Make Your Money Work for You

January 29, 2025

Enjoy your Retirement

What could get in the way of you enjoying your retirement?

The obvious concern is not having enough money to maintain your lifestyle. But what if you've saved and invested well? A major risk could be your health. I'm not talking about choosing between Medicare or an Advantage plan; I mean the need for extended care. What if there was a solution that could address both extended health care and spousal liquidity? There is: life insurance with a long-term care rider.

Retirement is meant to be a time for enjoyment, but without planning, unexpected healthcare costs can quickly derail even the best-laid plans. A big challenge is the cost of long-term care, which includes services like assistance with daily activities when you can no longer perform them independently. These services aren't typically covered by Medicare, leaving many retirees to pay out-of-pocket.

According to the U.S. Department of Health and Human Services, nearly 70% of people over 65 will need some form of long-term care. The financial burden can be significant, quickly draining retirement savings.

Life Insurance with a Long-Term Care Rider

A life insurance policy with a long-term care rider offers a unique solution. This rider allows you to access your policy's death benefit tax-free while you're still alive to cover long-term care expenses.

Should you never need the life insurance policy for long-term care, your family receives 100% of the death benefit.

Key Advantages of Life Insurance With a Long-Term Care Rider

1. **Flexibility:**
   The rider offers flexibility in how funds are used, whether for nursing home, assisted living, or at-home services.
2. **Wealth Preservation:**
   Unlike traditional long-term care insurance, which can become expensive over time, a life insurance policy with a long-term care rider guarantees that your money will be used,either for care or as a death benefit for your family.
3. **Spousal Protection:**
   If the insured spouse requires long-term care, the other can use the funds from the policy, rather than outside savings.
4. **Tax Benefits Rider:**
   Long-term care benefits are typically tax-free providing financial leverage when paying for care.

To ensure you're financially prepared for retirement, consider these steps:

1. **Consider Retirement Income:**
   Confirm your retirement income streams, like Social Security and pensions, meet your lifestyle needs.
2. **Review Your Health Coverage:**
   Determine whether your existing health coverage addresses long-term care gaps.
3. **Estimate Long-Term Care Costs:**
   Research long-term care costs to determine how much coverage you need.
4. **Consult a Financial Planner:**
   A financial planner can help you integrate life insurance with your overall retirement strategy to address risks you face.

Conclusion

Retirement is an exciting phase, but it requires proactive planning, especially for healthcare costs. Life insurance with a long-term care rider offers a solution that protects your family and covers extended healthcare needs. By including this coverage in your retirement strategy, you have created an asset that leverages you dollars for yourself and/or your family. By addressing risks, such as long-term care, you can focus on enjoying your retirement.

Article written by Ali Swofford, PhD, ChFC, CLU,
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Disclosure: Long-Term Care riders are subject to additional costs and restrictions. Guarantees and payouts are backed by the financial strength and claims-paying ability of the issuing insurance company.

Ali Swofford

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What does it mean to be Independent and Locally owned?

Tate Insurance Group is located in Knoxville, TN and is owned and operated by local residents. Unlike national brands and the national brokers, Tate Insurance Group is here in the community. With companies selling to national entities and being bought by Banks, Equity Firms and National Brokers, do you actually know who your Agent is and where your account is being serviced? If you are paying premiums it is important to know who owns the company, where the office is located and having local residents to service your policies. It is our pledge to take care of the Knoxville community and to always be there for our customers.

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It's About Income, Ladies and Gentlemen, and Not Just Assets

"Begin with the end in mind."

- Dr. Stephen Covey, Habit 2, The 7 Habits of Highly Effective People

Many moons ago, the opportunity to meet Dr. Covey came to pass. He was clear and concise: whatever you do, begin with the end in mind. In the whirlwind that is financial services, and in particular managing one's assets, the focus, all too often, remains asset accumulation, a noble cause indeed, a requirement. That said, in lockstep with Dr. Covey's wisdom, the financial strategy's true purpose, raison d'être, leads the beneficiary of the strategy down a slightly different thought flow, and that is income distribution.

Preparing for income distribution ushers in an array of thinking and includes crafting a strategy that takes the asset to a point where it can withstand volatility and flow to the client when the client requires it and at the optimal level. Volatility? Is there volatility in the marketplace? Of course there is. Though markets returned strong gains over the last several decades[1], marked decreases occurred along the way. Climbing out of those valleys of despair and gloom took time, leaving some portfolios short of their intended mark.

There is a glimmer of hope in putting income distribution front and center. Creating a vehicle from the beginning that provides a certain level of income, with the potential for more through dividends[2], helps to offset market volatility. Note: lifetime income distribution is not the only component of the solution. But it answers Dr. Covey's call to action and then some.

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[1] Past performance is not a reliable indicator of future results.
[2] Dividends are not guaranteed.

3 simple ways to get back in creditors' good graces

A robust credit rating is a key component of a strong financial foundation. There's a reason consumers' credit histories are important to landlords, car dealerships and mortgage lenders. Adults who can demonstrate a track record of sound financial decision-making and responsible money management are seen as safer bets by landlords and lenders than those who have shaky payment histories.

Young adults may not recognize the significance of a strong credit rating until their financial reputations have already taken a hit. Indeed, the Urban Institute reported in late 2024 that 16 percent of young adults between the ages of 18 and 24 with a credit record had debt in collections. Such individuals and older adults who have struggled to make ends meet without taking on debt may one day aspire to own a home or secure a favorable auto loan, and each goal is more difficult for consumers with poor credit ratings to achieve if they cannot restore their reputation in the eyes of prospective creditors. Thankfully, consumers can take three simple steps to rebuild their credit.

1. Start paying on time. One of the fastest ways to build debt is to skip or miss payments on consumer debts like credit cards. When that happens, consumers must pay percentage-based interest charges, which can be especially high on credit cards. When borrowers don't pay on time, relatively small debts can quickly balloon, costing consumers sizable amounts of money and threatening their financial reputations. In addition, the financial experts at NerdWallet point out that late payments can stay on a credit report for more than seven years, which underscores the significance of paying bills on time each month.

2. Utilize as little credit as possible. Credit utilization ratio is one of the variables reporting agencies like Experian use to determine consumers' credit ratings. Overutilization of credit adversely affects a credit score, so consumers with poor credit histories are urged to avoid using credit cards when they have funds available in their savings or checking accounts. Consumers now have readily available access to information that determines their credit scores, and that includes their credit utilization ratio. Monitor that ratio and make a concerted effort to keep it low. Data from Experian gathered in the third quarter of 2022 revealed that the average utilization ratio among consumers whose credit scores were considered excellent was 6.5 percent, while those whose scores were considered fair had a ratio of 56.1 percent. Individuals whose scores were considered poor (between 300 and 579) had an average utilization ratio of 82.1 percent. The disparity in these ratios underscores their significance in relation to building a strong financial reputation.

3. Apply for a secured credit card. NerdWallet notes that secured credit cards can be the right vehicles for individuals who need to start over in relation to their credit histories. The credit reporting agency Equifax notes secured credit cards require cash deposits that are used to insure purchases made on credit. Secured credit cards are ideal for borrowers who have been deemed high-risk due to past mistakes. Payment histories on secured credit cards can be recorded and shared with reporting agencies, which makes them a valuable asset for individuals who need to demonstrate an ability to pay bills on time

Consumers can consider these three strategies and others as they seek to rebuild their credit and get back in the good graces of lenders.

Understanding index funds

Investing is a skill that some people develop over time. When just starting out, novice investors might not be comfortable choosing individual stocks. In these instances, options like index funds merit consideration.

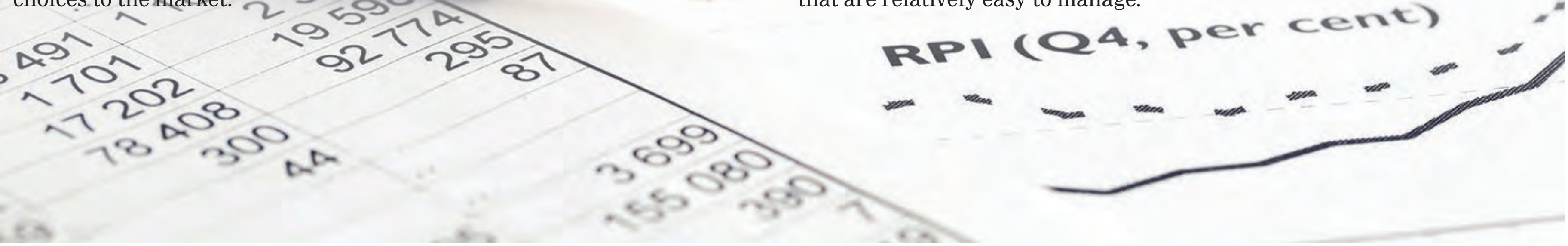
Investopedia advises that an index fund is a type of mutual or exchange-traded fund (ETF) that tracks the performance of a market index like the S&P 500 or the Russell 2000. The index fund holds the same stocks or bonds as the index, or a representative sample of them. Some index funds track specific stock sectors, company sizes or additional qualifying parameters.

Index funds do not change very often, and will only do so when the makeup of the index they are tracking changes. Index funds are popular investment vehicles for many reasons. Here's a look at why it can be advantageous to invest in index funds.

- **Lower costs:** Because index funds do not have fund managers who actively buy and sell assets regularly, they typically have lower fees in the form of expense ratios, which are the costs of running the fund.
- **Passive investing:** Index funds are a long-term strategy that utilizes passive investing so that an investor doesn't have to pick securities or time their choices to the market.
- **Diversification:** Index funds enable investors to enjoy broad market exposure across various sectors and asset classes according to the benchmark indices they follow.
- **Reduced bias or error:** According to Fidelity, professional investment managers may make mistakes during stressful market conditions. Index funds don't require a manager to make decisions beyond tracking the index.
- **Reduced taxes:** People who invest in actively managed funds that sell frequently tend to owe more taxes than investors in funds that sell less often. Index funds tend to not sell often.

Although there are many perks to index funds, there are some detriments as well. Some funds put a lower limit on how much an investor needs to invest. And while index funds are low-cost, they aren't always no-cost. A fund's expense ratio needs to be examined to ensure that the smallest cut of returns goes to the fund manager. Investors choosing index funds may earn a lower return than if they had chosen their own best-performing stocks. Index funds include both high- and low-performing stocks and bonds.

Index funds merit consideration by investors who want investment vehicles that are relatively easy to manage.



Tips to determine how much you can donate

People donate to charitable organizations for a variety of reasons. Some feel compelled to support nonprofits that help research cures for diseases they or their loved ones have confronted. Pet lovers may be interested in helping care for animals. Some people may donate to charities to support specific efforts while simultaneously lowering their tax obligations.

When it comes to charitable giving, people must determine what they plan to contribute. Figuring out how much to give a charity or charities can depend on several factors, including one's financial situation, values and priorities. Here are some tips to consider when making donation decisions.

- **Consider your financial situation.** Before giving to others, it is important to first assess your own financial situation and prioritize your needs. Consider your income, expenses and savings and see if there are any funds you can donate to charity. You can start small by setting aside even $10 or $20 a week for charity.
- **Aim for a giving standard.** According to the organization Giving What We Can, 10 percent is low enough that it is accessible to those who have means, and it is high enough that it feels meaningful to most people. However, you also can choose a lesser or higher percentage.
- **Give based on charitable deductions.** According to Daffy Charitable Fund, charitable donations are a generous income tax deduction strategy. In the United States, taxpayers can deduct up to 30 to 60 percent of adjusted gross income through charitable donations.
- **Review giving plans regularly.** It is important to reassess charitable giving plans from time to time, particularly as life circumstances change. Your capacity to give might evolve over time.
- **Consider non-monetary contributions.** If you want to give but finances do not allow for it right now, you can donate time or skills, which can be just as important as money for some organizations.

Giving to charity is a personal decision, and there's no one-size-fits-all approach. Donors should choose an amount that feels right for them.

Common questions about reverse mortgages

Homeownership is a dream for millions of people across the globe. The National Association of Realtors indicates real estate has historically exhibited long-term, stable growth in value. Money spent on rent is money that a person will never see again. However, paying a traditional mortgage every month enables homeowners to build equity and can be a means to securing one's financial future.

Homeowners typically can lean on the value of their homes should they need money for improvement projects or other plans. Reverse mortgages are one way to do just that.

Who is eligible for a reverse mortgage?

People near retirement age are eligible for a specific type of loan they can borrow against. Known as a "reverse mortgage," this type of loan can be great for people 62 or older who perhaps can no longer make payments on their home, or require a sum of money to use right now, without wanting to sell their home.

In addition to meeting the age requirement, a borrower must live at the property as a primary residence and certify occupancy annually to be eligible for a reverse mortgage. Also, the property must be maintained in the same condition as when the reverse mortgage was obtained, says Fannie Mae.

How does a reverse mortgage work?

The Consumer Finance Protection Bureau says a reverse mortgage, commonly a Home Equity Conversion Mortgage, which is the most popular type of reverse mortgage loan, is different from a traditional mortgage. Instead of making monthly payments to bring down the amount owed on the loan, a reverse mortgage features no monthly payments. Rather, interest and fees are added to the loan balance each month and the balance grows. The loan is repaid when the borrower no longer lives in the home.

What else should I know?

With a reverse mortgage, even though borrowers are not making monthly mortgage payments, they are still responsible for paying property-related expenses on time, including, real estate and property taxes, insurance premiums, HOA fees, and utilities. Reverse mortgages also come with additional costs, including origination fees and mortgage insurance up to 2.5 percent of the home's appraised value, says Forbes. It's important to note that most interest rates on these loans are variable, meaning they can rise over time and thus increase the cost of borrowing. In addition, unlike traditional mortgage payments, interest payments on reverse mortgages aren't tax-deductible.

How is a reverse mortgage paid back?

A reverse mortgage is not free money. The homeowners or their heirs will eventually have to pay back the loan when the borrowers no longer live at the property. This is usually achieved by selling the home.

The CFPB notes if a reverse mortgage loan balance is less than the amount the home is sold for, then the borrower keeps the difference. If the loan balance is more than the amount the home sells for at the appraised value, one can pay off the loan by selling the home for at least 95 percent of the home's appraised value, known as the 95 percent rule. The money from the sale will go toward the outstanding loan balance and any remaining balance on the loan is paid for by mortgage insurance, which the borrower has been paying for the duration of the loan.

Reverse mortgages can be a consideration for older adults. However, it is essential to get all of the facts to make an informed decision.

Did you know?

A significant percentage of young adults are struggling to repay their debts. According to data from the Urban Institute, roughly one in six (16 percent) young adults between the ages of 18 and 24 with a credit record had debts in collections in August 2023. The Urban Institute also found that 7 percent of young adults had delinquent auto/retail loan debt and 6 percent had delinquent credit card payments. Young adults' financial struggles are evident in other areas as well, as the Urban Institute reports 36 percent of adults between the ages of 18 and 24 reported experiencing food insecurity in December 2023, while 12 percent acknowledged having problems paying their rent or mortgage.

Surprising hidden costs of home ownership

A home is the most expensive purchase many people ever make. Buyers understand that certain costs come with home ownership. However, some of the costs associated with home ownership can catch even the most savvy savers off-guard. And in recent years, those extra costs have been surging.

The following are some of the unexpected expenses that come with living the homeowner dream.

• **Property taxes:** Depending on where you live, property taxes can comprise a large portion of monthly expenses. Some people pay their property taxes separate from their mortgage payments. Others wrap the tax burden into their mortgage bill. Either way, Business Insider reports that New Jersey currently has the highest effective property tax rate in the United States, with a median Garden State property tax bill at $9,000 annually. The lowest property tax rate is found in Hawaii, and the average homeowner there pays only $2,000 in property taxes annually. Zoocasa reports that annual property taxes in Canada can cost anywhere from $2,500 to $10,000 depending on the province's property tax rate and average cost of homes.

• **Home insurance:** CNN Business reports that home insurance premiums have surged in recent years, in large part due to extreme weather. In the U.S., insurance rates jumped 11.3 percent nationally last year, according to S&P Global. Severe storms, including hurricanes and wildfires, cost homeowners insurance agencies nearly $101.3 billion last year, and those losses have been passed on to policy holders through higher prices.

• **Mortgage insurance:** Many people do not have the standard 20 percent down payment necessary to buy a home. To circumvent this, lenders will require borrowers to take out mortgage insurance, also called PMI, to offset their risk. Credit Karma says PMI depends on factors such as down payment and borrowers' credit scores, but typically it's around 0.2 to 2 percent of the loan amount per year. You can remove PMI from your monthly payment once you have 20 percent equity in your home.

• **Maintenance:** Even a brand new home will require some measure of maintenance and routine upkeep. Bankrate indicates one of the biggest costs of owning a home is maintenance, coming in at roughly $3,018 a year and an additional $3,300 for improvements. Lawn care, home cleaning, pest prevention, replacing smoke alarms and batteries, roof repair, and clearing rain gutters are some of those costs.

• **HOA and CDD fees:** Some communities impose homeowners association fees on those who live within the neighborhood. Such fees cover items like maintenance in and around the community and snow removal. A Community Development District Fee is imposed by the developer of a neighborhood or subdivision to finance the cost of amenities in a neighborhood. Homeowners should be aware of these fees before buying in an HOA community.

Apart from these expenses, annual utility payments can be quite expensive. Utilizing utility plans that offer a fixed cost per month can help homeowners budget for utility expenses more readily.

Home ownership can be costly. Buyers would be wise to familiarize themselves with some of the hidden costs of owning a home prior to purchasing one of their own.

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Retirees must identify and manage income sources

During your working years, you know where your income is coming from because you're working. But once you retire, you'll have to identify your income sources, know how much you can expect from them and know how to manage them to help support a retirement that could last two or three decades.

So, where will your retirement income come from? And what decisions will you need to make about these income sources?

Consider the following:

• ***Retirement accounts*** – If you've regularly contributed to an IRA and a 401(k) or similar employer-sponsored retirement plan, you likely have accumulated substantial amounts of money in these accounts — but during your retirement, you'll need to start tapping into them. In fact, once you turn 73, you're required to start taking withdrawals from some of your retirement accounts, with the amount determined by your age and account balance. You could take out more than these amounts (technically called required minimum distributions, or RMDs) but you can't take less without incurring penalties. Many people take out 4% of their balance each year, and this guideline may be reasonable, but everyone's situation is different. So, you'll need to weigh various factors including your age, health and other sources of income before deciding on an appropriate withdrawal rate.

• ***Social Security*** – You can start collecting Social Security at age 62, but your payments will be much higher if you wait until your full retirement age, which will be between 66 and 67. And your benefits will reach the maximum amount if you wait until 70 before collecting. So, your decision on when to take your benefits will depend on whether you can afford to wait, and for how long. In making this choice, you'll also need to consider your health and your family history of longevity. And if you're married, you may want to factor in spousal benefits when deciding when you should collect Social Security. A spouse can receive either their own benefit, based on their work record, or up to 50% of their spouse's benefit, whichever is greater. So, if one spouse has a much higher benefit, it may make sense for that spouse to delay taking Social Security as long as possible so that both spouses can receive bigger payments.

• ***Earned income*** – Even if you have retired from one career, it doesn't mean you can never receive any earned income again. If you have specific skills that can translate to part-time work or a consulting arrangement, you might want to consider reentering the work force in this way. With the added income, you might be able to afford delaying Social Security, and you would still be eligible to contribute to an IRA.

• ***Supplemental lifetime income*** – There aren't many guarantees in the financial and investment worlds — but one of them is the income from a fixed annuity, which can be structured to provide you with a lifetime income stream. Annuities aren't for everyone, however, and they do involve penalties for early withdrawals and lack of protection from inflation.

By learning all you can about your potential retirement income sources, and by understanding how to manage this income to your best advantage, you can help yourself achieve a comfortable — and more rewarding — retirement.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.
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