FINANCIAL*ink*®

Your Money Management Newsletter

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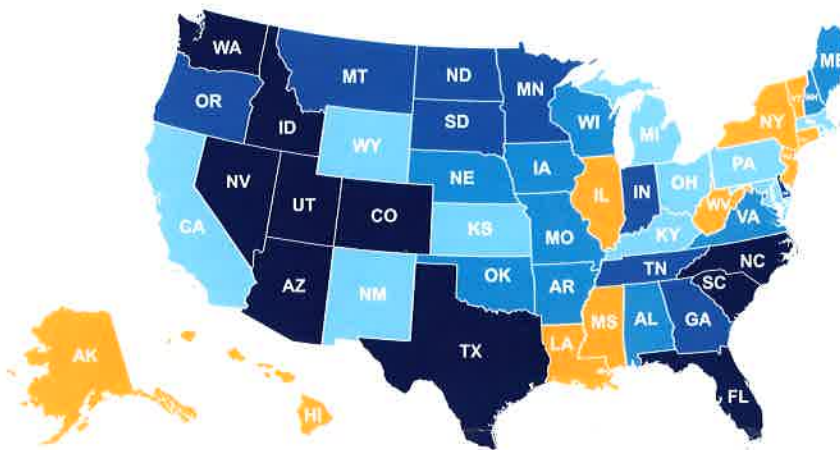
State Population: Winners and Losers

The U.S. population was 328,239,523 in 2019, an increase of 0.5% over 2018. This was the fourth consecutive year of slowing population growth due to fewer births, more deaths, and lower immigration from other countries. Forty states and the District of Columbia gained population, while 10 states lost population. Here are the winners and losers based on percentage increase or decrease in population.



- **Top 10:** gained 1.0% to 2.1%
- **11–20:** gained 0.5% to 1.0%
- **21–30:** gained 0.2% to 0.5%
- **31–41:** gained 0.0% to 0.2%*
- **Bottom 10:** lost 0.0% to –0.7%*

*Includes gains and losses that round to zero.

Source: U.S. Census Bureau, 2019

956,674

Natural increase in U.S. population — the difference between births and deaths — from July 1, 2018, to July 1, 2019, the first time it has fallen below 1 million in at least four decades.

Source: U.S. Census Bureau, 2019

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Practical insights for your **FINANCIAL GOALS**

Managing Your Workplace Retirement Plan

About 80 million Americans actively participate in employer-sponsored defined contribution plans such as 401(k), 403(b), and 457(b) plans.[1] If you are among this group, you've taken a big step on the road to retirement, but as with any investment, it's important that you understand your plan and what it can do for you. Here are a few ways to make the most of this workplace benefit.

Take the free money. Many companies match a percentage of employee contributions, so at a minimum you may want to save enough to receive a full company match and any available profit sharing. Some workplace plans have a vesting policy, requiring that workers be employed by the company for a certain period of time before they can keep the matching funds. Even if you meet the basic vesting period, funds contributed by your employer during a given year might not be vested unless you work until the end of that year. Be sure you understand these rules if you decide to leave your current employer.

Reasons to Contribute

Percentage of households with assets in defined contribution plans who agreed with the following statements

Payroll deduction makes it easier for me to save
92%

My employer-sponsored retirement plan helps me think about the long term, not just my current needs
91%

My employer-sponsored retirement plan offers me a good lineup of investment options
83%

The tax treatment of my retirement plan is a big incentive to contribute
82%

Source: Investment Company Institute, 2018

Bump up your contributions. Saving at least 10% to 15% of your salary for retirement (including any matching funds) is a typical guideline, but your personal target could be more or less depending on your income and expenses. A traditional employer-sponsored plan lets you defer income taxes on the money you save for retirement, which could enable you to save more. In 2020, the maximum employee contribution to a 401(k), 403(b), or 457(b) plan is $19,500 ($26,000 for those age 50 and older).[2] Some plans offer an automatic escalation feature that increases contributions by 1% each year, up to a certain percentage.

Rebalance periodically. Your asset allocation — the percentage of your portfolio dedicated to certain types of investments — should generally be based on your risk tolerance and your planned retirement timeline. But the allocation of your investments can drift over time due to market performance. Rebalancing (selling some investments to buy others) returns a portfolio to its original risk profile and does not incur a tax liability when done inside a retirement plan. Consider reviewing your portfolio at least annually. Some workplace plans offer automatic rebalancing.

Know your investments. Examine your investment options and choose according to your personal situation and preferences; some employer-sponsored plans may automatically set up new employees in default investments. Many plans have a limited number of options that may not suit all of your needs and objectives, so you might want to invest additional funds outside of your workplace plan. If you do, consider the risk and overall balance of your portfolio, including investments inside and outside your plan.

Keep your portfolio working. Some employer plans allow you to borrow from your account. It is generally not wise to use this option, but if you must do so, try to pay back your loan as soon as possible in order to give your investments the potential to grow. Plans typically have a five-year maximum repayment period.

All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost. Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. Distributions from employer-sponsored retirement plans are generally taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.

1) American Benefits Council, 2019
2) Employer contributions are not included in these annual employee limits for 401(k) and 403(b) plans. Employers typically do not contribute to 457(b) plans, but any such contributions will count toward the employee limit. There may be additional catch-up contribution opportunities for 403(b) and 457(b) plans.

Will vs. Trust: Know the Difference

Wills and trusts are common documents used in estate planning. While each can help in the distribution of assets at death, there are important differences between the two.

What Is a Will?

A last will and testament is a legal document that lets you direct how your property will be dispersed (among other things) when you die. It becomes effective only after your death. It also allows you to name a personal representative (executor) as the legal representative who will carry out your wishes.

What Is a Trust?

A trust is a legal relationship in which you, the grantor or trustor, set up a trust, which holds property managed by a trustee for the benefit of another, the beneficiary. A revocable living trust is the type of trust used most often as part of a basic estate plan. "Revocable" means you can make changes to the trust or even revoke it at any time.

A living trust is created while you're living and takes effect immediately. You may transfer title or ownership of assets, such as a house, boat, automobile, jewelry, or investments, to the trust. You can add assets to the trust and remove assets thereafter.

How Do They Compare?

While both a will and a revocable living trust enable you to direct the distribution of your assets and property to your beneficiaries at your death, there are several differences between these documents. Here are some important ones.

- A will generally requires probate, which is a public process that may be time-consuming and expensive. A trust may avoid the probate process.
- A will can only control the disposition of assets that you own at your death, including property you held as tenancy in common. It cannot govern the distribution of assets that pass directly to a beneficiary by contract (such as life insurance, annuities, and employer retirement plans) or by law (such as property held in joint tenancy).
- Your revocable trust can only control the distribution of assets held by the trust. This means you must transfer assets to your revocable trust while you're living, which may be a costly, complicated, and tedious process.
- Unlike a will, a trust may be used to manage your financial affairs if you become incapacitated.
- If you own real estate or hold property in more than one state, your will would have to be filed for probate in each state where you own property or assets. Generally, this is not necessary with a revocable living trust.
- A trust can be used to manage and administer assets you leave to minor children or dependents after your death.
- In a will, you can name a guardian for minor children or dependents, which you cannot do with a trust.

Generally, most estate plans that use a revocable trust also include a will to handle the distribution of assets not included in the trust and to name a guardian for minor children. In any case, there are costs and expenses associated with the creation and ongoing maintenance of these documents. Keep in mind that wills and trusts are legal documents generally governed by state law, which may differ from one state to the next. You should consider the counsel of an experienced estate planning professional and your legal and tax advisers before implementing a trust strategy.

Different Documents, Different Features

Even if you have a revocable living trust, you should have a will to control assets not captured in the trust.

Features	Will	Revocable living trust
Control distribution of assets	Yes	Yes
Assets included	Only probate assets	Assets transferred to the trust
Effective date	At death	Immediately
Avoid probate	No	Yes*
Public record	Yes	No*
Creditors' claims	Limited time to file claims	Claims may be made at any time
Avoid estate taxes	No	No
Appoint guardian for minor-age children	Yes	No

*Depends on applicable state laws.

Why You Might Need Disability Income Insurance

Your ability to earn an income may be your most valuable asset. So how would you meet your financial obligations if you became sick or injured and couldn't work? It might be harder than you think to make ends meet.

According to one report, only 34% of men and 20% of women said they felt extremely confident in supporting their households during a period of income loss.[1] It's important to assess your own situation and determine whether you have appropriate financial backup in the event that you cannot work due to a disability.

Your employer may offer long-term disability coverage, but you could lose your subsidized coverage if you change jobs. Even if you remain covered through your job, group plans typically don't replace as large a percentage of income as an individual plan could, and disability benefits from employer-paid plans are taxable if the premiums were paid by the employer.

An individual disability income policy could help replace a percentage of your income (up to the policy limits) if you're unable to work as a result of an illness or injury. Depending on the policy, benefits may be paid for a specified number of years or until you reach retirement age. Some policies pay benefits if you cannot work in your current occupation; others might pay only if you cannot work in any type of job. If you pay the premiums yourself, disability benefits are usually free of income tax. And the policy will stay in force regardless of your employment situation as long as the premiums are paid.

Social Security offers some disability protection, but qualifying is difficult. And the monthly benefit you might receive ($1,258, on average) will probably not be enough to replace your lost income.[2]

Having an individual disability income insurance policy could make the difference between being comfortable and living on the edge.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

1) Council for Disability Awareness, 2019
2) Social Security Administration, 2020

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Have you considered the balance of assets both inside and outside your workplace plan? Call us today to review your full portfolio.

Working toward a better financial future,