



Preferred Wealth Advisors



Cynthia O'Connell

**Financial Advisor
Preferred Wealth Advisors**

6562 Lake Road/CV • Windsor • WI • 53598

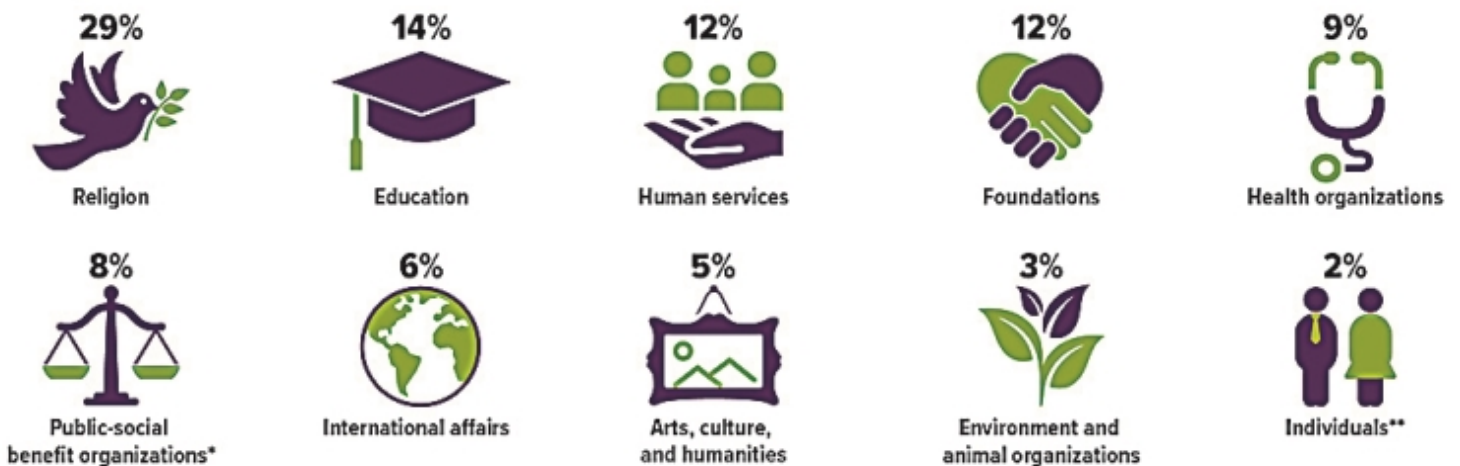
608-842-2222

cynthia@preferredwealthadvisors.com • www.preferredwealthadvisors.com



Spreading Generosity

Americans gave almost \$450 billion to charity in 2019, an increase of 4.2% over the previous year. Individuals accounted for more than two-thirds of this amount, followed by contributions from foundations, bequests, and corporations. Here is a breakdown of the recipients of this generosity, by percentage of total charitable contributions.



*Focus on issues such as civil rights, community improvement, volunteerism, and voter education

**Primarily donations of medications from pharmaceutical company foundations

Source: *Giving USA 2020*

LTC Insurance vs. Hybrid Life Insurance: Comparison

An important part of any retirement strategy involves factoring in the potential expenses associated with long-term care. For many years, people have purchased long-term care insurance to help cover some of those costs.

However, over the past decade, other insurance products have become available that combine life insurance with some type of accelerated and/or extended benefits provision for long-term care. A comparison of the general frameworks of each type of insurance could help you decide which option may be better for you.

Note: Some insurers offer combination annuity products that offer long-term care benefits. The focus of this article is on hybrid life insurance compared to traditional long-term care insurance.

Similarities

Hybrid life insurance and traditional long-term care insurance share basic similarities. For instance, both require the applicant for insurance to meet minimum health and cognitive standards in order to get the coverage, both pay claims after the insured incurs long-term care expenses, there is often a waiting, or elimination period before claims are paid, and payments for long-term care are generally received by the insured income-tax free.

Differences

Despite the general similarities, there are differences between hybrid life insurance and traditional long-term care insurance.

Cost. Hybrid life insurance usually costs more than traditional long-term care insurance. Hybrid policies are often paid with a single payment or payments over a few years, usually no more than 10. Long-term care premiums may increase over time, whereas hybrid policy payments generally do not change.

Life insurance death benefit. A hybrid policy includes a death benefit. Payments for long-term care reduce the death benefit, but the policy often has a minimum death benefit even if long-term care payments exceed the total death benefit amount. So if you don't use the hybrid policy for long-term care, there's still a death benefit that will be paid to your named policy beneficiaries at your death. Long-term care insurance is typically a "use it or lose it" proposition. While some long-term care policies may offer a return of premium option, they're usually very expensive and rarely purchased. With most long-term care insurance, if you don't use the policy for long-term care, nothing is paid at your death and there is no reimbursement of your premiums.

Cash value. Most hybrid policies have a cash-value component. While payments for long-term care are

generally received income tax-free, withdrawals from the cash-value of a hybrid policy are treated like any other cash-value withdrawals. If the policy is categorized as a modified endowment contract (MEC), then cash value withdrawals are taxed as last in, first out, meaning any earnings on the cash value are deemed withdrawn first and subject to income taxation. Long-term care insurance has no cash value.

Benefit payments. Long-term care insurance benefit payments are often larger than hybrid policy payments.

An individual should have a need for life insurance and should evaluate the policy on its merits as life insurance. Optional benefit riders are available for an additional fee and are subject to contractual terms, conditions and limitations as outlined in the policy and may not benefit all investors. Any payments used for covered long-term care expenses would reduce (and are limited to) the death benefit or annuity value and can be much less than those of a typical long-term care policy.

Permanent life insurance offers lifetime protection and a guaranteed death benefit as long as you keep the policy in force by paying the premiums. A portion of the permanent life insurance premium goes into a cash-value account, which accumulates on a tax-deferred basis throughout the life of the policy. Withdrawals of the accumulated cash value, up to the amount of the premiums paid, are not subject to income tax. Loans are also free of income tax as long as they are repaid. Loans and withdrawals from a permanent life insurance policy will reduce the policy's cash value and death benefit, could increase the chance that the policy will lapse, and might result in a tax liability if the policy terminates before the death of the insured. Additional out-of-pocket payments may be needed if actual dividends or investment returns decrease, if you withdraw policy cash values, or if current charges increase. Any guarantees are contingent on the claims-paying ability and financial strength of the issuing insurance company. Policies commonly have mortality and expense charges. If a policy is surrendered prematurely, there may also be surrender charges and income tax implications.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

Five Tips to Regain Your Retirement Savings Focus in 2021

In early 2020, 61% of U.S. workers surveyed said that retirement planning makes them feel stressed.¹ Investor confidence was continually tested as the year wore on, and it's likely that this percentage rose — perhaps even substantially. If you find yourself among those feeling stressed heading into the new year, these tips may help you focus and enhance your retirement savings strategy in 2021.

1. Consider increasing your savings by just 1%. If you participate in a retirement savings plan at work, try to increase your contribution rate by just 1% now, and then again whenever possible until you reach the maximum amount allowed. The accompanying chart illustrates the powerful difference contributing just 1% more each year can make over time.

2. Review your tax situation. It makes sense to review your retirement savings strategy periodically in light of your current tax situation. That's because retirement savings plans and IRAs not only help you accumulate savings for the future, they can help lower your income taxes now.

Every dollar you contribute to a traditional (non-Roth) retirement savings plan at work reduces the amount of your current taxable income. If neither you nor your spouse is covered by a work-based plan, contributions to a traditional IRA are fully deductible up to annual limits. If you, your spouse, or both of you participate in a work-based plan, your IRA contributions may still be deductible unless your income exceeds certain limits.

Note that you will have to pay taxes on contributions and earnings when you withdraw the money. In addition, withdrawals prior to age 59½ may be subject to a 10% penalty tax unless an exception applies.

3. Rebalance, if necessary. Market turbulence throughout the past year may have caused your target asset allocation to shift toward a more aggressive or conservative profile than is appropriate for your circumstances. If your portfolio is not rebalanced automatically, now might be a good time to see if adjustments need to be made.

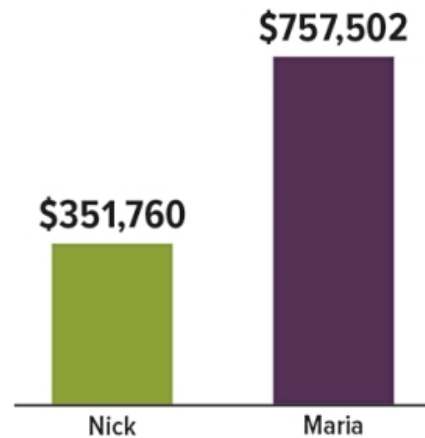
Typically, there are two ways to rebalance: (1) you can do so quickly by selling securities or shares in the overweighted asset class(es) and shifting the proceeds to the underweighted one(s), or (2) you can rebalance gradually by directing new investments into the underweighted class(es) until the target allocation is reached. Keep in mind that selling investments in a taxable account could result in a tax liability. Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

4. Revisit your savings goal. When you first started saving in your retirement plan or IRA, you may have estimated how much you might need to accumulate to

retire comfortably. If you experienced any major life changes during the past year — for example, a change in job or marital status, an inheritance, or a new family member — you may want to take a fresh look at your overall savings goal as well as the assumptions used to generate it. As circumstances in your life change, your savings strategy will likely evolve as well.

The Power of 1%

Maria and Nick are hired at the same time at a \$50,000 annual salary. Both contribute 6% of their salaries to their retirement accounts and receive a 3% raise each year. Nick maintains the 6% rate throughout his career, while Maria increases her rate by 1% each year until she hits 15%. After 30 years, Maria would have accumulated more than double the amount that Nick has.



Assumes a 6% average annual rate of return. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent the performance of any specific investment. It assumes a monthly contribution and monthly compounding. Fees, expenses, and taxes were not considered and would reduce the performance shown if included. Actual results will vary.

5. Understand all your plan's features. Work-based retirement savings plans can vary from employer to employer. How familiar are you with your plan's specific features? Does your employer offer a matching and/or profit-sharing contribution? Do you know how it works? Are company contributions and earnings subject to a vesting schedule (i.e., a waiting period before they become fully yours) and, if so, do you understand the parameters? Does your plan offer loans or hardship withdrawals? Under what circumstances might you access the money? Can you make Roth or after-tax contributions, which can provide a source of tax-free income in retirement? Review your plan's Summary Plan Description to ensure you take maximum advantage of all your plan has to offer.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

1) Employee Benefit Research Institute, 2020

How to Help Maintain a High Credit Score

During the holiday shopping season, your credit score is probably the last thing on your mind. But as you start your seasonal spending, remember to use credit wisely so you can start the new year with a healthy credit score. The following tips can help you maintain or potentially improve your credit score throughout the holidays and beyond.

Know how your credit score is calculated. The most common credit score is expressed as a three-digit number ranging from 300 to 850. (Some lenders may calculate it differently, but this should be a good guideline.) The score is derived from a formula using five weighted factors: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%), and types of credit in use (10%).¹ Keeping these components in mind can help you stay on track with your credit.

Make payments on time. Set up alerts for every credit card you have so you don't miss notifications of charges, statements, or due dates. To help avoid missed payments, set up automatic payments. If you do miss a payment, contact the lender and bring the account up-to-date as soon as possible.

Keep credit-card balances low. If you carry a balance, consider paying down the cards with the highest balance-to-credit limit ratio first while keeping up minimum (or higher) payments on others. Don't "max out" your available credit.

Be careful about opening and closing accounts. Some retailers may offer discounts on purchases if you sign up for a store credit card, but store cards often have high interest rates and low credit limits. Unless you plan on shopping regularly at that store and the card offers useful bonuses or discounts, avoid applying for new credit cards solely to save money on purchases. Likewise, try not to close multiple accounts within a short period of time — this could actually hurt your credit score.

Research before using credit boosting services. You might be tempted to sign up for a free service that promises to instantly boost your credit score, but they're usually only worth considering if you have a thin credit file and/or a low credit score. These services can't fix any late payments you've made or reduce the impact of an excessive level of debt.

Monitor your credit report regularly. You can order a free credit report annually* from each of the three major consumer reporting agencies at annualcreditreport.com. If you find incorrect information on your credit report, contact the reporting agency in writing, provide copies of any corroborating documents, and ask for an investigation.

**Due to the COVID-19 pandemic, Equifax, Experian, and TransUnion are offering free weekly online reports through April 2021.*

1) Fair Isaac Corporation, 2020

Securities and investment advisory services offered through Woodbury Financial Services, Inc. (WFS), member [FINRA](#) / [SIPC](#). WFS is separately owned and other entities and/or marketing names, products or services referenced here are independent of WFS.

IMPORTANT DISCLOSURES Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, legal, or retirement advice or recommendations. The information presented here is not specific to any individual's personal circumstances. To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable — we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.