Millennials and Money

Introduction

Nearly all Millennials will find themselves in control of personal or family finances at some point in life.

It's an inescapable fact of life.

And for the generation with spending power of $3.39 trillion - and that is set to account for 75% of the workforce by 2025 - it's critical to develop money management skills.

That's where we come in...

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Millennials & Financial Literacy

Studies have shown that Americans don't have a high level of financial literacy. Furthermore, millennials have been identified as the subgroup with the weakest proficiency. According to a 2015 PricewaterhouseCoopers study, only a mere 8 percent of millennials have a high understanding of basic financial concepts.

Every day we make decisions that impact our personal finances. Understanding the implications of those decisions is difficult when you don't fully grasp the concept to begin with. Financial literacy is directly related to financial independence. And what millennial doesn't want financial independence?

What is financial literacy?

At Bedel, we define financial literacy as possessing the knowledge and ability to make effective, informed decisions regarding personal finance matters. It includes areas such as investing, insurance, real estate, college funding, budgeting, retirement and tax planning. Being financially literate means making informed decisions and realizing that every decision comes with a consequence.

Not sure where you fall on the financial literacy scale? Financial Industry Regulatory Authority (FINRA) recently conducted a national study on financial literacy. It consisted of a quiz covering important financial topics such as compound interest and inflation. FINRA now offers the five-question quiz on its website. If you fall short of 100 percent, you're not alone. Indiana participants have posted an average score of 3.19, or 63.8%, which barely edges out the national average of 3.16. On most grading scales this merits a D!

A unique generation

Millennials are an interesting group for a number of reasons. Their different lifestyles depict a new type of financial picture. Millennials are more likely to postpone moving out of their parents' homes and delay marriage. Trends like these carry a significant impact on their financial status.

SOURCE: "Millennials, Technology and the Challenge of Financial Literacy", by Sarah Landrum, 2017, *Forbes Magazine*

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Millennials are the most college-educated generation, with 34 percent having a minimum of a bachelor's degree. On the flipside, they also have the most college debt. According to Student Loan Hero, the average 2017 college graduate owes $39,400 in college debt. And millennials have the lowest credit scores, according to credit provider Experian. Those two facts combined make it easy to see why a lack in financial literacy is an alarming issue for this generation.

Knowledge is power

What steps can you take to improve your financial literacy? First of all, start now. The earlier you can understand intimidating topics such as mortgages, taxes and social security, the better. There are many resources that promote and teach financial literacy. Do as millennials do and pick up your smartphone! Apps like Mint can categorically track your spending and help you understand the budgeting process. Parents are an often overlooked resource. They have years of valuable experience in budgeting, saving for retirement and paying off a mortgage. We can help you with that, too - it's what we do!

Knowledge is power !

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Are You Falling Prey to Mistakes?

Are you a millennial? If so, you've probably been blamed for the demise of everything from dinner dates to face-to-face interactions. But, you've got one thing other generations wish they still had – time. Here's how to make the most of your working years.

I'm a millennial. So, I understand the appeal of certain financial opportunities. My advice: Don't fall victim to career and financial mistakes that may look like good deals at first glance!

Switching Jobs without Evaluating the Cost

While your parents may have worked for the same company most of their career, that won't hold true for younger generations. LinkedIn recently released a study that showed millennials will average four job changes by the time they reach age 32.

Job-hopping is considered one of the fastest ways to increase your salary. But it can also negatively impact your finances, making that new opportunity less lucrative. For example, if you are contributing to your current employer's 401(k), the balance you see on your statement may not yet be entirely yours. Any matching contributions from your employer may take years to fully vest. Let me explain:
Any money you contribute to your retirement plan is always available to you regardless of the length of your employment. However, employer contributions typically vest using one of two different methods. It's important to know which one your company uses.

- Cliff vesting. An employee has complete ownership of employer contributions after a specified time period, such as two years, but no ownership before that time.

- Graded vesting. As each year passes, an employee attains some percentage of ownership until fully vested. For example, if the plan uses a five-year vesting schedule, the employee's ownership increases 20 percent per year with 100 percent vesting after year 5.

Also, most employer-sponsored retirement plans require employees to work a minimum time period, e.g. six months or even a full year, before being eligible to make contributions. So, if you change employers, you may be missing out on tax-deferred savings as well as the employer match for awhile.

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Before leaving for greener pastures, determine how much “green” you would be leaving behind in terms of months of lost company contributions toward your retirement fund!

Jumping into Bad Debt

There’s debt. And then, there’s bad debt! You need to know the difference. According to an American Funds survey, 13 percent of Americans borrowed from their retirement plans in 2015.

With a 401(k), you can typically borrow up to 50 percent of your vested balance (capped at $50,000) without a credit check or going through a bank approval process. Sounds good, doesn’t it? But in most cases that’s a bad idea. For starters, it typically must be repaid within five years. Secondly, you miss out on all the potential investment growth on those borrowed funds and that’s difficult to regain.

In addition, changing jobs while you have an outstanding 401(k) loan can be a problem. You must repay the entire loan balance within 90 days or it’s taxed as a distribution. Plus, if you’re under age 59 ½, you’ll have to pay an additional 10 percent penalty tax! The IRS strongly recommends that you speak to a financial advisor before borrowing from your retirement account. You may have a better option for meeting your financial need.

Failing to Explore and Optimize Opportunities

Many employer retirement plans have a feature called “auto-enrollment”. When a new employee becomes eligible to participate, a contribution to the retirement plan is automatically started unless the employee “opts out”. The percentage is generally in the one to three percent range and is simply meant to get an employee started in the retirement plan.

While any amount of employee savings will trigger the company match, this low contribution rate is probably not going to provide you with what you’ll need for retirement. Determine how much you are able to contribute and maybe stretch yourself to get to the amount required to get the maximum employer match. But as income rises, consider increasing that amount. Don’t be afraid to bump it up!

Just because your employer offers a retirement plan doesn’t mean that’s the only savings option available. Once you maximize your 401(k) contributions, consider contributing to a Traditional or Roth IRA.

Summary

When making significant life and financial decisions, examine all information before taking action. Without a clear understanding of the potential consequences, your well-intentioned plan may turn into an unfortunate mistake.

And don’t ever stop searching for opportunities to maximize your savings!

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Achieving financial security is the result of your personal decisions regarding money and wealth. These ten "aha's" represent common sense that can be used to guide those decisions.

As you read the "Top Ten Financial Aha's," consider your own financial situation. Are you making good decisions regarding your money and wealth?

Peace of mind comes with financial security. Whether you consider yourself to be rich, poor or somewhere in-between, having sufficient funds to provide for yourself and your family can offer comfort in any situation. Take the top ten financial "Aha" moments to heart, and you'll have a good start down your path to financial security.

10

Top Ten Financial Aha's

Are you making good decisions regarding your money and wealth?

1

Do I really need this?!

Is it a "want" or a "need"? If it's a want, you may be better off putting it back on the shelf.

2

You only have one chance to save a dollar.

If you spend it, it's gone and you have lost the opportunity for that dollar to work for you.

3

Lifestyle debt is the real Bermuda Triangle!

Live within your means and avoid spending on credit cards if you can't pay off the balance each month.

4

Don't sit on the sidelines of family finance.

Be knowledgeable and share in the financial decisions. Widows and divorcees understand the value of knowing.

5

Don't give away the farm too soon!

Gifting to your family members can be very gratifying, but be sure you have reserved sufficient assets to meet your lifetime needs.

6

I can't control Mother Nature...

...but I can plan for her catastrophes. Consider what can go wrong and plan for it. Adequate insurance is the key.

7

Mind reading has yet to be perfected.

Save your children from the really tough decisions. Talk with them about your estate planning & incapacity documents.

8

You can't borrow money for retirement.

Make saving for retirement a priority. The longer you defer accumulating funds for retirement, the longer you may have to work.

9

The rich really do get richer!

You can create wealth by appropriately investing your dollars. Without the ability to save, you don't have the ability to invest.

10

Wishing can't make it true-but planning will.

Be deliberate with your actions. Know where you want to go and how to get there. The earlier you start, the better. But it's never too late.

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Advice to Young Adults: Change Your Mindset!

Orthodontist with college loans equaling one million dollars! Unthinkable? Fortunately, the majority of young adults escape that financial trap. But many develop a mindset that accepts debt, ignores saving, and promotes a declining future lifestyle.

Josh Mitchell with the Wall Street Journal recently wrote about an orthodontist who accumulated more than $1 million in student loan debt. Incredible! What's even more astounding is at least another 100 Americans are in the same boat. While I hope you are not in this predicament, don't fall prey to the financial thinking that jeopardizes your future security.

Some Debt Is Unavoidable

Life situations happen that make debt unavoidable. And that's not all bad. Debt calculated to help you reach a goal can be helpful. For example, you may incur student loan debt now to obtain a degree that sets you up for future. And locking in a mortgage today, at still relatively low interest rates, can decrease your expenses down the road. This doesn't mean you should attend the most expensive school that accepts you or that you should buy the most expensive home you fall in love with. The key is to keep your debt load as reasonable as possible so you can begin paying it off and accumulating savings at the same time.

New Mindset - Don't Wait to Save

According to journalist Ali Malito with Marketwatch, a Fidelity study suggests that by age 30, young Americans should have saved the equivalent of one-year's salary – and they should double that amount by age 35. I'll bet this statement will touch some nerves! This means you should start saving in your early 20s.

Some of you may now be doing a mental tally and thinking: "If my annual salary is X and my savings should be twice that, I'm behind! I need to step up my savings!" That's the mindset that leads to success.

Others will make excuses for the shortfall. My favorite: "I need to live my life now. Once I settle down, I won't be able to live downtown or travel the world." What they don't realize is that living more lavishly now may mean lowering their living standards later. Do your future self and family a favor - be prudent today.

Tying your savings goals to specific ages creates nice milestones for which to aim. Done correctly, these goals should lead you to appropriate long-term goals, such as retirement.

When planning for your retirement, you will be considering all sources of income, such as pensions and social security. But be careful, pensions are not necessarily guaranteed by your employer. The Pension Benefit Guaranty Corporation typically provides only minimal protection if a company fails or no longer exists.

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Social Security – I Don't Think So

Will Social Security be around when you retire? Probably. But to count on future benefits being equivalent to today's offerings is wishful thinking. Social Security and Medicare are "kick-the-can" problems that will soon run out of road. Over time, the road will be shut down for a complete overhaul that will require significant changes.

Eventually the government will fix Social Security, probably through a combination of reduced benefits, delayed benefits, and higher taxes. So, the less your retirement relies on pensions and Social Security, the more secure you should feel.

Plan More; Save More

If you want to calculate your future retirement needs to estimate what you need to be saving today, be conservative. Don't assume pensions and Social Security will be as promised. If it turns out they are, that's an added bonus!

Regardless of your age, save and save early. Increase the automatic savings to your retirement plan. Make contributions to a Roth IRA, IRA, and/or a Health Savings Account. If you have significant debt, make a plan to reduce your debt quickly and follow that plan. Then start saving.

At the very least, don't get $1 million in student debt!

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"Do not save what is left after spending, but spend what is left after saving."

-Warren Buffet

GenerationNeXt™: Taking Care of a Whole New Generation of Wealth Accumulators

For young adults, the questions can seem neverending. Perhaps you're a recent college graduate who needs financial direction on what to do with your first paycheck? Or maybe you have questions about goal prioritization, such as paying down existing debt versus saving for your first home. Maybe you're newly married and have questions related to combining finances with your new spouse. Or perhaps you're starting to plan for a family and need guidance on what your financial priorities should be. Knowing how much and how quickly things can change, would you know the answers? We do. At Bedel Financial, our GenerationNeXt™ Service can answer these questions, and more.

Ten years ago Evan Bedel, CFP®, started GenerationNeXt™. At the time, it was a one-person team. Since then it has grown into a group of young financial advisors led by Evan. Our team consists of Abby VanDerHeyden, CFP®; Anthony Harcourt; Austin Stagman; and Kate Arndt. You can learn more about the GenerationNeXt™ team members by visiting www.BedelFinancial.com.

GenerationNeXt™ provides young professionals between the ages of 25 and 40 guidance on financial decisions. It is our goal to partner with these future wealth accumulators to assist them in building a strong financial foundation. Our aim is to make a positive impact on young individuals' financial lives and to create ongoing relationships that last over the years.

Like most generations, millennials are more responsive when receiving guidance from a peer rather than from a parent. Evan recognized this and created GenerationNeXt™ to fill this gap. It's a win-win for both generations. Millennials receive solid guidance from financial advisors who are knowledgeable about their needs and concerns—because they are often facing the same issues. And parents get increased peace of mind knowing their children have a trusted advisor to grow with through all their life stages.

The GenerationNeXt™ team creates financial plans geared specifically for future wealth accumulators. While the plans cover traditional topics—goal prioritization, debt reduction strategies, savings strategies, retirement planning, education funding, investment planning, life and disability insurance analysis, and basic estate planning—the GenerationNeXt™ approach takes into account the priorities, current earning power and tendencies specific to young professionals.

We have additional resources for young adults. The GenNeXt Blog can be accessed on our website. It offers sound financial advice for young professionals on a variety of trending topics. Each quarter, our top blog posts can be found in this section of the Bedel Financial newsletter. And be sure to connect with us on social media (Twitter, Facebook, and LinkedIn) for a wealth of great information! So, young adults, you can relax! We've got multiple ways for you to get your questions answered!

Is GenerationNeXt™ right for you?

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Cents-less Financial Mistakes

Whether you realize it or not, you are constantly making decisions that impact your future financial wellbeing. It may not cost you today, but these "cents-less" mistakes will certainly cost you tomorrow. Here is a list of four financial decisions which do not cost you a cent today, but can have a huge effect on your financial future.

Buying a Car

They say the average person owns twelve cars in a lifetime. So why are we not saving for this upcoming expense? Let's all be a little more frugal and save for our next automobile. Here's why: If you borrow $40,000 from a bank to buy a car at 7% interest for 5 years, you end up paying over $56,000 for a $40,000 car. If you decide to save $555 per month for 5 years in anticipation of this expense, and receive a 7% return on your investment, you only spend a little over $33,000 for a $40,000 car. By saving for this short-term goal, you end up saving yourself $23,000 in only 5 years. Think of that times twelve! Don't let compounding interest work against you. As Albert Einstein once said, "Compounding interest is the most powerful force in the universe".

College Education

College education inflation averages around 6% every year. In other words, every twelve years college education costs double. By not saving today for these future expenses, large sums of student loan debt will be your child's only option. The first ten years of your child's professional career can be the most important time period for saving for their own retirement, which is something that may be tough to do while paying off school loans. Try not to put your child behind the eight-ball. Start a new family tradition by saving for your child's college education. Our recommendation is an Indiana 529 College Savings Plan. You receive a 20% state income tax credit, up to $1,000, just for contributing. Sign up at www.collegechoicedirect.com.

Buying a Home

Owning a home is not for everyone. When a family is not financially ready to own a home, they can become "house poor". Just because a bank says you are approved to buy a certain priced home, does not mean you are financially ready for the upcoming expenses. Any homeowner will tell you, the mortgage is not the only cost in owning property. If you can not save for a down payment equal to 20% of the home's value, you should purchase the home.

Social Security

If you believe Social Security benefits will pay for all your retirement expenses, you will be sorely mistaken. By not saving for your own retirement, your future financial goals, i.e. vacations and gifting, may be in jeopardy. The younger you are, the more you should save for your own retirement. "Full Retirement Age" for your Social Security benefits may be much older than it is for today's retirees. If you are eligible, our recommendation would be to save into a Roth IRA. Once contributions are made to a Roth IRA, all future growth and earnings are tax-free forever.

By setting proper financial goals today, you can avoid significant financial costs and disappointments in the future. Many goals require you to be "cents-wise" today, in order to meet your goals for tomorrow. The "cents-wise" advice is to save early, save often, and keep track of your goal progress.

The Next Generation of Refinancing Student Loan Debt

By the Numbers

- *According to CNN, America has* ***over $1.5 trillion*** *in outstanding student loan debt.*
- *An average students in the Class of 2017 has* ***$39,400*** *in student loan debt.*
- *Student debt is up 58% in the past decade.*

The question of whether to consolidate and refinance student loan debt can have a complex answer based on an individual's unique situation; type of debt (federal or private), current interest rate, income level, occupation, estimated payoff timeline, etc. However, the question of where to refinance student loan debt has never been in question…until now.

In the past, banks and credit unions were our only options for originating or refinancing a personal loan or mortgage. Today, online loan companies are challenging the status quo of brick-and-mortar banks by providing new, low cost, competitive options for consumers. Let's dive a little deeper into one of the industry's leaders.

Social Finance, Inc., aka SoFi.com is "reinventing consumer finance for the better" as their website proudly exclaims. With more than $14 billion in loans issued to date, the question becomes, "How are they competing with the big banks?" The short answer: they are selective. Not everyone gets approved. Their target market is early stage professionals with good jobs, incomes, credit scores and debt repayment histories. In other words, out of America's over $1.5 trillion of outstanding student loan debt, SoFi is focusing on the successful folks. The young college graduates who borrowed the debt and found the right job to pay off the debt!

It's pretty simple: by being selective they are decreasing loan risk, which allows them to offer lower interest rates versus their competitors. Because SoFi is only online, their overhead expenses are very low. Combine this with no origination or early repayment penalty fees and a highly rated customer service, you can understand their success. They even offer unemployment insurance, free of charge. So if you lose your job, they will let you delay monthly payments for up to 12 months. During this time, interest will accrue but at least you will not default on your loan.

SoFi is one of many online loan companies looking for your business. Others include Laurel Road (laurelroad.com), Upstart (Upstart.com), and CommonBond (commonbond.co). You can think of these alternative options as an exclusive club with added benefits to those accepted.

As previously mentioned, the question of refinancing your student loans can be complicated. If you have federal loans with payments tied to your income (Income-Based Repayment Programs) or being forgiven due to your occupation (Federal Loan Forgiveness Program), then online loan companies may not be the best option because you would give up all these federal protections and programs. However, if you are considering loan consolidation and looking for the lowest interest rate, then your consideration of online lenders may be appropriate.

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Bedel Financial's Guide for First-Time Homebuyers

If there's one truth about the spring, it's that it's primetime for the housing market. According to NewHomeSource.com, the nation's largest new home search site, nearly twice as many home shoppers turn out in June than they do in January. It's exciting to shop for a new home – especially when it's your first! But keeping the following tips and guidelines in mind when you're shopping will help you get a better financial deal.

Don't Get Caught in a Bidding War

Some housing markets are red hot. In a red hot housing market, sellers have a greater chance of receiving their asking price because buyers are competing with each other. Be careful when entering a bidding war. You may end up with the house of your dreams and the mortgage payment of your nightmares! According to CoreLogic, a real estate information provider, almost one in five mortgages originated over the past winter have monthly payments greater than or equal to 45 percent of monthly income. The rule of thumb is to keep mortgage payments no higher than 28 percent of your monthly income. Know what you can afford and stick to that price range!

Avoid Private Mortgage Insurance

The age-old rule of home buying is to make a down payment of at least 20 percent of the purchase price. This shows your mortgage lender that you are serious about home ownership. If you fail to put 20 percent down, you are subject to private mortgage insurance (PMI), which is an additional amount added to your monthly mortgage payment. The PMI goes away once you have 20 percent equity in your home.

Fortunately, not all buying scenarios require 20 percent down. The Federal Housing Authority (FHA) insures loans in which the borrower needs just 3.5 percent for a down payment. Keep in mind that PMI is required throughout the life of the loan. Some lenders also offer special mortgages for certain types of borrowers, such as new medical doctors or veterans.

Set Aside Dedicated Funds

Saving for a down payment takes diligence and commitment. Don't cut corners by dipping into your emergency fund or wiping out all of your savings to fund your down payment. Homeownership involves much more than making a mortgage payment. The property taxes, home-owners insurance, repairs, lawn care and furnishings won't pay for themselves!

When it comes time to buy your first home, don't start without having a game plan. Make sure your savings account contains adequate money earmarked for a down payment, and stick with homes in your price range. Your wallet will thank you!

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First-Time Home Buyer: Beware Unexpected Costs

The real estate market has improved over the last several years and many first-time buyers are taking the plunge. While the mortgage payment may be equal to or even less than apartment rent, there are other expenses of homeownership that can throw a budget off track.

As we all know, buying a home is big decision. For a first-time buyer, saving for the down payment is the first hurdle. However, a potential buyer should not stop planning there. It is important to consider the other expenses that will be involved.

Unexpected Costs of Homeownership

There are some expenses that most buyers will build into their purchasing budget. These are immediate, one-time costs such as making necessary renovations, purchasing furniture, and landscaping. The expenses that are sometimes overlooked by an inexperienced homebuyer include annual maintenance, periodic replacements, and lifestyle improvements.

One popular rule of thumb says that 1% of the purchase price of your home should be set aside each year for ongoing maintenance. This means that if your home costs $300,000, you should budget $3,000 per year for maintenance. This does not mean a homeowner spends exactly 1% per year, but over a span of ten years, this level of spending can be expected. For this reason, it is wise to set-aside unused funds each year so the money is available when needed.

Below is a checklist of some of the items that a first-time homebuyer should consider before making a purchase. Frequency and approximate costs are included.

Indoor Maintenance

- Professional Carpet Cleaning – Annually. If you have dogs or kids, you may need to consider doing this twice per year. Cost: $150-$200
- Air Duct Cleaning – Every three to five years. When dust begins to accumulate faster, you'll know. Cost: $450

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Outdoor Maintenance

- Deck Re-stain – Every five years. You may need to re-stain more frequently if your deck is exposed all day to direct sunlight. Cost: $800-$1,000

- Lawn Service – Weekly for seven months. A decent lawn mower will cost you $400 and you will need to change the oil annually. If you do not have the time or desire to cut your own grass, a lawn service will cost around $40 per week. If you live in the Midwest, you need your lawn mowed about seven months out of the year. Cost: $1,160 per year

- Lawn Treatment – Annually. To keep a nice looking lawn, you will need to aerate and fertilize your lawn each year. Cost: $300

- HVAC Check-Up – Twice per year. $100 per check-up

- Snow Removal – If you do not shovel your own driveway, these costs can be very similar to a lawn service. Cost: $500-$800 per winter depending on number of storms.

- Tree Removal – Every five years. Weather is the cause for a lot of tree damage and your homeowner's policy may cover some of the cost depending on the circumstance. Cost: $300-800 per tree, depending on size.

Replacement

- New Roof – Every fifteen to twenty years. Be sure to determine how old the roof is when you purchase the house so you can plan accordingly. Cost: $10,000

- New Wood Deck – Every fifteen years, depending on wear. Cost: $15,000

- New Furnace and Heat Pump – Every fifteen years. It is important to determine the age of the heating system at the time of purchase. Since many first-time homebuyers purchase older homes, this 15-year cycle may be right around the corner. Cost: $8,000 including installation

- New Air-Conditioning Unit – Every ten to fifteen years. Remember, when you buy an older home, your time frame may be less. Many times, you only need to fix a problem, not replace. If replacement is necessary…Cost: $2,000

Need to Have

- Dehumidifiers – If you have a basement, it's a must in Indiana. You may need more than one, depending on your home's layout. Cost: $200 per unit

- New Fence – Have a pet? Move into a house without a fence? Cost: $2,000-$8,000

First-time homebuyers need to consider the impact of homeownership expenses on their annual budgets. While the mortgage payment may replace the apartment rent, if other expenses are not considered, the likely result is a deteriorating home value due to neglect or credit card debt. The best advice: Be sure you can afford the house that your banker says you are approved for!

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Dear Young Families: Buy Life Insurance, It's Cheap!

When you're young, your responsibilities in life can change quickly. Within a few years, you can go from single and dependent-free to married with children, a mortgage, and new savings goals. What are you doing about life insurance?

Because life changes so quickly, proper life insurance protection is the most important financial box to check for young families.

Why Do Young Families Need Protection?

When you were young and single, you probably did not need life insurance because no one depended on you for financial support. Now, things have changed. Imagine if you died and your income stopped. Would your spouse be able to earn enough to financially support your children while paying the mortgage, making monthly student loan payments, saving for kids' college, and accumulating for his/her own retirement? The answer is likely "no". Life insurance is the best way to solve that problem. But you don't have a lot of free cash flow from your budget, right? That's okay. Life insurance is cheaper than you think! Let's do a little education first.

Different Types of Life Insurance

For simplicity purposes, there are two primary life insurance options: whole life and term. The nice thing about whole life insurance is that it is permanent. As long as you pay the premium, your family will receive a death benefit. However, whole life can be expensive, because your premiums are paying for insurance protection as well as building cash value that can be borrowed, used to pay premiums, or even withdrawn in the future. Whole life is sometimes sold as an investment vehicle combined with insurance protection.

Term insurance is less costly than whole life, but does not build cash value. It is simple and straightforward insurance protection. You pay an annual or monthly premium for a specific period of time, such as ten, twenty, or thirty years. Once the insurance time period has lapsed, your coverage ends as do your payments. You can terminate a term policy at any time and your life insurance protection goes away penalty-free. Some people ladder multiple term insurance coverages to terminate as their family insurance needs decrease (children are through college, mortgage paid off, sufficient assets accumulated, etc.).

Only 52% of millennials have life insurance...

but 86% say most people need it.

80% say they have other financial priorities right now...

although 80% also overestimate the cost of life insurance.

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You don't buy life insurance because you are going to die, but because those you love are going to live.

What Type Should You Purchase?

Everyone's personal situation is unique, but typically term insurance is appropriate for young families, but many middle-age and older persons prefer this type for their situation as well. Again, it is low cost protection for a specific period of time with a coverage amount unique to your financial needs.

There are situations where a whole life insurance policy should be considered, such as when the need for coverage is permanent, your estate plan requires insurance to provide liquidity, or there is concern for future insurability.

What's Your Need? Cost?

You will take financial pressure off your family by purchasing enough life insurance to payoff family debt, fulfill savings goals, and provide a lifestyle that would not be attainable with one income.

To illustrate, let's assume that today you have an outstanding mortgage of $250,000 plus a shortfall for your desired college savings of $100,000 and $150,000 for family needs. Given this situation, you will need a $500,000 life insurance policy. Let's further assume you are a 30-year old male, 6 feet tall and 185 pounds, no serious health issues, and residing in Indiana. The cost for a $500,000 thirty-year term policy is around $34 per month or approximately $400 per year!

Any time during this thirty year period, if you died, this protection would provide a level of financial security for your family. If you survive, the policy terminates, but at that time you will be 60 years old, hopefully your mortgage paid off, kids through school, and you are nearing retirement. If you have saved appropriately during your working career, life insurance coverage would no longer be needed for your spouse's benefit.

Summary

Life insurance proceeds aren't supposed to make your family feel like they won the lottery. The purpose of life insurance is to minimize financial pressure during a time of emotional grieving. Young families should never use the excuse of life insurance being too expensive. A little discretionary income sacrificing can be done from any budget to free-up an extra $400 per year! Your family's financial security is too important to leave to chance.

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Young Adults & Health Insurance Options

Finding health insurance protection that is both cost-efficient and tailored for their individual situations can be tricky for young adults. Your age, employment status, personal emergency fund and medical history can all affect your choice of plan. Here's how.

Should you piggyback on your parents' health insurance?
If you're under age 26, you're eligible to stay on your parent's health insurance coverage even if you're married, eligible to enroll in a plan at work, attending school, not living with your parents or not financially supported by them. If you aren't employed or have a part-time job without insurance eligibility, stay on your parents' plan! The premium charged to your parents will likely be less than a federal exchange. However, if you have a full-time job with health insurance coverage, your cost for that plan will likely be less expensive than what your parents would pay on their plan.

Should you take the high road or the low road?
If you're over the age of 26 and employed, you have multiple options when choosing health insurance coverage. Employers sometimes give you the choice between a high out-of-pocket plan with low premiums or a low out-of-pocket plan with higher premiums. "Out-of-pocket" costs include deductibles, coinsurance and copays. Consider these three factors when deciding between these two options:

1. **Do you anticipate starting a family soon?** If so, then choosing the lower out-of-pocket plan makes the most sense. Take it from a guy with two young kids; you'll quickly meet your out-of-pocket maximum!
2. **Do you have sufficient emergency funds to pay for large out-of-pocket costs?** If you're living paycheck-to-paycheck, a family in-network out-of-pocket of $6,500 may not be feasible without taking on debt. Although the premiums may be higher with a low out-of-pocket plan, when weighed against the out-of-pocket costs incurred with a major medical event, the lower out-of-pocket plan may be the better option.
3. **What's your medical history?** If your medical history is relatively clean, you have some ready cash on the side and you don't anticipate any major medical expenses, then a high deductible plan may be appropriate. Choosing a high-deductible plan will also make you eligible to contribute into a Health Savings Account (HSA).

What are the advantages of a Health Savings Account?
An HSA is a great way to use pre-tax dollars on qualified medical expenses such as deductibles, copays, coinsurance, medications, chiropractors, physical therapy and contact lenses. Here's how it works. Pre-tax contributions from your paycheck are deposited directly into your HSA and you can withdraw them tax-free to pay for eligible medical expenses. If you overfund the account, the money can be used for medical expenses in future years or for Medicare costs down the road. If you underfund the account and are forced to use your personal savings to cover a major medical expense, you can make HSA contributions in future years and refund yourself for expenses from previous years. Don't confuse HSAs with Flexible Spending Accounts (FSAs). Typically FSA funds don't roll into future years. In short, if you don't use it, you lose it!

Your age, employment status, emergency fund and medical history can all affect your decision on what type of plan to choose or how to receive this coverage. Please consult with a financial advisor when selecting health insurance protection, as the wrong decision may be a costly mistake.

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Teaching Life Skills

Looking for an activity that will benefit your children for the rest of their lives? Teach your children these three important lessons of money management: SAVE for your future; SPEND appropriately; and SHARE for the greater good of others and your community.

How are your children learning about money? Parents generally provide the first and most lasting lessons on how to handle finances. Be proactive with your children in developing their money skills. You may find that both of you enjoy and learn from the experience.

Successful money management is not a function of the amount, but rather the efficient allocation of the dollars between saving, spending, and sharing. If you can instill these three principles, your children will have a good foundation for making future money decisions.

Save

Teach your children to save half of the money they receive through gifts or their own earnings. Help them open a savings account. Share the monthly statements with them or let them view their account over the Internet. Encourage them to be interested in watching their money grow. When they accumulate $500 or more, work with them to select an appropriate investment, such as a mutual fund.

Teach them the "Rule of 72", which is a quick way to estimate the time required for your money to double. Divide 72 by your annual earning percent. For example, if you anticipate your investment earning 8%, your money will double in 9 years. At a 6% rate, your money doubles in 12 years.

If your children are older and are employed for the summer, you may want to provide an incentive by matching the amount they save. Then establish a Roth IRA in their name and contribute the eligible amount. Annual contributions to this account of $1,000 beginning at age 15 could grow to over $570,000 by age 65. Just think of the amount that can accumulate if they learn this "pay-yourself-first" lesson early and contribute the maximum each year.

Spend

Teaching your children responsible spending. Many parents begin this process when their children are young by providing a weekly allowance for entertainment or special purchases. Introduce the concept of budgeting by simply having your child write down everything they would like to purchase with their money. If the list is more than their money can buy, it is a perfect opportunity to talk about prioritizing and making good spending decisions.

During the teenage years, you may want to consider providing a monthly amount for clothing as well as entertainment. Extending the period of time as they get older will help them learn to manage their spending. Be certain that you and your child have an understanding of the intended use for the funds. Then allow your children to make decisions concerning how they spend their money, e.g. basic jeans at a reasonable price versus designer jeans at a premium. Be prepared for the mistakes! It is important that you don't bail them out by lending money or giving them their next allotment early. After all, their future employer will not do that! If they run out of money, let them suffer the consequences.

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The outcome may be watching TV with you versus going to the movies!

Share

The concept of sharing can be easily introduced at an early age. Most children delight in selecting and purchasing a surprise birthday gift for a sibling or friend. This is an excellent opportunity to discuss saving a little of their weekly allowance for the special occasion.

During the holidays, have the family prepare a basket for a needy family. Allow your children to purchase a special item for the basket out of their own funds. Be sure they experience the appreciation expressed by the receiving organization or family.

In order to encourage children to participate in charitable giving, you can allow them to select an organization to receive a contribution in their name. This may even give you an insight into areas of special interest that they may not have shared with you, such as a museum they visited or community youth organization that they find of interest.

Summary

Money management is simply learning to save, spend, and share responsibly. Children will learn from your actions first and from your teaching second. Be sure both are on target.

to teach your children

Save, Save, Save

Teach your children to save half of the money they receive through gifts or their own allowance.

The Rule of 72

Teach the "Rule of 72", a quick way to estimate the time required for your money to double. Divide 72 by your annual earning percent to determine how many years it will take to double your money.

Responsible Spending

Introduce the concept of budgeting:
Allow your children to make decisions concerning how they spend their money - and if they run out of money, let them suffer the consequences.

Share the Wealth

Encourage children to give charitably:
Sponsor a needy family at the holidays
Let them choose an organization to support

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With a Will, It's Done Your Way

Think you don't need a will? Think again. A will isn't just about dividing your assets, it's also about who cares for your children. If you don't want a court to make these decisions for you, draft a will now. When your will is executed, all your wishes will be put into place when you're gone!

A will is a legal document that allows you to express your wishes for distribution of your property, care for loved ones, and payment of your final expenses. It's simple to create. But according to the 2017 survey by Caring.com, only 46 percent of U.S. adults have executed an estate plan, and only 36 percent of those with children under the age of 18 have a will.

What If You Die Without a Will?

The state in which you reside determines how your property will be distributed if you die intestate (without a will). In Indiana, here's what happens:

- If you're married, your spouse will receive one-half of your assets and your children/grandchildren will receive the other half.
- If you're married without children, your spouse will receive three-fourths of your assets, and your parents will receive one-fourth.
- If you're single, 100 percent of your assets go to your children.
- If you're single without children, your parents will receive one-fourth of your property and your siblings, nieces, and nephews will receive the balance.

The court will also appoint an individual to take care of your children. Typically, this is a family member. That sounds like a good option, but the court's criteria may not match yours. Wouldn't you prefer to decide which family member? Maybe you'd rather bypass your family altogether and choose a friend to serve as guardian. Without a will, you forfeit your right to choose.

Drafting a Will

It's best to work with an estate attorney when drafting your Last Will and Testament. This ensures your wishes are clearly articulated and minimize the potential for others to contest the terms. The cost of an attorney-drafted will ranges from a few hundred dollars to $1,000. The difference depends on the complexity of your financial and family situation (married, single, divorced, children, etc.).

Want to DIY? You can check out legalzoom.com, lawdepot.com, formstemplates.com and other legal websites. The DIY-approach works better if your family situation is simple and you don't have a lot of assets. Some sites don't charge for a will template, while others charge a modest fee.

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You can write your own will, but is not advisable. If you do, make sure you sign it in front of two witnesses to strengthen its validity. Nearly half of U.S. states honor a hand-written will without a witness' signature. Indiana is not one of them.

Appointing an Executor

An executor (also called a personal representative) is the person you appoint to carry out the wishes detailed in your will. This person also takes on the responsibility of settling all your affairs. It's not a simple task, so think carefully about the person you select for this responsibility. You should also name a successor executor in case your first choice is unable to act.

An executor's job includes:

- Determining what assets you have
- Contacting people you've named to receive property and distributing it to them
- Notifying the credit agencies of your passing
- Canceling your credit cards
- Opening a bank account for your estate
- Ensuring debt payments, utilities, taxes and other outstanding expenses are paid while your estate remains open
- Paying off debts
- Closing down social media sites
- Ensuring the will is filed in the appropriate probate court
- Filing a final tax return and possibly an estate tax return

Property that Won't Pass Via Your Will

Retirement accounts, life insurance policies, annuities, and property that you own with another person (joint with rights of survivorship) are not distributed by your will. Instead, these assets transfer according to beneficiary designations or to the joint owner.

However, if you own property with another person as "tenants in common," that property will pass according to your will. It's important to take the other owner into consideration when determining who will inherit your share of the asset, because the property will continue to be held as "tenants in common" between your heir and the other owner.

Summary

You never know when your last day may be. With a well-executed Last Will and Testament you'll know who'll receive your assets, care for your young children, and administer your estate after you're gone. This should be ample motivation for executing your will now.

"A will can save one's family from being put into a quagmired pit of legal conundrum..."
--Henrietta Newton Martin

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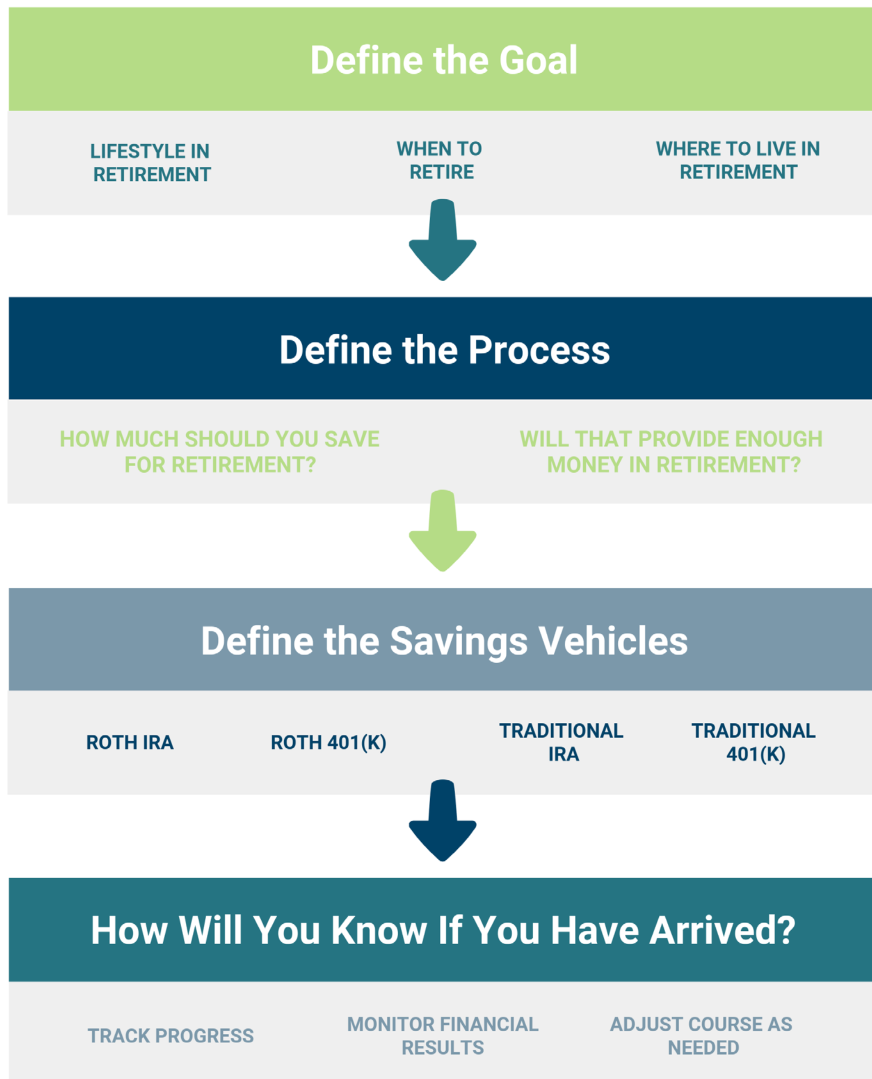

15% of Your Gross Income Is What It Takes

All it takes is 15% of your gross income to make a huge impact on your standard of living and choices during retirement. We all know that saving is boring and spending is fun, but take a minute to think about the benefits of saving 15% of your annual income.

The Goal: Through my experiences, I find the ultimate goal for most young professionals is to have *choices* during retirement.

- **The choice of when to retire.**
- **The choice of where to live during retirement.**
- **The choice of where to vacation during retirement.**
- **The choice of standard of living during retirement.**
- **The choice of who to gift your assets to during retirement.**

The Process: Our recommendation is to save at least 15% of your gross income into a tax-friendly retirement vehicle.

- **You are 30 years old.**
- **Your family earns $100,000 per year.**
- **You save $15,000 per year.**
- **Your income and savings increase with inflation at 3% per year.**
- **You earn an average investment return of 8%, annually.**
- **At age 65, you would have nearly $3.8M.**

Where Should the 15% Go?

Saving into a tax-friendly retirement vehicle allows for tax-free or tax-deferred growth, giving the power of compounding interest time to work its magic. When untaxed earnings are added back into your principal investment, the percentage of your investment return has a larger impact on the dollar value of your portfolio. Examples of recommended tax-friendly retirement vehicles:

- **Roth IRA**
- **Roth 401k**
- **Traditional IRA**
- **Traditional 401k**

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How to Save 15% of Your Gross Income: A good place to start is a budget. My recommendation is make retirement savings a non-discretionary, fixed item. If you make it a priority to save first, then you can spend the rest! Again, by saving for your goals first, you have the ability to spend your leftover monthly cash flow, which allows the remainder of your budget to be more flexible. One important goal for everyone should be to have an emergency fund of around 3-6 months worth of living expenses saved inside a liquid, non-retirement savings vehicle like a personal savings account.

It's simple. If you sacrifice a little now, you will have many more choices later in life. Save for your future today.

	Jack	Michael
Amount saved/yr	**$6,000 beginning at age 22**	**$6,000 beginning at age 32**
# of years saved	**10**	**33**
Annual return	**8%**	**8%**
Total contributions	**$60,000**	**$198,000**
Portfolio value at age 65	**$1,100,000**	**$876,000**

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Sow Your Investment Seeds

No one expects to plant a seed and pick fruit from a mature plant within weeks. It takes time and patience to yield successful results. It is the same with financial growth. But some investors seek quick and easy returns on their investments. Risk, and the consequences of risk, is not always weighed appropriately in the decision-making process. Understanding the process behind long-term investing can help a mature and patient investor avoid excess risk and become financially successful.

Time and patience are important to reaping a bountiful harvest, but the planning process is critical. To maximize his yield, a savvy farmer does his homework first to determine the best time to sow his seeds.

Similarly, you must plan for your family's financial needs. The earlier you sow your seeds, i.e., invest for retirement, the longer you will have to utilize growth through compounding interest. If you wait too long, the more likely the volatility of the stock market will impact the success of your desired results.

The example to the left, involving two individuals who just graduated from college at age 22, shows the incredible power of compounding interest.

A mature investor finds long-term success, not by reading the daily financial headlines, but by being patient and sticking to a well-designed plan. A long-term investor is aware that volatility and bumps in the road will occur, as the plan has already anticipated these occurrences. How often do you see farmers rushing out to dig up their seeds when the weatherman predicts a storm? Instead, farmers have patience and trust that the sun will soon shine again and their crops will grow over time.

Planning ahead and saving earlier, rather than later, can help you avoid excess investment risk and undue stress later in life.

As Warren Buffett once said, "Someone's sitting in the shade today, because someone planted a tree long ago." It is never too late to start investing, but I suggest starting now. If you want to enjoy the shade of the tree, you better plant the seed today!

Not Cool: Learning About Retirement Plans - Cool: Out-Smarting Uncle Sam

Most of us have 401(k) or 403(b) retirement plans at work, right? A question we're often asked is whether it's better to contribute to a Roth IRA or a 401(k). The easy answer is both, if your income allows. Let's discuss the differences and similarities between the two types of retirement accounts and how to make your contributions work to your advantage. Oh, and remember, the goal is to give Uncle Sam the least amount of money as legally possible.

In 2018, individuals under 50 are allowed a maximum annual contribution of $5,00 into a Roth IRA and $18,500 into a 401(k). You can't deduct Roth IRA contributions on your tax return, so contributions are after-tax. 401(k) contributions come directly from your paycheck before taxes have been paid, so contributions are pre-tax. Both accounts grow tax-free. This is nice! A word of caution: Don't withdraw money from either of these accounts before age 59 ½ or there may be taxes and penalties to pay.

Now, let's skip ahead to age 59 ½. DON'T QUIT ON ME NOW, KEEP READING! Here's where the big difference comes in. At age 59 ½, you can withdraw your Roth IRA assets tax-free, while your 401(k) distributions are taxed at the ordinary income rate. Since most of us are in a lower tax bracket today than we will be 25 to 30 years from now, it makes more sense to pay taxes on our contributions now rather than paying a higher tax rate later in life. Remember, our goal is to give Uncle Sam the least amount of money as possible.

Maximizing your contributions

Here's a strategy that will help you out-smart Uncle Sam! First, calculate the amount of money you have to work with. For instance, if you make $70,000 per year and you want to save 15 percent, you will have $10,500 to work with. Then, contribute enough money to your 401(k) to take advantage of any matching funds from your employer. If your employer matches your 401(k) contribution dollar-for-dollar, up to 5 percent of your salary, you would put $3,500 into your 401(k), no matter how poor your investment options are! Next, make your maximum Roth IRA contribution, which is $5,500. You have now saved $9,000. Finally, contribute the remainder of the 15 percent of your income, or $1,500, into your 401(k) account. (If your 401(k) investment options are not the greatest, place this portion into your taxable brokerage account instead.) You have now done your job and have contributed $5,000 into your 401(k) and $5,500 into your Roth IRA. See how easy that was!

If you are unable to contribute into a Roth IRA because you make too much money, don't worry. There are other strategies that allow your Roth IRA to be fully funded each year. Furthermore, some 401(k) plans have the option of allowing Roth 401(k) contributions, so ask your plan provider if the Roth option is available, and contact the GenerationNe*X*t™ team to discuss it further.

The goal is to give Uncle Sam the least amount of money possible.

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Conclusion

Millennials face a variety of challenges when it comes to financial matters; however, they also have intrinsic strengths upon which they can build.

We hope, as you've read this eBook, that you feel empowered to seek out answers to your own unique financial questions and take the necessary steps to ensure you're informed about your financial situation. Be sure to share with friends or loved ones who might need our help!

Did we miss covering something that you wish we had? We would love your feedback!

Have Questions or Need Help? Contact Us

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