Loose Change®

a penny saved is a penny earned

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Capital Gains and Your Investment Portfolio

As we approach the last quarter of the year, tax-smart investors typically review their portfolios to determine which investments to hold and which ones to sell. When you conduct this exercise, you should understand a few basics about capital gains taxes.

Realize the Difference

You receive realized gains when selling a security for a profit. Unrealized gains are an increase in the value of securities you continue to hold — they are paper gains only. An example of the latter might be investments you maintain in a retirement plan's mutual funds.*

Next, know the difference between short-term and long-term capital gains. Securities you sell after owning them for one year or less will produce short-term capital gains, and you'll pay taxes on those gains at your ordinary income tax rate. The highest bracket in 2018 tops out at 37%.

Favorable Tax Rate

Capital gains realized from investments held longer than a year and a day are taxed at the more favorable capital gains tax rate. This rate tops out at 20% for taxpayers filing jointly with an adjusted gross income over $479,000 and $425,800 for single taxpayers. In 2018, those in the 20% capital gains bracket will also pay an additional 3.8% tax related to the Affordable Care Act.

For the majority of investors, whose annual income is lower, the capital gains rate is 15% for joint filers earning between $77,200 and $479,000 and single filers earning between $38,600 and $425,800. Taxpayers with adjusted gross incomes below these thresholds pay 0% on long-term capital gains.

Personal Decision

Whether you sell or hold your investments depends on your personal circumstances. Some investors may want to employ what's known as tax-loss harvesting, which allows you to subtract investment losses of up to $3,000 from your taxable income. Consult a tax professional to make an appropriate decision for yourself.

**You should consider the fund's investment objectives, charges, expenses and risks carefully before you invest. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.*

Health Insurance Terms to Know

When it comes to health insurance, the more you know, the better. Here are a few terms you may not fully understand.

Allowed Amount

The maximum amount on which payment is based for covered services. You may be charged the difference if a provider charges more than this amount.

Deductible

The amount you have to pay for covered services before your plan begins to pay. Note that the deductible may not apply to all services.

Coinsurance

Your share of the cost of a covered service once you've met your deductible. It is usually a percentage of the allowed amount.

Copay/copayment

A fixed dollar amount you pay for a covered service, such as a doctor's visit.

Out-of-pocket Limit

The maximum amount you will pay in a policy period, not counting your premium or amounts you pay for services the plan doesn't cover.

Break that Spending Habit

If you regularly spend more money than you make, you have company. According to the Federal Reserve Bank of New York's Center for Microeconomic Data, Americans' total household debt rose $193 billion to a record $13.15 trillion at the end of 2017. Among the contributors: credit card balances shot up 3.2% for the year.

Start with a Budget

If you are in debt, overspending is likely one of the causes. Make a few small- to medium-sized purchases here and there without a plan and it's easy to see how debt accumulates. To stop this trend, start with a budget. Chronicle every penny that goes out for one month and compare it to what comes in — your income. Use this information to establish a budget, cutting enough expenses to make what goes out match what comes in.

Become Credit-Smart

Next, develop a plan to tame your credit card spending. If you don't carry your cards, you can't use them when entering a store or restaurant. Is online spending your problem? No problem, if you put your cards in a safe place that is out of reach when the impulse-spending urge strikes.

If credit cards are the main culprit of your overspending and you carry large balances, paying down these cards can pay off in the form of lower interest rates as your credit score improves.

In an Emergency

Unexpected and expensive vehicle repairs happen. So do home repairs, healthcare bills and even unemployment. To help defray most or all of your unexpected expenses, create an emergency fund, preferably one that covers six to 12 months of everyday expenses. But even a smaller fund is better than none. Put something away and don't forget to budget for it, contributing to the fund at least as often as you would pay a monthly utility bill.

A Smart Use for Business Dollars

As a business owner, you've worked hard to get to this point in your life. But can you be sure that your business can continue to provide for you financially for the long term? If you haven't already done so, consider creating your exit strategy.

Planning to Sell

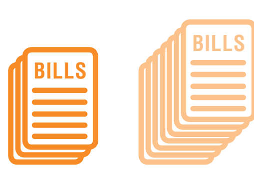
Selling your business is generally the most lucrative opportunity to transfer capital. If you plan to sell your business outright, there are tax and succession issues that you will need to manage. For example, if you sell your business for a large profit, you may face a significant tax bill. However, by selling your business in installments, you may be able to spread the tax burden out over time. The risk, of course, is that if the business falters or fails after the new owners take over, you could end up with merely a fraction of the total you had expected.

A succession plan can help provide a structure for the future transfer of your business. Just make sure to include a funding mechanism in your succession plan, especially if a family member is expected to assume ownership upon your death. Life insurance is often used as a funding mechanism for such an eventuality. Your financial professional can provide details on how this approach works.

Life Insurance Statistics

The following 2017 Insurance Barometer Study is from LIMRA, the financial services industry organization that measures such attitudes and trends, and the nonprofit Life Happens.

About **70%** of husbands own life insurance, while only **63%** of wives can make the same claim.



Some **60 million Americans** have an average life insurance needs gap (the difference between their actual coverage and their needs) of **$200,000.**

Four in 10 households without life insurance would struggle to pay living expenses if their primary wage earner died.

While **85%** of Americans believe households should have life insurance, only **59%** have it.

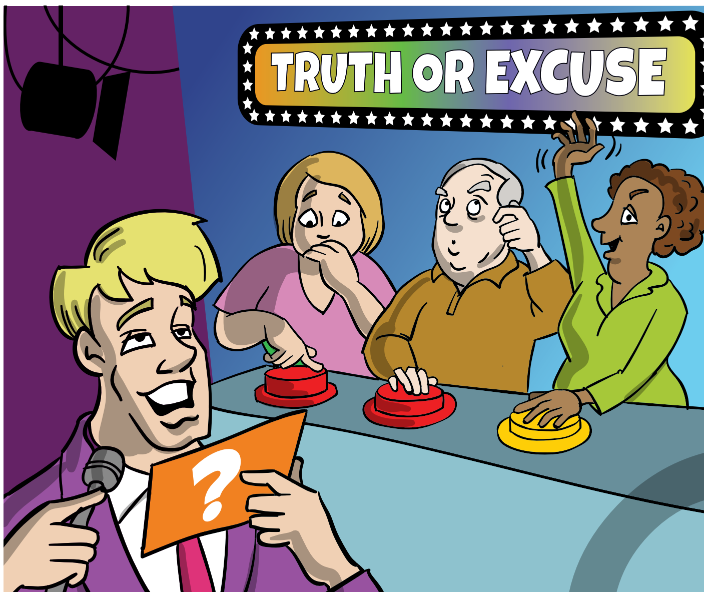
Americans' average life insurance coverage would replace **3 years** of income, down from 3.5 years in 2010.

Four in 10 Americans wish their spouse had more life insurance.

Five Truths to Know about Life Insurance

September is Life Insurance Awareness Month, a time like any other when we can come up with several excuses to either not own life insurance or not own enough. Here's to setting the record straight:

Excuse: I have plenty of time to buy it.
Truth: Perhaps you do, but what if the unthinkable happens before you buy it? You aren't immortal. Or what happens if you develop a medical condition that either makes you uninsurable or makes life insurance unaffordable?



Excuse: Life Insurance is too expensive.
Truth: The younger you are, the cheaper individual coverage is. You might also afford a term insurance policy, especially one that allows you to convert to permanent insurance down the line. And don't forget about employer-sponsored life insurance, which is group coverage that is typically less expensive than if you bought it on your own, which typically ends when you leave the job.

Excuse: I have enough insurance through my employer.
Truth: Maybe not, unless you supplement that amount with individual life insurance coverage. You may want enough insurance to cover three to seven years of lost income and living expenses, plus any extras such as replacing lost college savings.

Excuse: I'm a stay-at-home spouse, so I don't have income to replace.
Truth: If you are no longer around, your spouse will need to pay for childcare if you have young children. If you don't have young children, your spouse's income still may not be adequate to pay others to perform the tasks you did, affecting the family's standard of living. Life insurance can help fill this gap.

Excuse: I don't want to buy something I don't understand.
Truth: That's a legitimate concern, but you have control over it. Ask questions. If you can't get answers that are easy to understand, talk to a financial professional who can provide them.

Protect Yourself Online

October is National Cyber Security Awareness Month, a good time to make sure to protect your loved ones, your business and yourself from a host of increasing cyber threats. Here is a sampling of advice from the U.S. Department of Homeland Security to help protect you online:

- In the digital age, keeping your children safe requires vigilance. Review security settings and privacy policies to make sure the websites your children frequently visit are age-appropriate.
- Watch changes in behavior. Children who suddenly avoid the computer or smartphone could indicate they are victims of online bullying.
- Use two-factor authentication, such as one-time PINs texted to your smartphone, with your passwords.
- Make your passwords stronger, using upper and lowercase letters with numbers and characters.
- Use up-to-date software that keeps you safe from viruses and malware.
- Don't get caught in a phishing attack. Even when an email looks like it is from your bank or credit card company, call them or access their website directly instead of clicking on the email link.

Time to File That FAFSA

The Free Application for Federal Student Aid (FAFSA), is the form that parents of college students must complete each year to see if their student qualifies for federal grants, loans, and work-study funds.

Most colleges, states and foundations refer to the FAFSA when determining who gets their scholarship money. Filing a FAFSA also automatically qualifies you for low-cost federal student loans of at least $5,500 a year.

Earlier Filing Date

If you had a child graduate college at least two years ago and you have another who will enter college in September 2019, you may not be aware of the new FAFSA submission date.

The first day you can file the federal government's Free Application for Federal Student Aid (FAFSA) for the 2019–2020 school year is October 1, 2018, which is earlier than in the past. Filing early may give you access to aid that might not be available later, but you have until June 30, 2019 to file for the same school year.

Tips for Success

Applying for the FAFSA isn't a picnic, but you can get the most from this annual rite of passage for college students and their parents by avoiding common mistakes like not signing the application and leaving fields blank.

Also consider using the online IRS data retrieval tool, which you'll find at fafsa.ed.gov, to transfer information from your federal tax return to the FAFSA. Filing your FAFSA online not only gives you access to this tool, but to online application checks that can help you file accurately.

Student financial aid is usually available on a first-come, first-serve basis, so file early and accurately.

Rules of the Road

If you're nearing your retirement date, it's a good idea to learn the rules about taking required minimum distributions (RMDs) from individual retirement accounts (IRAs) and 401(k) plans.

Your first RMD generally will be due by April 1 of the year after you reach age 70½.

Another RMD will be due by December 31 of that same year and then each subsequent year.

If you miss taking an RMD, the penalty will be 50% of the amount you should have taken but didn't.

You can withdraw more than the minimum amount.

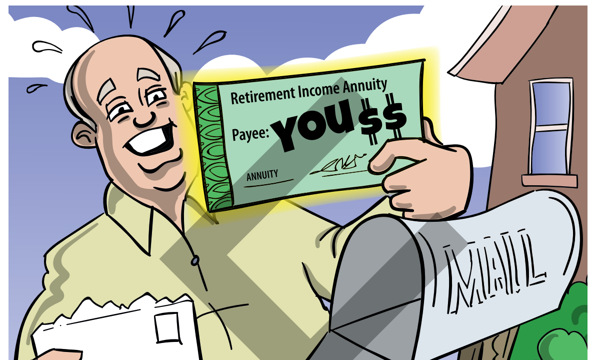
Your withdrawals will generally be taxable at your ordinary income tax rates.

For more information about RMDs, talk to your financial professional.

Consider this Retirement Income Option

As Baby Boomers near retirement, they may feel uneasy about the lack of guarantees offered by the investments in their employer-sponsored 401(k) plan. Increasingly, some plan sponsors are addressing this concern by offering plan participants an opportunity to annuitize all or a part of their plan balance.

If an annuity* appeals to you, and your company retirement plan doesn't offer this feature, you may consider taking a portion of your plan balance and annuitizing on your own to preserve some plan gains and, ultimately, for financial confidence in your future. Here's what you need to know:



The Basics

An annuity is a contract between you and an insurance company for which you pay one lump sum or periodic premiums in return for regular income. Immediate annuities begin providing income immediately; deferred annuities begin at a later date. Income you receive may be for a predetermined period of years, called "period certain." Or you can opt for lifetime income, which usually costs more.

Fixed Annuities

While there are different types of annuities, most don't offer the certainty of a fixed annuity. Typically, this type of annuity offers a monthly stream of income with a guaranteed rate of interest and guaranteed principal backed by the issuing insurance company. For risk-adverse consumers, certainty is usually a fixed annuity's biggest selling point.

Questions to Ask

To find out if a fixed annuity is right for you, you'll need to get answers to a few questions and compare annuities. Learn the financial strength of the insurance carrier issuing the policy. Determine whether or not there are penalties for early withdrawals from your 401(k). Compare fees and other charges, including surrender charges. A financial professional can help you with this process.

**An annuity may impose charges, including but not limited to surrender charges, mortality and expense risk charges, administrative fees and underlying fund expenses. You will have to pay federal income tax on any earnings you withdraw from the annuity. Payments and guarantees are subject to the claims-paying ability of the issuing insurance company.*

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Financial Industry Regulatory Authority

June 21, 2018

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Org Id :8408

REVIEW LETTER

1. 2018 Loose Change SeptOct
   Rules: FIN 2210, SEC 482
   4 Pages

The material submitted appears consistent with applicable standards.

Reviewed by,

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Manager

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NOTE: *This review is limited to the communication that was filed. We assume that the communication does not omit material facts, contain statements that are not factual, or offer opinions that do not have a reasonable basis. This communication may be described as "Reviewed by FINRA" or "FINRA Reviewed"; however, there must be no statement or implication that this communication has been approved by FINRA.*

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