Financial Stewardship

Helping You Make Wise Financial Choices

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Merry Christmas! I hope have a great celebration of Jesus with people you love. May you look forward to 2021 with hope for abundant love, joy and peace. I am thankful to have Grayson home for Christmas, and to spend time with him. We are hopeful that his college golf season for NNU will be in full swing in the spring of 2021.

We are partnered with Securities America and Arbor Point. **We are still experiencing some impacts as systems continue to catch up and we learn new processes.** We expect additional changes in the coming year as the regulatory environment for the financial services industry continues to change. Feel free to call 206-354-5836 or email any questions

I enjoy being a resource and helping you. If your family or friends could benefit and be guided like you, please introduce us or share this newsletter with them.

If you would like prayer, please let me know.

Different Inflation Measures, Different Purposes

The inflation measure most often mentioned in the media is the Consumer Price Index for All Urban Consumers (CPI-U), which tracks the average change in prices paid by consumers over time for a fixed basket of goods and services. In setting economic policy, however, the Federal Reserve Open Market Committee focuses on a different measure of inflation — the Personal Consumption Expenditures (PCE) Price Index, which is based on a broader range of expenditures and reflects changes in consumer choices. More specifically, the Fed focuses on "core PCE," which strips out volatile food and energy categories that are less likely to respond to monetary policy. Over the last 10 years, core PCE prices have generally run below the Fed's 2% inflation target.

Sources: U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis, 2020 (data for the period September 2010 to September 2020)

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.

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.

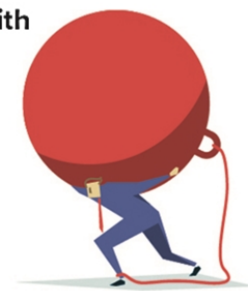
Funding college over retirement. Don't prioritize saving for college over saving for retirement. If you have limited funds, consider setting aside a portion for college while earmarking the majority for retirement. Closer to college time, have a frank discussion with your child about college options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

Four Tips to Help Avoid Burnout While Working from Home

The coronavirus pandemic has completely changed the corporate landscape. Many companies have transitioned to having a majority of their employees work from home. As a result, long commutes, office lunches, and face-to-face meetings could be a thing of the past.

Even when the pandemic eventually subsides, working remotely may be here to stay. According to a recent survey, three-quarters of adults who are able to work remotely would like to continue doing so at least one day a week after the pandemic is under control.[1]

While working from home has its advantages (e.g., no commuting costs, more flexibility), it also comes with certain challenges (e.g., lack of home office space, dealing with distractions at home). Often these challenges can make it difficult to have a healthy work/life balance. That's why it's important to take steps to help avoid burnout while working at home.

Here are some tips to help you stay on track.

1. Carve out a dedicated workspace. Ideally, your work-from-home setup should be located where you can avoid interruptions or distractions. If you don't have a spare room to use for your workspace, try carving out an area for your "office" wherever you can — even a dining room table or a desk in the corner of your bedroom can work.

2. Stick to a routine. Just because you aren't going into an actual office each day doesn't mean you should change your normal workday routine. Keeping a set schedule can help you stay focused and allow you to disconnect and wind down once the workday has come to an end.

It can take time to adjust to working from home, but you will eventually fall into a routine that works best for you and allows you to maintain a healthy work/life balance.

3. Break up the day. It's easy to forget to take breaks when your workspace is in your home. Going for a short walk, running a quick errand during lunch, and standing up to stretch once in a while will help you recharge and decompress throughout the day.

4. Stay connected. Working from home means you have less opportunity to interact regularly with your co-workers, which can feel isolating. That's why it is important to stay connected by using the technological resources that are available to you (e.g., video conferencing, instant messaging).

1) Morning Consult, 2020

Schedule an appointment