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FINANCIAL Planning Strategies

A Financial Planning Update

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Mr. Kennedy's investment philosophy is the same that he has practiced over the last decade: securities markets are efficient and advisors primarily add value by coordinating the asset allocation for clients based upon risk tolerance, objectives, and time horizons. The firm has constructed 5 models for clients that vary in risk to meet the goals of each client. The firm primarily uses passive mutual funds in each model and uses select actively managed funds for bond, commodity, and real estate exposure. ITI uses several research resources, including many that were used over the last 20 years, to assist with the recommended asset allocation and the appropriate funds to utilize in each model.

Mr. Kennedy is an Investment Advisor Representative of ITI Financial Management, LLC. Investment services are offered through ITI Financial Management, LLC, a registered investment adviser with the state of Missouri.

Financial Perspectives on the"Car Buying Experience"

Shopping for a vehicle may begin with the question, "Should I buy or should I lease?" Depending on your answer, there may be a substantial difference in what you will *get* for what you can *afford*. In addition, if you decide to buy, rather than lease, you have the added consideration of how to arrange financing.

Lease or Buy?

One basic difference between buying and leasing is that when you purchase a vehicle you pay to *own* it—whereas when you lease, you pay to *use* it, typically for two to three years. Leasing has become popular because, in comparison to buying, you get more vehicle for your money. Since you only pay a portion of the total value, you can expect to make a smaller monthly payment for a given vehicle or to drive a more expensive make or model for a given monthly payment. However, there are tradeoffs to consider.

Leases include many charges that may require large sums of cash at the start and at the end of the lease. Up-front costs may include a security deposit, a destination fee, and a registration fee. Lease-end charges may total hundreds or even thousands of dollars, for "excessive wear and tear," excess mileage (usually up to $.25 or more per mile), and a disposition fee. If you end the lease early, expect to pay a high penalty. In addition, if you decide to purchase the car at the end of the lease, it will usually cost you more than if you had originally purchased and financed the car.

Buying may be a better choice if you plan to keep your vehicle for a long time. Usually, if you add up your financing costs over the life of a car loan and compare them to the costs of leasing and then purchasing the leased vehicle, you will find that buying may make more economic sense. Also, once you own your car, van, or truck, you are free to drive it for years without a car payment, pass it on to a family member, or sell it. You may also maintain your vehicle as you wish, modify or customize it in any way you choose, and put unlimited miles on it without penalty.

Financing Alternatives

If you have decided to buy, rather than lease, you need to decide how to pay for the vehicle. Considering the high prices, many people choose to finance their purchases. Just as you shopped around for your car, van, or truck, it is also worth the effort to shop around for financing. Don't automatically finance with the dealer. Banks may

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Shielding Your Finances from Disaster

Whenever catastrophic events occur, they clearly demonstrate that our communities and livelihoods can be unexpectedly destroyed in a matter of minutes. In the aftermath, many victims of natural disasters struggle to get back on their feet financially. While there is no way to completely prevent a natural disaster, there are steps you can take to protect yourself and your family from financial difficulties should you be forced to evacuate your home in an emergency.

Here are some strategies to help prepare for potential disasters:

Store important documents in an "evacuation box." Gather and make copies of all your key financial and personal documents, including passports and birth certificates, marriage licenses, wills, property deeds, insurance policies, mortgage records, car titles, and stock and bond certificates. Make copies of the front and back of all credit cards and driver licenses. Then make a list of all your account and credit card numbers, as well as a written and photographic inventory of all your valuables. Be sure to have enough cash or travelers checks to last your family about three days.

Keep all essential documents in a bank safe-deposit box located away from your home or in an airtight, waterproof, and fireproof safe or container that can be easily taken with you in case of an evacuation. Inform family members or trusted friends of the box's location in case you are unable to personally retrieve it.

Maintain liquidity. Avoid tying up all of your assets in real estate or investments that cannot be tapped without paying penalties. Keep the equivalent of three to six months' income in a savings or money market account. You may also want to have on hand several credit cards with high available balances, or arrange in advance a line of credit for an emergency. If you have a 401(k) account with your employer, find out whether your plan allows you to take a loan out against your savings.

Protect your property. If you live in an area that is vulnerable to natural disasters, consider ways to mitigate potential damage to your property. Depending upon the type of disaster likely to strike in your location, you may want to take precautionary measures, such as anchoring the foundation and roof, installing hurricane shutters on windows and glass doors, adding fire-resistant siding, securing items that could fall or blow away, moving electrical panels and furnaces to upper levels, installing smoke detectors, and clearing brush from around the house. If uncertain, ask a building inspector to recommend structural or other types of improvements. By taking protective measures, you may be able to negotiate a reduction in your homeowners insurance premiums.

Purchase adequate insurance coverage and review your policies regularly. Many people who have lost their homes to disasters learn that their insurance policies do not cover the cost of rebuilding. If you have homeowners insurance, check your policy annually to ensure that it covers the actual replacement cost of your home and its contents. This is especially important if the value of your home has risen significantly or if you have made improvements to the property. Be aware that your policy may not cover damage due to specific causes, such as flooding. If the insurance you need is not available through private companies,

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Shielding Your Finances from Disaster

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find out if state or Federal insurance pools would provide coverage.

In addition, you may want to consider disability income insurance coverage to provide a source of income in case you are injured in a disaster and unable to work for a period of time. If you receive health benefits through your employer but lose your job, you may keep your coverage for a specified period of time under Federal COBRA laws. Also, make sure that your life insurance coverage is sufficient to meet the needs of your family. It may be possible to withdraw some or all of the cash value from a permanent life insurance policy, if necessary. However, access to cash values through borrowing or partial surrenders can reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

Don't wait until disaster strikes—the time to prepare is *now*. Consider consulting a legal professional about the potential benefits of additional protection, such as trusts, powers of attorney, or living wills. $

Financial Perspectives on the "Car Buying Experience"

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also offer attractive deals. If you have a relationship with a bank, you may qualify for a reduced interest rate. Ask the car dealers you visit which banks they use, as your bank may be among them.

Bank representatives usually quote current rates over the phone, and they can tell you the monthly payment for a given loan amount at a specific interest rate and loan term. It is a good idea to check this with your bank, even if you decide to finance with a dealer. It can confirm that you are indeed getting the terms to which you agreed. If the numbers do not check out, something might be amiss. A difference of a few dollars per month over the life of a loan could add up to an additional payment. One final caution: Beware of unbelievably low dealer rates. If, for example, your dealer offers 1.9% financing while current lending rates are 8%, make sure you are not making up the difference in hidden charges. As with

any purchase, it is the "bottom line" that matters most!

What about a Home Equity Loan?

Finally, there is one last financing option you may wish to consider. In some cases, using a home equity line of credit or home equity loan can be an intriguing method of financing the purchase of an automobile. With a home equity loan, the potential exists for a competitive interest rate. An established equity line can also be a welcome source of financing when credit may be otherwise difficult to obtain.

It Pays to Understand the Basics

Though the car buying experience may seem overwhelming, it is worth taking the time to understand the basics. For many people, a vehicle is the largest purchase they will ever make besides a house. Taking the time now to learn the basics of buying and financing can help you get the best deal. The more information you have, the smoother your ride is likely to be. $

Protect Your Estate with an Irrevocable Life Insurance Trust

Many estate planning practitioners view the **irrevocable life insurance trust (ILIT)** as a flexible and useful tool that can provide a number of benefits to their clients. Because the question of where the ILIT fits into the overall estate planning process can be somewhat confusing, a closer look at its potential advantages may prove helpful.

Inheritance Comes with a Price

Typically, the amount of estate planning necessary is dictated by the size of your assets. For instance, if you are married, a properly drafted and executed **will** and **inter vivos (living) trust** for you and your spouse—coupled with proper asset ownership—ensures that the first $22.8 million in 2019 (annually adjusted for inflation) of your estate passes to heirs free of Federal estate taxes. In 2019, the top tax rate remains at 40%.

Thus, estates exceeding $22.8 million for married individuals in 2019 (or $11.4 million per individual) are subject to Federal estate taxes. For this reason, the ILIT has become a popular technique to help fund the payment of estate taxes and to help ensure that assets are passed to your family in full.

Opportunity Knocks

The proceeds of a life insurance policy that is purchased and owned by an ILIT, if correctly structured and administered, are not included in your estate. Instead, they may be payable to the ILIT's **beneficiaries** (often children or grandchildren) without incurring estate tax consequences.

An ILIT can purchase a life insurance policy on your (the donor's) life, with the policy premiums funded by annual gifts you make to the ILIT. Consequently, your **annual gift tax exclusion** ($15,000 annually per donee and $30,000 for gifts made by husband and wife) can be used to maximize gifts to the ILIT.

As a more advanced strategy, an ILIT can help ensure continuity in a **closely held business**. For instance, passing a family-owned business of substantial value to heirs may be hampered by potentially large estate taxes. These taxes, in some instances, may require a forced sale of the business to raise the necessary cash to pay them. However, an ILIT can purchase a life insurance policy on the owner, with the death benefit providing the cash needed to help meet estate tax obligations and keep the business in the family.

Preparing for Your Future

Estate planning is an *ongoing* process that requires a personal commitment to help ensure your desired intentions are fulfilled. An ILIT can be an integral part of your overall plan. Be sure to consult your estate planning team, including your insurance, legal, and tax professionals, about your unique circumstances. $