LET'S TALK MONEY®

May/June 2019

Benefits for Stay at Home Spouses

To build retirement savings and Social Security benefits, you generally need the types of earned income from which payroll taxes and retirement plan contributions come. But even if you never earned income, you may still qualify for certain spousal benefits.

Spousal IRA

While most tax-qualified retirement plans require owners to offset their contributions with earned income, a spousal IRA allows contributions in the names of spouses with little to no earned income. This is especially important for parents who interrupt their careers to start and care for families at the expense of income parity when they return to work.

Because women may earn less, on average, than men for doing the same work, women are often lagging in retirement readiness. A spousal IRA can help a lower-paid or even non-working spouse save for retirement, as long as the working spouse has enough income to offset contributions from both spouses.

The Rules

If you qualify by the same income limits and age restrictions that govern all IRA accounts and you file a joint federal income tax return, a spouse without any earned income can still contribute to either a traditional or Roth IRA. In 2019, the annual contribution limit is $6,000, plus an extra $1,000 if at least age 50.

Income limits, age restrictions and access to an employer-provided qualified retirement plan will determine the tax-deductibility of a spousal IRA. However, owners of any IRA get to enjoy tax-deferred growth potential. Owners of traditional IRAs typically pay ordinary income tax on retirement withdrawals, while qualified distributions from Roth IRAs are tax-free.

In Retirement

Spouses with little to no lifetime income can also qualify for spousal Social Security benefits. Spousal benefits generally are half of the spouse's benefit at full retirement age, which is 66 this year and increasing to 67 over the next few years.

If your spouse begins receiving benefits before or after this age, your spouse's — and your — monthly benefit will vary depending on when benefits begin. If you take benefits before your spouse's full retirement age, Social Security reduces the benefit permanently. If you take benefits after this age, benefits permanently increase.

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Standard Version

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How to Conduct a Campus Visit

You and your college-bound child have agreed on a list of schools to visit. Now, how do you make the most of your summer whirlwind of visits?

Explore the College Town

Some universities may be cities unto themselves, but most are often an integral part of their region. Are the school and the surrounding area safe? Does the city offer public transportation and cultural options?

Attend in Session

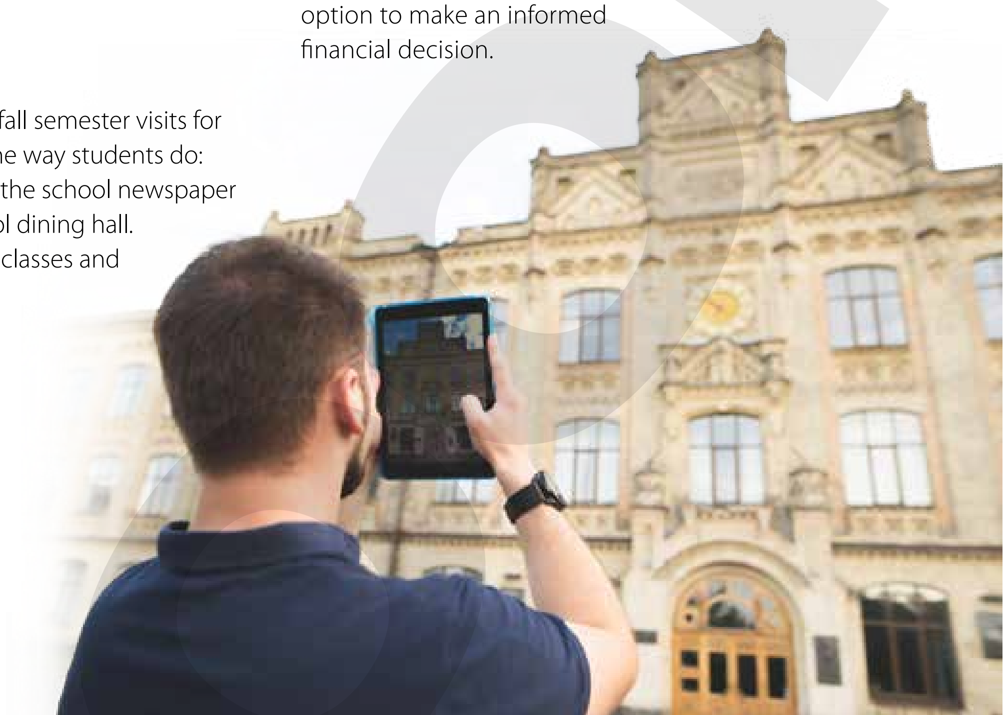
Try to schedule some late spring or early fall semester visits for your child to experience the institution the way students do: talking to current students, checking out the school newspaper and radio station, and eating at the school dining hall. They can plan to go to the library, attend classes and schedule visits with department chairs in their area of interest to learn more.

After Class

Because college is a comprehensive experience, your child will want to check out the gym, living arrangements and social opportunities. Schedule a campus tour to learn more and don't be afraid to ask questions. Check out the student center, where many students study and spend free time.

Take Your Time

Long delays in your decision-making could cost you financial aid, but you don't want to make rash decisions, either. You and your student should consider the costs and benefits of each option to make an informed financial decision.



Plan Ahead for Summertime College Visits

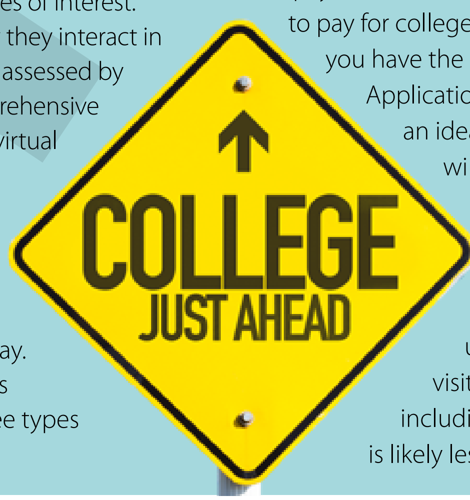
If you ever had a child entering senior year of high school, you know the drill: Time to make the rounds to different colleges your child is interested in. But before you begin your trek, make sure you take the time to come up with a list of schools that fit your wallet and your child's interests.

Plan Early

Read everything you can about the colleges of interest. Follow them on social media to learn how they interact in today's connected world and how they're assessed by current students and alumni. Take a comprehensive look at each college's website, and take a virtual tour if the website features one.

Crunch the Numbers

Don't even waste your time visiting a college or university if the costs, after financial aid, are more than you plan to pay. Also remember that parents and students typically have to pay back two of the three types of financial aid.



Financial aid may be a package of loans, which will require repayment, and work study, in which case the student works to pay for college. You don't, however, pay back grants. Once you have the numbers and a completed FAFSA (Free Application for Federal Student Aid) form, you can get an idea of how much your top-rated schools' aid will reduce your current and future costs.

Keep it Manageable

Get serious about planning to visit three to five top-choice colleges and universities, plus keep your schedule open to visit one or two fallback institutions — including your home state's school, where tuition is likely less expensive.

When You Need More Than a Will

While you can create a will yourself through an online legal service (see accompanying infographic), consulting with your legal, tax and financial professionals may help you uncover financial challenges that a will alone cannot address. A trust may help you meet these challenges. Whether you have a modest estate you wish to shield from the public glare of probate or you want to reduce estate and inheritance taxes on a large estate, there is a trust to meet almost any estate planning challenge.

Two Types of Trusts

While there are many trusts, they all fall into two categories: revocable and irrevocable. They are what their names imply: You can amend and terminate a revocable trust, two things that are extremely difficult to do with an irrevocable trust. A revocable trust is designed for control and to keep financial affairs out of probate, not to reduce estate taxes.

Life Insurance Trust

One common type of irrevocable trust is a life insurance trust. While life insurance death benefits are usually income tax-free, they are subject to estate taxes. The threshold at which federal estate income taxes begin is more than most estates' value, but state inheritance taxes could kick in at much lower levels in some locations.

A life insurance trust, not the estate, is the owner and beneficiary of the life insurance, and distributes its death benefit to beneficiaries named in the trust tax-free after the insured person dies.

How Much Life Insurance Do You Need?

If you have loved ones, you likely understand the importance of life insurance. Choosing the appropriate type of life insurance for your situation is important but choosing the appropriate amount may be the most crucial decision you make.

Rules of Thumb

There are generally two ways financial consumers figure their potential life insurance needs. One way is to simply multiply estimated annual income by a factor, usually between six- and 12-times income. These formulas are not exact but offer an easy way to calculate income replacement.

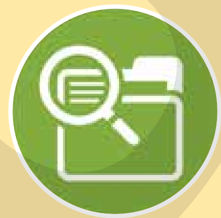
Customize It

A more exact way to figure out your needs is to use projections. Take your annual income and subtract income that would replace it, such as a spouse working and Social Security benefits. Subtract this added income from your current income to find the annual deficit. Or figure your expenses, especially large ones including a mortgage, childcare and college costs, and then subtract your replacement income from them for your annual net expense.

Multiply the projected annual income deficit or the annual net expense by the number of years you need to make up the shortfall, and you'll have a better idea how much you need.

Five Reasons You Need a Will

Having an up-to-date will is one of the most important planning steps you can take in any area of your life. If you don't believe this, consider these reasons why you might change your mind. Through a will, you can:



1. Name legal guardians for your minor children

2. Direct who will receive your assets after you pass

3. Designate your executor, who will help distribute assets and settle your estate

4. Help prevent misunderstandings

5. Donate to charity

Anticipate Risks to Your Portfolio

When investors work with a financial professional to create an investment strategy, they typically determine their financial goals, level of acceptable risk and time horizon. It is the second factor — risk — that includes a variety of potential challenges you should address when creating and maintaining your strategy.

Prominent Risks

Investors may be aware of market risk, which is present in any security not backed by the United States Treasury. Market risk can cause securities to lose value, either due to specific news about the company whose stock or bond you own, or because of volatility in a sector or the general stock market. That's why you're always cautioned to discount past performance when trying to gauge future results when considering equity investments. The same caution about past performance also applies to bonds.

Prominent risks involving bonds include inflation risk and interest rate risk. Inflation risk is simply the threat that low-growth investments won't keep pace with inflation. Interest rate risk occurs when rates rise and a bond's value declines below its face value because newer bonds offer higher yields.

Other Risks

Your investments may be subject to a variety of other risks. Both stocks and bonds can experience credit risk. If, for example, a company is on shaky financial ground, it could hurt both the firm's stock price and its ability to keep its promise with a bond.

Currency risk occurs when the value of one currency falls versus another. This can hurt stock performance if the company does business in the country or region with the poorly performing currency. For example, if your foreign stock purchased at par achieves a return of 10% in a currency that now pays 90 cents to the U.S. dollar you would effectively earn 9%.

Bonds can also experience liquidity risk when the seller has difficulty finding a buyer. If you own foreign investments your holdings could be subject to political risk, which can affect both stock prices and the ability of affected countries to pay their debt.

Learn more about the risks in your investment portfolio by regularly reviewing your holdings and your strategy with a financial professional.

We Value Your Input...

Your feedback is very important to us. If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

January 10, 2019

Reference: **FR2018-1210-0152/E**

Org Id: 8408

1. 2019 LTM May-June Standard
   Rule: FIN 2210
   5 Pages

Total Fee: $125

The communication submitted appears consistent with applicable standards.

Reviewed by,

Thomas G. Dineen, III
Associate Principal Analyst

tgd

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