LET'S TALK FINANCIAL WELLNESS®

November/December 2023

Laddering Annuities Can Provide a Steady Income

Are you seeking an investment that provides guaranteed income in retirement? Consider immediate annuities.

The Laddering Strategy

With an immediate annuity*, you receive fixed payouts over several years in exchange for an initial lump-sum payment. However, you may be able to minimize the risk of low returns and take advantage of any rise in interest rates that occurs by laddering annuities.

The laddering strategy involves purchasing immediate annuities over several years. So, instead of spending your money on a single annuity that locks you into a lifetime interest rate, you invest in multiple annuities over time. You might buy one annuity a year for four years or an annuity every three years for 12 years, etc. The time frame for staggering each annuity is up to you.

You can also ladder annuities based on the start dates of when you'll begin receiving the payments.

Laddering Benefits

Annuity payouts are based on money invested, the prevailing interest rate, and the recipient's life expectancy. So, the older you are when you begin receiving payments, the larger those payments are likely to be. And, if interest rates are higher in later years, you could benefit from using a laddering strategy.

The Downsides

Investing a large sum in immediate annuities means you'll no longer have access to that money. Remember that surrendering an annuity can be costly and difficult if you have an unanticipated expense in the future and need your cash.

It's also important to understand that unless the annuity is a joint lifetime annuity or includes a survivor payout, annuity payments stop at your death.

Food for Thought

If the security of having a guaranteed income appeals to you, consider reviewing laddering strategies. Your financial professional can help you find the right annuity products for your situation.

**Annuitants receive a fixed income stream based, in part, on the interest rate guarantee at the time of purchase. Annuity guarantees are backed solely by the claims-paying ability of the issuing life insurance company.*

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

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Teach Your Kids the Value of Money

Kids tend to want almost every toy they see in the store or everything their friends have. While it's not always easy to resist giving your children everything they ask for, teaching them early to save for the things they want can make those items more valued.

Give an Allowance

Even very young children can perform simple tasks around the house. A savings jar or a piggy bank can show them how much they're earning and how close they are to having enough money to buy the item they're saving for.

Open a Savings Account

You can open a savings account for your child at just about any age. Kids' savings accounts typically require a parent or other adult to have joint ownership or control. Look for an account with no fees or minimum balance. Encourage your child to deposit birthday or holiday money or, when older, a portion of earnings from a job in the account.

Set an Example

Your approach to spending can teach your kids that they need to save and budget for those expensive items they want. Sharing how you save for big-ticket items, such as a new car or a family vacation, can be an important lesson.

Age 18? They're Legally Adults

You might have a different opinion as a parent, but in most states, 18-year-olds are considered adults. That means you may no longer be able to make medical or financial decisions or access your child's records without your child's consent. Before heading to college or moving into an apartment with friends, your child should sign these basic documents, giving you a legal right to make health care and financial decisions on your child's behalf.

Durable Power of Attorney — authorizes you to make financial decisions for your child, including everyday financial tasks (good to have if your child is away at school) or if your child becomes incapacitated. It allows you to pay bills, file taxes, perform banking tasks, apply for government services, and more. It can also give you access to college records.

Health Care Proxy — authorizes you to make medical decisions if your child is incapacitated or incompetent and unable to make them. A health care proxy comes into effect only under these circumstances.

HIPAA Release — gives you access to your child's medical information. The release lets you speak to doctors concerning your child's health and view medical and billing records.

Keep these documents where you can easily access them. Parents should make sure they have these important documents for themselves as well.

Adopt Healthy Money Habits

Your relationship with money may have its roots in your childhood. How your family handled their finances can affect your attitude toward spending and saving as an adult.

If your family saved responsibly for the things they wanted to buy, chances are good that you will, too. But, if your family squandered money and never saved, their bad money habits may be influencing how you handle your finances. Make sure you're practicing good money habits like the ones below.

Examine Your Spending Habits

Buying small items, such as coffee and a bagel, every day on your way to work can add up to a substantial amount over time. Write down everything you buy over one or two weeks to find out how much you're spending. You might be surprised at the total. You can adjust your spending habits once you see where your money is going.

Live Within Your Income

Paying with cash means you'll be able to spend only as much money as you have on hand. If you use a credit card, make sure you can pay off the balance when the bill comes.

Pay Yourself

Treat your savings as a bill by putting money in your account every month before you pay anyone else. As your income rises, increase the amount you're saving.

Follow a Spending Plan

Build a monthly budget based on your income and expenses. Remember to account for items you pay yearly, such as insurance or homeowner association.

Plan for a Cash-only Holiday

Do you often find yourself still paying off holiday bills long after the holidays are over? Keeping spending under control can be difficult during the holidays, which is the reason using cash — not credit — is so important. Here are a few tips.

Be efficient. Make a list of people you're shopping for and the amount you intend to spend. Include ideas for gifts they've asked for or that you think they would like to help keep you focused.

Use cash or a debit card. You won't be able to spend more than you have on hand or in your account.

Avoid the mall. Sales might tempt you to buy items that aren't on your list.

Shop from home. Your favorite stores and online vendors have websites where you can order specific items you're looking for without the distraction of store displays.

Tracking Holiday Debt

LendingTree, an online lending marketplace that allows borrowers to compare rates from multiple lenders, has been conducting an annual holiday spending survey for eight years. The chart shows the amount of debt Americans incurred over the holidays for every year through 2022.

Source: Annual LendingTree Holiday Debt Survey, December 2022

Want to Share Your Wealth with Grandkids?

When grandchildren are young, finding a cool toy or the latest electronics for them during the holidays is easy. But last year's presents may be long forgotten when the next holiday rolls around. This year, consider giving grandkids gifts that will benefit them for many years. Your financial and tax professionals can help.

Annual Gifts

Wealthy grandparents can reduce their taxable estates by making annual gifts to grandchildren (and others) without paying gift taxes. For 2023, the annual gift tax exclusion allows you to give up to $17,000 per recipient — $34,000 if your spouse joins in the gift. Make sure you are confident that your grandchild will treat the gift responsibly before you gift a large sum.

Pay for Educational or Medical Costs

Beyond what the annual gift tax exclusion allows you to gift tax-free, you can give unlimited amounts to your grandchildren to pay for school tuition or medical expenses. The only catch is that you must pay the school or medical facility directly.

Head Start on Retirement

If your grandchild has earned income, you can contribute up to the lesser of that amount or $6,500 to a Roth IRA for your grandson or granddaughter. Withdrawals are tax-free at retirement, assuming qualifications have been met.

Custodial Accounts

Consider contributing to a custodial account for your grandchild. Under the Uniform Gifts to Minors Act (UGMA) and Uniform Transfers to Minors Act (UTMA), up to $1,250 of earnings are tax-free, while the next $1,250 of earnings are taxed at the child's tax rate. (Additional gains are taxed at the parents' rate.) However, there are downsides. Your grandchild's ownership of the account could affect eligibility for financial aid. And your grandchild has full control of the funds at either age 18 or 21, depending on the state.

Life Insurance

Another option is to purchase a life insurance policy and name your grandchild as a beneficiary. Generally, your grandchild will receive the proceeds tax-free when you die. This may be ideal for any special needs grandchildren. You can combine the policy with a trust to help ensure the money is spent properly, assuming the beneficiary cannot make those decisions.

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

July 20, 2023

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1. Lets Talk Money - Insurance NovDec 2023
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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