Loose Change®

a penny saved is a penny earned

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Alison Brew
Account Manager
LTM Client Marketing
45 Prospect Avenue
Albany, NY 12206

Tel: 518-870-1083
Toll Free: 1-800-243-5334 ext. 510
Fax: 1-800-720-0780
abrew@ltmclientmarketing.com
ltmclientmarketing.com

Compare Apples to Apples

How do you compare a mutual fund's* performance to its peers'? A mutual fund company may compare a fund to a benchmark whose makeup, ideally, bears the closest resemblance to the fund. A fund's mix of investments by company size and its primary sectors, investing style and geography are among the pertinent factors needed to choose an appropriate benchmark.

Size

Size, or market cap in the case of stock funds, matters when comparing funds to ensure you compare apples to apples. The three main categories of stocks by size are large-cap, mid-cap and small-cap. You wouldn't compare a fund with companies like Amazon, for instance, with one featuring small startup companies. Bond funds might compare themselves to peers with similar average durations. For example, compare one-year to one-year and 10-year to 10-year maturities.

Sectors

Securities are also grouped into sectors, including energy, healthcare, financials and utilities. Which sectors dominate your fund is important to know because sectors perform differently in up and down markets. Healthcare may fare comparatively well in downturns because people need it, but sales of consumer discretionary products (like automobiles) may slow during this time. Bond funds may favor government, corporate, mortgage-backed securities and more.

Style

A mutual fund can be passive, such as an index fund, or active, with managers regularly buying and selling securities. One fund may concentrate on growth stocks, while another favors value equities. The latter is typically more stable and sometimes underpriced; the former is usually more volatile.

Geography

Some mutual funds invest by geographic region, comparing their performance to similar benchmarks. Examples include domestic mutual funds, which include only securities owned by U.S. entities, and international funds, which can include the rest of the world. Other geographically—based funds may concentrate on specific regions or countries, both developing and established.

** Investors should consider the investment objectives, risks, and charges and expenses of the fund carefully before investing. Contact the issuing firm to obtain a prospectus, which should be read carefully before investing or sending money. Because mutual fund values fluctuate, redeemed shares may be worth more or less than their original value. Past performance won't guarantee future results. An investment in mutual funds may result in the loss of principal.*

2020 To Do List

New Year, new leaf? If you're serious about taking charge of your financial life this year, consider these steps:

1. Go through your budget with a fine-toothed comb to find dollars you can save, and then put them toward your most important goals.

2. If you don't already maintain one, create an emergency fund for life's unexpected financial shocks.

3. Review your insurance policies to make sure you have appropriate coverage for a reasonable premium.

4. Pay estimated taxes on untaxed gig income, realized investment gains and other income to save on penalties and interest.

5. Keep your vehicle after you make the last payment and put the extra money toward retirement, a child's college education or other long-term goals.

6. Increase your retirement plan contributions—your retired self will appreciate it.

Check Your Tax Withholding

Do you look forward to receiving a substantial tax refund this year? Or do you dread writing a big check to the IRS because you didn't pay enough throughout the year? If you can identify with either of these scenarios, the amount you are withholding is not right. But you can do better next year.

The start of a new year is a good time to make sure you have the right amount of money withheld from your paycheck. You may want to withhold less if you consistently receive refund checks or more if you have untaxed funds from a side job or other income. Marriage, pay raises and new deductions could also warrant a change.

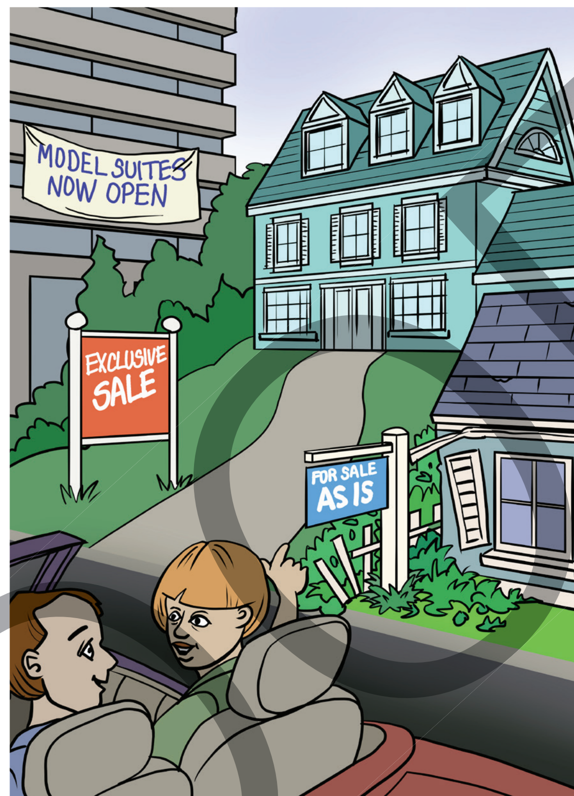
Know that you could owe the IRS a penalty and interest when you underestimate taxes. To change your withholding, ask your employer for a W-4 form and add allowances to withhold less or request fewer allowances to withhold more.

The IRS website offers a withholding calculator that may be helpful: https://www.irs.gov/individuals/tax-withholding-estimator

6 Questions to Ask Before Buying Your First Home

Owning a home remains part of the American Dream, but doing so requires a strategy and discipline. If you're looking to buy your first home, answer the following questions to help ensure you do everything you can to make this experience a success.

How Much House Can I Afford?
It's important to calculate all your costs, from monthly expenses such as mortgage, taxes and insurance to utilities and occasional maintenance and repair costs.



Where Do I Buy?
Consider the commute to work and school taxes, which could add costs.

How Much Should I Put Down?
In most cases, you'll want at least a 20% down payment on your new home. Smaller down payments often trigger the necessity of private mortgage insurance, which will add to your total monthly costs.

Have I Done my Homework?
Make sure your credit rating is as strong as possible and comparison-shop for your best mortgage options

Which Mortgage is the Best?
Many first-time homebuyers try to limit upfront costs, but doing so can increase your total costs if folded into your loan. Instead, look to pay no points when possible and limit other closing costs, including origination fees. When comparing mortgages, know that shorter-term options—such as a 15-year mortgage—usually offer lower rates and lifetime costs than a 30-year mortgage does.

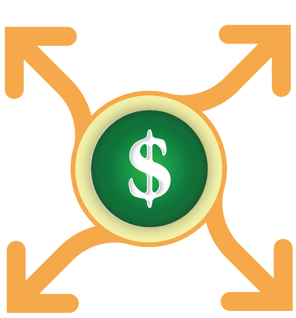
What Do I Buy?
This ultimately depends on your financial means and lifestyle. First-time homebuyers may consider buying a lower-cost condo, but buying a two-family home can be a cost-effective option. You may want the finest home in the area, but a fixer-upper will likely be less expensive and a good candidate for price appreciation if you are handy and can make some updates.

Tax-Smart Retirement Distributions

Before you retire, consider planning for your required minimum distributions (RMDs). This can be more complicated than you imagine if you have significant retirement assets in qualified plans, such as 401(k) accounts and IRAs, but you can achieve a tax-friendly result with a little planning.

Know the Rules
Generally, you must begin taking RMDs by April 1 of the year after you reach age 70½ and by December 31 of each subsequent year. Your tax professional can help you determine your RMD amount, which typically is calculated by dividing the balance subject to RMDs by your life expectancy.

Different rules apply if your spouse is the sole beneficiary and at least 10 years younger than you. There are stiff tax penalties that apply on RMD amounts not taken.



Easing the Bite
Use the years before age 70½ to help ease the potential size and subsequent tax bite on eventual RMDs. For example, consider converting some traditional IRA assets to a tax-free Roth IRA during lower-income years, to limit the future income tax bite (you'll pay ordinary income tax upon conversion). Or invest some IRA money in a Qualified Longevity Annuity Contract (QLAC), which can delay required payments for several more years.

Deducting up to 60% of your adjusted income annually for charitable contributions can also help reduce the tax bite.

Good Reasons to Consider a Roth IRA

If you don't qualify for a tax-deferred traditional IRA because your income is too high or if you would rather not bet on federal income taxes being low in the future, when distributions would be taxed, you might want to look at a Roth IRA to help with your retirement strategy.

Who Qualifies

Your contributions to a Roth IRA are made after-tax, in contrast to pre-tax contributions you may make to a traditional IRA if you qualify by income. In return, you don't pay income tax on distributions if you are at least age 59½ and have owned the Roth IRA at least five years. You also aren't required to begin minimum distributions (RMDs) during your lifetime, which you must with a traditional IRA at age 70½.

Anyone can contribute to a traditional IRA, but annual income determines your eligibility for a Roth. In 2019, the limit was $203,000 in modified adjusted gross income if you file a joint tax return and lesser amounts for other filers. There is no income limit for rollovers from a traditional IRA, but you will pay income tax on the rollover amount, so it may be best to do this in years when you have lower income.

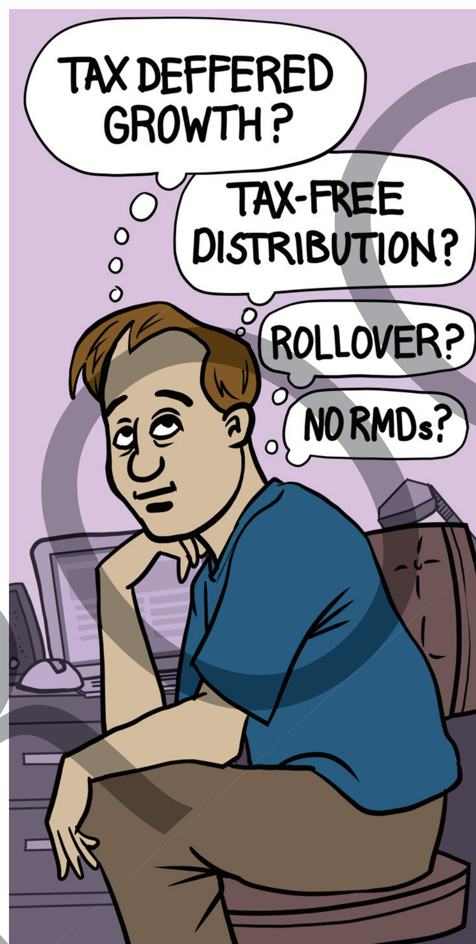
One similarity between the two IRAs is that potential growth is tax-deferred. Withdrawals from a Roth IRA become tax-free once you meet the holding requirements.

Why This Works

If you're young and unsure how much money you'll need in retirement, and especially if you believe income tax rates will be higher in the future, a Roth IRA may be for you. Older workers may also prefer a Roth IRA for a few reasons. First, the obvious: tax-free distributions. Second, you don't have RMDs, which may be important if you have other retirement income. Third, you can continue contributing to a Roth after age 70½ if you have earned income. You can't do that with a traditional IRA.

A Roth is a powerful estate-planning tool, too. Your beneficiaries would receive tax-free income that can be stretched over their lifetime.

Pay taxes now or pay them later? Talk to your financial professional to help you make that choice.



The Hunt for Tax Breaks

The New Year is a time when many Americans start searching for receipts and bank statements as we prepare to pay last year's taxes. Consider looking in the following places to find tax breaks:

Big Changes

If you were married last year or became a new parent, you'll find increased deductions and potentially new credits. If you don't itemize on your tax return, the standard deduction for joint filers in 2019 is $24,400; it's half that for a single tax filer.

You can also find tax credits if you care for an elderly person declared as a dependent or pay for child care if you qualify by income. Tax credits are more valuable than deductions because they reduce your taxes, not your taxable income.

For Itemizers

If you itemize on your tax return, you can deduct real estate and local income taxes, up to certain limits. You might also deduct donations to qualified charities and home office expenses.

Don't forget that you have until the 2019 tax-filing deadline to contribute to a traditional IRA, which may reduce your taxable income.

Saving for a New House

A home is many Americans' largest purchase and continuing expense, and the down payment for one can be a big chunk of change. If you're buying your first home, you may shift your savings efforts into another gear by following these steps:

Check your credit rating and raise it, if possible, to get the best mortgage rates

Reduce your debt and put the savings toward your down payment

Temporarily eliminate or downsize a few areas of your life, from travel to restaurants, and save more

Work overtime or find a part-time gig to increase your income—and down payment

Put bonuses and pay raises toward your down payment

Time Matters

Following are three hypothetical examples that demonstrate how money compounds over time.*

Great Start

Melissa contributes $200 per month to her company 401(k) plan. After 10 years, her money has grown to about $32,881. She never contributes another dime, but after another 30 years, her balance has grown to $198,889.

Plan Interrupted

Jake also contributes $200 per month, but only for five years to build a $13,993 balance. He gets married and stops retirement plan contributions for the next 30 years. Even so, his balance grows to $84,640. He then restarts contributions for another five years before retiring, when his account will have grown to $128,242.

Late Start

Anthony is 57 and has never contributed to a retirement plan. He begins contributing $200 per month and 10 years later, at age 67, his balance will only amount to $32,881. If he doubles his contributions, he will still only have $65,762 after 10 years.

**Each example, courtesy of investor.gov, is based on earnings of 6% compounded daily. It is not representative of any specific investment strategy or combination of investment strategies. Actual results may vary.*

Insuring Your Business

If you read this newsletter regularly, you know that we talk about how life insurance can help fund various business agreements and fill out an attractive employee benefits menu. Life, health and disability insurance play prominent roles, but as a business owner you likely need to insure your company in a number of other ways. These are some ways businesses protect their financial investment:

The Foundation

If you run a business, you'll need property insurance and general liability insurance. Property insurance protects your premises and business equipment financially if losses occur due to fire, theft and some weather events. General liability insurance protects you in case a person receives a bodily injury at your business site. Many insurers will offer a Business Owner Policy (BOP) that combines this and other coverage.

Specialized Coverage

Some BOPs offer insurance to protect your business against losses caused by business interruption, employee theft and other liabilities. Depending on your business, you may also need Directors & Officers (D&O) insurance, or Errors & Omissions (E&O) insurance, which may also be sold as professional liability insurance, cyber and identity theft insurance and product liability insurance.

If you have employees, your state will likely require you to cover them with worker's compensation insurance, and it will probably mandate that your company vehicles have liability coverage, which you can find in a commercial auto package. You'll need separate policies or endorsements for

flood and earthquake coverage, and you may want to have an umbrella policy for extra coverage.

Core Offerings

Whether you run a one-person business or have 100 employees, you may want to consider how your business can help meet individual life, disability income and health protection needs. Health insurance is among the most important benefits you can offer prospective and current employees, while life insurance and disability income insurance financially protect employees and their loved ones against two potentially large exposures.

As we enter 2020, now is not only a good time to talk to your property and casualty insurance professional, but to discuss with your insurance professional the individual and business challenges health, life and disability income insurance can help meet.

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 11, 2019

Reference: **FR2019-1009-0074/E**

Org Id: 20999

1. 2020 Loose Change January/February
   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Wayne L. Louviere
Manager

jb

This year's Advertising Regulation Conference will be held on October 24-25 in Washington, D.C. For more information and to register, please access the conference webpage at www.finra.org/2019adreg.

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Advertising Regulation
9509 Key West Avenue
Rockville, MD
20850

t 240 386 4500
f 240 386 4568

Financial Industry Regulatory Authority

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20850

t 240 386 4500
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