



BUILDING *Mi* FINANCIAL FUTURE

Engaged. Connected. Informed. Empowered.

Financial Toolkit





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Introduction

M-O-N-E-Y

For most people, the word “money” conjures up very specific thoughts and feelings – some good, and some, perhaps, not-so-good. What is your relationship with money?

- Is it purposeful and well thought out, or are you more likely to “wing it”?
- What if something unexpected happened? Do you have ample savings in an emergency fund?
- Do you know what questions to ask, what you should do, or how to get started?
- Are you comfortable with the amount of debt you have?
- How is your credit? Do you know your credit score and what affects it?
- When dealing with your personal finances, do you feel uncertain, frustrated or confused?
- Will your loved ones be protected should something happen to you?
- Are you on track to live comfortably in the phase of life when your income is significantly reduced, which some call “retirement”?
- Do you know who to trust or where to turn for answers?
- Like many, are you simply unaware of all you should be thinking about?
- Would you like to be informed, aware, and in control of your financial future?

Addressing these topics and numerous others needs to be part of the plan for your future self and your financial life, today. But how?

Developed to serve you and all Michigan residents, this Building Mi Financial Future toolkit was created to help address your financial questions. Through the collaborative efforts of government and financial professionals from the public, private and non-profit sectors, information contained in this toolkit is designed to provide you with tools and resources to empower you to make better financial decisions while building your financial future.

Become engaged, connected, informed and empowered! Whether you are looking for ideas on how to save for short-term needs or for retirement, or you’re seeking direction on budgeting, credit, debt, protecting your assets, investing, how to avoid identity theft, or health or long-term care insurance, we believe you will find this guide useful as you plan for a secure financial future.

This resource would not have been possible without the support and expertise of the Michigan Association of Certified Public Accountants, LifeGuide 360 LLC, and Michigan State University Extension.

Additional copies of the Building Mi Financial Future toolkit, as well as the Reinventing Mi Retirement toolkit, are available from:

Michigan Department of Insurance and Financial Services

Office of Consumer Services

P.O. Box 30220

Lansing, MI 48909-7720

877-999-6442

This publication is also available electronically at www.michigan.gov/difs

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Trends in Banking

Trends in banking are changing the way many of us utilize personal banking services. The growing availability of online services and the increasing functionality of smartphone apps are transforming banking into an anytime, anywhere experience.

Regardless of whether you prefer paper statements and going to your local bank/credit union branch over online banking and live chats through your smartphone, there are common terms and services associated with banking. To be a more informed and aware consumer, you need to be familiar with these terms and services and whether there are fees or other charges that apply to them.

What to Know

Monthly Maintenance Fees

Know the monthly fee your bank/credit union charges to maintain your account and if they waive the monthly fee if your account meets certain requirements, such as maintaining a minimum balance or using direct deposit for your paycheck.

Online Banking Services

Know what banking services are available to you online. While online services differ between institutions, typical online services include:

- Account balance
- Account activity
- Account statements
- Bill payment
- Message center
- Fund transfers



Note: Most banks/credit unions do not charge a fee for fund transfers between your accounts or transfers to other customers of the bank/credit union. Most charge a fee for fund transfers to and from outside financial institutions.

Mobile Banking

Most banks/credit unions are building out their mobile banking services with new apps that offer greater functionality and ease of use. While this form of banking offers tremendous conveniences, it also presents security challenges for banks/credit unions in authenticating the identity of users logging into their accounts. Be aware of this.

Not all mobile services are created equal. If you are interested in using mobile banking, you may want to compare the mobile services of several banks/credit unions. Reputable third-party reviews are a good starting point.

ATM Usage

While your bank/credit union may not charge a fee when you use their ATMs, using the ATM of another bank/credit union can result in a fee from both banks/credit unions: a fee from your bank/credit union for using another bank's/credit union's ATM, and a fee from the bank/credit union that operates the ATM you used. It's important to know what these fees are. They could be higher than you think.

Overdraft Fees

Banks/credit unions generally charge a fee if you write checks that total more than the balance in your account. You need to know what the charge is, and if there are conditions under which the bank/credit union may reverse the charge. You generally can avoid overdraft charges with optional overdraft protection. Typically, this protection is linked to a savings account or credit card, usually for a fee. Find out what your bank/credit union charges for this protection and what the terms are. Note: if you use a debit card tied to your account, most banks/credit unions won't let you overdraw your account at the point of sale. This helps you avoid overdraft charges. You should contact your bank/credit union if you're interested in this option. You may have to set it up.

Checks and Replacement Cards

If you use traditional paper checks, find out if there are fees associated with check-writing. Some banks/credit unions do not charge for check-writing, while others allow free check-writing up to a certain number of checks per month. Most banks/credit unions charge a fee for ordering new checks. If you use a debit card, some banks/credit unions charge a fee to replace a lost or destroyed debit card.

Interest-bearing Checking

Interest-bearing checking accounts are offered through most banks/credit unions. Many even offer tiered rates if your account meets certain requirements. In most cases, the interest paid on checking accounts is very low. Depending on your needs and preferences, your bank/credit union may offer a higher interest-paying alternative to your checking account.



Where to Turn

If you have questions about your checking account or other type of bank/credit union account, contact the financial institution directly. Should you have a complaint against your financial institution, send your complaint to:

Department of Insurance and Financial Services (DIFS) for state chartered banks and credit unions, 877-999-6442, or online at www.michigan.gov/difs

If your complaint is against a *federal credit union*, send your complaint to:

National Credit Union Administration (NCUA), 800-755-1030, or online at www.ncua.gov

If you have a complaint against a *national bank*, send your complaint to:

Consumer Financial Protection Bureau (CFPB), 855-411-2372, or online at www.consumerfinance.gov

Credit Reports and Credit Scores

What to Know

Credit Reports

A credit report contains information about your credit, bill payment history, and the status of your credit accounts. This information includes how often you make payments on time, how much credit you have, how much credit you have available, how much credit you are using, and whether a debt collector is collecting on money you owe. Credit reports can also contain rental payment information and information on your utilities payments. Certain public records, such as liens, judgments, and bankruptcies, are also included in your credit report.

Credit reports are generated by the three major consumer credit reporting agencies:

- TransUnion
- Experian
- Equifax

You are entitled by law to a free copy of your credit report from each of the reporting agencies once a year. You may request your free credit report at www.annualcreditreport.com

How Credit Reports are Used

Lenders use your credit report to help them decide if they will loan you money, what interest rates they will offer you, or to determine whether you continue to meet the terms of the account. Insurance companies may pull the credit report of an applicant who has applied for a large amount of life insurance. Employers may use credit reports when making employment decisions about you.

Credit Scores

A credit score is a three-digit number calculated from data on your credit report. A complex algorithm called a scoring model is used to compute your credit score. FICO® is the most popular credit scoring provider. FICO® scores are available through the three consumer credit reporting agencies. Your credit score may differ between reporting agencies. While your credit report is available to you without cost, you typically pay a fee to get your credit score.

Calculating Credit Scores

Five categories are used in calculating your score. Some categories affect your score more than others. For example, your credit payment history determines 35% of your score. Listed below are the five categories listed by their percentage weighting in calculating your credit score:

- Payment history: 35%
Have you been making your payments on time? Lenders like to see this.
- Amount owed: 30%
Owing a lot doesn't make you a high-risk borrower, but lower amounts of debt are viewed more favorably by lenders.
- Credit history: 15%
In general, the longer your credit history, the better your score.
- Types of credit: 10%
Is all your debt on credit cards? Lenders like to see a mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans.
- New credit: 10%
If you have opened several credit accounts in a short period of time, this is generally regarded as posing a higher risk to lenders.

How Do I Evaluate My Credit Score?

Here are general guidelines lenders use in evaluating your credit score:

FICO® Credit Score	Rating
751 to 850	Excellent
721 to 750	Very Good
661 to 720	Good
620 to 660	Fair
300 to 619	Needs Improvement

Build a Good Credit History

- Pay your bills on time
- Bring delinquent loans current
- Pay down or pay off credit cards, but don't close them
- Have a good mix of credit
- Don't open a lot of new credit lines in a short period of time
- Check your credit report at least once a year at www.annualcreditreport.com

Factors That Affect Your Credit Score

- Late payments. It takes about 24 months to restore credit from late payments.
- Derogatory information. This includes bankruptcies, foreclosures and tax liens.
- Credit cards with no available credit. Maxed-out cards can lower your score.
- Opening multiple new accounts in a short period of time.
- Closing revolving accounts with long history. Try not to do this. Reducing your credit history can lower your credit score.
- Lowering credit limits on existing revolving credit lines. Try not to do this. It may increase your balance-to-available credit ratio which will, in turn, lower your credit score.

Where to Turn

For More Information and Resources:

- Building a Better Credit Report (Source: FTC) – <http://www.consumer.ftc.gov/articles/pdf-0032-building-a-better-credit-report.pdf>
- Credit Reports: What You Need to Know? (Source: eXtension.org) – <http://www.extension.org/pages/25271/credit-reports:-what-you-need-to-know#.VZGHUEZcKzw>
- Power Pay – online, free debt consolidation simulation (Source: Utah State Extension) <https://powerpay.org/>
- Sample Letter for Disputing Errors on Your Credit Reports (Source: FTC.gov) – <http://www.consumer.ftc.gov/articles/0384-sample-letter-disputing-errors-your-credit-report>



Ways to Pay Off Credit Card Debt

What to Know

Credit cards are a convenient way to make both large and small purchases. They can also lead to a significant amount of debt. If you have high balances on two or more cards, below are three strategies to help you to pay them off.

What to Do

Create a Spreadsheet or Chart

Use the following labels for six columns. From left to right:

1. Credit Card Issuer
2. Interest Rate
3. Balance
4. Credit Limit
5. Credit Utilization Ratio (Balance / Credit Limit = Ratio)
6. Minimum Payment

Next, add one row for each credit card on which you owe, and fill in the columns for each one. Once your chart is complete, read through the following strategies and select the one that's right for you.

Strategy 1: Pay Off the Smallest Balance First

This approach builds "pay-off momentum." Note: Online calculators can help you calculate pay-off dates given certain payment amounts.

1. List your credit cards from lowest balance to highest.
2. Pay only the minimum payment due on the cards with larger balances.
3. Pay additional on the cards with the smallest balance.
4. When a card is paid off, apply additional payment to the card with the next smallest balance.

Strategy 2: Pay Off the Highest Interest Rate First

This is the best dollars-and-cents approach.

1. List your credit cards from highest interest rate to lowest.
2. Pay only the minimum payment due on cards with lower interest rates.
3. Pay additional on the cards with the highest rate.
4. When a card is paid off, apply additional payment to the card with the next highest interest rate.



Strategy 3: Pay Down the Debt That Helps Your Credit Score the Most

This approach improves your credit score and potentially reduces your future borrowing costs by paying down cards with the highest credit utilization ratios. For example, a credit card with a \$4,000 balance and a \$10,000 credit limit has a 40% credit utilization ratio. A ratio below 30% is recommended.

1. List your credit cards from the highest credit utilization ratio to the lowest.
2. Pay only the minimum payment due on credit cards with lower ratios.
3. Pay additional on the cards with the highest credit utilization ratio.
4. When a card is paid off, apply additional payment to the card with the next highest utilization ratio.

Other Things You Can Do

Balance Transfer

While making timely payments on your credit cards is important, if you're unable to pay the balance off in full every month, only making minimum payments, you may want to shop around for long-term, low or zero-percent interest rate transfer opportunities. Keep in mind that many zero-percent or low interest offers may only last for a limited time, after which the interest rate and payment may increase. There may also be charged fees, such as a "balance transfer fee," which is usually a certain percentage of the amount transferred. As a result, the new card could end up costing you more in fees and interest.

Talk to the Credit Card Issuer

The issuer may be willing to waive fees, reduce interest rates, or accept lower minimum monthly payments.

Where to Turn

Questions or requests related to your credit cards should first be made to the card issuer. Consulting with a non-profit or credit counselor may be another option.

- For additional information or to file a complaint against a credit card company contact the **Consumer Financial Protection Bureau** (CFPB), 855-411-2372, or visit www.consumerfinance.gov.

EXTRA

The Federal Trade Commission reported approximately 82 million U.S. consumer records were exposed through data breaches.

Be on the lookout for a wireless camera disguised to look like a leaflet holder that may be mounted in a position to view ATM PIN entries. The thieves copy the cards and use the PIN numbers to withdraw thousands from many accounts in a very short time directly from the bank ATM.



Managing Student Loans

What to Know

Student loans can take a decade or longer to pay off. This seemingly endless obligation can create financial stress and even influence how you make major life decisions. Effectively managing your student loans can help relieve your stress and financial burden while protecting your credit.

What to Do

Know What Is Owed

Check the National Student Loan Data System to find a complete inventory of all your federal student loans. You may want to create a spreadsheet of these. Note: You will need your Federal Student Aid PIN to access your information. If you have private student loans, pull a copy of your credit report. Your report will show the loans you have with private lenders. Add these to your spreadsheet. The combined inventory of your loans will give you a wide-eyed overview of your total loan obligations.

Pay Off Loans With the Highest Interest Rate First

If you are able to pay off one or more of your student loans ahead of schedule, start with the loan with the highest interest rate. Generally, these will be loans you have with private lenders.

Keep Lenders Up to Date

Lenders send out a lot of important information you don't want to miss. Keep your loan servicers up to date with your contact information, including your email address.

Options to Consider

Federal Student Loan Consolidation

If you have federal student loans, especially older, nonconsolidated loans with a variable interest rate, you may want to consider consolidating your loans. By consolidating your loans, you may be able to extend loan repayment from the 10-year standard to 15 or even 30 years.

A loan consolidation also means a predictable payment. Note: lengthening the repayment schedule on your loans may result in higher total costs over the long term.

Income-Driven Repayment Options

Income-driven repayment plans may make it easier for you to make payments on your federal student loans if your debt is high compared to your income. The three main plans are Income-Based Repayment (IBR), Pay As You Earn, and Income-Contingent Repayment (ICR). Your payment amount is based on your income. As your income, family size, or state of residence change, so will your monthly payment amount. To remain eligible, you will need to reapply each year and provide verification of your income. If you reapply each year and qualify, you may have reduced monthly payments for up to 25 years, and any remaining balance may be forgiven. However, you may be required to pay income tax on the amount that's forgiven. Note: Income-driven repayment options generally charge higher interest rates than other types of student loans.

Federal Student Loan Rehabilitation

If you are delinquent on your federal student loan(s), you may want to consider student loan rehabilitation. You'll need to contact the loan servicer (or collection agency) to arrange new payment terms. The loan servicer is obligated to offer a repayment term that is "affordable and reasonable." If you meet the terms and conditions

of the rehabilitation agreement and your loan is rehabilitated, your credit report will no longer reflect the poor payment history and the loans will show a current status.

Public Service Loan Forgiveness

This is a federal program that forgives the student debt of people working in government, nonprofit, and other public services. Additional loan forgiveness programs are available for borrowers working in certain fields like public education or public library services, early childhood education, military service, and emergency management. To be eligible, you must have made 120 months of on-time payments and meet the employment requirements. This program only applies to federal loans.



Where to Turn

If you have questions related to your student loan payments, you should first contact the lender directly to try to resolve any issues with them and/or request any special payment accommodations.

For additional information on repaying your student loan or if you have a complaint against a student loan company, you can contact the following regulators:

- **Student Financial Services Bureau**, Michigan Department of Treasury, 517-373-4897, or online at www.michigan.gov/mistudentaid
- **Department of Insurance and Financial Services** (DIFS), 877-999-6442, or online at www.michigan.gov/difs
- **Consumer Financial Protection Bureau** (CFPB), 855-411-2372, or online at www.consumerfinance.gov

Other Helpful Sources

The National Student Loan Data System at <https://www.nslds.ed.gov/npas/index.htm>

Free credit report at <https://www.annualcreditreport.com>

Qualifying for a Mortgage

Purchasing a home and taking out a mortgage may be the biggest investment you'll ever make. Here are some great tips to help prepare for the process.

What to Do

Plan Ahead

The most common factors that hurt your ability to get a mortgage are:

- Low credit score
- Inadequate income (documented income)
- Not enough savings
- High debt-to-income ratio

You'll need to look at these factors and address any shortfalls well in advance of applying for a loan. This may mean waiting several months or even a year or two before you apply.

Your Credit Score

As a matter of course, lenders look at your credit report and credit score. Regardless of the lender, the higher your credit score, the better the financing. So review your credit report and look for inaccuracies. Inaccurate information can affect your score. You can request a free copy of your credit report at www.annualcreditreport.com. If you find inaccurate information, contact the credit bureau that is showing the erroneous information.

If you have derogatory information on your credit report, develop a plan for improving your report. This may mean paying down credit card debt and other installment loans. If you have a loan on a depreciating asset like a recreational vehicle, you may want to consider selling it to eliminate the debt altogether. If you have payment delinquencies of 30 days or more, start making timely payments. After a several month period, your credit score will begin to improve.

Your Income

Your income level is used to determine how much house you can afford. The stability and dependability of your income is also a factor. Evaluate your sources of income. Earned income from salary and wages is generally viewed more favorably by lenders than income from tips and commissions. If your income is mostly from sources regarded to be less reliable, you may be required to have a larger down payment, or look for a home that is less expensive.

Your Savings

You will likely need a down payment. While the Federal Housing Administration (FHA) allows borrowers to put down as little as 3.5% of the purchase price, conventional mortgage loans usually require a down payment of 10% to 20%. Although you can now write off Private Mortgage Insurance (PMI) on your tax return, putting 20% down on a mortgage avoids PMI altogether.

Lenders like to see bank statements that show you've been accumulating savings for a down payment over an extended period of time. Large, one-time deposits into your savings account are viewed less favorably and may raise questions.



Your Debt-to-Income Ratio

Your debt-to-income ratio (DTI) is a representation of your cash flow. It shows lenders what percentage of your gross monthly income is spoken for to pay your fixed expenses. A high debt-to-income ratio is viewed negatively by lenders because it means less “wiggle room” between your monthly debt and income.

Calculation: $\text{Monthly Debt Payments} \div \text{Gross Monthly Income} = \text{DTI}\%$

Your DTI ratio is the total of your mortgage interest, principal, insurance payment, property taxes; all recurring debt payments, such as auto loan/lease payments and credit card payments, divided by your gross monthly income. The generally-accepted recommendation is for a ratio of 36% or lower.

Housing Cost Ratio

Another ratio lenders look at is your housing cost ratio (HCR). Lenders typically require home loan applicants to have a housing expense ratio of 28% or lower. Why? Because the lower the ratio is between your housing costs and your gross monthly income, the higher the probability that your home is affordable. This applies to existing homeowners, too. The generally-accepted recommendation is for a ratio of 28% or lower.

The housing cost ratio is your total mortgage interest, principal, insurance payment and property taxes divided by your gross monthly income.

Calculation: $\text{Mortgage Payment} \div \text{Gross Monthly Income} = \text{HCR}\%$

Other Things to Do

Understand How the Process Works

A mortgage loan may be the largest loan you'll ever obtain. You should do as much research on the process as possible. Three good sources for information about a loan are:

www.michigan.gov/difs

www.hud.gov

www.consumerfinance.gov/

Know How Much House You Can Afford

Use an online “Mortgage Calculator” to get a rough estimate of what you may be able to afford. Your loan officer will determine how much you can actually afford, as there are other factors they take into consideration besides the monthly payment. Once you have arrived at a loan amount, your loan officer will issue you a preapproval letter so you can start shopping for a home.

Where to Turn

Other valuable sources for information:

www.consumerftc.gov

www.freddiemac.com

www.zillow.com

www.bankrate.com

www.mortgagecalculator.org

Protecting Your Identity in a High-Tech World

What to Know

What is Identity Theft?

Identity theft occurs when someone uses the personal identifying information of someone else to pose as that consumer in order to fraudulently obtain goods or services in the victim's name.

We are all potential victims of identity theft. Knowing what scammers are looking for, how they get our personal information, and what we can do to protect ourselves will help reduce our vulnerability to scammers.

What Information are Scammers Looking For?

Any of the following personal identifying information can be used by scammers:

- Social Security number (SSN)
- Birth date
- Address
- Driver's license number
- Bank account number
- Credit card number

Note: With one or two pieces of information, scammers can often get other information about you.

How do Scammers Get My Information?

It is important for you to keep all your identifying information confidential; however, things happen that allow scammers to get your identifying information:

- Lost or stolen wallet
- Theft by family or friends
- Dumpster diving - obtaining personal information from the trash
- Stolen mail
- Buying it from a corrupt insider at a bank, hotel, car rental agency, etc.
- Data breach - an incident in which an individual's name plus a social security number, driver's license number, medical record or financial record (credit and debit cards included) is potentially put at risk because of exposure
- Skimming - occurs when scammers place a device on an ATM, gas pump or other point-of-service device and electronically copy transmitted data on the magnetic strip of a credit card to enable valid electronic payment authorization to occur between a merchant and the issuing financial institution.

Social Networking

Social networking sites (e.g., Facebook, Instagram, Twitter), chat rooms, virtual worlds, and blogs have become the "new normal" when socializing with our friends. However, it is important to learn how to navigate these spaces safely.



What to Do

Protect your personal identifying information.

- Do not carry your Social Security card.
- Keep documents locked (paper) and secure (online).
- Protect smartphones/devices.
 - Increase the security configuration of the smartphone before using it. Security settings are often set at the lowest level by default.
 - Run firewall and anti-malware software.
 - Use caution when surfing the internet and opening email. If you do not know the sender, do not open the email, click on any links or open any attachments. Because text is small and often wraps, it is easier to overlook something, so be even more careful.
 - Make sure to set up a password on your smartphone to prevent others from accessing its data or making unauthorized telephone calls.
 - Only download files from trusted websites. Malware on a phone can steal information, account credentials, or infect your computer when you synchronize.
- Be careful of what you share.
 - Before sharing your SSN, ask questions.
 - Make sure you verify the source requesting your SSN.
- Practice cyber safety.
 - Use strong passwords.
 - Beware of email phishing scams. Phishing is the online scamming of your financial information by posing as a legitimate company.
- Safely dispose of personal identifying information.
 - Shred confidential documents before discarding in trash.

Where to Turn

If you think you are a victim of identity theft:

1. Contact the credit reporting agencies to place a fraud alert.
2. Close accounts that have been accessed.
3. As a precaution, change your passwords on other accounts.
4. Call the Michigan Attorney General to file a complaint.
5. File your complaint by phone or online at www.ftc.gov. You will receive an ID Theft Affidavit.
6. File a police report. When you attach the ID Theft Affidavit to the police report, this becomes an Identity Theft Report. This is necessary for providing persuasive evidence of theft when disputing debts.

For additional information visit:

www.michigan.gov/difs
www.michigan.gov/AG
www.ftc.gov

EXTRA

In a report by the Federal Trade Commission, American consumers reported losing over \$1.6 billion to fraud. The FTC reported approximately 82 million U.S. consumer records were exposed through data breaches. Be on the lookout for skimming devices cleverly disguised to look like normal ATM equipment. A “skimmer” is mounted to the front of the normal ATM card slot that reads the ATM card number and transmits it to the criminals sitting in a nearby car. Another piece of equipment used to capture your ATM card number and PIN is a wireless camera disguised to look like a leaflet holder that may be mounted in a position to view ATM PIN entries. The thieves copy the cards and use the PIN numbers to withdraw thousands from many accounts in a very short time directly from the bank ATM.

Getting Married? Tips on Combining Finances

What to Know

One way to help make your marriage work is to make the household finances work. This means that the two of you need to agree on how to combine or coordinate your new household's accounts and debt. And while a constructive conversation about household finances may not be the most romantic interaction you can have, it does contribute to the well-being of your marriage.

What to Do

Request a free copy of your credit reports at www.annualcreditreport.com

Think of your credit report like an ongoing report card of your use, management, and payment discipline of loans, liabilities and obligations like utility bills, car loans, and credit card payments. It may be worthwhile to get credit scores through one of the three credit bureaus: www.transunion.com, www.equifax.com, or www.experian.com. With this information you can objectively evaluate your finances and identify the strengths and any weaknesses in the reports, such as high amounts of debt or a history of late payments.

List all sources of income and expenses

All pay stubs, account statements, monthly bills and debt obligations need to be disclosed and listed. With this information you can develop a budget for handling monthly expenses and plan corrective action for any debt-related issues.

Open a joint checking account to pay for household expenses

If neither of you has credit-related problems, then both of your names can be on the account.

If one of you has poor credit, you may choose to have your account in only one name.

Decide who is going to pay for what

Option 1: "All for One and One for All"

You may decide to combine incomes and treat all expenses and debt obligations as one.

Option 2: "Pick and Choose"

You may agree to assign certain payments to one or the other. For example, if one of you owned a home prior to the marriage, then that spouse may want to continue paying the mortgage. If one of you has student loans or credit card debt that existed before the marriage, that spouse may feel it's their responsibility to pay off those debts themselves.

Option 3: "Income-based"

Another way to address finances is to pay ongoing expenses based upon income. For example, if one of you has earned income that equals 60% of household income, then that spouse would be responsible for 60% of household expenses.

Discuss the relationship each of you has with money

If one of you is a big spender and buys on impulse, the two of you need to discuss the potential negative consequences of this behavior and arrive at a workable solution.

Consider opening a savings account for an “emergency or rainy day fund”

As a couple, one goal should be to have enough in this account to handle an unplanned event or emergency. Three months of earned income is generally recommended; but, the stability and dependability of your combined income should be taken into account when deciding on how much is enough. The two of you can arrive at a monthly amount to save that is affordable and sustainable.

Update your beneficiaries

If you have IRAs, annuities and life insurance policies, you may want to review and update the beneficiary information. If you participate in an employer-sponsored retirement plan, you’ll need to name your spouse as the beneficiary.

Take care of your future selves now

Be sure to contribute to your employer-sponsored retirement plan and/or IRA. Every dollar saved now may provide you with several dollars you can use to maintain your dignity and lifestyle during your retirement years. For employer-sponsored retirement plans, it’s generally recommended that you contribute a minimum of 15% of your combined gross pay, or the maximum amount allowed by the IRS.

Where to Turn

www.michigan.gov/difs

www.annualcreditreport.com

www.transunion.com

www.equifax.com

www.experian.com



Money and Marriage: Let’s Talk About It

Financial matters are one of the top reasons for conflicts in a marriage. If you’re not on common ground on money management, you’ll have unstable ground in your marriage. You don’t have to view and manage money in the same way, but it’s important to understand and feel comfortable with your differences.

Money issues can be especially complex for older couples who are getting married. You and your partner likely have ingrained money habits that could be quite similar or hugely different. You may have wide disparities in your debts and assets. You may have children from a previous relationship and want to make special allowances for them.

For example, when marrying for the second time, one partner may want to ensure his or her grown children inherit life insurance proceeds left by a deceased previous spouse. There are various legal structures to consider in this case, such as setting up a trust for the children or using transfer-on-death provisions. Discuss a prenuptial agreement, which can also be a useful tool in situations where there are children from a previous relationship or one partner has substantially more assets. An attorney can provide appropriate advice on these kinds of situations to help make sure everyone’s wishes are honored.

Sometimes one member of the marrying couple owes back taxes, and the other does not want to be liable for the obligation. In that situation, it is recommended to use the “married, filing separately” option allowed by the IRS and to keep finances separate until the back taxes are resolved.

Couples often benefit from discussing money matters like these with a trusted financial advisor. The advisor can serve as an objective, third-party who provides expertise while keeping the conversation focused, positive, and less emotional.

Money is a very personal and emotional topic, but so is marriage. If you hope to share the rest of your life with someone, get started on a solid footing with a clear understanding of your financial life together.

Planning for Your Child's College Education

What to Know

While it's never too late to start saving for your child's college education, it's never too early either. To help you save, Michigan offers four options:

- **529 Basics**

A 529 plan is a tax-advantaged college savings/investment plan designed to encourage saving for the future higher education expenses of a designated beneficiary (typically one's child or grandchild). The plans are named after Section 529 of the Internal Revenue Code and are administered by state agencies and organizations.

There are two types of 529 plans: prepaid tuition plans and savings plans.

- **Prepaid Tuition Plans** allow for the pre-purchase of tuition based on today's rates and then paid out at the future cost when the beneficiary is in college. Performance is often based upon tuition inflation. Prepaid plans may be administered by states or higher education institutions.
- **Savings Plans** are different in that your account earnings are based upon the market performance of the underlying investments, which typically consist of mutual funds. Savings plans may only be administered by states.

- **Michigan Education Trust (MET)**

The Michigan Education Trust (MET), Michigan's guaranteed tuition program, allows parents, grandparents, or others to purchase future college tuition at today's rates. With tuition rates likely to continue rising, MET provides a way for individuals to avoid rising tuition rates.

- **Michigan Education Savings Program (MESP)**

The Michigan Education Savings Program (MESP) is a savings/investment program designed to assist families with preparing for higher education expenses. A child's parents or others can open an account for the child/beneficiary. The MESP account then can grow through regular contributions and investment growth.

- **MI 529 Advisor Plan (MAP)**

The MI 529 Advisor Plan provides Michigan residents with a way to invest in a 529 college savings program utilizing the expertise of a financial advisor. The MAP offers a variety of unique benefits that set it apart from other 529 plans in the country.

- **Student Financial Aid**

Student financial aid consists of any source of funds available to students and their families to pay for the cost of any postsecondary education. The main sources of student financial aid are the federal government, state government, institutions (colleges and universities), and private sources such as associations, foundations, employers, and unions. Student Scholarships & Grants (SSG) administers approximately 100 million dollars in scholarship and grant money to help Michigan students pay for college.

What to Do

Look into ways to help reduce the cost of your child's college education. For example:

- Many high schools offer college classes. The more credits your child can earn before entering college, the better. Check with your child's high school guidance counselor.

- Consider a community college for the first year or two. Tuition is generally less expensive than a four-year institution.
 - Make sure course credits are transferrable to the college your child plans to attend later.
 - Pay cash. This allows any college saving plans you have to continue to grow.
- Buy used books or check online for textbooks selling at a substantial discount to those in the college bookstore.
- Look into cooperative education programs which allow your child to alternate between working full time and studying full time. These programs are not based on financial need.
- Apply for scholarships every year.
- See if your child qualifies for merit-based aid.

Where to Go

- For additional information about MET, call 800-MET-4-KID (800-638-4543) or visit www.setwithmet.com.
- For additional information about MAP, call 866-529-8818 or visit www.MI529Advisor.com.
- For additional information about MESP, call 1-877-861-MESP (1-877-861-6377) or visit www.misaves.com.
- For more information about Student Scholarship and Grants, contact SSG by calling 1-888-4-GRANTS or visit www.michigan.gov/ssg.

When to start saving?

When should you start saving for your kid's college? In short, the sooner the better. The earlier you start, the sooner you can take advantage of the compounding effect of time on your investment. For example, assuming an annual return of 6%, to reach a saving goal of \$100,000 when the child reaches 18, you need to invest \$256 a month if you start right after your child is born. However, if you wait until the child is 8 years old, then you would need to invest \$607 a month. With some investment options, such as a 529 plan, you can start saving for your kid's college even before they are born.

That said, it's never too late to start saving either, even if college is just a year or two away. You can still get the tax benefits many college saving vehicles offer. In addition, it is less expensive to save for college than to borrow. When you save, the money earns interest. When you borrow, you pay the interest. Remember, every dollar you save is one dollar less you have to borrow. Just one catch if you start late – you may need to consider taking a more conservative investment approach, because your saving has less time to recover from a market downturn.

Another college saving strategy is saving regularly. Paying for college is like paying for any big-ticket purchase. For most people, setting up a payment plan where you set aside an affordable amount of fund regularly, is much easier than making a big contribution at one time. Regular contributions, however modest, can add up over time. Investing the same dollar amount regularly is also an effective investment strategy to weather through the market ups-and-downs, and may help lower the average cost of your investment. Setting up an automatic monthly contribution plan is a good way to build your discipline in saving regularly.



Financial Advisors: An Overview

Working with a financial advisor (FA) can have a tremendous impact on your financial well-being. Knowing what type of FA is right for your needs and preferences is important. But what's the difference between an agent, a registered representative, a registered investment advisor, an investment executive, a wealth manager and a financial planner? Most investors don't know. This section unlocks the mystery by providing an overview of the three most popular types of FAs, the products and services they provide, how they are compensated, and the "standard of care" they are held to in the handling of client/customer accounts.

Insurance Agents

Insurance agents are in the business of recommending and selling insurance and insurance-related investment products to their customers. In general, there are two broad categories of insurance agents: independent agents who represent several insurance companies and exclusive agents who represent only one insurance company. In both categories, the agent acts as a representative or "agent" of the insurance company when dealing with customers.

Regulation and Oversight

Insurance agents are regulated by the state(s) in which they do business. Agents who sell mutual funds or variable annuities are also regulated by the Financial Industry Regulatory Authority (FINRA).

Legal Titles

Insurance agent, producer, producing agent

Non-legal Titles

Advisor, financial planner, financial advisor

Example Products Offered

- Fixed, indexed, and variable annuities
- Cash value, term, universal and variable life insurance
- Long-term care insurance
- Disability insurance
- Mutual funds (if properly licensed)

Compensation

Compensation is generally commission-based. The above-referenced products are examples of products that generally pay a sales commission to the agent/advisor. Note: Certain insurance products allow the agent to opt for an ongoing fee instead of an up-front commission.

Registered Representatives / Brokers

Brokers are legally referred to as registered representatives, meaning they are properly licensed and registered to buy and sell securities for their customers through the company they represent. The company is known as the broker/dealer. Brokers typically earn a commission when buying and selling securities inside their customers' accounts.

Registered representatives must have all buys and sells approved by the account owner before the transaction can take place. This type of account is known as a "non-discretionary" account. This is why registered reps or "brokers" are always on the phone with their customers making buy and sell recommendations and confirming approval for each transaction.

Standard of Care: “Suitability”

The suitability standard means that the registered rep/broker has a regulatory obligation to have a “reasonable basis for believing” that the recommendation or strategy is suitable for their customer based on their needs, financial situation, investment objective, risk tolerance, etc.

Regulation and Oversight

Registered reps/brokers are regulated by the state securities regulators in each state in which they do business. They are also regulated by FINRA and the Securities and Exchange Commission (SEC).

Legal Title

Registered Representative

Non-legal Titles

Stockbroker (broker), financial consultant and wealth manager

Example Products/Investments Offered

- Individual stocks and bonds
- Mutual Funds
- Exchange-traded funds (ETF)
- Initial Public Offerings (IPOs)
- Annuities and other insurance-related products - if licensed

Compensation

Compensation is generally commission-based. The above-referenced products are examples of products that typically pay a sales commission to the registered representative.

Is a Registered Rep or “Broker” Right for You?

The answer could be “yes” if you agree with most of the following:

- You’re only interested in “buy” and “sell” recommendations from your broker.
- You have above-average investment knowledge and experience, and you like being involved with your broker in making investment decisions.
- You want to authorize each buy or sell in your account prior to execution.
- You typically “buy and hold” your investments.
- You trade infrequently.
- Paying a fair commission is an acceptable way to compensate your advisor.

Registered Investment Adviser

Registered investment adviser (RIAs) provide ongoing advice to their clients. In general, RIAs use the same investments offered by the registered representative. But instead of buying and selling investments for a commission, investments are managed for an advisory fee.

A RIA can be a stand-alone independent firm or part of a large financial institution. Advisors who provide advice to their clients through their financial institution’s RIA, are referred to as investment advisor reps (IARs). Most large full-service brokerage firms have a registered broker/dealer unit and a registered investment advisor.

If properly licensed, a financial advisor can be a registered representative, an investment advisor representative and even an insurance agent all at the same time. This is referred to as being “dually licensed,” and is common among financial advisors working at large brokerage firms.

Standard of Care: “Fiduciary”

RIAs and IARs have a duty of loyalty and are obligated to act in the best interests of their clients without regard to their financial interests or other interests they may have. This is referred to as a “fiduciary” standard of care. Any conflicts of interests must be fully-disclosed up front. It is the highest standard of care in the financial services industry.

Unlike “non-discretionary” transactions that require registered representatives to have all transactions approved by the customer prior to execution, RIAs may transact business on a “discretionary” basis. This means they have authority and approval to buy and sell securities and to make other investment-related decisions on behalf of their clients without receiving prior approval. Granting discretion to the advisor is part of the advisory agreement and must be plainly spelled out.

Regulation and Oversight

RIAs are regulated by the State securities regulators or the SEC, depending on the size of the RIA.

Legal Title

Registered investment advisor (RIA) or investment advisor representative (IAR)



Example Products/Investments Offered

- Mutual fund “wrap” (fee-based) accounts
- Separately managed accounts or SMAs through outside investment management firms
- Individual stocks
- Individual bonds
- Exchange-traded funds (ETF)

Compensation

- Asset-based fee (a.k.a. advisory fee) typically stated as an annual percentage based upon the value of the account
- Flat dollar amount based upon the size of the account or the complexity of the account
- Hourly rate billed monthly or quarterly
- Project retainer fee/monthly subscription

Is an RIA or IAR Right for You?

The answer could be “yes” if you agree with most of the following:

- You require or want ongoing advice
- You require or you are more comfortable with the fiduciary standard of care
- You require or want comprehensive reporting and performance measurement
- You require or want the advisor to make investment transactions on your behalf without you having to authorize each transaction
- You are required to pay, or prefer to pay, a fee for services

Note: If you are a trustee or guardian who is responsible for the oversight and monitoring of investments for an individual, organization or other entity, you may be required to work with a RIA or IAR who is obligated to the fiduciary standard of care.



General Comparison

Item	Registered Representative	RIA or IAR
Other titles	"Broker," "Wealth Manager," etc.	"Advisor"
Transactions	Non-discretionary trading	Discretionary trading
Compensation	Commission-based	Fee-based
Standard of Care	Suitability	Fiduciary

Financial Planners (non-legal term)

"Financial planner" is not a legal term. It's a description. In general, financial planners are in the business of developing comprehensive financial plans for their clients. So an insurance agent, a registered rep, and a registered investment advisor can all be "financial planners" within the scope that their licensing permits.

Are Other Financial-Related Services Right for You?

While investment management is the primary service provided by most registered reps/brokers, RIAs and IARs, many are credentialed experts who offer other important financial-related services. These can include:

- College planning
- Financial planning
- Insurance planning
- Tax-efficient investment strategies
- IRA/retirement plan withdrawal strategies
- Legacy and generational planning
- Special needs planning
- Post-divorce planning

If you'd like one-stop access to these types of services through your financial advisor, make sure your advisor has the expertise to provide them to you. Just because your advisor has the ability to generate a plan or report through their brokerage/advisory firm doesn't mean your advisor is an expert. Having an advisor with specialized training may be important to you.

Professional Designations

Some advisors choose to take specialized coursework in order to earn a professional designation. But not all professional designations are created equal. Some require rigorous coursework over a several-month or several-year period, while others can be acquired more easily. To evaluate a professional designation, follow the checklist below. It only takes a few minutes to do, and the information will help you determine whether the designation has any value or application to your financial situation.

- Visit the website of the organization issuing the designation
- Know the prerequisites and coursework for obtaining the designation
- Know the continuing education requirements
- Know if an investor complaint or public disciplinary process exists
- Know if the designation has third-party accreditation

Some states require designations to be accredited in order to be used in their state. For more information on professional designations, you can visit the FINRA website at www.finra.org, Tools & Calculators, Understanding Professional Designations.

Finding Mr. or Ms. “Right”

Where do you start looking for the right financial advisor for you? Sources for finding financial advisors to interview include:

- Brokerage/advisory firm websites. These websites allow you to locate a branch office in your area. Typically, the branch office website posts the bios and credentials of the brokers/advisors in that office.
- Organizations that issue professional designations. To learn about professional designations, visit the FINRA website at www.finra.org and click on Tools & Calculators, then Understanding Professional Designations. If you think a particular professional designation may be of value to your financial situation, visit the website of the issuing organization. Typically these websites allow you to search for designation holders in your area.



Building Your Net Worth

What to Know

Calculating your net worth is easy: $\text{Assets} - \text{Liabilities} = \text{Net Worth}$. But your net worth is more than a number. It represents the relationship between four factors:

1. Your Income
2. Your Monthly Expenses
3. Your Assets
4. Your Liabilities

To build your net worth, you need to be in control of all four of these factors.

What to Do

Review the stability and dependability of your earned income

To build your net worth, first evaluate the stability and reliability of your earned income (e.g. your wages, salary and bonuses if applicable). If you plan to build your net worth based on overly-optimistic expectations of salary or wage increases, or the sustainability of a second job, you may fall short on meeting your wealth-building goal. How stable and dependable is your current and near-term income?

Reduce your monthly expenses

In simple household terms, there are basically four types of expenses: fixed (“have to”), variable (both “have to” and “want to”), discretionary (“want to!”) and extraordinary (Murphy’s Law):

- **Fixed expenses** typically include **necessities** like your mortgage or rent payment, utilities, loans and lease payments, and other fixed monthly expenses.
- **Variable expenses** generally include things like gas, car maintenance, certain utilities, groceries, clothing, school supplies and personal care.
- **Discretionary expenses** generally include things like specialty groceries and coffee shops, dining out, movies, theatre, concerts and club memberships.
- An **extraordinary expense** is the **unplanned** expense like a major car repair or a medical emergency.

To get a handle on where your dollars and cents go, track your spending over a two-month period. Tracking your spending will help you identify the difference between “have to” spending and “want to” spending that when combined create a spending pattern that may impair your ability to build your net worth through a financially healthy and disciplined approach to saving and investing.

Acquire assets that are more likely to provide income or appreciation potential over the long term

What you own is called an “asset.” But not all assets are created equal. Some types of assets are more likely to help build your net worth over the long term, while others may actually reduce your net worth. For example, assets with income or appreciation potential may help build your net worth. Examples include: bank certificate of deposits, treasury notes and bonds, real estate, individual stocks and bonds, exchange traded funds, and mutual funds. Assets that may negatively affect your net worth over the long term are assets that are more likely to depreciate in value. Examples include all sorts of material wealth items with a limited life span like electronic equipment, cars, boats, snowmobiles and jet skis.

Maximize contributions to IRAs and employer-sponsored retirement plans

IRAs and retirement plans are great ways to accumulate assets with income or appreciation potential. For employer-sponsored retirement plans, it's generally recommended that you contribute a minimum of 15% of your gross pay or the maximum amount allowed by the IRS. Many employers offer matching contributions. This "free money" may contribute significantly to the building of your net worth over the long term. Any employer match is a 100% return on your contributed money and it doesn't get any better than that!

Reduce your liabilities

What you owe is called a debt or "liability." You create a liability when you decide to borrow money or use a line of credit like a credit card. A liability isn't payable immediately. Instead, it is typically payable at a future date or over a longer time period with periodic payments. Some liabilities can act like a boat's anchor that drags along a lake's bottom, slowing down your ability to build and grow your assets.

Like assets, not all liabilities are created equal. The types of things you have loans against can affect your net worth over the long term. For example, loans on assets that have the potential to appreciate in value, or a loan for college or trade school are different than from loans used to purchase depreciating assets or whose value declines with age. For example, having a loan on a jet ski which is likely to depreciate in value, is different from having a loan on a new home in a growing community, which is different from having a student loan for trade school which may result in you earning a higher lifetime income.

When you swipe your credit card you create a liability. Strive to pay off the full balance on your credit cards each month, if possible.

Final Notes

- Your net worth will naturally fluctuate. Market-related factors may significantly increase or decrease the value of your assets, especially over the short term.
- Reducing your debt will have a positive effect on your net worth, and taking on new debt will have a negative effect.
- Calculate your net worth annually and track your progress.

Where to Turn

For more information on building your net worth, budgeting, credit and debt, visit the Michigan State University Extension website <http://msue.anr.msu.edu/program/info/mimoneyhealth>

Michigan State University Extension helps people improve their lives by bringing the knowledge resources of MSU directly to individuals, communities and businesses.



The Health Insurance Mandate: Get Covered or Pay a Penalty

What to Know

Health insurance, or health coverage, helps pay for doctor visits, hospital services and medications. You may get health coverage through:

- Your employer
- A government program like Medicaid, Medicare or Veterans Health Care program
- A health insurance company directly
- A health insurance plan chosen on the Health Insurance Marketplace (www.healthcare.gov)

The coverage your plan offers will determine what doctors and hospitals you can use and how much you have to pay. Check with your insurance company to better understand what services and doctors your plan will pay for and how much each visit will cost (your copay).

Health Coverage Requirement

The “individual mandate” provision of the Patient Protection and Affordable Care Act (ACA) requires that people obtain health insurance or pay a federal tax penalty.

If you currently have coverage from Medicare, Medicaid, through your employer, or you purchase coverage for yourself, you are considered covered and will not pay a tax penalty. Furthermore, you may be exempt from paying the penalty for not having coverage if you have a financial hardship or if it would cost more than 8% of your income to purchase coverage.

For more information on the health coverage requirement, visit: www.healthcare.gov/taxes or www.irs.gov/aca.

What to Do

Tips on How to Shop for Health Insurance

Health insurance for individuals and families is only sold during an annual open enrollment period. You can shop for coverage in the Health Insurance Marketplace (www.healthcare.gov) or outside in the overall market. The Health Insurance Marketplace is a website where individuals and small businesses may choose to shop for and compare health coverage.

How to Buy Health Coverage:

- Through the Health Insurance Marketplace. Visit: www.healthcare.gov or call 800-318-2596.
- Directly from an insurance company.
- With the help of a licensed agent. Agents can help you buy coverage off the Marketplace and many can help you buy coverage on the Marketplace.
- With the help of a federally trained navigator or certified application counselor. Navigators and certified Application Counselors can help you sign up for a Marketplace plan with no cost to you.
- From an online health insurance seller.

Things to Consider When Shopping for Coverage:

- Do your best to balance the cost (monthly premium) of a policy with the protection it offers.
- Determine what you will have to pay for covered services in a deductible, coinsurance, copayments, and out-of-pocket limit.
- Determine what benefits are covered without having to meet the deductible in advance.
- Determine the access to care.

Healthy Michigan Plan

Some Michigan residents may be eligible for the Healthy Michigan Plan, a health coverage program that began on April 1, 2014. To be eligible for the Healthy Michigan Plan, you must be:

- Ages 19-64
- Not currently eligible for Medicaid
- Not eligible for or enrolled in Medicare
- Not pregnant when applying for the Healthy Michigan Plan
- Earning up to 133% of the federal poverty level (the federal poverty level is adjusted annually).
- A resident of Michigan

For more information, visit www.HealthyMichiganPlan.org or call 855-789-5610.

Where to Turn

Helpful health insurance websites:

www.healthcare.gov

<https://localhelp.healthcare.gov>

www.michigan.gov/hicap

www.michigan.gov/difs

www.HealthyMichiganPlan.org

www.mibridges.michigan.gov

www.enrollmichigan.com

www.irs.gov/aca

www.michagent.org

HEALTH INSURANCE

	No	Yes		Total Score
	<input type="checkbox"/>	<input type="checkbox"/>	If NO, score 0 If YES, score 1	
	<input type="checkbox"/>	<input type="checkbox"/>	If NO, score 0 If YES, score 1	
	<input type="checkbox"/>	<input type="checkbox"/>	If NO, score 0 If YES, score 150	
	<input type="checkbox"/>	<input type="checkbox"/>	If YES, score 0 If YES, score 50	
	<input type="checkbox"/>	<input type="checkbox"/>	If NO, score 0 If YES, score 50	
	<input type="checkbox"/>	<input type="checkbox"/>	If NO, score 0 If YES, score 4	

HEALTH INSURANCE

INSURANCE
Questionnaire

Life Insurance: Who's Depending on You?

Life insurance provides a way for you to protect your family or other dependents against the economic loss that occurs if you were to die. Life insurance can provide coverage for many things. For example:

- Replace lost income that your family will not receive as a result of your death
- Fund college education for dependent children
- Pay off a home mortgage and other liabilities
- Provide immediate liquidity for numerous expenses following your death
- Cover funeral expenses, end-of-life care and medical expenses

What to Know

There are four basic types of life insurance: term, whole, universal and variable. Listed below are their general attributes. Actual terms and conditions will vary between insurance companies:

Term Life

- Provides coverage for a specified period of time, e.g., 10 or 20 years
- Annual premium typically remains level for that term
- Benefit is paid only if death occurs within the covered term
- Typically used for income replacement
- The death benefit is not taxed

Whole Life

- Provides lifetime coverage (assuming premiums are paid)
- Combines a death benefit with a cash value element
- Premiums, death benefit and cash values are stated in the policy illustration
- Guarantees are subject to the claims-paying ability of the issuing insurance company
- May allow for tax advantaged cash value withdrawal privileges
- The death benefit is not taxed

Universal Life

- No guarantee that premiums will stay the same
- Provides lifetime coverage (assuming premiums are paid)
- Offers a death benefit with a cash value element
- Part of the premium pays for insurance, and part is invested in a fund managed by the insurance company
- Cash value earns interest at current market rates and the credited rate is determined or reset annually
- Must pay premiums for the cost of insurance or the cash value will be used

Variable Life

- Provides lifetime coverage (assuming premiums are paid)
- Developed to address the effects of inflation on benefits
- Part of the premium pays for insurance, and part is invested into sub-accounts selected by the policy owner

- Death benefits and cash values are “variable” and subject to the performance of the underlying investment options
- Considered both an insurance product and a security (in Michigan it is an insurance product)

What to Do

Identify your coverage needs

Consulting with a licensed agent may be helpful in determining what your coverage needs are and the amount of coverage you need.

Review the group life insurance options offered through your employer (if applicable)

You may be able to meet your coverage needs through group life insurance. In general, group insurance offered through your employer may be less expensive than an individual policy. What you need to know:

- Baseline level of coverage available (typically at no cost to you)
- Options for additional coverage
- Cost for additional coverage (usually at a low group rate)

Note: Group life insurance is controlled by your employer, not you. If you leave your employer, your group coverage is terminated. Many group policies are portable. This means you have the option of converting your coverage to an individual policy or “porting” it to another group policy. You need to know if this option is available to you.

If you are unable to meet your insurance needs through group life, you may want to consider buying individual life insurance to fill your gap in coverage. An individual policy may provide the following benefits:

- Fills the gap in your coverage needs
- Provides coverage during employment transition (if your group policy is not portable)
- Protects you against reductions to group policy coverage
- You control the policy, not your employer

Tips to Protect Yourself

- Confirm that the insurance company and the agent is licensed and registered by calling DIFS toll free at 877-999-6442 or by visiting www.michigan.gov/difs.
- The insurance agent has a regulatory obligation to make sure that you fully understand the policy. If you don’t understand the policy or the application, don’t buy.
- Review the insurance application for accuracy before you sign.
- Never sign a blank application.
- When you pay your premium, always make the payment to the insurance company, not the agent.
- Know the “free-look” period on your insurance policy. Typically 10 to 30 days in length, this period gives you time to decide whether you want to keep the policy, or cancel it without penalty.
- If the insurance policy you are purchasing is replacing an existing insurance policy, do not cancel your current policy until the new policy has been delivered and you have reviewed it during the “free-look” period.

Additional information regarding life insurance can be viewed at www.michigan.gov/difs under “Publications” and “Guides.”

Long-Term Care Insurance: Is it Right for You?

What to Know

Long-term care insurance generally provides benefits to a covered individual who is unable to perform two or more of the following activities of daily living (ADL):

- Bathing
- Continence
- Dressing
- Eating
- Toileting
- Transferring (moving in or out of bed, chair or wheelchair)

Long-term care insurance generally provides for the following types of care:

- Nursing care
- Home health care
- Adult day care
- Respite care
- Assisted living
- Rehabilitation, and
- Hospice

Unlike health care insurance which is designed to provide medical services that promote good health and treatments for illnesses and injuries that can lead to recovery, long-term care is designed to help individuals maintain their physical and mental status quo in comfort.

Long-term care is expensive, and the cost of care continues to rise. Listed below are the median costs for certain types of care in Michigan as of 2015¹:

Homemaker Services: \$45,485 annually

This service makes it possible for individuals to live at home by helping them complete household tasks they can't do on their own. Homemaker services aides may clean house, cook meals or run errands.

Home Health Aides: \$46,904

This service provides in-home care to individuals who need more extensive personal care than family or friends are able to provide.

Adult Day Health Care: \$20,800

This service is provided at a community-based center for individuals who need assistance or supervision during the day but not around the clock. These centers may provide health services, therapeutic services and social activities.

Assisted Living Facility: \$39,000

These facilities are living arrangements that provide personal care and health services for individuals who may need assistance with activities of daily living (ADLs). The level of care provided is not as extensive as that which may be provided in a nursing home.

Nursing Home Care: Semi-private room: \$90,703 Private room: \$99,098

Nursing home care is for individuals who may need a higher level of supervision and care than in an assisted living facility. They offer residents personal care, room and board, supervision, medication, therapies and rehabilitation, as well as skilled nursing care 24 hours a day.

¹Source: 2015 Genworth Cost of Care Survey for Michigan

Note: Long-term care coverage is available even if there are pre-existing conditions; however, the insurer may implement a six month pre-existing condition waiting period. Coverage denial is possible based on the health status of an individual.

What to Do

When considering whether long-term care insurance is right for you, ask yourself these questions:

Does my family have a history of debilitating disease?

- Have any of my family members required long-term care services?
- If I were to need long-term care, do I have adequate assets to cover the costs out-of-pocket?
- Can I afford the premium? Would I still be able to pay my mortgage, car payment and other essential expenses?

Other Things You Can Do:

- The insurance agent has a regulatory obligation to explain the policy to your level of satisfaction. If you still don't understand what the agent is explaining, call DIFS (877-999-6442) for clarification.
- Compare policies between at least two companies and agents.
- Ask your agent for the issuing company's personal worksheet which will show premium information and the rate increase history for the policy, if any.
- Understand the "benefit triggers" of the policy. Benefit triggers describe the criteria the insurance company uses to decide whether you are eligible for benefits.
- Always make the premium payable to the insurance company, never to the agent. Review the policy during the 10-day "free-look" period to confirm the policy is right for you. If not, return the policy to the insurance company during the "free-look" period for a penalty-free premium refund.

Note: Medicaid typically covers long-term care at specific facilities once an individual qualifies. Most people will have to start paying for long-term care out of their own money and "spend down" their income and assets until they qualify for Medicaid. For more information on Medicaid, contact the Department of Health and Human Services at 800-642-3195.

Where to Turn

For more information on long-term care insurance, visit www.michigan.gov/difs and look under "Publications" and "Guides" for these helpful references:

- Shoppers Guide to Long-Term Care Insurance published by the National Association of Insurance Commissioners https://www.ltcfed.com/epAssets/documents/NAIC_Shoppers_Guide.pdf You may also request a free copy by calling 816-783-8500.
- Long-Term Care Writers in Michigan http://www.michigan.gov/documents/difs/LTC_cos_230366_7_463619_7.pdf
- Long-Term Care Policies In Michigan http://www.michigan.gov/documents/FIS-PUB_0270_Long_term_care_1_04_88662_7.pdf
- Long-Term Care Insurance: What You Should Know http://www.naic.org/documents/consumer_alert_ltc.htm
- Long-Term Care Insurance Fact Sheet http://www.naic.org/documents/consumer_alert_ltc.pdf

Planning for Retirement

What does the future hold for you 20 or 30 years from now? Whatever it is, you'll likely need money to pay for it. That means you need to save today to pay for tomorrow.

What to Know

It's generally accepted that you'll need to replace approximately 70 to 100 percent of your pre-retirement earned income to cover your living expenses during your retirement years. While Social Security may provide minimum benefits, most of your income sources during retirement will come from what you saved during your working years. It's on you to save.

What to Do

How do you save more? The answer is easy: spend less or make more. It's the "doing it" that gets a little challenging. Here are four easy tips that may help you save more:

1. Pay yourself first

- Contribute to your employer-sponsored retirement plan or IRA. For employer-sponsored retirement plans, it's generally recommended that you contribute a minimum of 15% of your gross pay, or the maximum amount allowed by the IRS.
- Build up a saving account that ultimately equals 3 to 6 months of your earned income. This will help pay for unplanned expenses or periods of un/under-employment.

2. Reduce spending

- Take a critical look at your fixed expenses. Find ways to reduce expenses that are unnecessary or find alternatives that are less expensive.
- Reduce frivolous or impulse buying. For a real eye-opener, track your expenses for a month or two. It may surprise you how much you're spending on things that offer no value, or on things you don't even remember buying! Think before you spend.

3. Earn more money

- Don't get "stuck in a rut" at work. Look for ways to maximize what you earn for the skills or talents you offer. Keep on the lookout for new employment opportunities or advancement within your company or organization.
- If feasible, taking a second job is a great way to increase your savings potential. It's an extra bonus if your second job is doing something you enjoy.

4. Make more money

- Evaluate how your employer-sponsored retirement plan account is invested. If you are in your 30s or 40s, are you allocating among investments that offer the most potential for growth based upon your investment time horizon, objective and risk tolerance?

Final Note

Plan and act on what you know and what you can control. Be careful with projections and assumptions about the future. Your assumptions may mislead you into being either overly-optimistic or overly-pessimistic about your future which can lead to saving and planning decisions that could negatively affect the quality of your life during retirement.

Where to Turn

For more information on the importance of saving and creative ways to save, visit the following websites:

<http://www.smartaboutmoney.org/>

Hover on “Your Money” and under “I’d like help on,” choose “Ways to Save Money.”

Smart About Money is a program of the National Endowment for Financial Education (NEFE), a nonprofit national foundation dedicated to inspiring empowered financial decision making for individuals and families through every stage of life.

<http://publications.usa.gov/> Click on “Money” under “Categories” then click on “Investing & Saving” under “Money Categories.” There are lots of helpful brochures.

The [Publications.USA.gov](http://publications.usa.gov/) website is where consumers can go to get accurate, complete and concise government information when, where, and how they want and need it to make important life decisions.

<http://msue.anr.msu.edu/program/info/mimoneyhealth>

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Mirror, Mirror on the Wall—Will I Have Enough Money to Retire at All?

Nearly half of Americans will run short of money in retirement, according to a recent report from the Employee Benefit Research Institute (EBRI)¹. On which side of the divide are you? The only way to know is to take a hard look at where you stand now and how far you need to go to reach your retirement goal.

Here’s a rough rule of thumb: If you need \$50,000 a year to live on in retirement, your retirement nest egg should be in the ballpark of \$750,000 to \$1 million. Assuming you also have Social Security, your money should last for 30 years in retirement, at a withdrawal rate of 4 percent per year, depending on your investment returns.

Naturally, the closer you are to retirement, the more you’ll need to save to reach your goal. You may even have to face the difficult reality that you aren’t likely to get there and need to explore alternatives to make up the shortfall. For example, can you bridge from work to retirement in stages so you continue to generate income from your job for a few more years? What skills and experience could you bring to a part-time job or your own business during retirement? Do you have a second property that could be converted to a rental to produce income? If you are married (or were married for at least 10 years in the past), have you evaluated the best strategy for taking your or your spouse’s Social Security benefits?

With the help of a competent, trusted financial advisor, you likely can cobble together a comfortable retirement even when your nest egg falls short of the ideal.

¹Source: *Fast Facts*, “How Many Will (Not) Run Short in Retirement,” EBRI, March 6, 2014, #271.



Notes



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