Financial Strategies

News You Can Use!!

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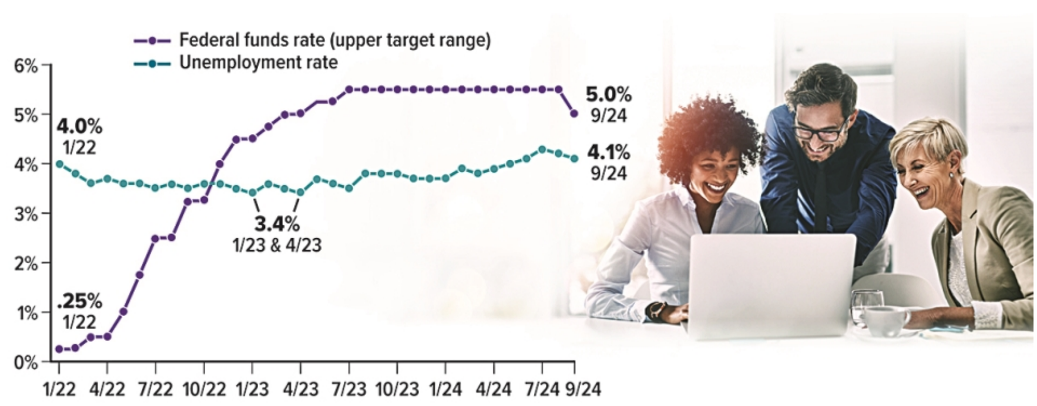
62.7%

Labor force participation rate in September 2024, well above the pandemic low of 60.1% but still below the pre-pandemic level of 63.3%. The participation rate is the percentage of civilians age 16 or older who are either working or looking for work. Perhaps more important than the general rate, the rate for the prime working ages of 25 to 54 was 83.8%, above the pre-pandemic level of 83.0%.

Source: U.S. Bureau of Labor Statistics, 2024

Employment Stayed Strong Despite High Rates

When the Federal Reserve raises interest rates to fight inflation, the unemployment rate typically rises as the economy slows in response to the higher cost of borrowing. Remarkably, unemployment remained under 4% for 27 months during and after the Fed's unprecedented rate increases that began in early 2022 — the longest period at this level since the late 1960s. It has risen slightly but remained just above 4% through September 2024. With inflation apparently under control, the Fed has begun to decrease rates, which could help keep employment strong.



Sources: Federal Reserve, 2024; U.S. Bureau of Labor Statistics, 2024

November 2024

A Critical Combo: Life Insurance with Long-Term Care Benefits

An important part of any retirement strategy involves accounting for potential long-term care (LTC) expenses, which can be surprisingly high. The median cost of a private room in a nursing home was $9,733 in 2023, while a full-time home health aide was $6,292 per month.[1]

If you plan to pay for care out of pocket, consider how long your retirement savings would last if you or your spouse end up needing care in a nursing home for several years. How would writing those checks every month affect the healthy spouse's quality of life?

On the other hand, you may not like the idea of paying costly premiums for traditional long-term care insurance that you might never need. If so, you may be interested in one of these alternatives that combine permanent life insurance with long-term care coverage.

An efficient hybrid

Although LTC insurance is typically a "use-it-or-lose-it" proposition, a hybrid (or linked-benefit) policy can help pay for care if it's needed or provide a larger death benefit for your beneficiaries if it's not. Hybrid policies are generally more expensive than standalone LTC policies, and the maximum LTC benefit may be smaller. Currently, the max LTC benefit amount is typically equal to about five times the premium.[2]

A hybrid policy may be purchased with a single premium, or installments paid over a few years (usually no more than 10). And you won't have to worry about future rate increases or the issuer canceling the policy, which can happen with a traditional LTC policy.

Tack on a rider

Another option is to buy a life policy with an attached long-term care rider — which typically can't be added later. Any LTC payments are usually limited to the death benefit, which means they are generally not as robust as with a standalone LTC policy or a linked-benefit policy. However, the death benefit is larger (for the same premium).

If you consider either of these strategies, you should have a need for life insurance and evaluate the policy on its merits as life insurance.

Collecting benefits

Long-term care benefits kick in when the insured person needs help with two or more activities of daily living (such as eating, bathing, and transferring) or is severely cognitively impaired, though there is typically a 90-day waiting, or elimination, period. Care may be provided in your home or at a facility.

Probability of needing care, by attained age (for someone who is currently age 65)

Age	Female	Male
70	5.6%	5.3%
75	13.9%	12.7%
80	27.2%	24.3%
85	43.9%	38.7%
90	58.3%	51.1%

Source: American Association for Long-Term Care Insurance, 2022

With linked-benefit policies and LTC riders, benefits may be paid through reimbursement of the actual cost of care or an indemnity model that pays a certain cash benefit regardless of the actual cost of care. If your policy uses an indemnity model, it might allow you to pay a family caregiver. When you use the LTC benefit, the death benefit is reduced, but some policies may still offer a small death benefit even if you use up the LTC coverage.

Plus, permanent life policies and most hybrid life-LTC policies have a cash-value component that you could tap into for emergencies or retirement income if you are lucky enough to need little or no care. (Loans and withdrawals will reduce the policy's cash value and death benefit.)

The danger in waiting to explore combination life-LTC policies — beyond the fact that premiums rise with age — is that you could develop a health condition that would disqualify you from coverage.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Policies commonly have mortality and expense charges. If a policy is surrendered prematurely, there may be surrender charges and income tax implications. Optional benefit riders are available for an additional cost and are subject to the contractual terms, conditions, and limitations outlined in the policy; they may not, however, benefit all individuals. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

1) Genworth Cost of Care Survey, December 2023

2) American Association for Long-Term Care Insurance, 2024 (estimate is for benefits at age 90 for policies with inflation growth option)

Charitable Gifts of Life Insurance

Life insurance can be an excellent tool for charitable giving. Not only does life insurance allow you to make a substantial gift to charity but you may also benefit from tax rules that apply to gifts of life insurance.

Why gift life insurance?

Life insurance allows you to make a much larger gift to charity than you might otherwise be able to afford. Generally, the amount the charity will receive (the death benefit) is usually much greater than the cost to you (premium payments). As long as you continue to pay the premiums on the life insurance policy, the charity will receive the proceeds of the policy when you die. Since life insurance proceeds paid to a charity are not subject to income taxes, probate costs, and other expenses, the charity can count on receiving 100% of your gift.

What are the possible tax benefits?

Giving life insurance to a qualified charity also has certain income tax benefits. Depending on how you structure your gift, you may be able to take an income tax deduction of the premium payments.

Charitable income tax deductions may be available if the charity is named owner and beneficiary of an existing life insurance policy. You can generally deduct the lesser of your cost basis in the policy or the value of the policy at the time of the transfer to the charity. In addition, subsequent gifts to the charity to pay premiums may be eligible for charitable income tax deductions in the year the gifts are made. You may also receive a charitable income tax deduction if you buy a new policy naming the charity as owner and beneficiary. Also, irrevocable gifts to charity are not subject to federal gift tax. There may also be estate tax benefits where either the policy is not included in your estate, or you receive a federal estate tax deduction.

Are there disadvantages to charitable gifting of life insurance?

Donating a life insurance policy to charity (or naming the charity as beneficiary on the policy) means that you have less wealth to distribute among your heirs when you die. This may discourage you from making gifts to charity. However, this problem is relatively simple to solve. You could consider buying another life insurance policy that will benefit your heirs instead of a charity.

2023 Charitable Giving, by Source

In 2023, Americans gave $557.16 billion to charity.

Source	Percentage	Amount (in billions)
Individuals	67%	$374.40
Foundations	19%	$103.53
Bequests	8%	$42.68
Corporations	7%	$36.55

Source: Giving USA, June 25, 2024

How can life insurance be given to a charity?

The simplest way is to name a charity as beneficiary of your life insurance policy. Most policies allow you to name multiple beneficiaries, so you could split the death benefit between individuals, such as family members, and a charity. If the policy is a form of cash value life insurance, you still have access to the cash value of the policy during your lifetime. However, this type of charitable gift does not provide many of the income tax benefits of charitable giving, because you retain control of the policy during your life. When you die, the proceeds are included in your gross estate, although the full amount of the proceeds payable to the charity can be deducted from your gross estate.

You may donate an existing life insurance policy to charity. To do this, you must assign all ownership rights in the policy to the charity. You must also deliver the policy itself to the charity. By doing this, you give up all control of the life insurance policy. This strategy provides the full tax advantages of charitable giving because the transfer of ownership is irrevocable. You may be able to take an income tax deduction, and the policy may not be included in your gross estate when you die.

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.

Playing Fair: New Consumer Protections for Airline Passengers

There's no doubt about it, airline travel can be stressful. Thanks to a new federal law and rules issued by the U.S. Department of Transportation, airline passengers could have extra consumer protections, some in time for the holiday travel season.

Hassle-free refunds. In the past, airline passengers were forced to figure out how to obtain a refund by researching an airline's website or waiting for hours on the phone with an airline's customer service department. As of October 28, airline passengers will be entitled to an automatic refund for:

- Canceled or significantly changed flights (e.g., arrivals delayed by three or more hours for domestic flights and six or more hours for international flights), regardless of the reason
- Significantly delayed baggage return
- Extra services (e.g., Wi-Fi, seat selection, or inflight entertainment) that were paid for but not provided

Airlines must issue refunds of the full amount of the ticket purchased within seven business days of refunds becoming due for credit card purchases and 20 days for other payment methods. Passengers who accept a ticket for a significantly delayed flight or are rebooked on a different flight to their destination will not receive refunds. The refunds must be in the form of cash or whatever original payment method was used to make the purchase (e.g., credit card or airline miles). Finally, airlines are not allowed to substitute other forms of compensation (e.g., vouchers or travel credits) unless a passenger affirmatively chooses to accept an alternate form of compensation.

2023 had the highest number of flight delays ever recorded.

Source: U.S. Department of Transportation, 2024

Protection against surprise fees. Many airlines advertise cheap "teaser" fares that don't take into account additional fees — all of which can significantly increase the cost of a ticket. Airlines are required to disclose various ancillary fees upfront, such as charges for checked bags, carry-on bags, and changing or cancelling a reservation. They must also provide a detailed explanation of each fee before a ticket can be purchased. The compliance period for this rule was scheduled to begin in 2025 but was temporarily blocked by a U.S. appeals court this past July.

Free family seating. Under a proposed rule, airlines will be prohibited from charging families an extra fee to guarantee a child will sit next to a parent or adult travel companion, assuming adjacent seating is available when the tickets are booked.

Visit the Department of Transportation's website at transportation.gov/airconsumer for more information.