Life Income Management™

Creating income for life.

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

JUNE 2023

Estate Planning for Complicated Family Situations

In our modern and increasingly complex society, planning for the future is not always straightforward. Divorce and remarriage, blended families, children with disabilities, or even a financially irresponsible child can complicate estate planning to the point where procrastination is tempting. If any of these situations apply to you, the reality is you should have a well-thought-out estate plan in place.

If You Are Divorced

One of your top priorities is updating your beneficiaries, last will, trusts (along with the executor/trustee), durable power of attorney, and healthcare proxy. Likewise, because you no longer have the benefit of combining your estate and inheritance tax exemptions with a spouse, you may need to consider more strategic estate planning to avoid estate taxes.

If there are children involved, you have even more decisions to make, including guardians of any minor children. Typically, you will not want your former spouse or his/her new blended family to receive any of your assets.

While you can name anyone as your beneficiary on life insurance policies, annuities, retirement accounts (if permitted by your plan), IRAs, and health savings accounts, your children typically cannot receive these funds until they turn 18. In the meantime, your children's appointed guardian, such as their surviving parent, could be designated by the court to manage these monies until they reach adulthood. Proper estate planning can avoid any mishandling of those funds and provide you with the reassurance that your children will be protected.

One way to ensure this outcome is to set up a trust with an appointed trustee, such as a grandparent, aunt, or godparent.

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To Sell or Not to Sell?

Knowing when to buy and sell securities is tough, and trying to pick the perfect moments to get in and out of the market is very difficult for individual investors. Fortunately, there are some rough guidelines you can use to make your buying and selling decisions. We've outlined some tips below.

When to Sell

You made a mistake in buying the stock. No, we don't mean you suddenly regret the purchase. But if you did your research, chose your stock, and then realized there was some error in your analysis, it might be right to sell.

When a stock no longer fits in your portfolio. Your portfolio will evolve as your needs and investing goals change. As this happens, a certain stock may no longer be a good fit. Perhaps you hold shares of a more volatile stock, or your portfolio has become overweighted in stocks in emerging markets or the technology sector. You might want to sell some of your holdings to get your portfolio back on track.

When the business has changed fundamentally. If you bought stock in a company that did one thing and now it suddenly does something completely different, that *might* be a good reason to sell. The same goes if something else has changed dramatically (the company's core product turns out to be dangerous, for example, or the entire industry is facing

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Estate Planning

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If You Have Remarried

While remarrying is a beautiful reminder that second chances really do exist, this can often complicate estate planning — particularly when at least one spouse has children from another marriage. The first step is to sit down with your spouse and discuss what you both feel is fair for each other and your children. Because of state marital estate laws, unless you have a prenuptial agreement in place, your current spouse has legal entitlement to up to half of your estate, regardless of what your will may designate.

Assuring that your surviving spouse is provided for while leaving a legacy for your children can be a frail matter; it's important to have a plan intact that assures both your spouse and children receive what you intend. You might consider a trust, such as a marital trust, qualified terminable interest property trust (QTIP), or irrevocable life insurance trust (ILIT) to provide lifetime income to your surviving spouse, while simultaneously ensuring that your heirs receive the remaining proceeds.

If You Have a Special Needs Child

Understandably, parents of a special needs child are often so distracted with accommodating their children's immediate needs that important financial matters are overlooked. The consequences of putting off estate planning are far worse in these situations.

The two most important factors to consider are preserving your child's eligibility for Medicaid and other essential benefits while continuing to provide the best possible lifestyle for him/her. However, without a proper action plan, an inheritance could disqualify your special needs child from vital benefits.

To avoid this situation, parents often leave special needs children out of the inheritance equation, listing other siblings or a designated guardian as heirs with the intention that their special needs child will be provided for as he/she continues to receive necessary medical benefits. The truth is, misuse of these intended funds is always a possibility, as intentions and reality often do not mesh. A much more reassuring path is to consider a special needs trust, which can assure that your child continues to qualify for medical benefits while providing a sound financial future.

An Irresponsible Adult Child

It's quite common for parents to worry that a child could get into serious trouble when presented with a large sum of money. This depends on a variety of factors, such as age at the time of inheritance, lifestyle, or even addiction issues. Consider establishing a trust — such as a spendthrift trust or even an incentive trust — where the appointed trustee can limit your child's inheritance to several installments throughout the course of his/her lifetime (even on an annual basis if you so wish), place conditions such as good behavior on the disbursements, or even appropriate the funds for something as specific as college tuition.

Please call to discuss this topic in more detail. ❍❍❍

Principles of Stock Diversification

The best way to reduce risk in stock portfolios is to diversify. To make wise investment decisions, investors must be aware of the two types of risk they face: **undiversifiable risk,** or market/systematic risk, like inflation, interest rates, exchange rates, or political instability; and **diversifiable risk**, which is the unsystematic risk specific to a company, industry, market, or country. Undiversifiable risk is assumed by all investors and nothing can be done to mitigate it, but diversifiable risk can be managed with a diversified portfolio.

To reach your long-term financial goals and avoid taking risks that threaten those goals, most experts agree that diversification is key. A properly diversified equity portfolio should contain stocks from different industries, valuations, growth rates, countries, and even company sizes to reduce volatility and your exposure to loss of capital. The more unrelated the stocks in your portfolio, the less likely they will be subject to the same risk.

Like most things, there is no definitive number of stocks that applies to all situations, but most experts agree that 15 to 20 stocks across different industries is optimal. And while diversification is a crucial part of a good portfolio, overdiversification leads to its own complications.

Overdiversification can occur when the investor holds a large number of stocks, which makes it very difficult to know the individual companies well. When there are too many different companies to keep track of, the investor is at greater risk of making irrational decisions that could negatively impact the return on their portfolio. If your portfolio contains 100 stocks, there may be less overall risk that one stock loss harms your return, but there will also be less benefit from a great investment. Striking an appropriate balance that keeps you knowledgeable about and engaged with your investments across a varied amount of industries is essential to reaching your long-term goals.

Diversifying your stock portfolio will help you manage the risk of the price movements of your assets, but it can't completely eliminate risk and volatility. Please call if you'd like to discuss diversification in more detail. ❍❍❍

To Sell?

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big challenges). Basically, if the fundamental reasons you bought the stock no longer apply, it may be time to rethink your investment.

When a stock is overvalued. This one is tricky, and you may need the help of a trained investment professional to help you figure it out. But when a stock price goes up and up and up, it's not always a good thing. It might be because investors have overvalued the stock. If that's the case, a dramatic fall could be coming.

When Not to Sell

Just because everyone else is. Investors tend to move in packs. When everyone else is dumping the stock of a certain company, you may take that as a signal to get out too. But the actions of the many don't necessarily mean you should behave the same way. Always make your investment decisions based on a careful analysis of both larger economic issues and your own personal situation, not what everyone else is doing.

If the price has changed. Shifts in the price of a stock might be a reason to consider selling shares, but they shouldn't be your sole motivating factor. Stock prices move up and down on a regular basis — that's the nature of the stock market. If you panic and want to sell every time the price dips, or get greedy and want to sell when the price skyrockets, you could end up costing yourself big in terms of both extra transaction costs and lost potential gains.

When owning the stock is not part of your overall financial plan. You'll probably have the most success with investing if your decisions are guided by a solid financial plan. Your plan will tell you when it's a good time to buy or sell an investment. If you're tempted to make a big move, but it doesn't fit with your overall plan, you should probably hold off, or at least discuss your feelings with a financial advisor before making a dramatic move.

Do you have questions about whether or not now is a good time to buy or sell a stock? Please call if you'd like to discuss this in more detail. ❍❍❍

Giving Back

Leaving behind a legacy is important to many people. A charitable giving strategy can provide a number of tax-saving benefits, ultimately preserving more of what you're able to leave behind.

There are many ways to build charitable giving into your estate plan. Here are just a few items to consider:

❍ **Lifetime Giving**: In addition to the rewarding experience of donating, you'll enjoy the added benefit of tax deductions as well. If you're concerned with exceeding state or federal estate tax exemptions, lifetime giving is an advantageous option, since you reduce your taxable estate while also receiving a current income tax deduction.

❍ **Charitable Trust:** There are several types of charitable trusts that are mutually beneficial for your selected charities as well as you and your family. Estate tax savings, income tax deductions, and even income payments are all possibilities while benefitting your favorite causes. For example, a charitable remainder trust (CRT) is a private fund you can establish to provide yourself or selected beneficiaries with taxable income over a designated number of years. After your death, the remainder is passed to your chosen charities tax free. Your contributions are tax-deductible based on the projected remainder value allocated for charity.

❍ **Private Foundation:** This is an entity run in your name and funded throughout your lifetime, enabling you to endow others while deducting these contributions on your federal tax return. This can be an especially attractive option for people with a high net-worth or highly appreciated assets.

If you have many current and upcoming expenses, such as paying off debt, saving for your children's college educations, or saving for retirement, beginning a charitable giving strategy now may not be feasible. There are still ways to donate after your death:

❍ **A Gift in Your Will:** Simply request that your last will be drafted or revised to include your chosen organizations. This not only benefits the causes near and dear to you, but also helps reduce or eliminate estate taxes.

❍ **Retirement Accounts:** Because retirement accounts are among the highest-taxed assets in your estate, listing your favorite charities as the beneficiary could be a good estate tax savings route (although you may need your spouse's written consent). The charities are not subject to income or estate taxes, enabling them to put your entire gift to good use. ❍❍❍

FINANCIAL DATA

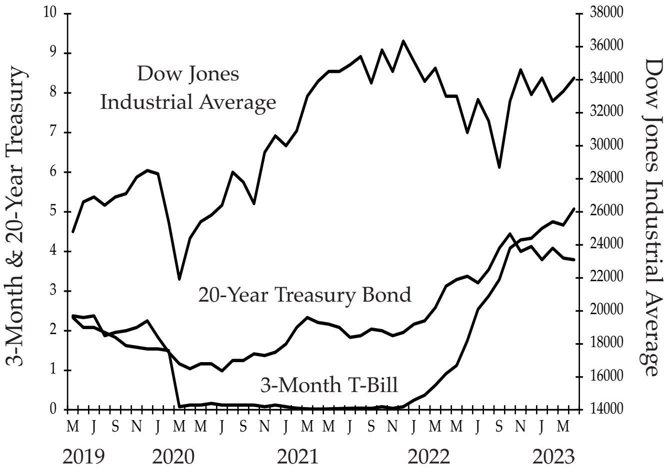
Indicator	Month-end Feb-23	Mar-23	Apr-23	Dec-22	Apr-22
Prime rate	7.75	8.00	8.00	7.50	3.50
Money market rate	0.47	0.48	0.51	0.33	0.08
3-month T-bill yield	4.75	4.68	5.07	4.35	0.89
10-year T-bond yield	3.92	3.48	3.44	3.88	2.89
20-year T-bond yield	4.10	3.81	3.80	4.14	3.14
Dow Jones Corp.	5.65	5.36	5.26	5.54	4.33
30-year fixed mortgage	7.07	6.93	6.97	6.80	4.67
GDP (adj. annual rate)#	+3.20	+2.60	+1.10	+2.60	-1.60

Indicator	Month-end Feb-23	Mar-23	Apr-23	% Change YTD	12-Mon.
Dow Jones Industrials	32656.70	33274.15	34098.16	2.9%	3.4%
Standard & Poor's 500	3970.15	4109.31	4169.48	8.6%	0.9%
Nasdaq Composite	11455.54	12221.91	12226.58	17.0%	-0.9%
Gold	1824.60	1979.70	1982.55	9.4%	3.7%
Consumer price index@	299.17	300.84	301.84	1.4%	5.0%
Unemployment rate@	3.40	3.60	3.50	-5.4%	-2.8%

— 3rd, 4th, 1st quarter @ — Jan, Feb, Mar Sources: *Barron's, Wall Street Journal*

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

May 2019 to April 2023



Past performance is not a guarantee of future results.

News and Announcements

Distributing Personal Possessions

Organizing and planning an estate is not a simple process. Dealing with major assets, like your house, business, investments, and retirement accounts, may be so time-consuming that you don't even think about your personal possessions, leaving distribution decisions up to your heirs. But disputes over personal possessions are more apt to cause conflict among heirs than disputes over money. Some points to consider include:

❍ **Take time to think about who should receive treasured personal possessions.** You might want to detail your wishes in a separate letter to your heirs to prevent disagreements.

❍ **Ask your heirs what possessions are important to them.** Otherwise, you may inadvertently give a treasured possession to one child without realizing its importance to another child.

❍ **Don't distribute assets based on arbitrary criteria.** You don't necessarily have to give your jewelry to your daughter or your tools to your son. Your son might want to pass on some of your jewelry to his wife or daughter. Likewise, don't give your most valued possessions to your oldest child without considering younger siblings.

❍ **Devise a method for heirs to distribute personal possessions.** You probably won't want to decide how every personal possession should be distributed. After you have determined how to distribute your most valued possessions, detail a method for heirs to distribute the rest of your possessions. It can be as simple as having heirs take turns selecting items or flipping a coin if more than one person is interested in an item. ❍❍❍ FR2023-0118-0019

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Neither Asset Allocation nor Diversification guarantee a profit or protect against a loss in a declining market. They are methods used to help manage investment risk.

Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices do not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.
The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 actively traded "blue chip" stocks, primarily industrials, but includes financials and other service-oriented companies. The components, which change from time to time, represent between 15% and 20% of the market value of NYSE stocks.
The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.
The Nasdaq Composite Index is a market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks. The index includes all Nasdaq listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures.
The Consumer Price Index (CPI) is a measure of inflation compiled by the US Bureau of Labor Studies