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Avoid These 10 Insurance Mistakes

Few people enjoy thinking about their insurance needs, shopping for coverage, or reading through a policy's fine print. Once they do buy a policy, many people rarely think about it again. But that tendency to avoid thinking about insurance can lead to mistakes. Below are some of the most common mistakes:

Expecting the best — Some people may think they can skip various types of essential insurance, because it won't happen to them. Or they may buy a bare-bones policy thinking they won't ever need to make a claim. But the reality is that accidents and injuries can happen to anyone. A comprehensive insurance plan protects you when they do.

Not shopping around — If you're in the market for a new policy, shop around and compare prices to get the best deal. But make sure you're comparing equivalent policies and coverage.



Buying too much insurance — While insurance is a valuable part of your overall financial plan, there is such a thing as being over-insured. If you're paying high premiums for insurance coverage you don't really need, you're wasting money.

Not negotiating on insurance rates — Here's a little-known tip: The premium price you're quoted isn't set in stone. Depending on the type of coverage you need, you may be able to get discounts based on

your profession, the age of your car, installing an alarm system in your home, choosing a higher deductible, and more. Bundling can also lead to premium price breaks.

Forgetting to pay the premium — It's a simple but potentially devastating mistake. Missing premium payments could cause your policy to lapse, leaving you without coverage. Reduce the risk of this happening by automating your payments.

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Encourage the Importance of Saving

Though it's typical for parents to underscore the value of a college education from the time their children are in grade school, what's commonly overlooked are the benefits of encouraging them to save for their education from a young age. Contributing a small percentage of their allowance, cash gifts, and job income can have a huge impact on their outlook toward both college and their future.

Requiring that they set aside a portion of their childhood earnings can instill the value of college because of the small yet personal investment you're asking them to make. Not only does it teach them the commitment and patience required to save toward a long-term goal, but it also encourages them to take ownership of their own education.

First, sit down with your child and explain the reasoning behind your decision, so they fully understand why you're setting aside some of their money for the future. You might even consider showing them the growing balance of their savings from time to time and explaining what these figures mean in terms of tuition and other expenses. Stay committed, and you'll likely raise a more responsible and devoted student. ○○○

Avoid These 10

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Dropping coverage to save money — When your budget is tight, dropping insurance coverage may seem like a good way to save cash. But while you may save money in the short term, you could end up worse off in the long term if you need to make a claim. If premium payments are straining your budget, consider raising your deductible or asking your insurer if you're eligible for any discounts.

Forgetting to update life insurance beneficiaries — As your life changes, so should the people named as beneficiaries on your life insurance policy. Divorce, remarriage, the death of a spouse, or the birth or death of a child are all times you should update these designations. If you fail to take this simple step, your life insurance may not do its job when you need it most. After all, do you want your insurance benefits to go to your ex-spouse or have one child receive a generous insurance payment while the other receives nothing? Keeping your beneficiary designations up to date can help you avoid those outcomes.

Having coverage gaps — Everyone faces different risks and, thus, has different insurance needs. Sometimes it's easy to overlook a risk until it's too late. For example, if you live in an earthquake-prone area, you likely need separate earthquake insurance. If you serve on a nonprofit board of directors, you may need personal liability coverage. If you own ATVs, snowmobiles, or other vehicles, you may need special policies to protect yourself in case of damage to the vehicle or a lawsuit. The list of possible risks goes on and on.

Not researching an insurance company before you buy — Not every insurance company is created equal, and what looks like a great deal today may be less appealing tomorrow when you are struggling

Talk to Family about Your Estate Plan

It is essential to have this conversation with your family so they know what to expect, understand why you made certain decisions, and have time to absorb and accept your decisions.

Choose the Right Person for the Right Job — Try to take the emotion out of your decisions when selecting the people who will be best at certain tasks. Once people understand the various roles and what they entail, they tend to understand why a particular person was selected.

The roles can range from being the executor of the estate, to the guardian of your children, to making medical decisions on your behalf. For example, you should select a very strong person to be your healthcare proxy, because this person may have to remove you from life support during a medical crisis.

Prepare the Appropriate Documents — Once you have determined who will handle the key roles for your estate, you will want to get the proper paperwork drafted and notarized. These documents may include: your will, trust, durable power of attorney, healthcare power of attorney, and guardianship designations.

Before you have the conversation, you should have the proper paperwork with copies for all involved individuals, so there is no room for misinterpretation and everyone understands the parame-

ters of your decisions.

Prepare for the Conversation — You'll want to take the time to think through this conversation and anticipate the questions people will have. You will want them to understand what your goals are for the estate plan, what the various roles are and what they entail, and why certain people were chosen for certain roles.

It is important to think through your family dynamic in approaching this conversation. Should it be a more formal conversation that includes an attorney or financial advisor to help explain the roles and your choices? Or should it be a more casual discussion around the dinner table with only family?

Either way, you will want to make sure you set ground rules to avoid confrontation. You'll want people to express their thoughts; but if it becomes argumentative, let them know the meeting will be canceled until it can be discussed rationally.

Keep the Conversation Going — Let your family know this will be an ongoing discussion as circumstances change, such as new marriages, new children, divorce, etc. By having regular conversations, you can avoid the "Mom would have wanted this" argument. Setting this expectation can help prevent future family tension based on perceptions versus what you want carried out. ○○○

to get a claim processed quickly. Before you buy, get multiple quotes, read the policy's fine print, review the insurer's complaint record with the state department of insurance, and check the company's ratings with agencies like Fitch, Moody's, and A.M. Best.

Not thinking about insurance

as part of your overall financial plan — Insurance isn't something you should think about in isolation. In fact, it's an essential part of your overall financial plan. A solid risk management strategy protects your hard-earned wealth and your family's future. Please call if you'd like to discuss insurance in more detail. ○○○

Financial Tips for Major Life Events

As you encounter major life events, different financial matters will be of primary concern. For instance, your financial concerns when you start your first job will be very different from your concerns as you approach retirement age. Some tips to consider as you encounter major life events include:

Your First Job

- ✓ Establish solid financial habits, since the habits you develop now will set the financial tone for the rest of your life. Start by setting up a recordkeeping system, monitoring your cash flow and developing a workable budget.
- ✓ Before you get used to spending your entire paycheck, start saving at least 10% of your gross income.
- ✓ Review all benefits offered by your employer, taking advantage of all that are appropriate for your circumstances.

Your First Home

- ✓ Set an upper limit for your home's purchase price. Don't raise that limit as you look for houses, thinking you can reduce your living expenses to cover the difference. It's very difficult to change your spending habits.
- ✓ Aim for a down payment of 20% of the purchase price. A lower down payment makes it easier to purchase a home, but also increases the size of your mortgage.

✓ Review your options before selecting a mortgage. You will want to review fixed- and adjustable-rate mortgages, plus decide how long a mortgage term you want.

✓ Make sure you have adequate homeowners insurance. Even though your insurance company will estimate how much insurance is needed, it's your responsibility to make sure limits are adequate.

Marriage

- ✓ Update documents. Review your estate-planning documents, asset ownership, and beneficiary designations to make sure they reflect your wishes.
- ✓ Track expenses for a month. This will give you an idea of where money is spent so you can decide how to spend money in the future.
- ✓ Decide on joint or separate bank accounts. Some couples prefer pooling all funds; others have difficulty losing their financial autonomy.
- ✓ Split financial responsibilities. One person may be more suited for the tasks due to their background or time availability.

Children

✓ Name a guardian for your children. If you and your spouse both die without naming one, the courts will appoint a guardian and supervise your children's property.

✓ Purchase sufficient life insurance to provide for your children until they are adults.

✓ Save for college. Many people have difficulty saving the entire amount needed to fund a college education. However, there are other sources available, such as borrowing and financial aid. Thus, your goal may be to accumulate 30%, 50%, or some other percentage of the total cost.

✓ Teach money basics to your children. This is a lesson that will benefit them for a lifetime.

A Second Marriage

- ✓ Prepare formal estate-planning documents to carry out your wishes.
- ✓ Review beneficiary designations and life insurance amounts. It's not unusual to forget to update beneficiary designations. Also review your life insurance amounts.
- ✓ Discuss your plans with your spouse and children.

Retirement

- ✓ Before retiring, review your finances carefully to ensure you have adequate funds.
- ✓ If you retire before age 65, obtain health insurance until you're eligible for Medicare.
- ✓ Plan for long-term-care needs through the use of insurance or savings.
- ✓ Before retirement, make any necessary changes to your debt structure. For instance, you may want to refinance your mortgage, purchase a new car with a loan, or open a home-equity line of credit for future needs.
- ✓ Review your estate plan. Consider a living will, health-care proxy, and durable power of attorney.

Please call if you'd like to discuss this in more detail. ○○○



5 Reasons to Consider Disability Insurance

Wondering whether you really need to obtain disability insurance to cover income losses? Here are five factors to consider when making that decision:

1. The odds of becoming disabled before you reach retirement are fairly high. According to the U.S. Social Security Administration (SSA), one in four 20-year-olds will become disabled before they reach retirement age. Moreover, illness accounts for 90% of all disabilities, greatly lowering the probability of turning to sources such as worker's compensation for help (Source: Council for Disability Awareness).

2. The average long-term disability claim lasts over two and a half years. Even if you have one to two years of expenses saved, when you consider that the average individual disability claim lasts 31.6 months and one in eight workers will be disabled for five or more years, there's a high probability you may not have enough (Source: Commissioner's Disability Insurance, Tables A & C).

3. If you're part of the 1/3 of applicants approved, Social Security Disability Insurance (SSDI) is likely not enough. According to the

SSA, the average monthly benefit paid by SSDI as of March 2017 was just \$1,172. This figure accounts only for the 1/3 of SSDI disabled workers whose applications weren't denied. Keep in mind that as opposed to private disability insurance, SSDI stipulates you must be unable to work at all.

4. You'll have additional expenses to account for. Considering that 90% of working-age disability claims are illness related, trips to doctors and/or specialists, tests, and medication will naturally accumulate; and if you're unable to work, you'll have the added expense of seeking private health insurance or going on your spouse's plan.

5. You don't want to work in a different, potentially lower-paying field. Depending on the severity of your injury or illness, without proper LTD coverage, you could be forced to find employment outside of the career you've worked so hard to build. Private LTD insurance can be customized, so that unless you are able to work within your specific career, you qualify for benefits.

Please call if you'd like to discuss long-term disability insurance in more detail. ○○○



Planning Advice for Students

Here are five tips that every college student should know about retirement planning:

1. Start saving. No matter how much money you make, it is important to allow room for savings. Live below your means.

2. Open and contribute to an investment account. If you work for a company that offers an employer-sponsored retirement plan, sign up and contribute monthly. If your employer matches, try to contribute at least what they will match.

3. Maintain an emergency account. You should have an emergency fund with about six months' worth of living expenses.

4. Say no to debt. Many college students have some form of debt — student loans, car payments, or credit card debt. If you do, it's important to pay down that debt.

5. Knowledge is power. Stay knowledgeable about your money and about the economy. Learn about your options, talk to a financial advisor, seek counsel from your parents or grandparents, and read financial articles. The more you know, the better able you will be to make financial decisions. ○○○

Financial Thoughts

Just 25% of millennial adults (those born from 1981 to 1990) participate in defined-contribution plans, compared to 43% of baby boomers. However, millennials have faced problems landing jobs offering retirement savings benefits (Source: The Pew Charitable Trusts, February 2017).

One factor that boosts participation across age groups is the employer match. When employers match workers' retirement

savings contributions, 81% of millennials and 80% of baby boomers with access to a defined-contribution plan participate. When a match is not offered, just 56% of eligible millennials participate versus 74% of baby boomers (Source: The Pew Charitable Trusts, February 2017).

The correlations between U.S. financial markets and markets in the United Kingdom, Japan, Australia, and France increased from

25% in the 1950s to 80% in recent years, caused primarily by investor sentiment, not fundamental factors (Source: *Journal of International Financial Markets, Institutions, and Money*, 2017).

Approximately 52% of U.S. households are at risk of being unable to maintain their standard of living in retirement (Source: Center for Retirement Research at Boston College, February 2017). ○○○