FINANCIAL*ink*

Your Money Management Newsletter

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When Will You Retire?

When asked to "realistically" project their retirement age, younger workers are more likely to anticipate retiring before age 60 or at age 70 or older, whereas older workers are more likely to project retiring in their 60s or 70s. In fact, the median retirement age for current retirees was 62, and more than a third retired before age 60, though not necessarily by choice. Forty-three percent of current retirees said they retired earlier than planned. Only 6% of retirees retired at age 70 or later.

Projected retirement age, by age group

	Ages 25 to 34	Ages 35 to 44	Ages 45 to 54	Ages 55+
Before 60	25%	17%	13%	1%
60 to 69	42%	43%	62%	59%
70+ / Never	33%	40%	26%	40%

Source: Employee Benefit Research Institute, 2019

20,014,000

Estimated number of students enrolled in degree-granting, post-secondary institutions in the fall of 2019. Enrollment peaked at more than 21 million in 2010 as students stayed in school or returned to school during the recession. It declined through 2017 and has begun to trend upward again.

Source: National Center for Education Statistics, 2019

Practical insights for your **FINANCIAL GOALS**

Protection to Help Your Family

A recent survey found that 35% of U.S. households would face financial adversity within one month if a primary wage earner died. This risky situation reflects a widespread lack of protection. More than 40% of adults have no life insurance coverage, and about 20% of those who do have coverage say they do not have enough.[1]

The most common reasons people give for not purchasing life insurance are that it is too expensive and/or they have other financial priorities. That's not surprising — money can only go so far — but life insurance is not as expensive as many people think. Most consumers estimate the cost of coverage at more than three times its actual cost.[2]

If you need more coverage or have no coverage at all, it's worth exploring the true costs and available options.

How Much Do You Need?

A common guideline suggests having coverage equivalent to at least seven to 10 times the insured's annual salary, but some people may need more. There is no universal formula, and the amount you need depends on your family's living expenses and other sources of income. Your financial professional can help you assess your needs more comprehensively.

You may have group life insurance through work, but the face value of employer-based policies is generally low — typically one or two times your annual salary. And you might lose coverage if you change employers. An individual policy is yours to keep for as long as you pay the premiums. Two basic types of individual life insurance are available.

Term vs. Perm

Term life insurance is generally the most affordable. As the name suggests, this type of coverage offers a death benefit if you die within the covered time period, which could range from one to 30 years. Premiums may adjust each year or remain fixed for the full term. You might be able to continue coverage beyond the original term at a higher premium, or convert to a permanent policy (subject to age restrictions and policy minimums) while the policy is in force.

Permanent life insurance (also called whole life) offers lifetime protection and a guaranteed death benefit as long as you keep the policy in force by paying the premiums. Although the premium is usually higher than for term insurance, it typically remains level for the rest of your life.

A portion of the permanent life insurance premium goes into a cash-value account, which accumulates on a tax-deferred basis throughout the life of the policy. You might be able to borrow against the cash value during your lifetime to help pay for retirement, education, emergencies, or other needs.

Withdrawals of the accumulated cash value, up to the amount of the premiums paid, are not subject to income tax. Loans (as long as they are repaid) are also free of income tax. Loans and withdrawals from a permanent life insurance policy will reduce the policy's cash value and death benefit, and may require additional premium payments to keep the policy in force. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

The cost and availability of life insurance depend on factors such as age, health, the type and amount of insurance purchased. Policies commonly have mortality and administrative charges beyond the cost of premiums. If a permanent life policy is surrendered prematurely, there may be surrender charges and income tax implications.

1–2) 2018 Insurance Barometer Study, Life Happens and LIMRA

Top Five Reasons

Life insurance can help meet a wide variety of financial goals. Here are the top five reasons consumers give for owning life insurance.

91%

Cover burial & other final expenses

66%

Help replace lost income

63%

Transfer wealth or leave inheritance

51%

Help pay off mortgage

48%

Pay home expenses

Other reasons: Pay estate taxes or create estate liquidity (41%); save and invest in a tax-advantaged way (32%); provide funds for a college education (31%), for business purposes (18%), and as a way to make a charitable gift (17%).

Source: 2018 Insurance Barometer Study, Life Happens and LIMRA

The Cost of Earnings

When you purchase a consumer product — whether it's a car, an appliance, or an article of clothing — you probably consider whether the price is reasonable in relation to the value of the product. Stocks require more complex value analysis than clothing, but the price/earnings (P/E) ratio offers a helpful starting point.

The P/E ratio is calculated by dividing a stock's current price per share by the company's earnings per share over a 12-month period. This ratio quantifies what investors may be willing to pay for one dollar of earnings. For example, a P/E of 18 means an investor would pay $18 for every $1 the company earns over the 12-month period. By this standard, a stock with a P/E of 25 could be considered more "expensive" than a stock with a P/E of 18, regardless of the share price.

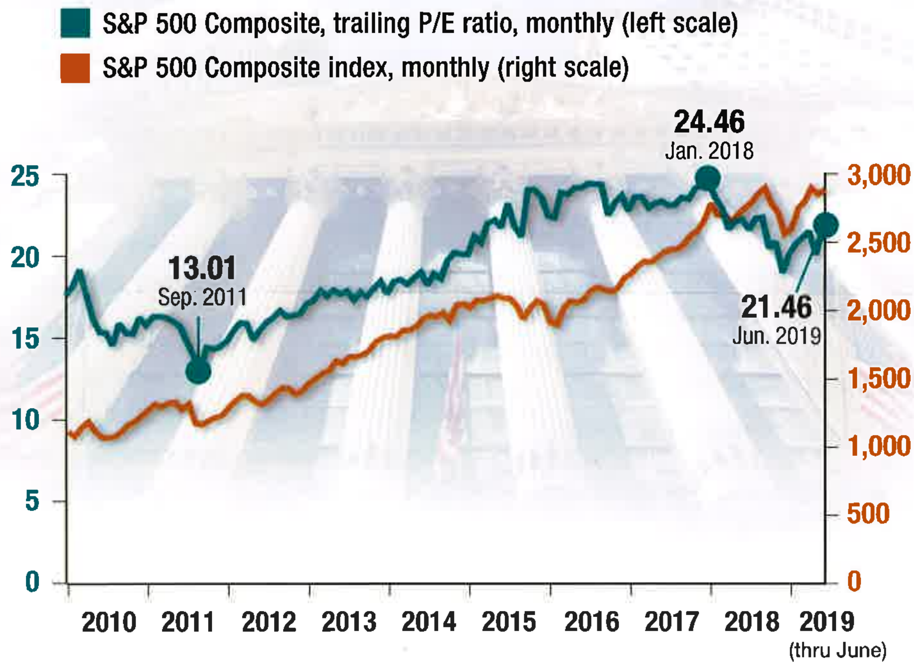
Looking Backward and Forward

Earnings can be measured accurately only in the past, but investors are typically more interested in future potential. So there are two types of P/E ratios that offer different points of view. The most commonly referenced is *trailing P/E*, based on the official reported earnings per share for the previous 12 months (abbreviated *ttm* for trailing 12 months).

Forward P/E uses projected earnings over the next 12 months, based on information released by the company. Although this is important information for investors, the actual earnings could turn out to be very different than the projection. It is not unusual to see a stock's share price fall if a company misses its earnings target. On the other hand, a company that exceeds its earnings projection may see a boost in share price.

Moving with the Market

The P/E ratio of the stock market in general rose steadily from September 2011 to January 2018, when it peaked at 24.46. This was the heart of an extended bull market, and optimistic investors were willing to pay more for earnings. The market has been more volatile since February 2018, but earnings have remained strong, resulting in lower P/E ratios.



Source: Haver Analytics, 2019, for the period 1/1/2010 to 6/30/2019. The S&P 500 is an unmanaged group of securities considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

Earnings are typically reported on a quarterly basis, so the earnings part of the trailing P/E equation will generally remain the same for each three-month period, but the stock price may change every trading day, making the trailing P/E a moving target even though it measures past performance. The forward P/E will also change with stock prices and updated earnings projections.

Comparing Ratios

P/E ratios can vary widely among industries, so it is generally more meaningful to compare ratios of companies in the same industry, one company against the industry average, or a company's current and past performance.

A substantial change in a company's P/E ratio, or the average ratio of an industry, could be caused by an unexpected increase or decrease in reported earnings (trailing P/E) or projected earnings (forward P/E), or by a shift in investor confidence in the company or industry. However, it also might reflect rising or declining share prices due to the many factors that influence the market.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Back-to-College Insurance Needs

Sending a student off to college can be hectic, and insurance might not be at the top of the to-do list. But every college student has insurance needs that should be addressed.

Health Insurance

Health-care policies vary among schools, so be sure you understand the specific requirements and available options. Most schools offer a group health insurance plan, and some require coverage as a condition of attendance. However, the most cost-effective solution may be to keep your student on your family policy. (Young adults can typically stay on their parents' health insurance policies up to age 26.) Medical care at campus facilities is often provided at relatively low cost to students, but you may want to check whether campus facilities and doctors are participating providers in your network.

Auto Insurance

If your student takes a car to school, it is typically less expensive to include the vehicle on your own policy than to purchase separate coverage. However, you should report the new location to your insurance company; your premium may go up or down depending on the location. If your student will not take a car to school and the campus is more than 100 miles from home, he or she may qualify for a resident student discount on your policy. This would allow the student to drive your family vehicles when visiting home on vacations or weekends and may extend through the summer. Keeping those grades up can help, too — good student discounts don't end with high school!

Personal Property Insurance

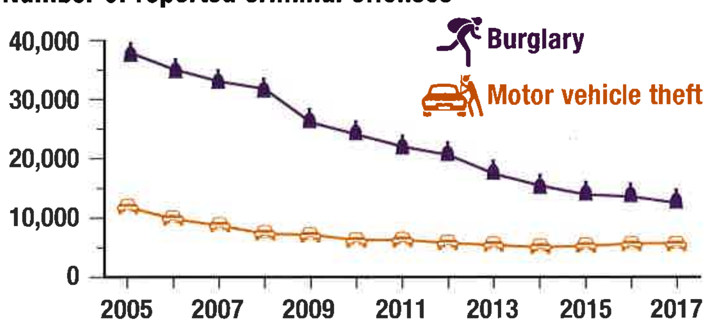
If your undergraduate lives in a dorm, your homeowners insurance may cover personal property, up to a stated percentage of your total coverage (typically 10%). Check your policy and compare any coverage limits on dorm-room protection with the total value of the items your student intends to take. You might consider purchasing a separate student policy that offers more specific coverage in dorms and on campus, often with low deductibles.

If your student lives in an off-campus apartment, your homeowners policy will generally not provide coverage, so it would be wise to consider renters insurance. Be sure to ask your insurance agent about your specific coverage.

Campus Crime Dropping

Burglaries and motor vehicle thefts on U.S. college campuses have declined steadily over the last 18 years. This may be due to increased security measures, heightened awareness, and stricter reporting requirements.

Number of reported criminal offenses



Source: U.S. Department of Education, 2019 (most recent data available)

Have you reviewed your insurance coverage to make sure it reflects your current needs?
Call for an appointment today.

Working toward a better financial future,

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