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NFI, LLC
Financial Insights

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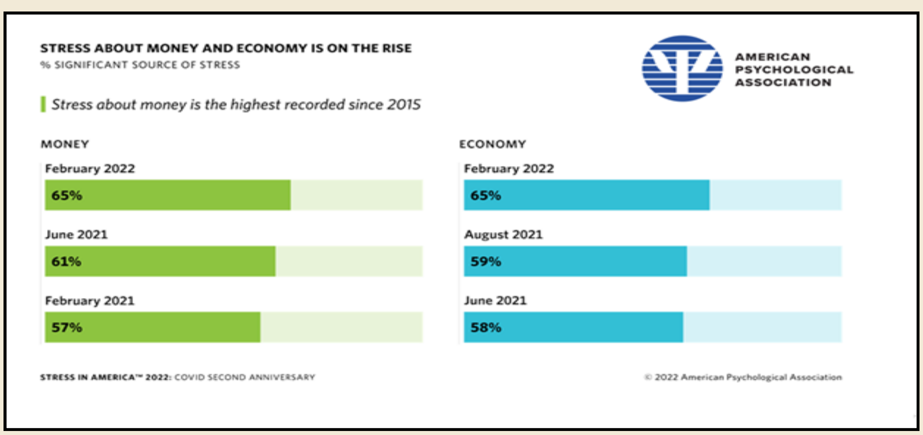
Feeling Stressed About Money? You're Not Alone

If you're feeling stressed about inflation, the War in Ukraine, Covid-19 subvariants, you're not alone.

"Amid historic inflation spike and geopolitical strife, money and economic stress is mounting," according to the latest results of a poll by the American Psychological Association (APA) and The Harris Poll. "These more recent findings were alarming," according to APA. "Stress about money is the highest recorded since 2015."

More adults rate inflation and issues related to the invasion of Ukraine as stressors than any other issue asked about since the Stress in AmericaTM survey began in 2007. Top sources of stress cited by those surveyed were rising gas, energy, grocery, and everyday expenses, followed by supply chain issues and global uncertainty.



Investing is an emotional experience as well as financial. Even if you objectively know you have more than enough money to last the rest of your life, times of high anxiety can test your ability to tolerate risk and stick with your long term plan.

Even if you are not a good fit as a client, as a trusted source of financial, tax, and investment planning solutions, it would be a privilege to point you to a resource that might be able to help you, if you're feeling stressed over the economy and your personal financial situation. We're here to help.

The Federal Reserve raised lending rates by a half-point on May 4, by another three-quarters of 1% on June 15. Another rate hike is expected July 27 and yet one more is very possible on September 21.

The Fed's power to change rates is a blunt instrument, a crude rudder on the world's largest economic system. So, the Fed historically raises lending rates in quarter-point increments.

By stacking half-point and larger rate hikes one after another, the Fed is hoping to convince consumers it will not allow inflation to become ingrained in the American consumer's financial psyche like it did in the latter stage of

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Getting A Good Estate Planning Result Is Hard

Paul Hood, Jr., one of the nation's leading estate planning educators of lawyers, accountants, and financial advisors, identifies all the things that can go wrong with an estate plan. It's a lot! For individuals facing estate plan questions, here are some important considerations.

The players involved in creating an estate plan include you, the client, of course. But you will probably need to work with two or three advisors, and they must be coordinated with each other. And then there are your beneficiaries – and those who believe themselves to be beneficiaries but are not, loved ones and charitable causes you want to support after your death. The interaction of the players creates opportunity for confusion, misunderstanding, personality conflict and the array of things that can go wrong in human interaction.

Fear, emotion, and self-interest further complicate the ability to get a good estate planning result according to Hood. Clients often fear or don't completely trust their advisors, fear losing control of their estate plan, or worry about the cost of getting advice.

Meanwhile, legal, tax, and financial advisors can also get in the way of a good estate plan result because of their need for business, fear of being sued for malpractice, need to compete with other advisors on your team to be the lead advisors and their technical knowledge of tax law and the psychological factors involved in estate planning.

Loved ones who you want to benefit from your estate plan could have difficulty getting over the fact you are no longer there to talk to. Or some of your heirs could be jealous of what another beneficiary inherited. And then there is a chance that you or your advisors failed to communicate the whole story about the decisions you made in your estate plan, according to Hood.

Getting a good estate planning result is hard, but at least you now know about the things that could go wrong and can try to be mindful of these factors.

IRA Strategies For 60- To 72-Years-Olds

Investments in IRAs are the main source of funding retirement income for a vast majority of Americans. Your IRA is probably crucially important to your retirement success and may also play a role in your estate plan. Trouble is, the rules on IRAs have changed and so has the investment environment, and, as a result, taking a strategic approach is not so easy. Here is a very simplified explanation of strategic planning opportunities triggered under current estate and income tax rules.

The Rules

At age 72, the law requires you start taking money out of an IRA account annually. The required minimum distribution (RMD) is based on an actuarial table of life expectancy, which sounds complicated but don't get hung up on it. All you need to know is that your RMDs are based on your age.

RMDs get taxed. When you withdraw the RMD annually, you will need to pay income tax on the amount withdrawn. A key aspect of IRA strategic tax planning is minimizing withdrawals on IRA accounts to keep as much of your IRA as possible growing without being subject to income tax.

How The Rules Affect You

If you die at age 72 before beginning RMDs from a regular IRA, your family will not be required to take anything out of that regular IRA for 10 years. To be clear, assuming your heirs don't need all or any of the IRA assets you left them, they can escape any taxation of the growth on the IRA for 10 years. That's great! The trouble is, you're dead. This is not a strategy you want to plan on happening. You want to plan to live many years past age 72.

If you have a regular IRA and you die after the required beginning date for taking RMDs, then you will be required to take RMDs annually for 10 years to deplete the IRA. That's not a good result because the IRA gets reduced by your required distribution annually and less principal is left to grow at a compound rate.

Roth Conversion Strategy

The key strategy for maximizing IRA assets in 2022 is converting traditional IRA assets to a Roth IRA. A Roth IRA is like dying before starting your required minimum distributions at age 72. It's almost like you died and went to tax heaven! There are no required minimum distributions on a Roth IRA; asset growth compounds tax free all your life. It's a great way of preserving your assets for your 80s and 90s and it offers a powerful estate tax planning benefit.

If you die, your heirs inherit a Roth IRA that must be depleted all at once in 10 years. To be clear, your heirs – assuming they do not need the assets you left for them – can let the account grow tax-free for 10 years and withdrawals by your heirs from the inherited Roth IRA is tax-free income.

Roth IRA conversion is not a strategy you want to begin to start thinking about in your 80s. If you are in your 60s and own an IRA asset that might outlive you and benefit your spouse and children after you're gone, converting to a Roth should probably be evaluated. Conversion requires paying income tax on assets withdrawn from your regular IRA and that is a calculation you must make with a qualified professional. We are here to help as always. ●

The Sad History Of Long-Term Care Insurance

Long-term care insurance (LTCI) has been sold to consumers for less than 50 years. With little historical data to draw from in pricing policies, insurers made overly optimistic assumptions for decades.

Today's LTCI policy owners often are receiving premium increase notices. They are forced to accept lower benefits or to pay more to keep their current benefits. And individuals who are buying LTCI for the first time are entering the market at a time of upheaval. Here's guidance.

It's an understatement to say long term care is a risk that needs to be managed carefully. Individuals who purchased LTCI policies years ago are receiving premium increase notices because of the incorrect actuarial and health risk forecasts made by insurance companies. LTCI is a difficult topic in making a sustainable financial plan that will insure you against the risk of needing to stay at a long-term care facility or receive home care when approaching your final years of life.

Life insurance involves one risk: mortality. In contrast, long-term care insurance involves two risks: mortality and morbidity (health), and these risks occur at the same time. Since the 18th century, when mathematicians were

Managing Your Wealth

Financial services giants make financial planning and wealth management sound very simple in slick TV ads, but it's not. Managing wealth requires knowing a lot about technical highly topics, like math, taxes and finance as well as history, psychology and how to communicate with loved ones about sensitive issues. This article highlights many of the topics of knowledge needed to manage wealth and why it's so daunting without the help of an independent personal financial advisor.

Estate tax is in flux. The $12 million personal exemption from estate tax is set to revert to $5 million on January 1, 2026. However, this could change, depending on Congress and financial, economic and political events.

Income tax brackets are also uncertain, and income tax planning includes watching Washington and acting strategically after the November 2022 election results are decided.

Charitable strategies are always important just because giving back is the right thing to do. Supporting a cause can build on your legacy and inspire the next generations in your family to keep your causes top of mind.

IRAs are more important than ever in creating a strategic financial plan because that is where Americans save for retirement. After retiring, assets in 401(k) accounts can be managed by you in IRAs. IRAs, for income tax purposes, are treated the same as 401(k), 403(b) and other federally qualified retirement accounts. They grow tax-freeonly until you withdraw money and withdrawals are taxed at your ordinary income tax rate. However, Roth IRAs are totally tax-free. Even withdrawals are tax-free.

Converting a 401(k) to an IRA, converting a traditional IRA to a Roth IRA and planning how your IRA accounts will be distributed to loved ones or charity upon your demise requires understanding the federal laws on qualified retirement accounts and knowledge of financial economics.

Psychology's pivotal role in financial decisions has come to be recognized only in the last two decades. The burgeoning field of behavioral finance is now part of the investment knowledge needed to avoid making mental mistakes, reacting emotionally to bad news, and recency bias.

Modern families have spawned new legal and accounting strategies to protect family members from horror stories in estate planning. People are living longer than ever and are wealthier than ever. With half of all marriages ending in divorce, families are split asunder by injustice and argument over assets.

After a 50-year marriage and raising two children, Edith, a 75-year-old succumbed after a long battle with cancer. Ed, her 75-year-old spouse, could not stand to live alone and remarried a server he met at the casino. A year after marrying Rita, a 50-year-old with two children, Ed dies. Rita, and her children, inherit Ed's $3 million portfolio and two homes. His children get nothing because he never created a Will.

Another example is the couple who, upon the marriage of their child, give the newlyweds a $1 million down payment on a home. Ten years later, when the child is divorced, the value of the home must be split evenly with their child's spouse.

Trusts, prenuptial agreements, insurance, and qualified retirement accounts must be structured to protect your children, spouse, and other loved ones from losing control of assets you give them when you die. That's part of the new landscape of financial planning for modern families.

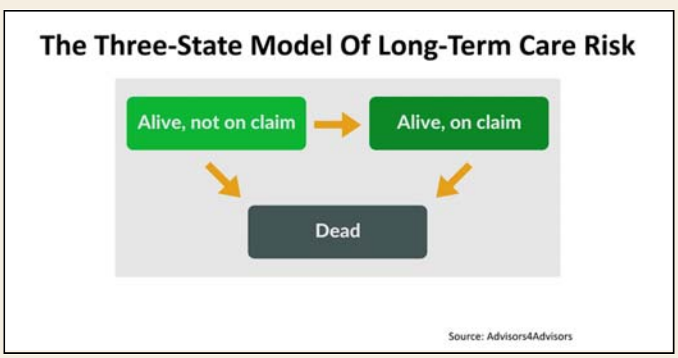
Business owners contend with a unique set of circumstances involving:

- corporate form of business or entities, (LLC, S-Corp, or Corporation, etc.)
- partnerships
- equity ownership
- business and personal liability for debts and other risks
- income earned annually
- buy/sell agreements
- family impact
- taxation of the business

Real estate investors and **doctors** have all of the same variables to consider but they have some added twists. For instance, owners of apartment buildings with swimming pools may face a large liability if someone drowns. Protecting yourself from slip-and-fall lawsuits and other risks inherent in developing and owning real estate is just one aspect of knowledge needed to invest wisely in real estate. Successful business owners often find it advantageous to purchase a building to house their business by setting up a real estate entity that owns the building and leasing it to the existing operating business. This is a common real estate strategy for doctors as well as business owners.

Investing is thought by many individuals to be the only knowledge or by far the main knowledge topic required to manage wealth and make a sound financial plan, but it is only one aspect of the job. Investing is important but the other aspects listed above are often just as important.

Retirement is a mashup of all of the topics previously discussed. To create a smart retirement plan requires knowledge of investing, tax, and the full range of topics mentioned here which may be required or come in handy. ●



studying smallpox epidemics, problems involving simultaneous risks have been solved by doing multi-state modeling.

This simple three-state model illustrated here, when applied by an insurer to the monthly risk of a person dying or stricken ill, can result in more than 50,000 different outcomes over your lifetime, according to independent analysis. For example, you could die in month 240. Or you could go on claim in month 113 and die in month 300. Any number of possibilities could occur and the paths are not all equally likely.

Insuring you can receive long-term care in your older years depends on your personal situation and it requires analysis from a professional. ●

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The Great Inflation of 1965 to 1982. The Great Inflation ended only after Fed Chair Paul Volker in 1979 hiked rates repeatedly to cause a recession that broke the inflation mentality and paved the way for growth cycles in the 1980s and 1990s.

With the series of rate hikes coming up, economic and stock market uncertainty and a long, hot summer are in the forecast. In this period of high anxiety about a possible recession, we are here to help.

Turmoil in the world, economic setbacks, and financial volatility can spark financial fear and anxiety in moments like this. This is a reminder that the most important thing you can do is talk about it with a professional.

According to Dr. Murtha, personal financial fear has the power to evoke a full spectrum of human emotions, from panic to irrational exuberance and everything in between.

"Fear is the most influential of all emotions," he says. "Financial fear and anxiety can be chronic conditions if you are paying down a large debt, caring for a family member, living in fear of running out of money in retirement, or facing myriad other uncertainties."

How you experience fear is partly dependent on your brain. The brain's fear center, the amygdala, triggers three reactions to fear – perhaps not surprisingly – all "f words:" fight, flight, freeze.

Fight is an instinct that probably came in handy when humans lived in caves. It is not useful in modern day financial dealings, however. Fighting might make you double down on a bad investment and could cause a bigger loss.

Flight is selling an investment to remove yourself, retreat to safety, and regain control of your situation is another reaction to investment fear. However, you know that you must put up with stock risk to earn long-term returns in your financial plan.

Freezing is another natural reaction in times of rising fear – literally, becoming too afraid to do anything! You are unable to make a decision and find a way out from anxiety.

Talking with a professional is a smart step toward restoring a sense of control and eliminating anxiety.●