# FINANCIAL TID-BITTS

*Information to chew on...*


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Hi All,

I hope everyone is enjoying friends and family during the summer weather, and staying safe and healthy. When it's overly hot out, just remember how hard you wished for this in the middle of winter.

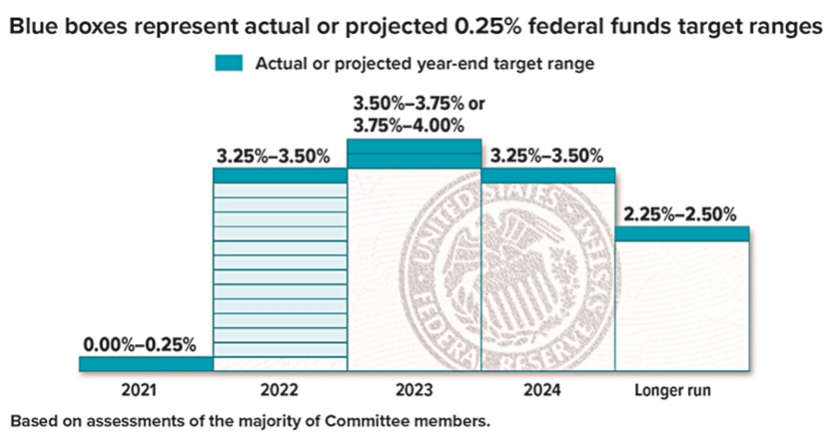
If you have any questions on the topics in the articles or any others, please don't hesitate to call. Enjoy your vacations and the sun! Thank you.

Steve

## Rising Interest Rates

After dropping the benchmark federal funds rate to a range of 0%–0.25% early in the pandemic, the Federal Open Market Committee (FOMC) of the Federal Reserve has begun raising the rate aggressively in response to high inflation. Raising the funds rate places upward pressure on a wide range of interest rates, including the prime rate, small-business loans, home-equity lines of credit, auto loans, credit-card rates, and adjustable-rate mortgages (with indirect pressure on fixed-rate mortgages).

This chart illustrates the federal funds target range at the end of 2021 and future year-end projections released after the FOMC June 2022 meeting, when the Committee raised the range to 1.50%–1.75%.




Source: Federal Reserve, June 2022. These are only projections, based on current conditions, subject to change, and may not come to pass.

# Life Insurance Living Benefits

When thinking about life insurance, you might focus on the death benefit that can be used for income replacement, business continuation, and estate preservation. But life insurance policies may include other provisions that allow you to access some or all of the death benefit while you are living. These features are often referred to as living benefits, which are usually offered as optional add-ons called riders.

Some living benefit riders are added to a life insurance policy at no additional cost. Other riders are optional and come with an added cost to your basic policy premium. Living benefits vary depending on the type of life insurance and the company issuing the policy. Generally, living benefits are available to the policy owner, but using your living benefits will reduce the life insurance death benefit available for policy beneficiaries.

However, most riders let you take a portion of the total amount available — you don't have to take the full amount so you can preserve a portion of the death benefit for your life insurance beneficiaries. Generally, living benefits are received free of income tax. Here are some common living benefits.

## Accelerated Death Benefit for Terminal Illness

An accelerated benefit rider for terminal illness allows you to access a portion or all of the death benefit if you are diagnosed with a terminal illness or medical condition with a life expectancy of six to 24 months, depending on specific policy provisions. Most accelerated death benefit riders do not restrict how you use the money from the death benefit — you can use the money to help pay medical bills or other expenses arising from your illness. Or you can use the money to pay for funeral expenses.

### Potential Drawbacks to Living Benefits

- **Eligibility:** To qualify, you must meet policy requirements.
- **Rider fees:** Many living benefit riders charge a fee in addition to your premium.
- **Limit on benefit amount:** What you can receive may be limited to a maximum dollar amount or percentage of the death benefit.
- **Reduction in death benefit:** Living benefit amounts received reduce the death benefit.

## Chronic Illness Rider

A chronic illness rider allows you to use a portion of your death benefit if you become chronically ill and cannot perform at least two of six activities of daily living (ADLs). These ADLs include bathing, continence, dressing, toileting, eating, and transferring. You may file a claim using this rider to receive a portion or possibly all of the death benefit. Usually, the insurance company will want to evaluate your claim and may require that you be examined by a medical professional chosen by the insurer. Often there are no restrictions on how you use the proceeds.

## Critical Illness Rider

Similar to the chronic illness rider, the critical illness rider allows you to receive some or all of the death benefit if you are diagnosed with an illness or medical condition specified in the policy. Common critical illnesses include heart attack, stroke, cancer, end-stage renal failure, ALS, major organ transplant, blindness, or paralysis. With some critical illness riders, the percentage of death benefit available to you is based on the type of illness you have.

## Long-Term Care Rider

A long-term care rider can be added to a life insurance policy, generally for an additional cost, to help cover qualifying long-term care expenses. Like the chronic illness rider, you must be unable to perform at least two of six ADLs to claim a benefit. Unlike the chronic illness rider, the long-term care rider usually pays a portion of the death benefit on a periodic basis, commonly monthly. Some riders have a waiting period during which you must incur long-term care expenses before you can receive any proceeds. Other riders may only require that you cannot perform at least two of six ADLs, after which you receive periodic payments to use any way you wish.

*The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable. An individual should have a need for life insurance and 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. Policy guarantees are contingent on the financial strength and claims-paying ability of the insurance provider.*

# Finding Forgotten Funds

As a child, you may have dreamed about finding buried treasure, but you probably realized at an early age that it was unlikely you would discover a chest full of pirate booty. However, the possibility that you have unclaimed funds or other assets waiting for you is not a fantasy.

Billions of dollars in unclaimed property are reported each year, and 10% of people have some form of property waiting to be returned by state unclaimed property programs.[1] So how do you find what is owed to you, even if it's not a fortune? One of the challenges of finding lost property is knowing where to look.

## State Programs

Every state has an unclaimed property program that requires companies and financial institutions to turn inactive account assets over to the state if they have lost contact with the rightful owner for a period of time. In most states, this dormancy period is three to five years, but may be shorter or longer depending on the type of property and on state law. It then becomes the state's responsibility to locate the owner.

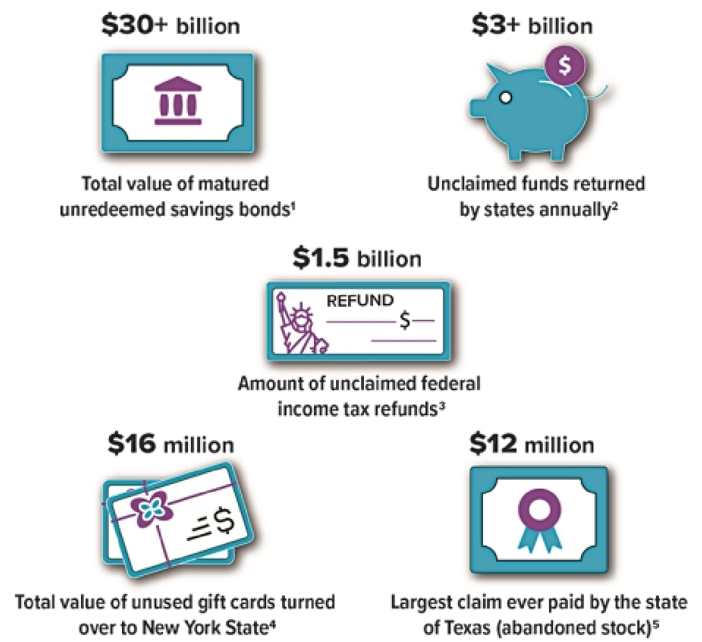
For state programs, unclaimed property might include financial accounts, stocks, uncashed dividends and payroll checks, utility security deposits, insurance payments and policies, trust distributions, mineral royalty payments, gift cards, and the contents of safe-deposit boxes. State-held property generally can be claimed in perpetuity by original owners and heirs.

Most states participate in a free national database sponsored by the National Association of Unclaimed Property Administrators called MissingMoney.com. You might also check specific databases for every state where you have lived. For more information and links to individual state programs, see the National Association of Unclaimed Property Administrators at unclaimed.org.

Even if your search isn't fruitful the first time you look, check back often because states regularly update their databases.

## Federal Programs

Unclaimed property held by federal agencies might include tax refunds, pension funds, funds from failed banks and credit unions, funds owed investors from U.S. Securities and Exchange Commission enforcement cases, refunds from mortgages insured by the Federal Housing Administration, and matured unredeemed savings bonds. There is no single searchable database for federal agencies, but you can find more information and links to sites you can search at usa.gov/unclaimed-money.




Sources: 1) U.S. Department of the Treasury, 2022 (as of December 2021); 2) National Association of Unclaimed Property Administrators, 2022; 3) Internal Revenue Service, 2022 (data for 2018 tax year); 4) Office of the New York State Comptroller, 2022 (data for 2021); 5) Texas Comptroller of Public Accounts, 2022

## Submitting a Claim

To claim property, follow the instructions given, which will vary by the type of asset and where the property is held. You'll need to verify ownership, typically by providing information about yourself (such as your Social Security number and proof of address), and submit a claim form either online or by mail. What if the listed property owner is deceased? A claim may be made by a survivor and will be payable according to state or federal law.

## Avoiding Scams

Finding and receiving any unclaimed property to which you are entitled should not cost you money. Some states allow legitimate third-party "finders" to offer to help rightful owners locate property for a fee, but you do not need to pay them in order to receive the property. Be on the lookout for scammers who pretend to have unclaimed property in order to trick you into revealing personal or financial information. Before you sign any contracts or give out any information, contact your state's unclaimed property office.

1) National Association of State Treasurers, 2022

# The Potential Benefits of Roth IRAs for Children

Most teenagers probably aren't thinking about saving for retirement, buying a home, or even paying for college when they start their first jobs. Yet a first job can present an ideal opportunity to explain how a Roth IRA can become a valuable savings tool in the pursuit of future goals.

## Rules of the Roth

Minors can contribute to a Roth IRA as long as they have earned income and a parent (or other adult) opens a custodial account in the child's name. Contributions to a Roth IRA are made on an after-tax basis, which means they can be withdrawn at any time, for any reason, free of taxes and penalties. Earnings grow tax-free, although nonqualified withdrawals of earnings are generally taxed as ordinary income and may incur a 10% early-withdrawal penalty.

A withdrawal is considered qualified if the account is held for at least five years and the distribution is made after age 59½, as a result of the account owner's disability or death, or to purchase a first home (up to a $10,000 lifetime limit). Penalty-free early withdrawals can also be used to pay for qualified higher-education expenses; however, regular income taxes will apply.

In 2022, the Roth IRA contribution limit for those under age 50 is the lesser of $6,000 or 100% of earned income. In other words, if a teenager earns $1,500 this year, his or her annual contribution limit would be $1,500. Other individuals may also contribute directly to a teen's Roth IRA, but the total value of all contributions may not exceed the child's annual earnings or $6,000 (in 2022), whichever is lower. (Note that contributions from others will count against the annual gift tax exclusion amount.)

*Roth IRAs offer an opportunity to learn about important concepts that could provide a lifetime of financial benefits.*

## Lessons for Life

When you open a Roth IRA for a minor, you're giving more than just an investment account; you're offering an opportunity to learn about important concepts that could provide a lifetime of financial benefits. For example, you can help explain the different types of investments, the power of compounding, and the benefits of tax-deferred investing. If you don't feel comfortable explaining such topics, ask your financial professional for suggestions.

The young people in your life will thank you — sooner or later.

*For questions about laws governing custodial Roth IRAs, consult your tax or legal professional. There is no assurance that working with a financial professional will improve investment results.*