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What Keeps You Up at Night?

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"Statements without documentation are only opinions."

FBG
First Benefits Group, Inc.
Pioneers in Financial and Healthcare Strategies

Dear Terry,

Money - It's All About the Benefits.

December 2017

May you and your family have a safe and joyous holiday season, and a happy and successful New Year.

The Staff of First Benefits Group, Inc.

Innovative Thinking on a Very Popular Subject - Money

1. The Basics of Annuities. Annuities are unique financial instruments. They can provide a way to accumulate funds for the future and/or systematically distribute those funds over a given period. Annuities are financial contracts, issued by insurance companies. Annuity buyers deposit money into the contract in the form of premiums. The insurer invests these premium dollars, which are then credited with a certain rate of interest earnings or grow in relation to the performance of the investments in which they are deposited. Funds accumulate in an annuity on a tax-deferred basis, which enhances the product's ability to grow: funds compound at a greater rate because none of the earnings are taxed away.

2. Annuities are well suited for retirement planning. At a certain point in the contract's life, the insurance company-at the owner's direction-can convert all or a portion of the annuity's funds into a series of periodic income payments. These payments are calculated actuarially to extend for a certain number of years or for the owner/annuitant's lifetime. This is the process of annuitization-applying capital to purchase income. By design, annuities can serve as both asset accumulation vehicles and as asset distribution vehicles. For this reason, annuities are well suited for retirement planning. They can be purchased with after-tax dollars as a way to accumulate or distribute nonqualified funds or they can be purchased with pre-tax dollars and held in an IRA or qualified plan. The former are nonqualified annuities; the latter are qualified annuities.

3. Are you nearing retirement and is Social Security part of your plan for essential income to cover living expenses? A reality in retirement is spouses do not die at the same time. When that occurs, the Social Security income for the survivor is reduced by the amount of the lower benefit. It is important to plan for this event, and the best way to plan for it is permanent life insurance. Remember the only life insurance that makes any sense is the policy that is in force when you need it the most. Many Americans don't realize that life insurance is just as important in retirement as it is when you are raising the children. The loss of Social Security income is just one example as to why it is important. Don't leave this earth without it!

4. Life Insurance is not just for the working spouse! One should consider insuring the non-working spouse especially if young children are involved. There is significant cost and time in raising children that will need to be replaced. Life Insurance helps mitigate that cost. The surviving spouse could also lose the retirement Social Security benefit of the non working spouse.

5. Always - Always - Always

- <u>Always</u> get a line of credit on your house when you don't need it and no natural disasters are pending. The financial institution probably will not extend a line of credit when you need it, or if a looming storm or fire is pending.
- <u>Always</u> remember it is as important to manage your liabilities as it is to manage your assets.
- <u>Always</u> know prepaying your mortgage in a lump sum each month does not lower your monthly mortgage payment. Prepaying the mortgage benefits the lender not the borrower.
- <u>Always</u> keep in mind the market and an individual buyer determines the value of your house. Your mortgage, or lack of it, has nothing to do with its value. Your house does not increase faster as a result of not having a mortgage on it.

6. Are you contemplating any type of medical procedure? Insurance companies and health care providers are battling over reimbursement amounts. Many providers throughout the country are not renewing their contracts with major insurance carriers. Make sure your providers, including hospitals and surgical centers, are in your network. Don't assume they are because they were last year. In many cases, there is no notification of contract changes. If in doubt, contact your medical provider and they will advise you.

7. 2017 is coming to a close. This is a good time to review your estate documents. Are your Estate Planning documents in order? It is important we avoid threats with our money. We suggest you work with a competent estate planning attorney to execute at least the following basic estate planning documents:

- Last Will and Testament
- Designation of Health Care Surrogate
- Durable Power of Attorney
- Living Will
- HIPAA - individuals authorized to receive information on your medical care

8. Roth vs. Traditional

TRADITIONAL 401(K) VS. ROTH 401(K)

Which is right for you?

	Tax treatment of contributions	Tax treatment of withdrawals	Withdrawal rules
Traditional 401(K)	Contributions are made pretax, which reduces your current adjusted gross income.	Distributions in retirement are taxed as ordinary income.	Withdrawals of contributions and earnings are taxed. Distributions may be penalized if taken before age 59-1/2, unless you meet one of the IRS exceptions.
Roth 401(K)	Contributions are made after taxes, with no effect on current adjusted gross income. Employer matching dollars must go into a pre-tax account and are taxed when distributed.	No taxes on qualified distributions in retirement.	Withdrawals of contributions and earnings are not taxed as long as: *The distribution is considered qualified by The IRS. *The account has been held for five years or more. *The distribution is being made because of disability or death or is being taken after age 59-1/2. Unlike a Roth IRA, you cannot withdraw contributions at any time.

Source: Rea & Associates

9. Medicare open enrollment ended December 7, 2017. What does it mean? For those already enrolled in Medicare and who have a Medicare Advantage Plan or Part D (drug plan) it means you will not be able to make any changes to your existing plan until January 1, 2019. Open enrollment starts again on October 15, 2018. For Medicare recipients using Medicare as their primary care provider and supplementing it with a Medigap or Medicare Supplement policy it means you can change insurance companies and plan designs anytime throughout the year, but you might have to medically qualify to make the change.

10. Innovative methods for growing assets also focus on managing liabilities.
It is just as important to manage your liabilities as it is to find products that produce high rates of return. What kind of risk do you take when you decrease liabilities? What does that focus have on rate of return on existing assets? What risk do you take when you decrease liabilities? Get with a an advisor that understands the importance of managing liabilities, and can pinpoint areas where you can improve your efficiencies.

First Benefits Group, Inc.

We are financial and insurance educators.

Our approach is unique and uncommon. We teach our clients how to be more efficient with their money. We can verify that being more efficient with your money is the safest method for building a solid foundation of protection and wealth.

There is more to be gained by avoiding losses than picking *apparent* winners.

We are experts in identifying threats to current and future lifestyles, and developing strategies to minimize or eliminate these threats.

To schedule a complimentary, no obligation appointment to discuss your personal circumstances, please call our office at 941.361.3057 x4.

Sincerely,

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