Macke Financial Advisory Group

Wealth Management & Life Planning

Ensuring Insurance Knowledge

Insurance is an integral part of any financial plan. While it is easy to make decisions based on prices alone, neglecting certain coverages (such as replacement cost settlement and building ordinance coverage) can create much bigger costs down the line. The time to ensure that you are adequately and appropriately insured is not after an accident occurs: it is now!

The following are some interesting and important things to keep in mind:

Don't be Mr. or Mrs. Claims-a-Lot: Every claim you file is a telling piece of data for an insurance company. If you are even remotely considering changing providers, think twice before filing claims for things like cracked windshields. A prospective insurer who sees many claims sees a more risky person. Sometimes it is better in the long run to pay the full cost of small repairs without getting an insurer involved. *(I made this mistake myself! Little did I know that what appeared to be harmless assistance with my cracked windshield would be on my record years later and affect another insurance claim!)*

“So… I know a… friend who…” Even calling to inquire about hypothetical claims goes on your record! You shouldn't feel too anxious over this and avoid a necessary phone call, but it's something important to consider.

Keep it local: Having a local insurance agent is truly worth its weight in scrap metal and drywall. More and more, agents are marketing outside their areas of operation. Some of the agents marketing in the Fort Myers area live over 200 miles away! While this does not discredit their general insurance knowledge, it renders them much less competent when you need help. A local agent knows the secrets of the area and local building codes better. Using one can also mean lower replacement, transaction, and research costs for everyone involved.

Have the documents: Make sure that you have all pertinent documents (declaration pages, receipts, pictures, and serial #'s of items) stored on ClientView. These can make the claims process much less of a hassle.

Plan for the pooch: If you have any animals that could even remotely cause bodily injury to someone, bring this up with your insurance agent. Highly improbable yet regrettable and avoidable incidents have occurred to loving pet owners. Avoid a nasty situation by planning in advance!

Avoid a sinking heart: Sinkholes are a relatively common occurrence in Florida and are NOT included in homeowner's coverage. Talk with your insurance agent about getting an inspection. They are inexpensive and can be invaluable down the road.

Get blown away : If your house was built before 2002, you might want to consider getting a wind mitigation report/analysis. Costing usually between $100 and $150, it typically pays for itself in the first year. However, if you already have a wind mitigation discount, don't get another analysis done. That could lower your savings.

Macke Financial Advisory Group
Todd C. Macke, CFP®
President & Founder
12699 New Brittany Blvd
Fort Myers, FL 33907
239-275-1122
todd@mackefinancial.com
www.mackefinancial.com

Always atop the crest of the wave of innovation and efficiency, your Macke Team will be working to establish a streamlined electronic process to move money between your accounts at TD Ameritrade, into your personal checking, or to any other account you so desire. Over the coming year we hope to implement a system whereby your yearly IRA Required Minimum Distributions can be withdrawn with the click of a button, eliminating the cumbersome paperwork you typically receive at the end of the year. For those clients who aren't at RMD age yet, we still strongly suggest establishing “Move Money Authority” so that you can transfer funds into your TD accounts, and we can also transfer them out to your personal bank accounts.

Moving to an electronic system will eliminate the need for checks to be sent from TD Ameritrade, and the inherent risk associated with snail mail. With electronic funds transfers, we can track your money from account to account, making it difficult to lose, and ultimately more secure. If you haven't established these permissions as of yet, Brie will be reaching out to you in the next few months to sign what will hopefully be the last pile of papers you have to sign to move funds for the foreseeable future! When you would like a deposit made into your checking or savings, you can simply call the office, or send us an email and we'll get it taken care of as soon as possible. We believe that in the long run, this will assist us to serve you quickly, securely, and more efficiently, which is what the Macke advantage is all about!

April 2016

Ensuring Insurance Knowledge

Quiz: Which Birthdays Are Financial Milestones?

Periodic Review of Your Estate Plan

Should I loan my child money for a down payment on a house?

Macke Financial Advisory Group
Wealth Management & Life Planning

Quiz: Which Birthdays Are Financial Milestones?

What is the birthday rule?

The birthday rule may be used by health insurers to coordinate benefits when a dependent child is covered by the health plans of both parents and the parents are married or living together. The plan of the parent whose birthday falls earlier in the calendar year is generally the primary plan, providing benefits and paying claims first, and the plan of the other parent provides secondary coverage. If the parents share the same birthday, primary coverage is provided by the plan that has covered one parent the longest.

Source: National Association of Insurance Commissioners, naic.org

When it comes to your finances, some birthdays are more important than others. Take this quiz to see if you can identify the ages that might trigger financial changes.

Questions

1. Eligibility for Medicare coverage begins at what age?

a. 62

b. 65

c. 66

2. A child can stay on a parent's health insurance plan until what age?

a. 18

b. 21

c. 26

3. At this age individuals who are making contributions to a traditional or Roth IRA or an employer-sponsored retirement plan can begin making "catch-up" contributions.

a. 50

b. 55

c. 60

d. 66

4. This age is most often associated with drops in auto insurance premiums.

a. 18

b. 25

c. 40

d. 50

5. Individuals who have contributed enough to Social Security to qualify for retirement benefits become eligible to begin collecting reduced benefits starting at what age?

a. 62

b. 65

c. 66

d. 70

6. To obtain a credit card, applicants under this age must demonstrate an independent ability to make account payments or have a cosigner.

a. 16

b. 18

c. 21

Answers

1. b. 65. Medicare eligibility begins at age 65, although people with certain conditions or disabilities may be able to enroll at a younger age. You'll be automatically enrolled in Medicare when you turn 65 if you're already receiving Social Security benefits, or you can sign up on your own if you meet eligibility requirements.

2. c. 26. Under the Affordable Care Act, a child may retain his or her status as a dependent on a parent's health insurance plan until age 26. If your child is covered by your employer-based plan, coverage will typically end during the month of your child's 26th birthday. Check with the plan or your employer to find out exactly when coverage ends.

3. a. 50. If you're 50 or older, you may be able to make contributions to your IRA or employer-sponsored retirement plan above the normal contribution limit. These "catch-up" contributions are designed to help you make up a retirement savings shortfall by bumping up the amount you can save in the years leading up to retirement. If you participate in an employer-sponsored retirement plan, check plan rules--not all plans allow catch-up contributions.

4. b. 25. By age 25, drivers generally see their premiums decrease because, statistically, drivers younger than this age have higher accident rates. Gaining experience and maintaining a clean driving record should lead to lower premiums over time. However, there's no age when auto insurance rates automatically drop because rates are based on many factors, including type of vehicle and claims history, and vary by state and insurer; each individual's situation is unique.

5. a. 62. You can begin receiving Social Security retirement benefits as early as age 62. However, your benefits will be reduced by as much as 30% below what you would have received if you had waited until your full retirement age (66 to 67, depending on your year of birth).

6. c. 21. As a result of the Credit Card Act of 2009, credit card companies cannot issue cards to those under age 21 unless they can show proof that they can repay the debt themselves or unless someone age 21 or older with the ability to make payments cosigns the credit card agreement.

Periodic Review of Your Estate Plan

An estate plan should be reviewed periodically, especially after a major life event. Here are some ideas about when to review your estate plan and some things to review when you do.

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. It allows you to control what happens to your property if you die or become incapacitated. An estate plan should be reviewed periodically.

When should you review your estate plan?

Although there's no hard-and-fast rule about when you should review your estate plan, the following suggestions may be of some help:

- You should review your estate plan immediately after a major life event
- You'll probably want to do a quick review each year because changes in the economy and in the tax code often occur on a yearly basis
- You'll want to do a more thorough review every five years

Reviewing your estate plan will alert you to any changes that need to be addressed.

There will be times when you'll need to make changes to your plan to ensure that it still meets all of your goals. For example, an executor, trustee, or guardian may die or change his or her mind about serving in that capacity, and you'll need to name someone else.

Events that should trigger a periodic review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren
- There has been an addition to your family through birth, adoption, or marriage (stepchildren)
- Your spouse or a family member has died, has become ill, or is incapacitated
- Your spouse, your parents, or other family member has become dependent on you
- There has been a substantial change in the value of your assets or in your plans for their use
- You have received a sizable inheritance or gift
- Your income level or requirements have changed
- You are retiring
- You have made (or are considering making) a change to any part of your estate plan

Some things to review

Here are some things to consider while doing a periodic review of your estate plan.

- Who are your family members and friends? How do you feel about them?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Does your choice of an executor or a guardian for your minor children remain appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or Do Not Resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust, durable power of attorney, or joint ownership to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiary at your death.
- Do you have any trusts, living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust.
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview of some ideas for a periodic review of your estate plan. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

Macke Financial Advisory Group
Wealth Management & Life Planning

Macke Financial Advisory Group
Todd C. Macke, CFP®
President & Founder
12699 New Brittany Blvd
Fort Myers, FL 33907
239-275-1122
todd@mackefinancial.com
www.mackefinancial.com

IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. 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.

Macke Financial Advisory Group
Wealth Management & Life Planning

Should I loan my child money for a down payment on a house?

For a lot of young people today, it's difficult to purchase a home without at least some financial assistance. As a result, many young adults turn to their parents or other family members for help with a down payment.

If you plan on lending your child money for a down payment on a house, you should try to assume the role of a commercial lender. Setting the terms of the loan in writing will demonstrate to your child that you take both your responsibility as lender and your child's responsibility as borrower seriously.

While having an actual loan contract may seem too businesslike to some parents, doing so can help set expectations between you and your child. The loan contract should spell out the exact loan amount, the interest rate and a repayment schedule. To avoid the uncomfortable situation of having to remind your child that a payment is due, consider asking him or her to set up automatic monthly transfers from his or her bank account to yours.

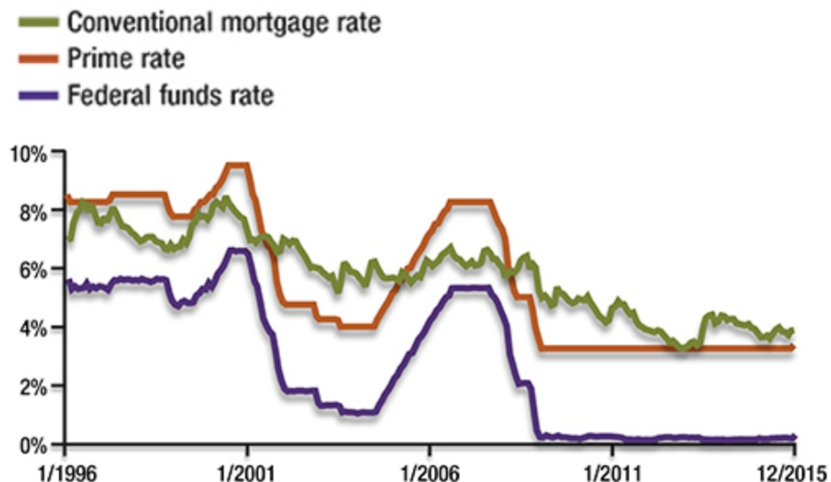
This type of loan documentation is also important for IRS purposes because there may be potential income and gift tax issues with these types of loans. For example, interest paid by your child will be considered taxable income, and if adequate interest is not charged for the loan, special imputed interest rules may apply.

If you don't feel comfortable lending your child money, you may want to consider making a smaller, no-strings-attached gift that doesn't have to be repaid. Currently, you can gift up to $14,000 annually per person under the gift tax exclusion. However, if you do gift money for a down payment, your child's lender may still require him or her to put up some of his or her own money, depending on the type of mortgage chosen.

Keep in mind that lending money to family members can be a tricky proposition. Before entering into this type of financial arrangement, you should take the time to carefully weigh both the financial and emotional costs.

Chart: Tracking the Fed

Although the prime rate has been closely aligned to the federal funds rate over the past 20 years, rates on conventional 30-year fixed mortgages have followed a more independent trajectory, generally trending downward over the period.



Source: *Federal Reserve, 2016*

Prepared by Broadridge Investor Communication Solutions, Inc. Copyright 2016