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Financial Briefs

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Does Your Insurance Need Adjusting?

The policies that were just right for you five years ago — or even one year ago — may not be just right today. Thus, you should review your insurance every year or after a major life event, such as marriage, divorce, the birth of a child, a new job, or the death of a spouse or dependent. During that review, consider these seven questions:

Have you recently married or divorced? A marriage or divorce may affect several different types of insurance needs, including:

- **Life** — If you've recently married, you may want to purchase a life insurance policy that would provide a source of additional income to your surviving spouse if you die. If you've recently divorced, you may want to remove your ex-spouse from your insurance policies and name a new beneficiary.
- **Health** — Typically, you will need to add your new spouse to your employer-sponsored health insurance within 30 days of marriage or wait for the open enrollment period that usually occurs once a year. If you are divorced, you'll want to remove your ex-spouse from your plan.
- **Homeowners** — If you're combining households, you may need to increase personal property insurance so that all possessions are protected in case of theft or damage.
- **Auto** — Many insurance companies offer discounts for multiple policies. The savings can be significant if both you and your new spouse have autos insured by the same company. Insurance companies that offer both auto and homeowners insurance may provide even larger discounts for those who purchase both types of policies.

Has your spouse died or become disabled? These types of changes warrant a reassessment of all your insurance needs. If your spouse has died, you'll want to rename beneficiaries on your life insurance policies.

Have you had a baby? According to the Insurance Information

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Life Insurance as an Estate-Planning Tool

Life insurance and estate planning are intimately connected. By purchasing life insurance today, you are making a decision about how you want your heirs to be provided for after your death. Here's what you need to know about life insurance and estate planning.

Life Insurance Protects Your Heirs

Life insurance can help protect your surviving spouse and children from financial ruin after your death. That's one reason most people purchase coverage when they are young and worried about replacing income. But many people let life insurance policies lapse as they age, thinking they no longer need the protection they offer.

If you have a pension, for example, those payments will likely shrink after your death, or may even stop entirely, depending on the payout options you've chosen. A life insurance policy will provide your spouse with a tax-free source of cash that can be used to supplement other income and maintain a certain standard of living.

Another reason to incorporate life insurance into your estate planning? It can help your survivors pay off any debts, like a mortgage, that you may leave behind. Or if you have a complicated family situation, like children from a previous marriage or a second spouse, you may use life insurance as a way to ensure all your loved ones are provided for after your death in a way that reduces the likelihood of an intra-family battle over assets or even a protracted legal fight.

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Does Your Insurance?

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Institute, five million households with new babies have not updated their life insurance protection. You should ensure that your life insurance coverage is sufficient to provide for the child's needs until adulthood, perhaps including education expenses in addition to day-to-day expenses.

Also review your disability insurance coverage, since you now have another dependent relying on your income. Look into both short- and long-term disability coverage. Many employers offer some level of disability insurance coverage. However, do not assume that coverage is sufficient. You may need to purchase additional insurance to supplement that offered by your employer.

Keep in mind you typically have 30 days after birth to add your child to your employer-sponsored health plan.

Are there any new drivers in your household? If you have a teenager who has just started driving, be prepared for significant auto insurance increases. Insurance companies often give premium discounts when the new driver has taken a certified driver's training course or is a good student, so make sure to check with your insurance company. Once your child goes away to college, inform your insurance company if your child did not take a car to college.

Have you switched jobs and/or dramatically increased or decreased your earned income? Have you retired? If you have a significant increase or decrease in your income that has caused changes in your lifestyle, you may want to adjust your life insurance policy.

Once you retire, reevaluate your life insurance to see if any changes are warranted. And if you're no longer commuting every day, you may qualify for lower auto insurance premiums. Also make sure to review your long-term-care needs.

Have you acquired any new valuables? Have you purchased or sold a home? Your homeowners insurance policy, which also covers personal property up to specified limits, typically covers new purchases automatically. However, make sure that any new purchases don't exceed the limits of your policy, or the item may not be covered. Periodically review your inventory of personal property and compare it to your homeowners insurance.

Have you made extensive renovations on your home? The Insurance Information Institute indicates that nearly 40% of homeowners who have significantly remodeled their homes have not updated their homeowners insurance. Make sure to review your policy limits when you add significant value to your home. It's actually a good idea to review your policy periodically to make sure it will replace your home if it is totally destroyed. Changes in the cost of rebuilding a home can outpace the limits of your policy, and you don't want to be left unprotected.

It's a good idea to reassess your insurance needs at least once a year. Please call if you'd like to discuss your insurance needs in more detail.

Risk Management Techniques

The goal of risk management is to help protect your wealth from risks such as death, serious illness, income loss, property damage, and theft.

Prepare a property inventory, listing all assets and their value. This will help you determine how much insurance is needed and can help establish proof of loss in the event of a claim. Be aware of items that must be specially insured, such as jewelry, coin collections, antiques, works of art, etc. Also inventory your activities for possible sources of uninsured liability, which could include incidental business activities or rental property management.

It would be very expensive to insure every risk you are subject to, so you may decide to use other strategies for some risks. The primary ways to manage risk include:

- **Avoid the risk.** There are some risks that insurance companies won't insure or are very expensive to insure. Thus, your best strategy may be to simply avoid the risk. Some examples would be to avoid building a home near a flood plain, participating in dangerous sports, and smoking.
- **Reduce the risk.** In many cases, you can reduce the possibility of loss through active steps on your part. For example, you can start exercising, install an alarm system, or wear seat belts.
- **Retain the risk.** When the cost of insuring the risk exceeds the benefits you would receive, your best option may be to retain the risk. For example, you might not want to purchase extended warranty insurance on small appliances. The use of deductibles and coinsurance are also forms of retaining risk.
- **Transfer the risk.** Typically, this is a policy used for major risks that can't be eliminated through risk reduction or avoidance. You should consider insuring all potentially severe losses, such as death, disability, catastrophic health-care costs, major property loss, and personal liability suits.

When examining your risks, consider retaining those with small economic costs while transferring those with large economic costs. Your decision should be based on the amount of the possible loss, not your perception of how likely the loss is.

Once you decide how to deal with each risk, follow through and implement those techniques. Changes in your personal situation may make it necessary to change how you handle certain risks.

Life Insurance

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Finally, for people who are worried about being able to afford long-term care in retirement, certain types of life insurance policies may offer relief. Hybrid life insurance and long-term-care policies marry the benefits of each type of coverage into one convenient package. These are typically single-premium policies and a variation on whole life insurance. With a hybrid policy, you pay a lump sum upfront. When you die, your heirs receive a benefit. But you also have the option of taking what is known as an accelerated death benefit. That means that you can draw down the death benefit while you're still alive, if needed. If you don't use all the funds, some money will be left for your survivors. This can be a way to pay for long-term care and preserve the value of your estate for your loved ones.

Life Insurance and Charitable Giving

Many people dream of leaving a lasting legacy to a favorite cause or organization. But if you're not a multimillionaire, you may assume that leaving a major charitable bequest is beyond your means. But with a life insurance policy, you may well be able to turn your dreams of endowing a scholarship at your alma mater or providing for a new building for your church into a reality in a very affordable way.

One simple way to give to a charity after your death is to name the organization as a beneficiary on your policy. That way, they'll receive all or a portion of the benefit after you're gone. You could even purchase a policy specifically with the intent of leaving the benefit to charity and another to provide for your family. In either case, the charity receives the money tax free, and there is usually little chance for squabbling among heirs over who should get the money, since the beneficiary designation makes that clear.

Advanced Life Insurance Strategies

We've barely scratched the surface of all the ways life insurance can work in concert with your estate plan. For people with complex needs or planning goals, it may be worth it to explore advanced life insurance strategies with your insurance agent or other financial professional. For example, if your estate is sizable, tools like an irrevocable life insurance trust might be a way for your heirs to help manage estate taxes without having to liquidate other assets. Please call if you'd like to discuss your life insurance needs in more detail.

Reevaluate Life Insurance at Retirement

As retirement age approaches, it's usually a good time to reassess your life insurance policies to see if your needs have changed. With your children on their own and no earned income to replace, you may no longer need a large life insurance policy. If your insurance premiums are high, you may be tempted to cancel the policy, take the cash surrender value, and enjoy retirement. Before doing that, however, make sure there aren't other uses for your life insurance policy, such as:

- **To leave a legacy to heirs** — Even if the money isn't needed for your children's support after your death, many people like the thought of leaving a large inheritance to their children or grandchildren. With an insurance policy in place, you can feel free to spend your retirement assets, knowing the insurance policy proceeds will be paid to your beneficiaries after your death. If you have a large estate, the policy proceeds can be used to help pay estate taxes.
- **To pay your grandchildren's college expenses** — With the rapidly increasing costs of college making it more and more difficult for parents to cover this cost, you might want to use an insurance policy as a college fund for your grandchildren. If you're still alive when they start college, you might be able to borrow some of the cash surrender value to pay these costs.
- **To support adult children** — There are a variety of reasons you might want to provide financial help to an adult child. Perhaps your child is a doctor, but has significant debt from college. Or your child might have a job that doesn't pay a significant amount of money.
- **To provide a large charitable contribution** — A life insurance policy can serve a couple of purposes when making a large charitable contribution. You can name the charity as the beneficiary of the policy. Or you can leave other assets to the charity that would have been included in your estate and possibly subject to estate taxes. The proceeds of the life insurance policy, if properly structured, can then be paid to your heirs estate- and income-tax free.
- **To help deal with long-term-care costs** — Many individuals don't purchase long-term-care insurance, believing their spouse will take care of them. However, when one spouse dies, there may not be anyone to take care of the surviving spouse. The proceeds of a life insurance policy can be used to provide long-term care.
- **To optimize pension benefits** — When retiring, irrevocable decisions about pension plan benefit payments must typically be made. An individual life income option will pay higher benefits than a joint and survivor benefit, but your spouse will not have pension benefits if you predecease him/her. You could use the proceeds from a life insurance policy as a source of income for your spouse after your death.

News and Announcements

From the Flinton Household

"You gain strength, courage, and confidence by every experience in which you really stop to look fear in the face. You must do the thing which you think you cannot do." ~ Eleanor Roosevelt

Recently my wife and I have become increasingly involved with a terrific nonprofit, Tenaciously Teal. The founder, Tarrah Warren, is a Stage IV ovarian cancer survivor with a heart of gold. She was led to start the organization in support of those battling cancer. The organization not only provides meal and gas cards to those in need of assistance, but also assembles and delivers Cancer Care Packs filled with day-to-day items helpful to those fighting cancer.

Tenaciously Teal strives to deliver hope to each patient it touches, showing them they are not alone in this battle and there are people who care about his or her individual fight. Being a cancer survivor myself, the organization has touched our hearts. We were blessed this past month to have a Cancer Care Pack Party with all of our family joining in by donating the needed items and gathering to assemble the Cancer Care Packs on a perfect Sunday afternoon.

To take it one step further, Tarrah asked Courtney and me if we would like to deliver the packs to some of the infusion centers in the metro area. We were honored to be a part of such a wonderful experience, and it was incredibly inspiring to sit and listen to the stories of cancer fighters from all walks of life. It has been such a blessing to stumble upon the perfect organization for our family, and we look forward to our continued support of this grass roots organization. Thank you, Tarrah Warren and Tenaciously Teal for blessing our family.

Make it a great month,

Andrew Flinton, CFP®

From the Bolander Household

Fall is a beautiful time to travel. A few weeks ago, my sister and I took an amazing trip with our parents from Niagara Falls to New York City. We decided to fly this time and rent a car for exploring the scenic area. The Falls were beautiful with the morning mist creating billowing columns of steam against the red, orange, and gold of the autumn leaves. A half-bushel of crisp, sweet apples we picked ourselves from an orchard in the Catskill Mountains provided perfect snacks for each day. A visit to the capitol in Albany revealed a magnificent building designed by four renowned architects with thousands of detailed carvings by artisans from long ago.

After turning in our car, we explored New York City. We got a grand view of the city from atop the Empire State Building, learned that Mr. Eiffel designed the interior support for the Statue of Liberty before he went on to build his famous tower in Paris, and we cried and cheered at the *The King and I* performance in Lincoln Center. We collected a few souvenirs, ate some great food, and enjoyed a myriad of other sights. But the best part was being together as a family.

Wishing you and yours the best of holidays!

Brenda C. Bolander, CFP®, CPA/PFS

Form ADV Part 2, Firm Brochure Notice

Effective November 1, 2015, Retirement Investment Advisors has updated the Form ADV Part 2A Firm Brochure to reflect a change in the chief compliance officer position. Brenda Bolander, Executive Vice President, is now the chief compliance officer (CCO) of Retirement Investment Advisors. She is the officer primarily responsible for overseeing and managing regulatory compliance issues within the firm. As a CPA with previous experience of nearly 10 years as a compliance auditor for the Oklahoma State Auditor & Inspector's office, Brenda is well-suited for this position. She will also continue to advise clients on financial planning and investments.

If you have any questions or wish to receive an updated Form ADV Part 2, please call 405-842-3443 or 800-725-4530; or you may request a copy or download it through the new website at TheRetirementPath.com.