eResources Review

Asset Management Resources' E-mail Newsletter

Life Insurance and Terminal Illness

What if you were faced with the heart-wrenching news that you were terminally ill? How would you provide for the continued financial support of your family and loved ones? How would you and your family pay for the expenses related to your medical care and comfort? Your life insurance policy may be a valuable resource for you and your family. Not only can you use life insurance to provide a source of income to your survivors for their short- and long-term needs, but you also may be able to receive proceeds from the policy while you're still alive to help meet the expenses related to your illness.

Obtain more life insurance

Even if your health takes a turn for the worse, you may be able to increase your life insurance death benefit without providing evidence of insurability. Increasing the death benefit may provide greater financial support to your survivors after you die. Here are some ways you may be able to increase your death benefit without regard to your health.

If you purchased a guaranteed insurability rider as part of your existing life insurance policy, you may have the option of buying a higher death benefit. However, these riders generally offer the ability to purchase more coverage only on specific dates. Often, the rider may no longer be available after a certain age. Also, optional riders are available for an additional fee and are subject to contractual terms, conditions, and limitations as outlined in the policy.

If your policy pays dividends, you may be able to use those dividends to buy fully paid-up additional life insurance. It's important to understand that no matter how they're used or applied, dividends may be taxable to you as ordinary income if the dividends received, plus all previous nontaxable distributions from the policy, exceed the total of all premiums paid for the policy.

Caution: *Any guarantees are contingent on the claims-paying ability and financial strength of the issuing company.*

Use life insurance for cash

If your life insurance has a cash-value component, you may be able to access that cash to help meet costs associated with your illness, including lost wages, uninsured medical expenses, and respite care. One way to access the cash value is by surrendering the policy. However, if you surrender your policy prematurely, there may be surrender charges and income tax implications, as well as the loss of the death benefit that could be helpful to your survivors.

Or you may be able to borrow against the policy's cash value. But the loan 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 your death.

Your life insurance policy may come with an accelerated benefit rider. As a result of your illness, you may be eligible to receive some, or all, of the face amount of the policy in advance of your death, either in a lump sum or in installments. You also may be able to take less money than the full amount available to you so that some of the death benefit will be payable to your survivors. Usually, you can use the proceeds however you wish. Rules differ for the tax treatment of accelerated death benefits paid to the terminally ill.

You may have added a critical illness life insurance (CILI) rider to your existing policy. CILI pays benefits to you when you are chronically or terminally ill. You can use the money you receive to pay for your daily living expenses, increased medical costs, or any other way you choose. However, the amount you receive (with terminal illness, often 100% of the policy's face value) will reduce or eliminate benefits payable to your survivors. In addition, there may be tax consequences arising out of payments received from CILI. For more information on the tax treatment of CILI benefits, consult your tax advisor.

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1099s:
Please note that 1099s may be revised in March or April. Fee information is available on the 1099.

Market Perspective Webinar:
The client webinar recorded on February 16 is now available on our website (amrfinancial.com) under the client login section.

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Tune in Saturdays from 3:00 – 5:00 pm on WXTK 95.1 FM (or live streaming on 95WXTK.com) to Cape Cod's Financial Radio Talk show hosted by Chris Boyd, CFP® for entertaining discussions on all things financial. For an entertaining and informative discussion of investing & financial planning topics, as well as Something More! If you miss the show on Saturday, listen to the recorded version posted to our website, amrfinancial.com, each Monday.

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Pros and Cons of Working from Home

Cost of Living: Where You Live Can Affect How Rich You Feel

Can you separate college financial aid myths from facts?

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

Pros and Cons of Working from Home

Telecommuting, or working from home, is offered by many employers to their employees. Find out whether the financial advantages and disadvantages of working from home make it a viable option for you.

Imagine that your employer gives you the choice between either working from home or commuting to the office throughout your work week. You might think the obvious choice is to work from the comfort of your own home; after all, staying in your pajamas all day and avoiding stressful commutes sound appealing. But there are some considerations to think about before you decide that telecommuting is right for you.

Advantages

Working from home could end up saving you a considerable amount of money. It eliminates the cost of commuting by cutting down what you spend on gas, public transportation and parking fees, and car maintenance. And depending on your company's dress code, you could save what you might spend on expensive work-related clothes.

Besides reducing some of your daily expenses, working from home could provide you with more opportunities and increased productivity. Telecommuting might mean you are no longer tied to a single location, which could allow you to explore more flexible work opportunities within the company. Working from home may also motivate you to use your time more effectively and accomplish more for your company because you'll save time commuting.

Balancing work and family life could be easier when you work from home, as well. Time that you might spend traveling to work, appointments, and family obligations will be saved when you no longer have to schedule around a daily drive to and from the office. Depending on your company's flexibility and the demands of your job, working from home may even eliminate or reduce child-care needs for your children, giving you more time to spend with your loved ones in addition to saving you money.

It's possible that you could be healthier by working from home. Your exposure to co-workers who come to work with a cold or the flu is reduced, which prevents you from having to take a sick day to visit your doctor. You may also wind up feeling less stressed when you don't have to worry about commuting or potential work-life issues.

Disadvantages

Before you get too excited about the appeals of working from home, consider the drawbacks. For instance, telecommuting could affect your work performance. Isolation from the office may result in your professional achievements being overlooked, which could potentially delay a promotion or raise.

Less opportunity to interact regularly with co-workers might mean missing out on important information, as well as feeling lonely. Plus, distractions around your home can interfere with your daily responsibilities and could result in a negative response from your employer.

Another financial downside of working from home is the prospect of providing your own office materials. Does your company provide you with supplies such as a computer, printer, and fax machine? Will you need to pay for office setup, postage services, or scanners, among other items?

You might think that a home office tax deduction could alleviate the cost of home office expenses, but you'll need to be careful with your home office use in order to qualify. The space you claim a deduction for must be used for business-only purposes. Any use of this space not related to your work may prevent you from taking this tax break. For more information, review IRS Publication 587, Business Use of Your Home.

You'll also need to think about how your increased presence at home may result in an increase in your home utility usage. Specifically, you'll probably spend much of your time using energy-consuming technology to perform your job. In turn, this could cause your electric bill to spike. Practicing energy efficiency may help reduce the bill, but you still might have to pay more than you'd like each month as the cost of working from home.

What works for you?

If your employer allows you to work from home, think about a few other things besides how it would affect your wallet:

- Consider whether your home has appropriate space to accommodate a home office.
- Understand that you may need to seek remote tech support on occasion to perform your job.
- Think about whether you're self-directed and able to work well independently in a home setting.
- Set expectations for yourself.
- Be familiar with any company policies that may apply to remote employees.

It's possible that you can strike a balance and choose to work from home one or two days a week, thereby reaping more of the telecommuting positives than negatives. You could also ask to undergo a trial period to make sure that working from home is truly what works best for both you and your employer.

AMR ASSET MANAGEMENT RESOURCES

Cost of Living: Where You Live Can Affect How Rich You Feel

Americans on the move

Americans are picking up and moving again as the recession fades, personal finances improve, and housing markets recover. Counties in Florida, Nevada, and Arizona had larger influxes of people, while some counties in Illinois, Virginia, New York, and California saw more people moving out. (Source: The Pew Charitable Trusts, Americans Are on the Move--Again, June 25, 2015, www.pewtrusts.org)

Do you find yourself treading water financially even with a relatively healthy household income? Even with your new higher-paying job and your spouse's promotion, do you still find it difficult to get ahead, despite carefully counting your pennies? Does your friend or relative halfway across the country have a better quality of life on less income? If so, the cost of living might be to blame.

The cost of living refers to the cost of various items necessary in everyday life. It includes things like housing, transportation, food, utilities, health care, and taxes.

Single or family of six?

Singles, couples, and families typically have many of the same expenses--for example, everyone needs shelter, food, and clothing--but families with children typically pay more in each category and have the added expenses of child care and college. The Economic Policy Institute (epi.org) has a family budget calculator that lets you enter your household size (up to two adults and four children) along with your Zip code to see how much you would need to earn to have an "adequate but modest" standard of living in that geographic area.

What areas have the highest cost of living? It's no secret that the East and West Coasts have some of the highest costs. According to the Council for Community and Economic Research, the 10 most expensive U.S. urban areas to live in Q3 2015 were:

Rank	Location
1	New York, New York
2	Honolulu, Hawaii
3	San Francisco, California
4	Brooklyn, New York
5	Orange County, California
6	Oakland, California
7	Metro Washington D.C./Virginia
8	San Diego, California
9	Hilo, Hawaii
10	Stamford, Connecticut

Factors that influence the cost of living

Let's look in more detail at some of the common factors that make up the cost of living.

Housing. When an area is described as having "a high cost of living," it usually means housing costs. Looking to relocate to Silicon Valley from the Midwest? You better hope for a big raise; the mortgage you're paying now on your modest three-bedroom home might get you a walk-in closet in this technology hub, where prices last spring climbed to a record-high $905,000 in Santa Clara County, $1,194,500 in San Mateo County, and $690,000 in Alameda County. (Source: *San Jose Mercury News,* Silicon Valley Home Prices Hit Record Highs, Again, May 21, 2015)

Related to housing affordability is student loan debt. Student debt--both for young adults and those in their 30s, 40s, and 50s who either took out their own loans, or co-signed or borrowed on behalf of their children--is increasingly affecting housing choices and living situations. For some borrowers, monthly student loan payments can approximate a second mortgage.

Transportation. Do you have access to reliable public transportation or do you need a car? Younger adults often favor public transportation and supplement with ride-sharing services like Uber, Lyft, and Zipcar. But for others, a car (or two or three), along with the cost of gas and maintenance, is a necessity. How far is your work commute? Do you drive 100 miles round trip each day or do you telecommute? Having to buy a new (or used) car every few years can significantly impact your bottom line.

Utilities. The cost of utilities can vary by location, weather, usage, and infrastructure. For example, residents of colder climates might find it more expensive to heat their homes in the winter than residents of warmer climates do cooling their homes in the summer.

Taxes. Your tax bite will vary by state. Seven states have no income tax--Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. In addition, property taxes and sales taxes can vary significantly by state and even by county, and states have different rules for taxing Social Security and pension income.

Miscellaneous. If you have children, other things that can affect your bottom line are the costs of child care, extracurricular activities, and tuition at your flagship state university.

To move or not to move

Remember The Clash song "Should I Stay or Should I Go?" Well, there's no question your money will go further in some places than in others. If you're thinking of moving to a new location, cost-of-living information can make your decision more grounded in financial reality.

There are several online cost-of-living calculators that let you compare your current location to a new location. The U.S. State Department has compiled a list of resources on its website at state.gov.

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Can you separate college financial aid myths from facts?

For all you parents out there, how knowledgeable are you about college financial aid? See if you know whether these financial aid statements are myth or fact.

1. Family income is the main factor that determines eligibility for aid. Answer: Fact. But while it's true that family income is the main factor that determines how much financial aid your child might receive, it's not the only factor. The number of children you'll have in college at the same time is also a significant factor. Other factors include your overall family size, your assets, and the age of the older parent.

2. If my child gets accepted at a more expensive college, we'll automatically get more aid. Answer: Myth. The government calculates your expected family contribution (EFC) based on the income and asset information you provide in its aid application, the FAFSA. Your EFC stays the same, no matter what college your child is accepted to. The cost of a particular college minus your EFC equals your child's financial need, which will vary by college. A greater financial need doesn't automatically translate into more financial aid, though the more competitive colleges will try to meet all or most of it.

3. I plan to stop contributing to my 401(k) plan while my child is in college because colleges will expect me to borrow from it. Answer: Myth. The government and colleges do not count the value of retirement accounts when determining how much aid your child might be eligible for, and they don't factor in any borrowing against these accounts.

4. I wish I could estimate the financial aid my child might receive at a particular college ahead of time, but I'll have to wait until she actually applies. Answer: Myth. Every college has a college-specific net price calculator on its website that you can use to enter your family's financial information before your child applies. It will provide an estimate of how much aid your child is likely to receive at that college.

5. Ivy League schools don't offer merit scholarships. Answer: Fact. But don't fall into the trap of limiting your search to just these schools. Many schools offer merit scholarships and can provide your child with an excellent education.

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.

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