Life Income Management™
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**Melody A. Juge***
Founder
Investment Advisor, *registered*
Fiduciary
877-Mel-Juge
melody@lifeincomemanagement.com

**Samuel S. Young, MBA**
West Coast Regional Director
Investment Advisor, *registered*
Fiduciary
909-566-2111
sam@lifeincomemanagement.com

**Melody is a Member of Ed Slott's Elite Advisor Group*

**FINANCIAL OUTLOOK** FEBRUARY 2024

# Estate Planning Considerations for Your Children

It takes special care to create an estate plan that efficiently distributes your assets and meets your goals for every person and cause important to you. But no part of the process means more to most people than that which involves their children. After all, for most of us, our children are our most important legacy, and how your estate documents treat them will have an impact long after you're gone.

To help organize this process, it is useful to think of children in three categories: minors, young adults, and fully grown adults with spouses and children of their own.

## Minor Children

Children from infancy through high school have a different set of needs than children of other ages. One is simply to be able to rely on an income for daily needs in case you're no longer there for them. Since the parents of young children usually don't have large savings or net worth, the challenge is to provide an instant estate, for which life insurance is the best answer.

There are several rules of thumb for how much life insurance to buy — from four to 10 times your annual income. The right amount should be the result of a thorough needs analysis of your entire family, which can be accomplished by asking your spouse and yourself a series of probing questions, including:

- ❍ How much do the two of you already have saved?
- ❍ Will your spouse be able to work full- or part-time? If so, what will child care cost?
- ❍ Will your children go to public or private elementary and secondary schools?
- ❍ How much will your children need in college funds by the time they're ready to attend?
- ❍ How much will your spouse need for retirement, and how much of that will he/she be able to accumulate on his/her own?

After you determine how much life insurance to buy, you need to think about who will raise your children if you and your spouse both die before the children are adults. This calls for naming a guardian in both of your wills. If you don't have a will, a state court will appoint a guardian for you, and it may not be someone you or your spouse would have wanted for this role. In addition, parents might also wish to designate a person to manage the children's assets, known as a custodian or trustee. It can be the same person as the guardian, but designating an unrelated third party, like an

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# 4 Steps to Increase Financial Confidence

When it comes to being in control of your money, confidence is one of the most important attributes you can have. Below are four simple suggestions that can help you increase your financial confidence, so you'll know you're making smart decisions for yourself, your family, and your future.

**1. Get organized.** Not too long ago, it didn't take much work to organize your finances. Unless you were very wealthy, money matters were fairly straightforward — you might have had checking and savings accounts, an insurance policy, maybe some stock investments and bonds, and a mortgage. If you were lucky, you had a pension. You could easily store all your financial

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## Estate Planning

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attorney, banker, or trust company officer, who can be charged with thinking only of your children's welfare, appeals to some people.

Among the other major decisions you have to make is whether and how to split your assets among your surviving spouse and your children, and if you leave some assets directly to your children, how to determine the split among them. Often, it can make sense to leave all or most of your assets to your spouse and to evenly divide assets you bequeath to your children. But this might overlook such considerations as children with special medical needs or special abilities.

### Young Adults

Once children reach the age of majority — 18 in most states — a new set of considerations enters the picture. By this age, your children no longer require a guardian and are legally capable of spending their money in any way they want — and therein lies a potential problem. What if you leave $250,000 for college and instead your children decide to waste the money and skip college?

One way to control how the inheritance is spent is to establish a trust with a schedule for distributions. One option is to delay a full distribution until they reach a certain age, like 25 or 30. Another choice is to give them a series of partial distributions at ages that make sense to you given what you know about your child. Another increasingly popular strategy is the incentive trust. This vehicle makes payouts contingent on your child's achievement of specific accomplishments — like maintaining a certain grade point average; graduating from college, graduate, or professional school; marrying; or buying a home.

### Adult Children

Many of the same kinds of considerations that apply to minors and young adults can also influence your decisions regarding how much money to leave your adult children. Do they, their spouses, or their children have special medical needs? Have your adult children fallen on hard times or are they irresponsible with money and would only waste it? How many children do they have and how much help will they need to finance their educations?

Another consideration has as much to do with your own objectives for minimizing estate taxes. If your estate is much larger than you and your spouse's combined estate tax exemptions (currently $13.61 million for each spouse in 2024), you might want to shrink it with an aggressive campaign of gifts to your children and grandchildren. On the other hand, any funds you leave to your children might encumber them with estates equally as large as yours or larger, with the same tax challenges. In this case, you might want to transfer some of your assets to a generation-skipping trust, which bypasses your children and names your grandchildren as the beneficiaries.

Don't go it alone when mulling over these decisions. Most importantly, you need to reach a meeting of the minds with your spouse and even your children, especially if they are adults. One thing you don't want to do is to create bad feelings after you're gone, either toward you or among your survivors. Please call if you'd like to discuss this in more detail. ❍❍❍

## Assess Your 401(k) Plan

At least annually, you should thoroughly review your 401(k) plan. Some items to consider include:

❍ **Have your goals or objectives changed?** Take time to reassess your goals and objectives, which can impact how much you contribute and how you invest those contributions. Calculate how much you'll need at retirement as well as how much you should save annually.

❍ **Are you contributing as much as you can to the plan?** Look for ways to increase your contribution rate. One strategy is to allocate any salary increases to your 401(k) plan immediately, before you get used to the money and find ways to spend it. At a minimum, make sure you are contributing enough to take full advantage of any matching contributions made by your employer.

❍ **Are the assets in your 401(k) plan properly allocated?** Some of the more common mistakes made when investing 401(k) assets include allocating too much to conservative investments, not diversifying among several investment vehicles, and investing too much in the employer's stock. Saving for retirement typically encompasses a long time frame, so make investment choices that reflect that time period. *(Rebalancing/Reallocating can entail transaction costs and tax consequences that should be considered when determining a rebalancing/reallocation strategy.)*

❍ **Do your investments need to be rebalanced?** Use this review to ensure your allocation still makes sense. Also review the performance of individual investments, comparing the performance to appropriate benchmarks. Review your allocation annually to make sure it is close to your desired allocation. If not, adjust your holdings to get your allocation back in line.

❍ **Are you satisfied with the features of your 401(k) plan?** If there are aspects of your plan you're not happy with, such as too few investment choices or no employer matching, take this opportunity to let your employer know.

Please call if you'd like help reviewing your 401(k) plan and investments. ❍❍❍

## 4 Steps to Increase

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information in a single accordion file.

Today, things are more complicated. Credit cards, home equity lines of credit, student loans, 401(k)s and IRAs, 529 plans for college expenses — the list of information to keep track of seems endless. It's easy for things to get lost or overlooked. This can lead to mistakes that can weaken your financial confidence. Getting organized will restore a feeling of control.

There are numerous strategies for getting organized. The best approach for you depends on your specific situation and your personality. Some people stick with that old-fashioned accordion file. Others go completely digital, taking advantage of apps and online document storage to keep everything straight. Whatever solution you choose, you need to know all the details of your finances.

**2. Get educated.** When you start a new job, you may feel nervous. There's a lot to learn, and you may not be confident you'll succeed in your new position. But if you commit yourself to learning new skills and the ins-and-outs of how your new organization functions, your confidence will gradually increase. The same holds true for your finances. Simply taking the time to learn more about finances and managing your money can do wonders for how you feel about your life.

Many community colleges, churches, and nonprofit groups offer classes, or you can sign up for a class online. If you don't want to go back to school, consider watching videos or reading articles that review financial concepts.

**3. Get a financial plan.** If you don't have any idea what might (or what you want to) happen, you're not likely to be very confident about your future. To achieve true financial confidence, you need a plan. Having a financial plan will also help you prepare to cope with an uncertain world.

Why is a financial plan so important? It brings together all the threads of your financial life. Having a solid plan in place that covers everything from preparing for emergencies to planning for retirement is key to boosting your financial confidence.

**4. Get help.** Getting reliable advice from an outside expert can greatly improve your financial confidence. Just like a doctor supports and guides you in making decisions about your health, and a personal trainer is there to encourage and motivate you to get fit, a financial advisor is there to make sure you're sticking to your financial plan. If you're unsure about what to do next, please call. ❍❍❍


## Keep Saving after Retirement

You shouldn't stop saving just because you're retired. Carefully managing your money and looking for ways to save will help ensure you remain financially fit during retirement. Consider these tips:

- ❍ **Construct a financial plan.** Most retirees fear they'll run out of money during retirement. To ease those fears, create a financial plan detailing how much money will be obtained from what sources and how that income will be spent. Make sure your annual withdrawal amount won't cause you to deplete your savings. Review your plan annually to ensure you stay on course.
- ❍ **Consider part-time employment.** Especially if you retire at a relatively young age, you might want to work on at least a part-time basis. Even earning a modest amount can help significantly with retirement expenses. However, if you receive Social Security benefits and are between the ages of 62 and full retirement age, you will lose $1 of benefits for every $2 of earnings above $22,320 in 2024. You might want to keep your income below that threshold or delay Social Security benefits until later in retirement.
- ❍ **Contribute to your 401(k) plan or individual retirement account (IRA).** If you work after retirement, put some of your income into a 401(k) plan or IRA. As long as you have earned income and meet the eligibility requirements, you can contribute to these plans.
- ❍ **Try before you buy.** Want to relocate to another city or purchase a recreational vehicle to travel around the country? Before you buy a home in an unfamiliar city or purchase an expensive recreational vehicle, try renting first.
- ❍ **Keep debt to a minimum.** Most consumer loans and credit cards charge high interest rates that aren't tax deductible. During retirement, that can put a serious strain on your finances. If you can't pay cash, avoid the purchase.
- ❍ **Look for deals.** Take the time to shop wisely, not just at stores, but for all purchases. When was the last time you compared prices for auto or home insurance? Can you find a credit card with lower fees and interest rates? When did you last refinance your mortgage? ❍❍❍

## Financial Data

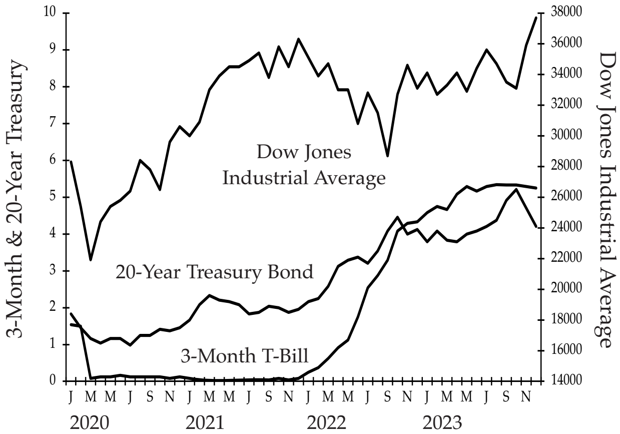
| Indicator | Month-end Oct-23 | Nov-23 | Dec-23 | Dec-22 | Dec-21 |
|---|---|---|---|---|---|
| Prime rate | 8.50 | 8.50 | 8.50 | 7.50 | 3.25 |
| Money market rate | 0.61 | 0.47 | 0.48 | 0.33 | 0.07 |
| 3-month T-bill yield | 5.33 | 5.28 | 5.26 | 4.35 | 0.08 |
| 10-year T-bond yield | 4.88 | 4.37 | 3.88 | 3.88 | 1.52 |
| 20-year T-bond yield | 5.21 | 4.72 | 4.20 | 4.14 | 1.94 |
| Dow Jones Corp. | 6.34 | 5.83 | 5.17 | 5.54 | 2.48 |
| 30-year fixed mortgage | 8.23 | 7.75 | 7.09 | 6.80 | 2.63 |
| GDP (adj. annual rate)# | +2.20 | +2.10 | +4.90 | +2.60 | +6.90 |

| Indicator | Month-end Oct-23 | Nov-23 | Dec-23 | % Change 2023 | 2022 |
|---|---|---|---|---|---|
| Dow Jones Industrials | 33052.87 | 35950.89 | 37689.54 | 13.7% | -8.8% |
| Standard & Poor's 500 | 4193.80 | 4567.80 | 4769.83 | 24.2% | -19.4% |
| Nasdaq Composite | 12851.24 | 14226.22 | 15011.35 | 43.7% | -33.2% |
| Gold | 1996.90 | 2035.45 | 2068.67 | 14.1% | 0.4% |
| Consumer price index@ | 307.79 | 307.67 | 307.05 | 3.1% | 7.1% |
| Unemployment rate@ | 3.80 | 3.90 | 3.70 | 0.0% | -11.9% |

# — 1st, 2nd, 3rd quarter @ — Aug, Sep, Oct Sources: *Barron's, Wall Street Journal*

### 4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

January 2020 to December 2023




Past performance is not a guarantee of future results.

# News and Announcements

## What to Do If Your Budget Isn't Working

If you find you're not living within your budget every month, it's time to take a step back to understand why. The following questions can help you find the issues that may be wreaking havoc on your budget and help you figure out how to fix them.

**Is Your Budget Realistic?** If your budget is not realistic or if you are underestimating your expenses based on your current lifestyle, then you are immediately setting yourself up for failure. Develop a realistic budget, including your fixed monthly costs as well as your discretionary spending to get a true understanding of your monthly spending.

**Did You Slash the Fun?** If you cut out all the fun, you may be feeling deprived, which can lead to overspending. It's important to have a little fun each month, so set a dollar amount for entertainment.

**Is Self-Control an Issue?** For many people, self-control is the main reason their budget isn't working. It's alright to splurge once in a while, but if it's happening often, you need to find ways to live within your means. One strategy is to write down the financial goals you are trying to achieve and keep them next to your cash, debit, or credit cards. As you go to make purchases, look at your goals to decide if this purchase is worth it.

**Is Budgeting Too Much Work?** If you feel you just don't have the time to track your expenses and evaluate your spending, your budget is not going to be helpful. There are many good budget apps you can use to help make this process less time-consuming.

**Do Your Financial Goals Seems Unattainable?** If you feel like you're never going to meet your goals, you may find that you give up. While your goals may seem daunting, try setting up milestones along the way, so you can see the progress you are making. Take the time to celebrate those milestones to help you stick to your budget. ❍❍❍

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