Financial Strategies

News You Can Use!!

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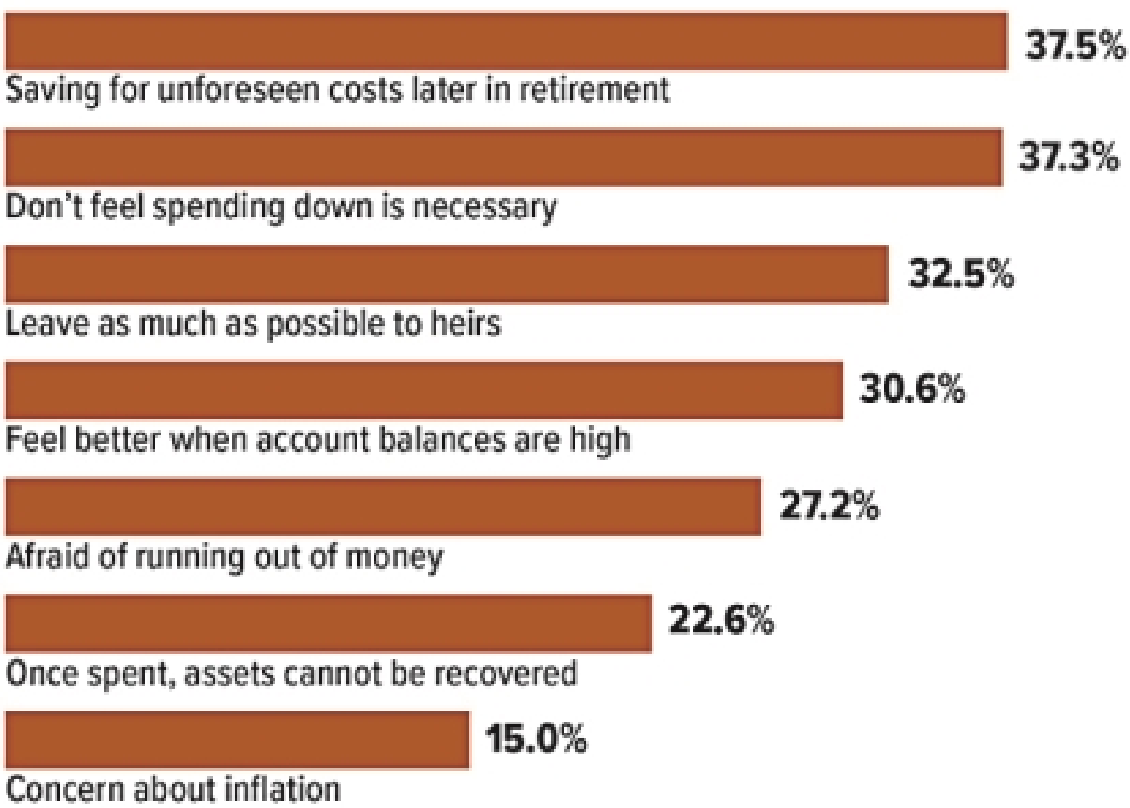
To Spend or Not to Spend?

About 77% of retirees between the ages of 62 and 75 plan to spend down at least some of their retirement assets. The top reasons cited include lifestyle, medical expenses and health insurance, housing expenses, and discretionary spending. The remaining 23% intend to maintain or grow their assets. Why would retirees not want to spend down the assets they've worked so hard to save? Here are the reasons they gave.



Source: Employee Benefit Research Institute, 2021 (multiple responses allowed)

See disclaimer on final page

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Home-Sweet-Home Equity

Buying a home is a long-term commitment, so it's not surprising that older Americans are much more likely than younger people to own their homes "free and clear" *(see chart).* If you have paid off your mortgage or anticipate doing so by the time you retire, congratulations! Owning your home outright can help provide financial flexibility and stability during your retirement years.

Even if you still make mortgage payments, the equity in your home is a valuable asset. And current low interest rates might give you an opportunity to pay off your home more quickly. Here are some ideas to consider.

Enjoy Lower Expenses

If you are happy with your home and don't need to tap the equity, living free of a monthly mortgage could make a big difference in stretching your retirement dollars. It's almost as if you had saved enough extra to provide a monthly income equal to your mortgage. You still have to pay property taxes and homeowners insurance, but these expenses are typically smaller than a mortgage payment.

Consider Downsizing

If you sell your home and purchase another one outright with cash to spare, the additional funds could boost your savings and provide additional income. On the other hand, if you take out a new mortgage, you may set yourself back financially. Keep in mind that condominiums, retirement communities, and other planned communities typically have monthly homeowners association dues. On the plus side, these dues generally pay for maintenance services and amenities that could make retirement more enjoyable.

Borrow on Equity

If you stay in your home and want money for a specific purpose, such as remodeling the kitchen or fixing the roof, you might take out a home-equity loan. If instead you'll need to access funds over several years, such as to pay for college or medical expenses, you may prefer a home-equity line of credit (HELOC).

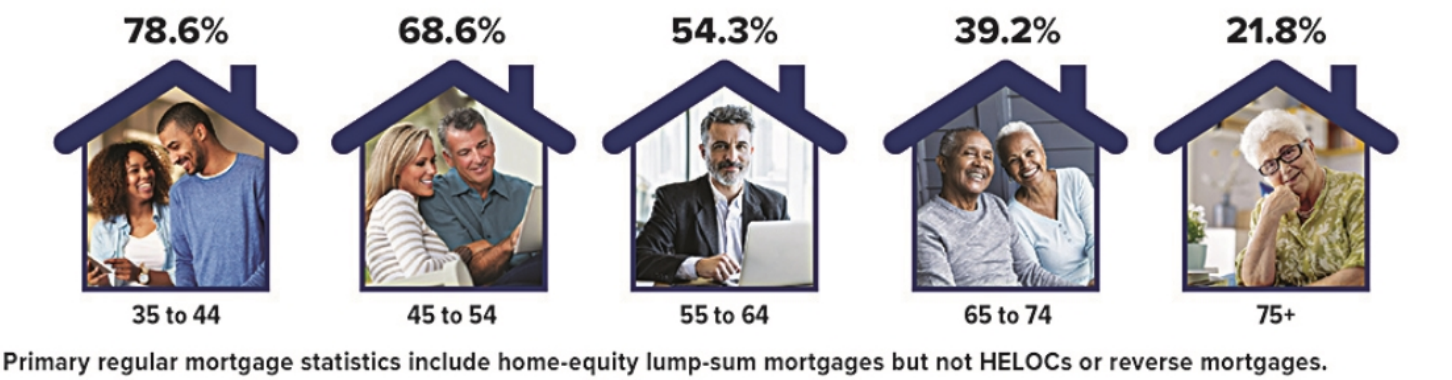
Home-equity financing typically has favorable interest rates because your home secures the loan. However, you are taking on another monthly payment, and the lender can foreclose on your home if you fail to repay the loan. In addition, you may have to pay closing costs and other fees to obtain the loan. Interest on home-equity loans and HELOCs is typically tax deductible if the proceeds are used to buy, build, or substantially improve your main home, but is not tax deductible if the proceeds are used for other expenses.

Refinance

With mortgage rates near historic lows, you might consider refinancing your home at a lower interest rate. Refinancing may allow you to take some of the equity out as part of the loan, but of course that increases the amount you borrow. While a refi loan may have a lower interest rate than a home-equity loan or HELOC, it might have higher costs that could take some time to recoup. And a new loan comes with a new amortization schedule, so even with lower rates, a larger portion of your payment may be applied to interest in the early years of the loan. Refinancing might be a wise move if the lower rate enables you to pay off a new mortgage faster than your current mortgage.

Paying Off the Mortgage

The percentage of homeowners with a primary regular mortgage declines steadily with age.



Source: 2019 American Housing Survey, U.S. Census Bureau, 2020

Four Reasons to Review Your Life Insurance Needs

You may have purchased life insurance years ago and never gave it a second thought. Or perhaps you don't have life insurance at all and now you need it. When your life circumstances change, you have a fresh opportunity to make sure the people you love are protected.

Marriage

When you were single, life insurance might have seemed like an unnecessary expense, but now someone else is depending on your income. If something happens to you, your spouse will likely need to rely on life insurance benefits to meet expenses and pay off debts.

The amount of life insurance coverage you need depends on your income, your debts and assets, your financial goals, and other personal factors. Even if you have some low-cost life insurance through work, this might not be enough. Buying life insurance coverage through a private insurer could help fill the gap.

Parenthood

When children arrive, revisiting your life insurance needs could help you protect your growing family's financial security. Life insurance proceeds might help your family meet both their current obligations, such as a mortgage, child care, or car payments, and future expenses, including a child's college education. Even if you already have life insurance, children are among the most important reasons to review your policy limits and beneficiary designations.

Retirement

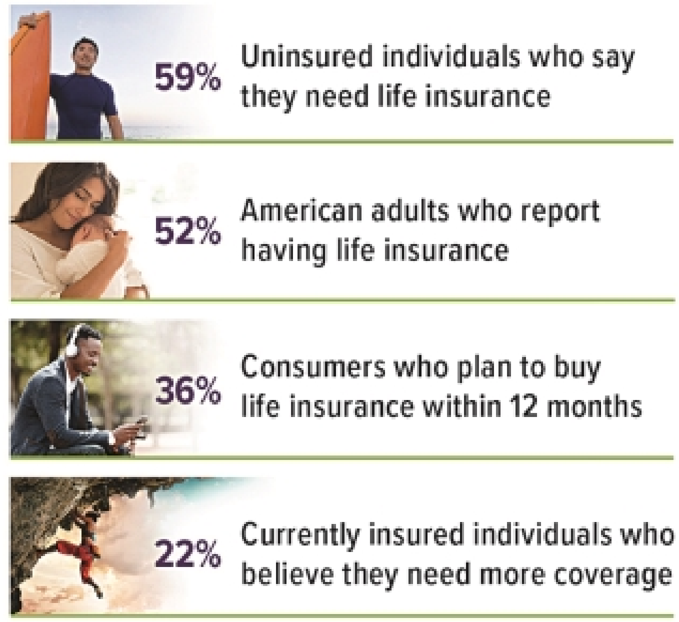
As you prepare to leave the workforce, reevaluate your need for life insurance. You might think that you can do without it if you've paid off all of your debts and feel financially secure. But if you're like some retirees, your financial picture may not be so rosy, especially if you're still saddled with mortgage payments, student loan bills, and other obligations. Life insurance protection could still be important if you haven't accumulated sufficient assets to provide for your family, or you want to replace retirement income lost when you are no longer around.

Life insurance can also be an important tool to help you transfer wealth to the next generation. Or perhaps you're looking for a way to pay your estate tax bill or leave something to charity. You may need to keep some of your life insurance in force or buy a different type of coverage.

Health Changes

A common concern is that life insurance coverage will end if your insurer finds out that your health has declined. But if you've been paying your premiums, changes to your health will not matter.

Consumers Understand the Value of Life Insurance



Source: 2021 Insurance Barometer Study, Life Happens and LIMRA

Some life insurance policies even offer accelerated (living) benefits that you can access in the event of a serious or long-term illness.

You may be able to buy additional life insurance if you need it, especially if you purchase group insurance through your employer during an open enrollment period. Purchasing an individual policy might be more difficult and more expensive, but check with your insurance representative to explore your options.

Of course, it's also possible that your health has improved. For example, perhaps you've stopped smoking or lost a significant amount of weight. If so, you may now qualify for a lower premium.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company. Optional benefits are available for an additional cost and are subject to contractual terms, conditions, and limitations.

Usage-Based Auto Insurance Might Provide Savings

Like everything else, the pandemic greatly impacted driving habits. Workers who once had long commutes and drove to work every day suddenly found themselves working remotely. Others were spending more time at home as the result of a job loss or reduction in hours. In fact, there was a 55% decrease in the average number of miles driven in 2020. That, coupled with a record unemployment rate, resulted in a surge in auto insurance shopping, driven by consumers looking to change their coverage or find better rates.[1]

If you are driving less than you used to, you might consider switching to a usage-based auto insurance policy that could save you money on your premiums. Usage-based policies use apps or tracking devices (telematics) to collect and monitor mileage and driving habits (e.g., speeding, acceleration, hard braking, cell phone use) to help determine rates. Usage-based policies typically provide a discount for signing up or upon policy renewal, and additional discounts are given based on safe driving performance.

If you have privacy concerns and find this type of monitoring too invasive, another option is a pay-per-mile policy, which only monitors your mileage. Pay-per-mile policies usually have a base rate and then charge an additional amount for each mile driven. In addition, you can also check with your current insurer to see if it offers a low-mileage discount, which typically only requires you to provide your car's odometer readings or maintenance records to obtain a discount.

If you are looking for other ways to save money on your insurance, consider the following additional cost-saving options.

Raise your deductible. Generally, the higher your deductible, the lower your premiums. Before you raise your deductible, though, be sure you can cover the out-of-pocket expense should an accident occur.

Take advantage of discounts. You may be eligible for one or more auto insurance discounts. For example, your insurer might provide discounts to individuals with a safe driving record, teens with good grades, or when bundling your auto policy with your homeowners insurance.

Drop unnecessary coverage. If you have an older car with limited value, it might make sense to drop your collision and comprehensive coverage, since a claim paid by your insurance company may be minimal and might not exceed what you would pay in premiums and deductibles.

Shop around. Auto insurance rates vary from company to company — sometimes significantly. Compare the various rates offered by different insurers.

1) J.D. Power, 2021