Brought to you by John Shaver, FIC

KNIGHTS OF COLUMBUS

# Financial Beacon

Winter 2018

## Moving your nest egg to your income stream

## Review your financial plan for the new year

## Essentials for first-time home buyers

## Insuring the future of your family business

A MESSAGE from your agent

***Dear Brother Knight:***

With the start of a new year, you may be reviewing your financial plan, with reflection on last year's planning. How did it go?

It is natural to mark progress, or the lack of it, when opening a new calendar. It is also helpful.

Family changes, career changes, new laws, and many other factors impact your financial situation. You may not be in control of these factors, but you can have a plan.

When planning, I encourage you to review your insurance coverage and the security it affords. It provides what nothing else can: replacement of the income you provide for your family should you not be there.

A review not only looks at what you have in place, but also identifies potential short falls and allows you to put a plan in place.

Do you have the means to add coverage? Has life changed enough in the last year to impact how much coverage you need?

I invite you to meet with me for a review of your coverage, and to discuss what other coverage may be beneficial.

This is an opportunity for you to learn more, and I look forward to providing my expertise.

Fraternally yours,

***John Shaver***

# Moving your nest egg into your income stream

The number of companies providing a traditional pension has been steadily dwindling since the 1980s. Individual retirement accounts have become the common vehicle for building a retirement nest egg.

## Creating your own pension

You may have heard of the three-legged stool of retirement; this was the combination of: 1) social security income, 2) pension income, and 3) savings/investments income.

When nearing retirement without a pension, you need to create your own plan to draw steady income from the assets you have worked hard to accumulate. You may even be concerned your nest egg will not see you through retirement. After all, you cannot know how long that may be.

## Single Premium Immediate Annuity

The Knights of Columbus Single Premium Immediate Annuity (SPIA) is designed to provide periodic income payments to the annuitant. A single premium annuity is a contract whereby you pay a single premium upfront in exchange for the guarantee of an income stream for a set period, or for life. It is a form of insurance.

## Financial strength of the insurer

By entering into an annuity contract, you put faith in the stability of the insurance company on the other side of that contract. Knights of Columbus insurance has received the top rating from A.M. Best for over forty years and is a Fortune 1000 company.

## Owner and Annuitant, who is who?

The owner of an annuity and the annuitant is often the same person, but not always. The owner is the person or trust that enters into the contract, pays the premium(s), receives any periodic income payments, and pays any taxes.

The annuitant is the person upon whose life expectancy the periodic payments are calculated.

## Choosing an income payment option

With a Knights of Columbus SPIA, the owner has choices for how to receive the income. In all cases, periodic income payments may be made annually, semi-annually, quarterly, or monthly. The mode can be changed once per year on the contract anniversary date.

**Guaranteed period only.** Income payments are made for a set period of time, from five to 30 years.

**Life annuity with guaranteed period.** Income payments are made during the annuitant's lifetime, or until the end of the guarantee certain period, whichever is longer. The guarantee certain period may be 10, 15 or 20 years.

**Joint and survivor.** This option covers two annuitants; one is designated as the annuitant, and the other as the joint annuitant. Income payments are made to the owner for the duration of the annuitant's lifetime. If the annuitant dies before the joint annuitant, income payments continue at a chosen percentage of the annuitant's payments, for the duration of the joint annuitant's lifetime.

**Deferred paid-up.** Income payments are made during the annuitant's lifetime, but the first payment is deferred a maximum of five years from the date of the contract.

## Upon the death of the annuitant

Payment(s) upon the death of the annuitant depends on the contract. Each option has its own terms for contract termination and settlement.

If you are considering an annuity as a portion of your retirement plan, I welcome the opportunity to discuss all the options and terms available. ✦

# Buying your first home—essentials for a smooth transaction

Home ownership has been part of the American dream for generations. For first-time buyers, this can be an exciting but formidable process. It can be less formidable, though, if you are prepared.

## Are you mortgage-ready?

It is extremely helpful to be pre-approved for a mortgage before looking for a home to buy.

Several factors determine your ability to qualify for a mortgage, among them: your down payment, credit score, income, other debt, and other expenses.

**Down payment.** A down payment of 20 percent is most often recommended, but there are ways to get a mortgage with less. The advantage of a 20 percent down payment, usually, is that you avoid paying private mortgage insurance (PMI), the cost of which can be significant.

**Credit Score.** "To be sure, borrowers with a credit score of 760 or higher (850 is the highest score) get the best interest rates."[1] You certainly may qualify for a mortgage with a score below this, but you will likely pay more.

**Income.** As a rule, 25 percent of your take-home pay can safely be used for your mortgage payment, but this depends on other factors. What are your other obligations? Does your mortgage payment include insurance and real estate taxes? Feel free to ask your banker what payment will be comfortable.

**Other debt and expenses.** This is unique for everyone. If you are comfortably saving for your down payment, you likely will be able to handle your mortgage payment. Remember, what you now pay in rent can be included in your mortgage payment calculation.

**Working with a real estate agent** When you are ready to start looking at homes, you will likely be working with a real estate agent. Agents have a fiduciary duty either to the seller or the buyer, or both. Be sure you know the relationship the agent has with you and the sellers of homes you consider. If you feel you need your own agent, to represent your interests, seek them out.

## Making an offer

When you finally choose a home you wish to buy, you will likely make an offer to purchase. The seller may: accept your offer, counter your offer, or decline your offer. Being pre-approved for a mortgage can really help you.

As part of your offer, you may wish to include a professional home inspection. This will reveal any unknown defects with the home, in the event the seller did not disclose them, or simply was not aware of them.

## Closing the sale

When any back-and-forth is over, and you have reached agreement with the seller, you will have a closing. Be ready to sign a myriad of documents.

The closing statement will account for all funds due the seller, from all sources. These funds will first pay off any mortgage the seller may have, any taxes due, commissions due to the real estate agent(s) involved in the sale, among other expenses.

You will likely walk out of your closing with the keys to your new home. If you can, have some savings left to handle the new expenses that come with home ownership. There will not be a landlord to call. ✦

[1] https://www.cnbc.com/2015/11/19/buying-and-selling-a-home-what-you-need-to-know.html

*This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for tax, legal or accounting advice. You should consult with your own qualified tax, legal and accounting advisors before engaging in any transaction.*

## YOUR AGENT


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### Family benefits & services

Knights of Columbus consistently ranks at the top of the industry in financial stability and ethics. Please call to discuss these services:

- Financial needs analysis
- Life insurance
- Tax deferred fixed-rate annuities
- Long-term care insurance
- Disability income insurance
- Retirement account rollovers
- Estate preservation
- Scholarships
- Family fraternal benefits

**Contact me today for information on long-term care insurance**

Knights of Columbus

# Financial Beacon

Knights of Columbus Supreme Office

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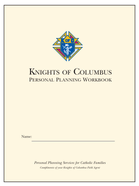



## The document your family will be glad you left behind

In one place, you can assemble all the information your family would need to take care of basic financial matters in your absence. Your complimentary Knights of Columbus Personal Planning Workbook helps you compile details about key contacts (attorneys, insurance agents, etc.), financial accounts, bills, passwords, the location of important documents, and more.

Contact me today for your complimentary Workbook.

*Contact me today for information on long-term care insurance*

# Insuring the future of your business: Survivorship Universal Life

Knights of Columbus Survivorship Universal Life (SUL) insurance, also known as second-to-die, can be a valuable estate planning tool, especially for couples and families who are business partners.

### Protecting your estate

Regardless of changes in estate tax law, the very fact that it has changed more than once since 2000 suggests it may change in the future. To protect your heirs from the need to liquidate assets in order to pay estate taxes and expenses, an SUL can provide needed cash.

For some families, putting a SUL in an Irrevocable Life Insurance Trust can ensure the death benefit will not be included in your estate valuation.

### Building your estate

This type of life insurance is not meant to provide for a surviving spouse; rather, it is specifically designed to provide for your heirs. With good communication and a careful plan, your heirs can build on your legacy by using all or a portion of the death benefit to put their own survivorship policy in place.

### Ensuring estate equity

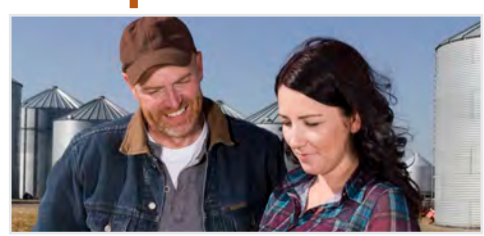
When it comes to family-owned businesses, it is common for some children to be disinterested, or unable, to participate in the business. SUL policies may provide funds to equitably compensate heirs who are not working in a family business.

### Low cost, high benefit

Since two lives are insured, but only one death benefit is paid out, premiums for SUL coverage are typically lower than the combined premiums for two policies with the same combined death benefit.

### Policy split option

Knights of Columbus SUL insurance provides the option to exchange the policy for two separate whole life



insurance policies, without providing proof of insurability. This may be advantageous in the case of divorce or significant changes in estate tax law.

### Four year term rider, an added benefit

The Knights of Columbus SUL four year term rider provides additional term coverage up to 123 percent of the base coverage should both insured die within four years of the issue date of the policy.

### It is worth a conversation

If you have a family business, you keep your eye on your estate plan and succession plan. I look forward to discussing the advantages of SUL in your planning. ✦