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Dear clients and friends,

We are sending out this newsletter as the entire east coast of the United States is being threatened by the powerful Hurricane Dorian. While fortunately we may not be getting a direct hit from its strongest winds, let this event be a reminder of the importance of having the right insurance coverage for all your assets.

We pray for those that were not as lucky as we were and we hope that they can recover from this tragedy as soon as possible.

Please stay safe!!

As always, please do not hesitate to contact us should you need any assistance with your insurance and financial matters.

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Horizons - September 2019

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Planning Your Future

Do Millennials Need Life Insurance?

The financial challenges millennials face can be overwhelming. Many young adults have to figure out how to pay off college loans, save to buy a home or start a family, and sock away money for retirement. Given these hurdles, it's no wonder that life insurance as a financial asset gets little to no attention. But it should. There are many reasons to have life insurance at a relatively young age, but here are some common ones.

Leaving your debts for others to pay

As a young adult, you become more independent and self-sufficient. While you no longer depend on others for your financial well-being, your death might still create a financial hardship for those you leave behind.

You may have debts such as a mortgage or student loans that are jointly held with another person. Or you may be paying your parents for loans they took out (e.g., PLUS loans) to help pay for your education. Your untimely death would leave others responsible for some or all of these debts. You might consider purchasing enough life insurance to cover your financial obligations so others don't have to.

Funeral expenses can also be a burden for those you leave behind. Life insurance could ease the financial burden of paying for your uninsured medical bills (if any) and for costs associated with your funeral and burial.

It's less expensive

Premiums for life insurance are based on many factors, including age and health. Certainly, the younger and presumably healthier you are, the less your coverage will cost. This is especially true if you are at a high risk for developing a medical condition later in life.

Replacing lost income

Someone may be relying on your income for financial support. For instance, you may be providing for a family member such as a parent, grandparent, or sibling. In each of these instances, how would your income be replaced if you died? The death benefit from life insurance can help replace your income after you're gone.

Providing for your family

As your family grows, so do your financial responsibilities. There is likely a hefty mortgage to pay. And there are costs associated with young children. If you died without life insurance, how would the mortgage get paid? Could your surviving spouse or partner cover the costs of day care and housekeeping?

And there are events you should plan for now that won't happen until several years in the future. Maybe you'll begin saving for your kids' college education while trying to save as much as you can for your retirement. Over the next several decades, think about how much you could set aside for these expenses. If you are no longer around to make these contributions, life insurance can help fund these future accumulations.

Work coverage may not be enough

You may have a job with an employer that sponsors group life insurance. Hopefully, you take advantage of that program, but is it enough coverage to meet your needs now and in the future? Your insurance needs may change with time, although your employer's coverage may not. Also, most employer-sponsored life insurance programs are effective only while you remain an employee. If you change jobs or are unable to work due to illness or disability, you may lose your employer's coverage. That's why it's a good idea to consider buying your own life insurance.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Five Retirement Lessons from Today's Retirees

EBRI consistently finds that setting a savings goal increases the level of confidence among today's workers. Despite that fact, just 42% of survey respondents have tried to determine a total retirement savings goal, and less than one-third have tried to calculate how much they may need for medical expenses. Of those who have calculated a total savings goal, 34% have found they will need $1 million or more to retire comfortably.

Source: 2019 Retirement Confidence Survey, EBRI

Each year for its Retirement Confidence Survey, the Employee Benefit Research Institute (EBRI) surveys 1,000 workers and 1,000 retirees to assess how confident they are in their ability to afford a comfortable retirement. Once again, in 2019, retirees expressed stronger confidence than workers: 82% of retirees reported feeling "very" or "somewhat" confident, compared with 67% of workers. A closer look at some of the survey results reveals various lessons today's workers can learn from current retirees.

Current sources of retiree income

Let's start with a breakdown of the percentage of retirees who said the following resources provide at least a minor source of income:

- Social Security: 88%
- Personal savings and investments: 69%
- Defined benefit/traditional pension plan: 64%
- Individual retirement account: 61%
- Workplace retirement savings plan: 54%
- Product that guarantees monthly income: 33%
- Work for pay: 25%

Lesson 1: Don't count on work-related earnings

Perhaps the most striking percentage is the last one, given that 74% of today's workers expect work-related earnings to be at least a minor source of income in retirement. Currently, just one in four retirees works for pay.

Lesson 2: Have realistic expectations for retirement age

Building upon Lesson 1, it may benefit workers to proceed with caution when estimating their retirement age, as the Retirement Confidence Survey consistently finds a big gap between workers' expectations and retirees' actual retirement age.

In 2019, the gap is three years: Workers said they expect to retire at the median age of 65, whereas retirees said they retired at a median age of 62. Three years can make a big difference when it comes to figuring out how much workers need to accumulate by their first year of retirement. Moreover, 34% of workers reported that they plan to retire at age 70 or older (or not at all), while just 6% of current retirees fell into this category. In fact, almost 40% of retirees said they retired before age 60. The reality is that more than four in 10 retirees retired earlier than planned, often due to a health issue or change in their organizations. Estimating retirement age is one area where workers may want to hope for the best but prepare for the worst.

Lesson 3: Income is largely a result of individual savings efforts

Even though 64% of current retirees have defined benefit or pension plans, an even larger percentage say they rely on current savings and investments, and more than half rely on income from IRAs and/or workplace plans. Current workers are much less likely to have defined benefit or pension plans, so it is even more important that they focus on their own savings efforts.

Fortunately, workers appear to be recognizing this fact, as 82% said they expect their workplace retirement savings plan to be a source of income in retirement, with more than half saying they expect employer plans to play a "major" role.

Lesson 4: Some expenses, particularly health care, may be higher than expected

While most retirees said their expenses were "about the same" or "lower than expected," approximately a third said their overall expenses were higher than anticipated. Nearly four out of 10 said health care or dental expenses were higher.

Workers may want to take heed from this data and calculate a savings goal that accounts specifically for health-care expenses. They may also want to familiarize themselves with what Medicare does and does not cover (e.g., dental and vision costs are not covered) and think strategically about a health savings account if they have the opportunity to utilize one at work.

Lesson 5: Keep debt under control

Just 26% of retirees indicated that debt is a problem, while 60% of workers said this is the case for them. Unfortunately, debt can hinder retirement savings success: seven in 10 workers reported that their non-mortgage debt has affected their ability to save for retirement. Also consider that 32% of workers with a major debt problem were not at all confident about having enough money to live comfortably in retirement, compared with just 5% of workers who don't have a debt problem.

As part of their overall financial strategy, workers may want to develop a plan to pay down as much debt as possible prior to retirement.

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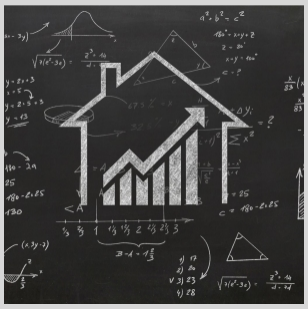
Real Estate Investing 101



Historically low mortgage interest rates and rising home values are just a couple of reasons why investors may be drawn to real estate investing. Not only does real estate have the potential to provide a steady income stream, but it can help diversify an investment portfolio and act as a hedge against inflation.

If you are new to investing in real estate, there are a number of questions you should ask yourself to choose the best real estate investments for your needs.

Do you want to be an active or passive owner?

When choosing a real estate investment, you first need to decide how much you want to be involved. Are you interested in investing in a single-family dwelling, multi-unit property, or vacation property for rental income? Buying rental property and managing it yourself will involve time and effort unless you hire someone to manage it for you. If you've never been a landlord, be sure to talk with other landlords to get a sense of the potential rewards and pitfalls.

Other real estate investments, such as real estate limited partnerships and raw/unimproved land, demand less day-to-day involvement. If you're investing simply to diversify an investment portfolio, these types of real estate investments may satisfy your needs without the challenges of managing a property.

Are you investing for tax benefits?

There are a number of tax benefits associated with investing in certain types of real estate. For example, operating expenses for a rental property are typically tax deductible, and you may be entitled to deductions for depreciation. In addition, any profit from the sale of real estate is generally taxed at favorable capital gains rates. You may also be able to postpone your tax liability with other tax planning strategies, depending on the type of real estate investment.

If tax benefits are your primary reason for investing in real estate, be sure to consult a tax professional to see what specific tax benefits you may be entitled to based on the real estate investment you choose.

Are you investing for income, capital appreciation, personal use, or a combination?

Real estate investments offer the potential for all three, but there is often a trade-off among them. For example, raw land may have development potential, but it likely will not provide any return until it is fully developed. You may be able to earn income from rental property that has the potential to increase in value over time, but your ability to use the property yourself will be limited if you want to enjoy a rental's tax benefits. Ranking your priorities can be useful.

Are you looking for a quick return or a long-term investment?

Real estate speculators have been known to earn high profits from buying distressed property, fixing it up, and reselling it at a profit, especially in a buyers' market. However, the real estate market is notoriously cyclical, and there are no guarantees. If you're speculating, hoping for a quick return on your capital, the liquidity of a real estate investment will be important to you; so will making sure you don't overpay to begin with. If you have a longer time frame, you may have a wider range of investing options.

Is real estate investing going to be a full-time job for you or a hobby?

Some real estate investors find that what they intended as a hobby or retirement diversion quickly becomes more than they can handle. Think about how much time and capital you're prepared to devote to your real estate investments, and how much of a cushion you have in case things don't work out as you expected.

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. There are inherent risks associated with real estate investments and the real estate industry that could have an adverse effect on the financial performance and value of a real estate investment. Some of these risks include: a deterioration in national, regional, and local economies; tenant defaults; local real estate conditions, such as an oversupply of, or a reduction in demand for, rental space; property mismanagement; changes in operating costs and expenses, including increasing insurance costs, energy prices, real estate taxes, and the costs of compliance with laws, regulations, and government policies. Real estate investments may not be appropriate for all investors.

Limited partnerships are subject to special risks such as illiquidity and the risks inherent in the underlying investments. There are no assurances that the stated investment objectives will be reached. At redemption, the investor may receive back less than the original investment. Individuals must meet specific income and net worth suitability standards, which vary by state. These standards, along with the risks and other information concerning the partnership, are set forth in the prospectus, which can be obtained from your financial professional.

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How can I teach my high school student the importance of financial literacy?

Even though your child is just in high school, he or she may still have to deal with certain financial challenges. Whether this involves saving for an important purchase like a car or learning how to use a credit card responsibly, it's important for your high schooler to have a basic understanding of financial literacy concepts in order to manage his or her finances more effectively.

While financial literacy offerings in schools have increased in popularity, a recent study reported that only 17 states require high school students to take a personal finance course before they graduate.[1] Here are some ways you can teach high school students the importance of financial literacy.

Advocate saving. Encourage your children to set aside a portion of any money they receive from an allowance, gift, or job. Be sure to talk about goals that require a financial commitment, such as a car, college, and travel. As an added incentive, consider matching the funds they save for a worthy purpose.

Show them the numbers. Use an online calculator to demonstrate the concept of long-term investing and the power of compound interest. Your children may be surprised to see how fast invested funds can accumulate, especially when you match or contribute an additional amount each month.

Let them practice. Let older teens become responsible for paying certain expenses (e.g., clothing and entertainment). The possibility of running out of their own money might make them think more carefully about their spending habits and choices. It may also encourage them to budget their money more effectively.

Cover the basics. By the time your children graduate from high school, they should at least understand the basic concepts of financial literacy. This includes saving, investing, using credit responsibly, debt management, and protection planning with insurance.

[1] Survey of the States, Council for Economic Education, 2018

Should parents "go for broke" on youth sports?

Many parents encourage their kids to play organized sports because they believe the experience will be good for their physical and mental well-being. Athletic participation often provides an opportunity to instill discipline and develop social skills that could have a positive impact on their children's futures.

But kids play has morphed into big business. In 2018, the size of the U.S. youth sports market was estimated to be about $17 billion.[1]

The costs can really add up at more competitive levels, when payments for professional instruction, specialty equipment, and travel kick into high gear. On average, families with children who competed on elite teams spent an average of $3,167 per player in 2018, up from $1,976 in 2013.[2]

Lofty hopes and dreams might inspire some parents to overspend on youth sports. In fact, surveys suggest that many parents are willing to make big financial sacrifices to cover athletic costs, possibly even taking on credit card debt or delaying retirement.[3] Unfortunately, some parents may have unrealistic expectations, such as those who are confident their children will become professional athletes, despite the very long odds against it.

Parents who assume that investing in athletics will pay off with college scholarships are also likely to end up disappointed. Only about 2% of high school athletes benefit from athletic awards, and few of them are "full rides." Coaches often have more roster spots to fill than available scholarships, so many athletes receive partial awards that may cover only a small fraction of tuition costs.[4]

Although most parents have good intentions, there may be some unhealthy side effects. According to a 2016 research study, young athletes whose families devoted a large portion of their household income to sports felt more pressure to succeed and were less likely to enjoy the experience.[5] And even if their kids love to play, parents should attempt to keep the costs in an affordable range so that other important financial goals (such as saving for college and retirement) are not neglected.

[1] WinterGreen Research, 2018

[2-4] *The Wall Street Journal,* April 21, 2019

[5] *Family Relations,* April 2016

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