LET'S TALK MONEY®
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The ABCs of Insurance

Life insurance terminology is often difficult to understand. Here's an explanation for some puzzling insurance phrases so that you'll know what they mean.

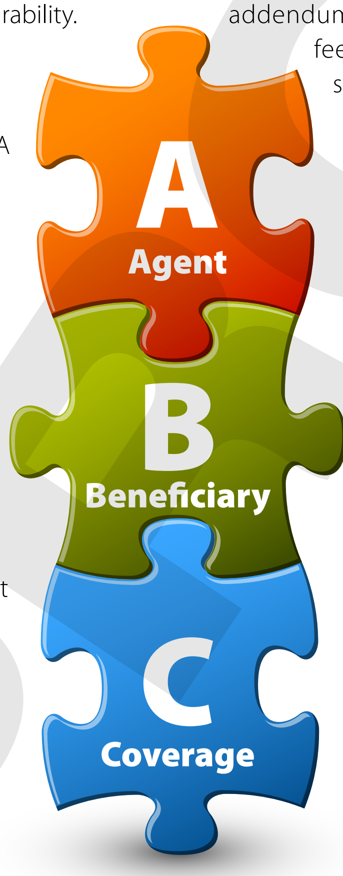
Underwriting — How an insurance company examines risk to decide whether or not to approve applicants to buy insurance.

Evidence of insurability — This is generally proof of your health, although some insurers may also check your finances and employment to determine insurability.

Standard risk — This is underwriting — or rating — which determines normal risk. A standard risk will pay more for insurance than the lowest risks, but less than substandard risks, who are the highest risks.

No underwriting is required — You hear this phrase when an actor pitches a term life insurance policy on television. In reality, individual term insurance is typically for a low amount and doesn't fully pay a death benefit for the first two or so years.

Group insurance — This is typically a nominal amount of coverage underwritten on a large amount of people. This is usually a benefit offered by employers and associations.



Beneficiary — The person or entity that receives the insurance policy's death benefit. An entity could be a charity or even a business.

Rider — Most whole life and some term life policies offer riders, which insurers also call endorsements. You can consider them addendums that, sometimes for an extra fee, may add to your benefit or suspend premiums, among other options.

Lapse — When policy owners miss a payment, an insurance policy could lapse, or be cancelled. There are riders to protect against this possibility, too.

Dividend — Whole life insurance policies often pay a predetermined rate of interest on paid premiums. The insurer can use earnings and expense savings to reduce your premiums, increase your benefit premiums, increase your benefit and pay periodic dividends.

Agents — These are people, licensed by the states in which they sell insurance, you should contact to learn more about individual life insurance.

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Charitable Benefits

If you still itemize your taxes after the passage of the Tax Cuts and Jobs Act of 2017, donating to qualified charities just became more financially attractive for you.

More of Your Income

The new tax law allows taxpayers to deduct cash donations to qualified charitable organizations of up to 60% of their adjusted gross income annually. They can also carry forward any amount that exceeds the 60% limit for up to the five succeeding years. This, like most individual tax changes in the new law, will expire after 2025.

The Internal Revenue Service also allows anyone operating a vehicle for charitable purposes to deduct 14 cents per mile, the same as in 2017.

Give or Not?

Some observers predict a drop in charitable giving because fewer people will itemize deductions on their tax returns. This prediction is based on the belief that Americans give to charities primarily to reduce their own tax bills.

The estate tax exemption doubled to $22.36 million per couple and $11.18 million per individual, indexed to inflation, but the standard deduction increased to $12,000 per single tax filer and $24,000 per couple filing jointly, which some observers expect will limit the number of people who itemize. We'll find out if charitable donors are more altruistic than this prediction once charities add up their donations from 2018.

Giving Regularly

If you are among those taxpayers who will continue to itemize on your tax return, you can make gifts of up to $15,000 per individual per donor annually without having to subtract the amount from your federal estate tax exemption. This exclusion can add up, depending on how many gifts you make annually.

For example, both you and your spouse might make $15,000 gifts to each of your three children. That's $90,000. And let's say you both also give the same gifts to three grandchildren. That's another $90,000 for a grand total of $180,000 in one year. This can add up over time and become an effective way to transfer your assets to loved ones tax efficiently.

Alert, Freeze or Lock

With identity theft becoming more common in the wake of high-profile website hacks, it is important to take steps that safeguard your online information. Here are some ways:

Fraud Alert

One way to put a stop to this type of cybercrime is to ask the three major credit reporting agencies — Equifax, Experian and TransUnion — to place a free alert whenever a request for new credit occurs. A fraud alert requires companies to contact you to verify that you want new credit before they approve it.

To get this alert, which initially lasts for 90 days and can be renewed multiple times, contact one of the three credit agencies, which then must notify the other two. If you have experienced credit theft, your fraud alert can last up to seven years.

Credit Freeze

While a fraud alert gives you access to your credit, a credit freeze will do as its name suggests: prevent anyone, including you, from opening a new account. You'll need to ask all three reporting agencies for the freeze, which generally lasts until you lift it. Identity theft victims receive this service for free, but each reporting agency can charge $5 or $10 each time you freeze and unfreeze your credit.

Credit Lock

A credit lock is the most extreme and expensive measure you can take. Good for people who don't plan to open new credit in the near future or who experienced identity theft, a credit lock will generally cost you a monthly fee charged by each agency. Your lock ends when your agreement ends, when you unlock it using the agency's procedures or when you stop paying the fees.

Summer Money Tips

With vacations, half-day Fridays and other time off during the summer, it's easy to spend more money than you intended on leisure activities. You can prevent overspending and still enjoy the extra time off by taking actions that include:

- Paying with cash instead of credit cards. It's easy to spend more than intended with a card;
- Carrying only one credit card with a small fixed limit, if you don't like using cash;
- Taking advantage of employer discount programs, which some bigger companies offer employees;
- Cooling off by bowling in an establishment offering summer discounts;
- Going to a movie theater during off-peak hours, when prices are lower;
- Visiting a national park for only a nominal parking fee;
- Picnicking at a local park for free; or
- Taking a hike (and reaping the health benefits, too).

Why We Travel

With some 1.7 billion personal trips taken by domestic and international travelers during 2016, traveling for leisure is a popular endeavor. Have you ever wondered what so many people do when traveling, aside from business? Here are the top activities, courtesy of the U.S. Travel Association:

1

Visiting relatives & friends

2

Shopping

3

Fine dining

4

Rural sightseeing

Back to $chool

Before you know it, summer will end and the kids will head to school. Parents know this is a costly exercise. So does the National Retail Federation, which estimates back to school spending at more than $83 billion in 2017.

So, before you start shopping for school clothes and supplies, consider making a plan to keep costs reasonable.

Keep to a Budget

To spend only what you need to spend, you should not only create a budget, but stick to it. That's easier said than done, when children beg publicly for the latest trendy item.

Name the "Must-Have"

So you don't come off as Scrooge, allow each child one "must-have" item for the new school year — within guidelines — such as a backpack or clothing item, as opposed to a new smartphone.

More is Less

School supplies like pencils, pens and paper can seemingly disappear into a black hole during the school year. So why not shop for these and other often-used items in quantity to save money?

Shop Early

You don't buy snow blowers after the first snowfall or lawn mowers as spring arrives because they cost more during these peak times. The same goes for buying school supplies and clothes. Shop before or after the peak buying time to reap savings.

Buy Used

Whether you're looking for college textbooks or paperback books for a high school English class, buying used will save you a few dollars. Some college textbooks can be rented online or borrowed from the library.

Planning Your Legacy

Most people want to make their mark in the world and to be remembered when they are gone. Good deeds, love and financial generosity can help build a legacy. There are few better ways to achieve the financial aspect of creating a legacy than using life insurance to benefit loved ones, a cherished organization or a beloved cause.

The Vehicle

Life insurance has long been used as a way to leave a financial legacy behind for the people and charities people care most about. In many cases, the cost of paying premiums for this insurance over a lifetime is less than making an outright gift of cash that is equal to the policy's death benefit.

For generations, life insurance has also been a go-to way to help loved ones pay estate and inheritance taxes. In light of new tax changes, fewer people will owe estate taxes (and have the need for insurance that helps pay for them), although they may still need to deal with local taxes.

A Charitable Gift

Charitable organizations are worried that the higher federal estate tax exemption and lower individual income tax rates will reduce individuals' contributions to them. The thinking here is that lower tax rates and a higher standard deduction will prompt fewer taxpayers to itemize and deduct qualified donations.

Giving a gift of life insurance, however, is a more efficient way to make the same eventual charitable contribution as you did before tax reform.

Loved Ones

Taxes rarely play a part, though, in individuals' efforts to secure their families' futures. Life insurance helps to accomplish this. Caring financially for loved ones is the premise upon which the life insurance industry was built.

You can have a ton of money and still want to find an economical way to ensure the financial futures of the ones you love. Or, like most of us, you may want to leave a larger financial legacy behind than you have in assets and cash.

Life insurance can make up that difference. Life insurance can ensure your family's financial future because life insurance is, above all, about love.

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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.

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REVIEW LETTER

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The material submitted appears consistent with applicable standards.

Reviewed by,

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