a teenage driver.

American society is litigious, and some legal judgments seem excessive. Standard homeowners and auto insurance policies generally cover personal liability, but you may not have enough coverage to protect your income and assets in the event of a high-dollar judgment. That's when umbrella insurance could be a big help, providing additional coverage, up to policy limits.

On top of the liability coverage amount, an umbrella policy may help pay legal expenses and compensation for time off from work to defend yourself in court. It might also cover situations not included in standard homeowners policies, such as libel, slander, invasion of privacy, and defamation of character.

Umbrella insurance is not just for wealthy households; it is also appropriate for middle-income families with substantial home equity, retirement savings, and current and future income that could be used to satisfy

a large jury award. (Home equity might be protected, at least in part, by state law. Qualified retirement plan assets may have some protection from creditors under federal and/or state law, depending on the plan and jurisdiction, but you would still be liable for any judgments.)



*Protecting yourself with an umbrella policy could help avoid expensive consequences down the road.*

---

Although coverage and costs vary by insurer, you can typically obtain \$1 million in coverage for \$300 or less per year; higher coverage amounts can be even more cost-effective. Before adding umbrella insurance, however, you generally must purchase a certain amount of liability coverage on your homeowners and auto policies (typically \$300,000 and \$250,000, respectively), which serve as a deductible for the umbrella policy.<sup>1</sup>

Your insurer can help you determine how much current liability protection you have, and how much more you can purchase. It might be helpful to consider your assets, potential exposure, and what you consider to be an acceptable risk.

1) Insurance Information Institute, 2020

---

The content herein should not be construed as an offer to sell or the solicitation of an offer to buy any security. The information enclosed herewith has been obtained from outside sources and is not the product of Oppenheimer & Co. Inc. ("Oppenheimer") or its affiliates. Oppenheimer has not verified the information and does not guarantee its accuracy or completeness. Additional information is available upon request. Oppenheimer, nor any of its employees or affiliates, does not provide legal or tax advice. However, your Oppenheimer Financial Advisor will work with clients, their attorneys and their tax professionals to help ensure all of their needs are met and properly executed. Oppenheimer & Co. Inc. Transacts Business on all Principal Exchanges and is a member of SIPC.