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Financial Briefs

SEPTEMBER 2024

Avoid These 10 Insurance Mistakes

Few people enjoy thinking about their insurance needs, shopping for coverage, or reading through a policy's fine print. Once they do buy a policy, many people rarely think about it again, other than when they pay the premiums. But that tendency to avoid thinking about insurance can lead to insurance mistakes that can put a person's assets at risk. Below are some of the most common insurance mistakes:

- 1. Expecting the best** — Some people may think they can skip various types of essential insurance (like auto or health insurance), because it won't happen to them. Or they may buy a bare-bones policy thinking they won't ever need to make a claim. But the reality is that accidents and injuries can happen to anyone. A comprehensive insurance plan protects you when they do.
- 2. Not shopping around** — If you're in the market for a new policy, shop around and compare prices to get the best deal. But make sure you're comparing equivalent policies and coverage — an ultra-cheap policy may offer skimpy benefits.
- 3. Buying too much insurance** — While insurance is a valuable part of your overall financial plan, there is such a thing as being over-insured. If you're

paying high premiums for insurance coverage that you don't really need, you're wasting money. What types of insurance might you skip? Extended warranties, cell phone insurance, insurance that covers specific diseases (like cancer), rental car insurance, and mortgage life insurance are usually not worth the premium you pay.

- 4. Not negotiating on insurance rates** — Here's a little-known tip: The premium price you're quoted isn't set in stone. Depending on the type of coverage you need, you may be able to get dis-

counts based on your profession, the age of your car, installing an alarm system in your home, choosing a higher deductible, and more. Bundling — buying several policies through the same carrier — can also lead to premium price breaks.

- 5. Forgetting to pay the premium** — It's a simple but potentially devastating mistake. Missing premium payments could cause your policy to lapse, leaving you without coverage. Reduce the risk of this happening by automating your payments.

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5 Life Insurance Myths Debunked

Life insurance is one of the most common types of insurance that people buy. Yet it is also one of the most misunderstood types of insurance. All too often, people don't understand some of the basic facts about life insurance — who needs it, how much coverage to buy, and what purpose it serves. Below, we debunk five of the most common myths about life insurance coverage.

Myth #1: The life insurance I get through my job is enough.

Fact: If you get life insurance as part of your benefits package from your employer, it's definitely a nice perk, but it may not meet all of your

needs. First, that insurance is not permanent. If you leave your employer, your coverage probably won't follow you. Second, the coverage you get may not be enough to meet all your family's needs if you were to pass away. Most employer-provided life insurance policies provide death benefits equal to about one year's worth of your salary. But if you have a family that you support, you may need coverage that pays benefits between 5 and 10 times your annual salary. If you have a spouse who does not work, a

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10 Insurance Mistakes

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6. **Dropping coverage to save money** — When your budget is tight, dropping insurance coverage may seem like a good way to save cash. But while you may save money in the short term, you could end up worse off in the long term if you need to make a claim. If premium payments are straining your budget, consider raising your deductible or asking your insurer if you're eligible for any discounts.
7. **Forgetting to update life insurance beneficiaries** — As your life changes, so should the people named as beneficiaries on your life insurance policy. Divorce, remarriage, the death of a spouse, or the birth or death of a child are all times when you should update these designations. If you fail to take this simple step, your life insurance may not do its job when you need it most. After all, do you want your insurance benefits to go to your ex-spouse or have one child receive a generous insurance payment while the other receives nothing? Keeping your beneficiary designations up-to-date can help you avoid those outcomes.
8. **Having coverage gaps** — Everyone faces different risks, and thus has different insurance needs. Sometimes, it's easy to overlook a risk until it's too late. For example, if you live in an earthquake-prone area, you likely need separate earthquake insurance. If you serve on a nonprofit board of directors, you may need personal liability coverage. If you own ATVs, snowmobiles, or other vehicles, you may need special policies to protect yourself in case of damage to the vehicle or a lawsuit. The list of possible risks goes on and on.
9. **Not researching an insurance company before you buy** — Not every insurance company is created equal, and what looks like a

How Much Life Insurance Do You Need?

Rules of thumb exist that say you should be insured for between six and 10 times your annual earnings. But there are two problems with rules of thumb: these ranges can be very wide and don't take into account your unique situation. The best approach to determine how much life insurance you need is to engage in some financial planning:

How much per year will your survivors need to live on, and for how many years? Expenses may be greater if you have young children who require day care; expenses may be smaller if there are no dependent children.

How will that number be affected by inflation? Remember, we're talking about what could be a long period of time. At an inflation rate of 3% a year, a dollar loses 15% of its value in just six years, and about 25% after a little more than 10 years. Imagine the impact of a 25% pay cut, and you'll begin to appreciate the vital importance of factoring inflation into the equation.

Will your surviving spouse be able to work, and if so, how much will he/she earn? The amount your surviving spouse earns should reduce the life insurance coverage you need, but in an uncertain economy it may pay to err on the conservative side.

Should you think of retiring large family debts? You can reduce the amount of money your surviving spouse has to earn by providing enough in life insurance to retire large debts.

How will college expenses be paid for your children? In addition to providing for daily living expenses, consider how higher education bills — if there are any — will be paid. Should you only provide enough in life insurance benefits to make up for annual contributions to a college fund, or should you provide enough for four years of college?

How will your surviving spouse's retirement be funded? One less person to provide for means the price of your spouse's retirement will be less. When considering how much life insurance coverage to buy, however, you should evaluate whether your policy benefits need to make up for contributions you were planning to make until you retired.

What rate of return can your surviving spouse expect to receive? Where will the unused proceeds of your life insurance benefits be invested? The rate of return they earn will make a big difference in how long they last — which can make a big difference in how much coverage you buy.

When buying a life insurance policy, naming a coverage amount can be easy — as long as you don't think the details will make any difference to your survivors. But if you do, you owe it to yourself and your loved ones to take a close look at what amount will properly secure their future if you're suddenly not around. Please call if you'd like to discuss your life insurance needs in more detail. ■■■

great deal today may be less appealing tomorrow when you are struggling to get a claim processed quickly. Before you buy, get multiple quotes, read the policy's fine print, review the insurer's complaint record with the state department of insurance, and check the company's ratings with ratings agencies like Fitch, Moody's, and A.M. Best.

10. **Not thinking about insurance as part of your overall financial plan** — Insurance isn't something you should think about in isolation. In fact, it's an essential part of your overall financial plan. A solid risk management strategy protects your hard-earned wealth and your family's future. Please call if you'd like to discuss insurance in more detail. ■■■

5 Life Insurance

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large mortgage, or a special needs child, having enough life insurance coverage to allow your loved ones to live comfortably after you die is even more critical.

Myth #2: I'm single, so I don't need life insurance.

Fact: It's true that unmarried and childless individuals often have less need for life insurance than people who are married or have kids. But even single individuals might benefit from life insurance in certain situations. If you have anyone who would be negatively affected financially by your death, you may want to consider buying a policy. For example, if your parents cosigned on your student loans or mortgage, a life insurance death benefit can help them pay off that debt if you die unexpectedly. Life insurance can also help cover end-of-life expenses, like a funeral. Another reason to buy coverage now? Your life may change, and it may be easier — and cheaper — to get coverage now when you're young and healthy than later in life. Finally, life insurance is a way for you to leave a legacy to beloved family members or your favorite charities, even if you haven't had an opportunity to accumulate significant assets.

Myth #3: I don't work, so life insurance isn't necessary.

Fact: If you're a stay-at-home parent, work full-time caring for an elderly parent or other family member, or don't work outside the home for another reason, life insurance may seem like an unnecessary expense. But even if you aren't financially compensated for it, the work you do still has value to your family — value that could be costly to replace if you passed away. Consider this: If you care for children and manage the household, your spouse would have to find someone else to take over those duties or cut back on their own work hours to take over the tasks themselves. A life insurance benefit can help cover those expenses and make it easier for your

Changing Life Insurance Needs

Your life insurance needs will typically change over the years:

Just starting out — Young, single adults may have little need for life insurance. With no major debts and no one else counting on their income, the death benefit provided by life insurance may not be needed.

Married with no children — You may think you don't need insurance if both spouses work. However, if it takes both salaries just to make ends meet, you may want to purchase insurance to replace your income. You may also want to consider insurance to pay off at least half of your debts.

Two incomes with children — This is typically the time when your insurance needs are the greatest, since several family members are depending on your income. The death of either spouse can create a financial hardship. Even if only one spouse works, the death of the nonworking spouse can require additional funds to take care of the children and home. You may

want to consider first-to-die insurance, which covers both spouses but only pays a death benefit after the first death.

Middle age with children — You should reassess your insurance again as your children approach college age, since you may need to increase coverage to fund their education.

Children out of college — Your need for life insurance may decrease when your children become independent. On the other hand, you may find you now have different needs for insurance. You may want to provide additional funds for your spouse if you aren't sure your retirement assets are sufficient. Or you may have a large enough estate that you want to provide funds to help pay estate taxes.

Since your life insurance needs can change drastically over the years, you should periodically assess that coverage. Please call if you need help determining how much life insurance you require. ■■■

family to cope after you're gone.

Myth #4: All life insurance is the same, so I should just get the cheapest policy.

Fact: There are many different varieties of life insurance, and the best one for you depends on your specific needs. While it's easy to simply shop for insurance coverage based on price alone, you need to look carefully at each policy to be sure you understand what you are — and aren't — getting. First, you need to decide between term insurance, which offers only death benefits and is valid for a fixed length of time (say 20 years), and permanent or whole insurance, which offers a death benefit but also accrues a cash value. There's also variable life insurance, which combines insurance coverage with an investment component, and universal life, which is similar to whole life but offers more flexibility in how you pay premiums. Then, you need to consider your spe-

cific coverage needs (based on your income, debt, family's lifestyle, and other factors), how much of a premium you can afford, how long you need coverage to last (if you're buying a term policy), the policy's riders (or limitations), and how insurance fits into your overall long-term financial plan.

Myth #5: Once I buy a life insurance policy, I'm all set.

Fact: Life insurance is not a set-it-and-forget-it product. Your life insurance needs will change over time — as you marry, have kids, advance in your career, and eventually retire. To make sure your coverage is meeting all of your needs every step of the way, you should include a review of your life insurance coverage as part of your annual financial to-do list.

Whether you are considering buying a life insurance policy for the first time or want to review an existing policy, please call. ■■■

Business Data

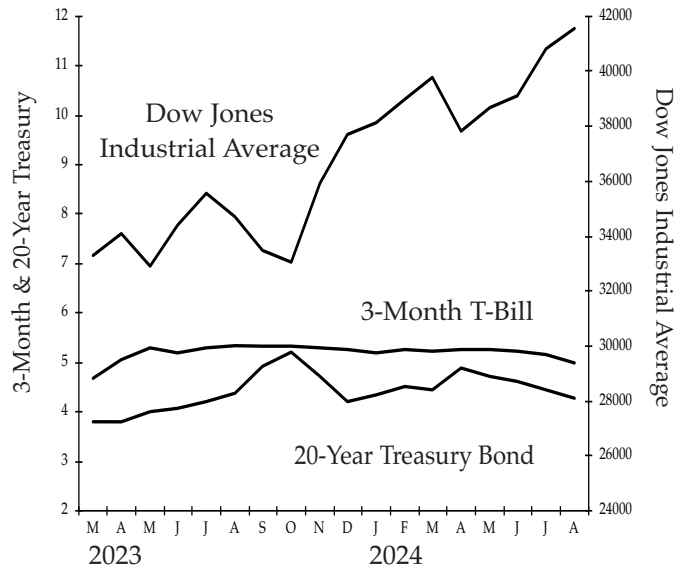


Indicator	Month-end				
	Jun-24	Jul-24	Aug-24	Dec-23	Aug-23
Prime rate	8.50	8.50	8.50	8.50	8.50
3-month T-bill yield	5.24	5.15	4.98	5.26	5.34
10-year T-note yield	4.36	4.09	3.91	3.88	4.09
20-year T-bond yield	4.61	4.44	4.28	4.20	4.39
Dow Jones Corp.	5.51	5.43	5.06	5.17	5.78
GDP (adj. annual rate)#	+3.40	+1.40	+3.00	+3.40	+2.10

Indicator	Month-end			% Change	
	Jun-24	Jul-24	Aug-24	YTD	12-Mon.
Dow Jones Industrials	39118.86	40842.79	41563.08	10.3%	19.7%
S&P 500	5460.48	5522.30	5648.40	18.4%	25.3%
Nasdaq Composite	17732.60	17599.40	17713.62	18.0%	26.2%
Gold	2330.90	2426.30	2513.35	21.5%	29.4%
Unemployment rate@	4.00	4.10	4.30	16.2%	22.9%
Consumer price index@	314.07	314.18	314.54	2.4%	2.9%

— 4th, 1st, 2nd quarter @ — May, Jun, Jul Sources: Barron's, Wall Street Journal
Past performance is not a guarantee of future results.

18-Month Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield
March 2023 to August 2024



News and Announcements

Widmann Financial Services is proud to announce that Billy Gaines has earned his CERTIFIED FINANCIAL PLANNER™ CERTIFICATION. The CFP® certification is respected among the financial services firms, financial professionals, and the public. This milestone represents the latest in our ongoing commitment to delivering quality guidance that you deserve. We thank you for entrusting us to help you plan and manage your financial life. If we can be of service at any time, please contact us.

Please take a moment to check our updated and refreshed website at www.widmannfinancial.com! ■■■ FR2024-0513-0210

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