CREATING CUSTOMIZED STRATEGIES
FOR ACHIEVING YOUR FINANCIAL GOALS

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Avoid These 10 Insurance Mistakes

Few people enjoy thinking about their insurance needs, shopping for coverage, or reading through a policy's fine print. Below are some of the most common insurance mistakes:

1. Expecting the best — Some people may think they can skip various types of essential insurance (like auto or health insurance), because it won't happen to them. But the reality is that accidents and injuries can happen to anyone. A comprehensive insurance plan protects you when they do.

2. Not shopping around — If you're in the market for a new policy, shop around and compare prices to get the best deal.

3. Buying too much insurance — While insurance is a valuable part of your overall financial plan, there is such a thing as being overinsured. If you're paying high premiums for insurance coverage that you don't really need, you're wasting money.

4. Not negotiating on insurance rates — Depending on the type of coverage you need, you may be able to get discounts based on your profession, the age of your car, installing an alarm system in your home, choosing a higher deductible, and more. Bundling can also lead to premium price breaks.

5. Forgetting to pay the premium — Missing premium payments could cause your policy to lapse, leaving you without coverage. Reduce the risk of this happening by automating your payments.

6. Dropping coverage to save money — When your budget is tight, dropping insurance coverage may seem like a good way to save cash. But while you may save money in the short term, you could end up worse off in the long term if you need to make a claim.

7. Forgetting to update life insurance beneficiaries — As your life changes, so should the people named as beneficiaries on your life insurance policy. Divorce, remarriage, the death of a spouse, or the birth or death of a child are all times when you should update these designations. If you fail to take this simple step, your life insurance may

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Encourage the Importance of Saving

Though it's typical for parents to underscore the value of a college education from the time their children are in grade school, what's more commonly overlooked are the benefits of encouraging them to save for their education from a young age. Contributing a small percentage of their allowance, cash gifts, and job income can have a huge impact on their outlook toward both college and their future.

Not only does it teach them the commitment and patience required to save toward a long-term goal, but it also encourages them to take ownership of their own education by asking them to contribute a portion of their own money. Moreover, as they grow, so does the sum of their contributions, affording them with a sense of pride in knowing they've subsidized a part of their college education.

Sit down with your child and explain the reasoning behind your decision, so they fully understand why you're setting aside some of their money for the future. You might even consider showing them the growing balance of their savings from time to time and even explaining what these figures mean in terms of tuition and other expenses. Stay committed and you'll likely raise a more responsible and devoted student. ❍❍❍

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Avoid These

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not do its job when you need it most. After all, do you want your insurance benefits to go to your ex-spouse or have one child receive a generous insurance payment while the other receives nothing? Keeping your beneficiary designations up-to-date can help you avoid those outcomes.

8. Having coverage gaps — Everyone faces different risks, and thus has different insurance needs. Sometimes, it's easy to overlook a risk until it's too late. For example, if you live in an earthquake-prone area, you likely need separate earthquake insurance. If you serve on a nonprofit board of directors, you may need personal liability coverage. If you own ATVs, snowmobiles, or other vehicles, you may need special policies to protect yourself in case of damage to the vehicle or a lawsuit. The list of possible risks goes on and on.

9. Not researching an insurance company before you buy — Not every insurance company is created equal, and what looks like a great deal today may be less appealing tomorrow when you are struggling to get a claim processed quickly. Before you buy, get multiple quotes, read the policy's fine print, review the insurer's complaint record with the state department of insurance, and check the company's ratings with ratings agencies like Fitch, Moody's, and A.M. Best.

10. Not thinking about insurance as part of your overall financial plan — Insurance isn't something you should think about in isolation. A solid risk management strategy protects your hard-earned wealth and your family's future. Please call if you'd like to discuss insurance in more detail. ❍❍❍

Reevaluating Your Portfolio

Periodically, you should thoroughly review your portfolio to ensure it is still helping you work toward your investment goals. Follow these steps:

✔ **Review your current portfolio mix.** List the current value of all your investments. Determine what percentage of your portfolio is held in stocks, bonds, cash, and other investments. Take a closer look at where the stock portion of your portfolio is invested. Break out your stock investments by market capitalization (small-, mid-, and large-cap), by style (growth and value), by area (domestic and international), and by sector (technology, financial, utilities, energy, etc.).

✔ **Analyze each investment.** Review why you purchased each investment and whether those reasons are still valid. Emotionally, it is difficult to sell an investment at a loss, but holding on until you get back to break even may not be the best strategy. You may want to sell the investment and reinvest in another with better prospects. Instead of worrying about what you paid for the investment, decide whether you would buy it today at its current price.

✔ **Determine if changes are needed to your current allocation.** If we've learned anything over the past few years, it's that your portfolio should not be highly concentrated in one area or sector. Instead, look to broadly diversify your portfolio. Some points to consider include:

✔ **Decide how much to allocate to stocks and bonds.** Your stock and bond mix is a major factor in determining your expected portfolio return and how much your portfolio will fluctuate with market movements. However, be careful not to let recent events cause you to allocate too much to bonds just to avoid stock market fluctuations. Make this decision based on your financial goals, risk tolerance, and time horizon for investing. If you are investing for the long term, say 10 years or more, you probably still want a major portion of your investments allocated to stocks.

✔ **Reassess your stock allocation.** Is your stock portfolio too heavily weighted in technology stocks or blue chip stocks? Have you selected only growth stocks, ignoring value stocks? Do you prefer large-cap stocks, ignoring smaller stocks? The stock market moves in cycles, with different sectors outperforming other sectors at different times. Since no one can predict when one sector will outperform, it is typically best to broadly diversify your stocks over all areas.

✔ **Move your allocation closer to your desired allocation.** When making changes, first consider the tax ramifications of the transactions. If you can make changes without incurring tax liabilities, you may want to make the changes immediately. If substantial tax liabilities will be incurred, look for other ways to get your portfolio closer to your desired allocation. For instance, any new investments should be made in underweighted areas in your portfolio. Or you may be able to reallocate in your tax-deferred accounts, such as individual retirement accounts and 401(k) plans, where you typically won't incur tax liabilities. However, if you can't get your allocation in line within a year using these approaches, you might want to sell some of the poor performers and reinvest the proceeds.

If you'd like help reevaluating your portfolio, please call. ❍❍❍

Estate Planning for Blended Families

In a blended family, it can be difficult to determine what's "yours, mine, and ours," but it's an issue that needs to be addressed. While this may be an emotional and uncomfortable conversation at times, do your best to keep the emotion out of the mix as you work through the myriad of issues that need to be reviewed.

Discovery

The first step in developing an estate plan in a blended family is for you and your spouse to have a very open conversation to discover:

✔ **Plans you may have from previous marriages —** To understand how previous arrangements might impact your new plan, you will need to review any plans you have in place from previous marriages, including wills, trusts, beneficiary designations, guardianship, etc. For example, your current spouse may not be entitled to a retirement account if it was part of a divorce settlement specifying that it goes to your previous spouse.

✔ **Goals and wishes —** Each of you needs to clearly define your goals for upholding previous obligations, how guardianship will be handled for both biological and stepchildren, and how you want your separate or combined assets distributed. This is extremely important, because how assets are owned is how they will be distributed in the future. For example, imagine if your spouse passes away, and unbeknownst to you, all assets were left to the children from a first marriage, while you don't have enough money to pay the monthly bills. Straightforward communication is the key to developing a blended estate plan.

✔ **Together or separate —** Commingling or keeping assets separate can depend on several factors that a couple needs to decide. If one party brought in significant assets, you may decide to keep those separate, while commingling assets that you build together. Children also play a major role in this decision. Maybe you already have college accounts or trusts established for your children from a previous marriage and those assets should remain separate. Many parents feel strongly about setting aside assets specifically for their children from a previous marriage. Again, forthright communication is key.

✔ **Review the marital property laws in your state —** Make sure you understand how your state laws govern the way you hold assets. For example, if you live in a community property state, any assets that aren't identified as separate will be considered equally owned as community property of the couple, even if they were assets you intended to keep separate because they were acquired prior to the marriage.

Documentation

While you may feel it's overkill, you need to document every detail of your estate plan to avoid potential issues down the line, especially if you have children and former spouses. Also, this legal documentation will help avoid the expensive, and potentially emotional, issues involved with probate court.

✔ **Wills —** You should create a will that provides clear instructions on how all your assets are to be distributed, guardianship for minor biological and stepchildren, health care directives, and any other wishes to be carried out should either of you become incapacitated or die.

✔ **Trusts —** Blended families should consider developing a trust, which holds the assets on behalf of the beneficiaries and defines how and when the assets pass to the beneficiaries. A trust can also last for years, through the lifetimes of the surviving spouse, children, and even future generations. For blended families, certain types of properly established trusts can provide financial support for your spouse and still make sure something is left for your children.

✔ **Account titles —** Even if you have a will or a trust, you will also want to make sure that accounts, such as a retirement account, have defined beneficiaries. Additionally, other accounts can be owned as joint tenants with right of survivorship or transfer on death, making the owner's intentions clear that in both cases the assets go directly to the party named on the account.

Please call if you'd like to discuss this in more detail. ❍❍❍

How Much Life Insurance Do You Need?

Rules of thumb exist that say you should be insured for between six and 10 times your annual earnings. But these ranges are very wide and don't take into account your unique situation.

The best approach to determine how much life insurance you need is to engage in some financial planning:

How much per year will your survivors need to live on, and for how many years? Expenses may be greater if you have young children who require day care; expenses may be smaller if there are no children.

How will that number be affected by inflation? At an inflation rate of 3% a year, a dollar loses 15% of its value in just six years, and about 25% after a little more than 10 years. Imagine the impact of a 25% pay cut, and you'll begin to appreciate the vital importance of factoring inflation into the equation.

Will your surviving spouse be able to work, and if so, how much will he/she earn? The amount your surviving spouse earns should reduce the life insurance coverage you need.

Should you think of retiring large family debts? You can reduce the amount of money your surviving spouse has to earn by providing enough in life insurance to retire large debts.

How will college expenses be paid for your children? In addition to providing for daily living expenses, consider how higher education bills will be paid.

How will your surviving spouse's retirement be funded? When considering how much life insurance coverage to buy, however, you should evaluate whether your policy benefits need to make up for contributions you were planning to make until you retired.

What rate of return can your surviving spouse expect to receive? The rate of return they earn will make a big difference in how long they last — which can make a big difference in how much coverage you buy.

When buying a life insurance policy, naming a coverage amount can be easy — as long as you don't think the details will make any difference to your survivors. But if you do, you owe it to yourself and your loved ones to take a close look at what amount will properly secure their future if you're suddenly not around. Please call if you'd like to discuss your life insurance needs in more detail. ❍❍❍

Ways to Reduce Life Insurance Premiums

How Much Do You Really Need? Consider what expenses will need to be covered if something were to happen to you.

How Long Do You Need It? The longer the term of your life insurance, the more you will pay in premiums.

Your Health Matters. If you smoke or are overweight, you are going to pay more for your insurance. Getting healthy is good for a lot of reasons and it can also reduce your premiums.

Go Shopping. Shop around for the best policy to meet your needs at the best price. Most insurers now provide policy quotes online to make this a relatively easy process. Just make sure you are comparing policies with the same features.

Check the Fine Print. As you review different policies, make sure to check for any hidden fees. For example, some insurance companies charge extra if you pay your premiums monthly versus annually. Also make sure there are no unneeded riders on your policy for which you are paying.

Please call if you'd like to discuss your life insurance policies in more detail. ❍❍❍

Financial Thoughts

Just 4% of today's retirees said they are "living the dream," according to a new survey from asset management company Schroders. And just as many — 4% — said they are "living the nightmare." Most fall somewhere in between — 44% said they are comfortable; 34% said they are not great, but not bad; and 15% said they are struggling, according to the rounded results.

In a new survey by the Conference Board, nearly 63% of U.S. workers say they're satisfied with their job, a record high going back to 1987.

Last year, approximately 3.6 million babies were born in the U.S., which is the smallest number of births since 1979, according to data from the CDC. That put the fertility rate at 1.62 births per woman, the lowest the rate has fallen since the government began tracking in the 1930s.

Median pay for construction workers rose more than 5% last year to $48,089, compared to $39,520 for new hires in professional services (like accountants and IT workers), according to payroll provider ADP. ❍❍❍

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