# Financial Strategies

News You Can Use!!

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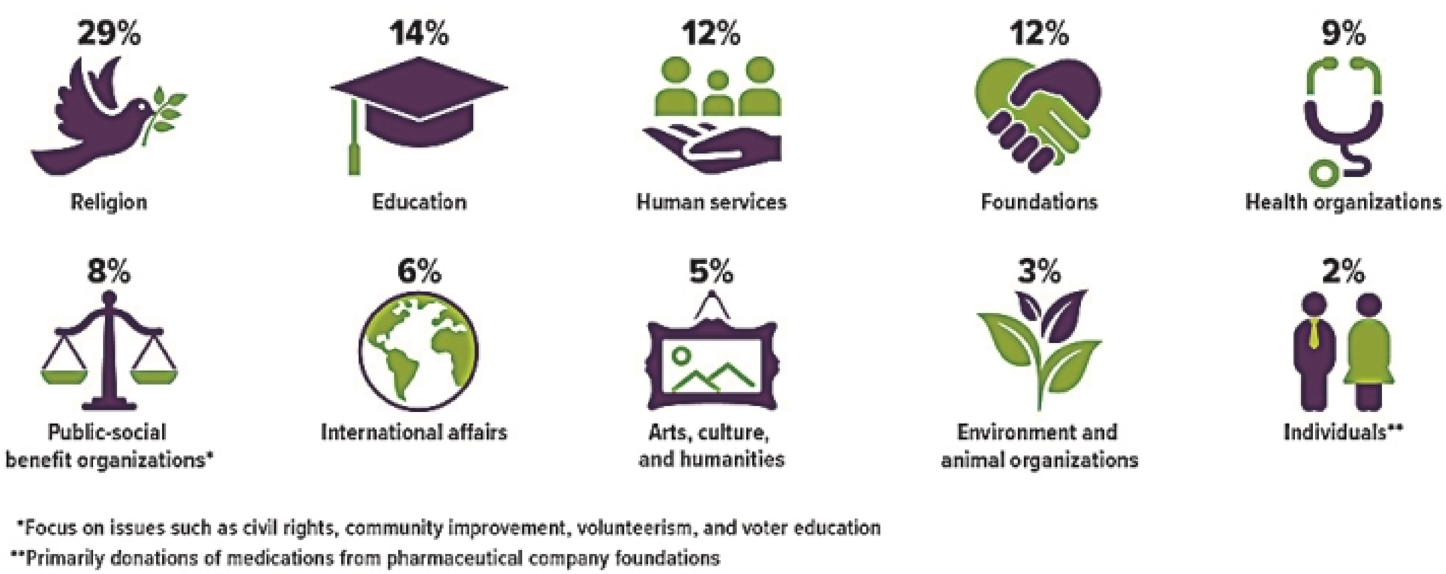
## Spreading Generosity

Americans gave almost $450 billion to charity in 2019, an increase of 4.2% over the previous year. Individuals accounted for more than two-thirds of this amount, followed by contributions from foundations, bequests, and corporations. Here is a breakdown of the recipients of this generosity, by percentage of total charitable contributions.




Source: *Giving USA 2020*



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# 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.

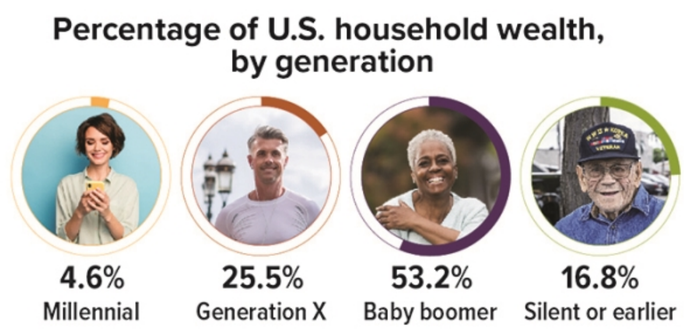
Defining your giving parameters in advance will make it easier to set priorities, explain why you are making certain decisions, and manage expectations. For example are you willing and able to:

- 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.*

# How to Help Maintain a High Credit Score

During the holiday shopping season, your credit score is probably the last thing on your mind. But as you start your seasonal spending, remember to use credit wisely so you can start the new year with a healthy credit score. The following tips can help you maintain or potentially improve your credit score throughout the holidays and beyond.

**Know how your credit score is calculated.** The most common credit score is expressed as a three-digit number ranging from 300 to 850. (Some lenders may calculate it differently, but this should be a good guideline.) The score is derived from a formula using five weighted factors: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%), and types of credit in use (10%).[1] Keeping these components in mind can help you stay on track with your credit.

**Make payments on time.** Set up alerts for every credit card you have so you don't miss notifications of charges, statements, or due dates. To help avoid missed payments, set up automatic payments. If you do miss a payment, contact the lender and bring the account up-to-date as soon as possible.

**Keep credit-card balances low.** If you carry a balance, consider paying down the cards with the highest balance-to-credit limit ratio first while keeping up minimum (or higher) payments on others. Don't "max out" your available credit.

**Be careful about opening and closing accounts.** Some retailers may offer discounts on purchases if you sign up for a store credit card, but store cards often have high interest rates and low credit limits. Unless you plan on shopping regularly at that store and the card offers useful bonuses or discounts, avoid applying for new credit cards solely to save money on purchases. Likewise, try not to close multiple accounts within a short period of time — this could actually hurt your credit score.

**Research before using credit boosting services.** You might be tempted to sign up for a free service that promises to instantly boost your credit score, but they're usually only worth considering if you have a thin credit file and/or a low credit score. These services can't fix any late payments you've made or reduce the impact of an excessive level of debt.

**Monitor your credit report regularly.** You can order a free credit report annually* from each of the three major consumer reporting agencies at annualcreditreport.com. If you find incorrect information on your credit report, contact the reporting agency in writing, provide copies of any corroborating documents, and ask for an investigation.

**Due to the COVID-19 pandemic, Equifax, Experian, and TransUnion are offering free weekly online reports through April 2021.*

1) Fair Isaac Corporation, 2020