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FINANCIAL & RETIREMENT PLANNING FOR LIFE

20-YEAR-OLDS HAVE A 30% CHANCE OF BECOMING DISABLED FOR AT LEAST SIX MONTHS BEFORE AGE 67.

Source: Social Security Administration, 2011

Risk management demystified

Find the right mix of coverage to live with confidence

Let's face it: Life is a risk. That's why risk management is a crucial part of a long-term financial plan. When it comes to investments, we're talking diversification and asset allocation. When it comes to your family, health, property and income, we're talking insurance.

But what kind of coverage do you really need? Take a deeper look at four useful types of policies.

LIFE INSURANCE

Perception: It's just for people with dependents.

Reality: It can be used as a flexible planning tool that provides liquidity, and the survivor benefit is generally not considered taxable income.

Though term life insurance is designed to replace the income of a breadwinner if the unthinkable happens, what's called a "permanent" policy has an investment component that can be helpful for things such as keeping the family business functioning or paying estate taxes after death.

DISABILITY INSURANCE

Perception: The risk of long-term disability is too minimal to worry about.

Reality: Sadly, today's 20-year-olds have a 30% chance of becoming disabled for at least six months before age 67, the Social Security Administration estimated in 2011.

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Risk management (cont.)

If you're out of work for an extended period, the lost income can easily reach six figures or more. Even if your profession isn't strenuous, you may not be in the clear – cancer is the second-leading cause of claims, according to insurer Sun Life Financial.

What about that government safety net, you say? Workers who pay into the system are eligible to apply for Social Security disability insurance, but the average benefit in 2016 was just $1,167 a month.

Considering all of this, it's best to get a professional opinion about whether you can afford the consequences of going without this type of coverage.

LONG-TERM CARE INSURANCE

Perception: Coverage isn't needed – doesn't Medicare pay for that?

Reality: Help with the tasks of daily living, similar to care provided in a nursing home, isn't covered by Medicare.

Such aid is a common necessity. Seven out of 10 people turning 65 in this day and age can expect to use some form of long-term care, according to the U.S. Department of Health and Human Services, though only one out of 10 has planned ahead to pay for it.

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Securing this type of policy allows you control over the situation, making sure your future needs will be met without creating an undue burden for your loved ones. Though coverage can be expensive, there are federal and state tax breaks available for qualified plans.

ACE Private Risk Services has a scorecard that assesses 22 factors that increase your likelihood of being sued, including swimming pools, rental properties and sports cars.

Sure some factors may be obvious. Others less so. For instance, learn why you need to account for:

- Your online social networking
- Serving on a charitable board
- Or even managing a family trust

Visit eqgroup.com/Pdf/ACE/ACE-personal-liability-risk-scorecard.pdf.

UMBRELLA INSURANCE

Perception: People who are very wealthy need it.

Reality: If you often entertain at your home, own a dog, have a teenage driver in your household or ride jet skis in your spare time, you might want to prepare for a rainy day.

This basically is an extra layer of liability coverage above the limits on your home, auto and other policies – protection just in case you or a family member cause harm to someone else. For example, if your dog attacks a visitor and your home insurance covers up to $300,000 of liability, then you're on the hook for anything above that amount if the injured party sues. If you don't have the money, your wages could be garnished.

TIME FOR A FRESH PERSPECTIVE

Facing risk isn't easy, but the protection you can gain for yourself and your loved ones makes it all worth it. That's why you should review your insurance needs once a year and after each big milestone in life. You can always call on your advisor to coordinate with other professionals in determining the proper policies and coverage for you. ■

NEXT STEPS

Meet with a professional to discuss:

- A review of your insurance coverage and beneficiaries
- The role of life insurance in an estate plan
- New ways of managing risk in your financial plan

5 reasons to prioritize a lasting legacy

Have you been dragging your feet on estate planning? You're not alone. Nearly 64% of U.S. adults don't even have a will, including 51% of people age 55 to 64, according to website Rocket Lawyer.

But a lack of estate plan, or an outdated one, leaves you and your family vulnerable. Your assets could get tied up in the costly court probate process after death. Your loved ones might have to make difficult decisions about your medical treatment if you become incapacitated. And they might dissolve into bickering over what you might have wanted.

Think about it: You know your intentions, and who better to choose who will make decisions for you if you become incapacitated? That's why it's important to nail down three basic elements:

- A will that includes a list of personal property and who will inherit
- A durable power of attorney to make financial decisions in the event of your incapacity
- An advance healthcare directive

Here are a few reasons to get your affairs in order.

1 **Making sure your loved ones will be taken care of.** A will is especially crucial for blended families, where children from a previous marriage may not be automatically provided for in the manner you intended. Taking stock of your assets also offers a chance to think about how well your family will be able to adapt and then plug any gaps. For example, long-term care insurance can protect against the high cost of a nursing home stay, and life insurance can provide a safety net to help pay the bills.

2 **Avoiding probate.** There are a few strategies that apply here. One option is to list beneficiaries for your bank and retirement accounts to ensure the money goes straight to them. You can also create a revocable living trust for your property, give assets away while you're alive or consider joint ownership.

3 **Ensuring someone you trust will be available to manage legal and financial matters.** A durable power of attorney can also step in if you should become incapacitated and handle property maintenance or manage investments or a small business. You can designate joint power of attorney if you think more than one person is needed to handle your affairs.

4 **Securing the medical treatment you want.** A living will and durable power of attorney for healthcare, both elements of an advance healthcare directive, can address when to provide or withhold artificial nutrition and other life support.

5 **Minimizing federal and state estate taxes.** There are a number of ways to preserve more of your assets to benefit your loved ones and favorite charities.

Your family and your legacy are important; take the time to protect them as best you can. Once your plan is in place, you will need to review it, including beneficiary designations, once a year and after each major life change. ■

NEXT STEPS

- Update beneficiaries and review insurance
- Share your values through charitable giving or a family love letter
- Create a comprehensive estate plan that fits your objectives

Opportunity blooms in tax season

Tax season can bring new possibilities – especially when it comes to what to do with your refund or, on the flip side, how to settle your bill. We've gathered some ideas that may fit into your financial landscape.

TENDING TO YOUR WINDFALL

So you worked diligently with your tax preparer to complete your return, only to discover some of the fruits of last year's labor will be coming back in the form of a refund. So, what can you do with your bounty? Here are some possibilities:

Start fresh – Strengthen your finances by paying down credit card or other non-tax advantaged debt.

Cultivate – Make some improvements to make your home more valuable, comfortable or energy efficient – or get ahead on the kids' tuition.

Nourish – Invest in yourself (a new gym membership or art classes) or someone else (donate to a charity or sponsor a family or individual in need).

Replant – Use that money to kick-start this year's contributions to your retirement account or bolster your emergency fund.

Plan – Some say a refund is just a loan you give the government interest-free. Should you reconsider your withholdings so that you come out even next year?

IF YOU OWE

If you end up owing taxes this year, you'll need to decide how to pay. However, before you write that check or cash in some of your invested assets, consider how those actions may impact you immediately and over the long run.

For instance, liquidating assets in your investment portfolio to pay your taxes may generate new tax consequences. Such an action would also likely impact your long-term investment strategy. And emptying your savings account may leave you vulnerable should another unplanned need for cash arise.

Instead of using the assets working toward your long-term goals, consider liquidity and borrowing options based on the value of your assets, or that offer rewards like cash back or redeemable points. That way, you can access the cash you need to pay your tax bill while keeping your assets where they belong – invested.

Next, consider these tips for reducing your future tax bill.

Maximize contributions – Take advantage of tax breaks in your retirement accounts and make catch-up contributions once you turn 50.

Harvest losses – Consider balancing your realized capital gains by selling securities for a loss and reducing your tax liability.

Seek advice – It's never too early to discuss tax planning with your financial advisor and your tax professional.

LET THE SUNSHINE IN

Spring is a time of renewal, so use your tax refund wisely, or if you owe taxes, consider your long-term investment plan and borrowing options available to you before uprooting your hard-working, invested assets. ■

NEXT STEPS

Talk to a professional about:

- Methods of paying an unexpected tax bill
- Adjusting your tax withholding
- Year-round tax planning