LET'S TALK
MONEY®
March/April 2019

Unmarried with Children

Pew Research Center analysis of 2017 census data found that one in four parents was unmarried, a sharp increase in recent years. More parents also have unmarried partners than in the past, which doesn't change the fact that most parents — especially single ones — should have life insurance.

The Situation

Unmarried couples living together with their families have the same life insurance needs as married couples. And while there are a few different types of life insurance, they all share one ultimate benefit: The person (your significant other) or persons (children) named as your policy's beneficiary will receive the same financial benefit as families headed by married couples.

Unmarried couples can name each other as beneficiaries if they can prove they have an insurable interest in each other because they provide financial or other support. Then, if the unthinkable happens to one of them, the other could keep their financial ship afloat with life insurance proceeds.

In contrast, single parents living with their minor children, but without a partner, have to depend on themselves. They likely need life insurance, and also the legal documentation that addresses their children's care if the parent is out of the picture.

Determining Your Needs

How much insurance will you need? It depends on how many children you have, if they would need childcare, whether your surviving spouse or partner intends to work and more. Working single parents may have access to life insurance through their employers. In many cases, they may need more insurance than available through the workplace. You can work with an insurance professional to determine how much and what type of insurance is best with your situation.

There's a life insurance policy for everyone. If your budget is tight, purchase what you can through an employer, who likely offers group life insurance at a lower cost than individual insurance. You might start with term insurance, which is pure life insurance. This type of insurance does not build cash value and premiums increase with time, but it does offer the all-important death benefit. You might look for policies you can convert to whole life insurance, which can accumulate cash value and features premiums that remain the same, should your financial situation improve.

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FINRA Reference FR2018-1010-0147/E INS

2018 Tax Changes: Coming and Going

As the filing deadline nears for your 2018 federal tax return, it may be helpful to brush up on changes that can affect how much you pay. Some of the changes cited below are subject to income limits and other qualifications, so check with your tax professional to learn about these and other changes to your 2018 return. Also beware that many individual changes will expire in 2026.

More Tax Breaks

The standard deduction increased significantly to $12,000 for individuals, $24,000 for couples filing jointly and $18,000 for heads of households. Income brackets at which you pay ordinary and capital gains tax also increased significantly, as did the threshold at which taxpayers must pay the Alternative Minimum Tax (AMT). Your children under age 18 may net you a $2,000 child tax credit, if you qualify by income.

The estate tax exemption* more than doubled to $11.18 million for single taxpayers and $22.36 million for couples filing jointly. You can deduct charitable contributions of up to 60% of your adjusted gross income, and inflation indexing boosts the annual gift tax exclusion to $15,000 per taxpayer per recipient. The limit on qualifying income for taking itemized deductions also disappears in 2018.

Fewer Tax Breaks

A combined limit of $10,000 for state and property tax deductions is new to 2018, which taxpayers in highly taxed states will notice. The mortgage cap on the amount of all home loan interest you can deduct is $750,000, down from $1 million. Interest on home equity loans and second mortgages is deductible only for money used for home improvements. Deductions for personal exemptions, moving expenses (service members exempt), unreimbursed job expenses, and casualty and theft losses outside a federal disaster area are also history.

Business: Give and Take

Corporate income taxes decreased, and owners of S corporations and other business entities may see taxes reduced through a special pass-through income tax provision. Section 179 expensing limits doubled to $1 million with a $2.5 million phase-out, and certain equipment and bonuses may be 100% depreciated in the year the expense is incurred.

However, employee transportation benefits are no longer deductible. Neither are entertainment expenses. Larger businesses will also see the end of full interest expensing, which is now limited to any business interest income plus 30% of the business' adjusted taxable income.

Look Ahead

Alimony payments received according to agreements created or modified after 2018 will no longer be taxable.** You may deduct unreimbursed medical expenses exceeding 7.5% of adjusted gross income. If you don't have a qualified health insurance plan, you may owe a tax penalty of $695 per adult or 2.5% of household income, whichever is higher, in 2018. The penalty expires in 2019.

Still Time

Income qualification and contribution limits, which are indexed to inflation, increased for a variety of qualified retirement plans and you still have time to set up and contribute to a traditional IRA before your tax filing deadline. You may also contribute to a Roth IRA until that date. While a Roth IRA doesn't offer tax-deferred contributions, its growth and eventual distributions (when meeting certain terms) are tax-free.***

** https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax*

*** https://www.irs.gov/taxtopics/tc452*

**** Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty.*

Spring-Clean Your Finances

Now is not only a good time to spring-clean your house, but to take care of financial matters you may have put off. Consider the following:

Get Your Act Together – If you have receipts here, statements there and insurance documents who knows where, start your spring cleaning by organizing them and streamlining your recordkeeping. The accompanying article lists how long you should keep certain tax records, but you can also use it as a guide to reduce other financial records, including utility statements and most credit card receipts.

Document the Important Stuff – This begins with a will so that your loved ones have direction when you can't give it. Talk to an attorney to draw up a will and, while you're at it, a healthcare proxy and powers of attorney.

Coordinate Your Insurance – Consider putting all of your insurance documents in one place so that loved ones can find the information needed to make a claim. Include policy and contact information not only for individual life, health and property/casualty insurance, but also for any benefits you may buy through work, such as disability income insurance.

While you're at it, talk with your insurance professional to make sure you're covered appropriately and beneficiary designations are current.

Organize Your Investment Information – Leave information about your various investments and retirement accounts in an accessible place for loved ones to find. Use technology to organize these documents. And work with a financial professional to help you stay on track with your investing goals.

Get Organized!

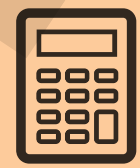
Organizing your financial records can help you find what you need this tax season. Begin by understanding how long you need to keep the following records, courtesy of the IRS:

- Three years for most records if you have reported all your income.
- Four years for employment tax records.
- Six years if you under-report at least 25% of your income.
- Seven years if you filed a claim for worthless securities or bad debt.
- Indefinitely for years when you didn't file a tax return or filed a fraudulent one.

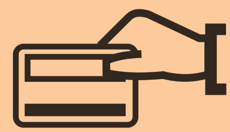
Five Credit(able) Steps to a Higher Credit Score

Your credit score is often the driver when looking for the best deal on a credit card or auto loan. Here are some steps to help increase your credit score:

1. Check your credit scores. Get a free credit report every year from Equifax, Experian and TransUnion. Examine each for errors.



2. Shrink your debt. You may want to start by paying off your credit card with the highest interest. This is one step to a better income-to-debt ratio and a better credit score.



3. Expand your income. You might accomplish this step with a part-time job, overtime or freelancing.

4. Automate your savings. Lower debt and more income means you can save more for big goals, including retirement. Make your IRA and 401(k) plan contributions automatic.

5. Review as needed. Once you create a sparkling credit profile, check regularly to keep it that way.

Life Changing?
Revisit Life Insurance

From marriage to retirement, life's events will likely alter your life insurance needs. How much life insurance do you need and why do you need it at various times in your life? Let's take a look at some of life's stages and how life insurance may play a role during these times.

Just Married

If you're young and newly married, you probably feel invincible and question the need for life insurance. But even if you think you can tempt fate because time is on your side, you might want to consider whole life insurance during this time. You're young, when life insurance is least expensive. And if you purchase whole life insurance, premiums will never increase and you'll keep the policy even in ill health as long as you pay premiums on time.

New Baby

Having your first child? Second? Third or more?

Let's face it, children are expensive. Counting college expenses, they can cost hundreds of thousands of dollars each before going out on their own. Carrying an appropriate amount of life insurance can ensure your financial plans will continue if you are no longer here to fund them.

Blended Families

Families come in all shapes and sizes, and many combine their resources and their love in second marriages and beyond. You'll want to talk to an estate planning attorney to sort some items out, but you will undoubtedly have complicated life insurance needs, too. From housing and college to everyday expenses and income replacement, life insurance can provide a financial safety net for loved ones.

Empty Nest

With the children out of the house and on their own, you and your spouse may have a lesser immediate need for life insurance. You may still, however, want to provide for a surviving spouse. If you have built up cash value* in a life insurance policy over the years, you can use this cash to supplement your retirement income. Or you can maintain a life insurance policy to leave as an income-tax-free legacy to loved ones.

Talk to your financial professional to learn more about your life insurance needs.

** Cash value may be accessed through loans and withdrawals, which will reduce the policy's cash value and death benefit and increase the chance that the policy may lapse.*

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.

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

November 8, 2018

Reference: **FR2018-1010-0147/E**

Org Id: 8408

1. 2019 LTM Mar-Apr Insurance
   Rule: FIN 2210
   5 Pages

The communication submitted appears consistent with applicable standards.

Reviewed by,

Wayne L. Louviere
Manager

aec

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