DO MILLENNIALS NEED LIFE INSURANCE?

The financial challenges millennials face can be overwhelming. Many young adults have to figure out how to pay off college loans, save to buy a home or start a family, and sock away money for retirement. Given these hurdles, it’s no wonder that life insurance as a financial asset gets little to no attention. But it should. There are many reasons to have life insurance at a relatively young age, but here are some common ones.

Making sure others don’t have to pay your debts

As a young adult, you become more independent and self-sufficient. While you no longer depend on others for your financial well-being, your death might still create a financial hardship for those you leave behind.

You may have debts such as a mortgage or student loans that are jointly held with another person. Or you may be paying your parents for loans they took out (e.g., PLUS loans) to help pay for your education. Your untimely death would leave others responsible for some or all of these debts. You might consider purchasing enough life insurance to cover your financial obligations so others don’t have to.

Funeral expenses can also be a burden for those you leave behind. Life insurance could ease the financial burden of paying for your uninsured medical bills (if any) and for costs associated with your funeral and burial.

It’s less expensive

Premiums for life insurance are based on many factors, including age and health. Certainly, the younger and presumably healthier you are, the less your coverage will cost. This is especially true if you are at a high risk for developing a medical condition later in life.

Replacing lost income

Someone may be relying on your income for financial support. For instance, you may be providing for a family member such as a parent, grandparent or sibling. In each of these instances, how would your income be replaced if you died? The death benefit from life insurance can help replace your income after you’re gone.
Providing for your family

As your family grows, so do your financial responsibilities. There is likely a hefty mortgage to pay. And there are costs associated with young children. If you died without life insurance, how would the mortgage get paid? Could your surviving spouse or partner cover the costs of day care and housekeeping?

And there are events you should plan for now that won’t happen until several years in the future. Maybe you’ll begin saving for your kids’ college education while trying to save as much as you can for your retirement. Over the next several decades, think about how much you could set aside for these expenses. If you are no longer around to make these contributions, life insurance can help fund these future accumulations.

Work coverage may not be enough

You may have a job with an employer that sponsors group life insurance. While you should take advantage of that program, you should also determine if it is enough coverage to meet your needs now and in the future. Your insurance needs may change with time, although your employer’s coverage may not. Also, most employer-sponsored life insurance programs are effective only while you remain an employee. If you change jobs or are unable to work due to illness or disability, you may lose your employer’s coverage. That’s why it’s a good idea to assess your needs and determine if you need additional life insurance.

Note: The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

SHOULD YOU INVEST INTERNATIONALLY?

Investing in foreign stocks provides access to a world of opportunities outside the United States, which may help boost returns and manage risk in your portfolio. However, it’s important to understand the unique risk/return characteristics of foreign investments before sending a portion of your money overseas.

Reasons to go abroad

Some of the potential benefits of international investing include:

- Long-term growth potential. Some of the world’s most rapidly growing economies are located in emerging markets that may be reaping the benefits of new technologies, a growing consumer base, or natural resources that are in high demand.
- Possible hedge against a weaker dollar. The U.S. dollar has been strong in recent years, but having some investments denominated in foreign currencies may help offset (or even take advantage of) any future dips in its value.

Reasons to proceed with caution

Some of the potential risks include:

- Politics and economic policies. A nation’s political structure, leadership and regulations may affect the government’s influence on the economy and the financial markets.
- Currency exchange. Just as a weak U.S. dollar could work for you, additional strengthening in the dollar could work against you. That’s because any investment gains and principal denominated in a foreign currency may lose value when exchanged back.
- Financial reporting. Many developing countries do not follow rigorous U.S. accounting standards, which often makes it more difficult to have a true picture of company and industry performance.
- Costs. International investing can be more expensive than investing in U.S. companies.
- Market swings. All securities markets, including those outside the U.S., can experience dramatic changes in value.
- Trade volume. Markets outside the U.S. may have lower trading volumes and fewer listed companies than U.S. markets. Some countries restrict the amount or type of stocks that foreign investors may purchase.
- Legal considerations. If you have a problem with an investment, you may not be able to seek certain legal remedies in U.S. courts as private plaintiffs. You may have to rely on legal remedies that are available in the company’s home country, if any.

Risk/return potential

Some international investments may offer the chance for greater returns, but as with other investments, stronger potential comes with a greater level of risk. For example, over the past 30 years, foreign stocks have outperformed U.S. stocks, bonds and cash alternatives 11 times. However, they have also underperformed 11 times, tying cash for the highest number of lowest-performing years during the same time period.
Number of highest-performing years, 1989–2018

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Number of lowest-performing years, 1989–2018

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If you decide to spread some of your investment dollars around the world, be prepared to hold tight during bouts of market volatility. And remember to rebalance your portfolio periodically to help align your asset allocation with your long-term investment strategy.

Performance is from Jan. 1, 1989, to Dec. 31, 2018. Cash is represented by the Citigroup three-month Treasury Bill Index. Bonds are represented by the Citigroup Corporate Bond Composite Index. U.S. stocks are represented by the S&P 500 Composite Price Index. Foreign stocks are represented by the MSCI EAFE Price Index. All indexes are unmanaged, accurate reflections of the performance of the asset classes shown. Returns reflect past performance, which does not indicate future results. Taxes, fees, brokerage commissions and other expenses are not reflected. Investors cannot invest directly in any index.

The principal value of cash alternatives may fluctuate with market conditions. Cash alternatives are subject to liquidity and credit risks. It is possible to lose money with this type of investment. The return and principal value of stocks may fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest, whereas corporate bonds are not. The principal value of bonds may fluctuate with market conditions. Bonds are subject to inflation, interest rate and credit risks. Bonds redeemed prior to maturity may be worth more or less than their original cost. Diversification is a strategy used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

5 RETIREMENT LESSONS FROM TODAY’S RETIREES

Each year for its Retirement Confidence Survey, the Employee Benefit Research Institute (EBRI) surveys 1,000 workers and 1,000 retirees to assess how confident they are in their ability to afford a comfortable retirement. Once again, in 2019, retirees expressed stronger confidence than workers: 82% of retirees reported feeling “very” or “somewhat” confident, compared with 67% of workers. A closer look at some of the survey results reveals various lessons today’s workers can learn from current retirees.

Current sources of retiree income

Let’s start with a breakdown of the percentage of retirees who said the following resources provide at least a minor source of income:

- Social Security: 88%
- Personal savings and investments: 69%
- Defined benefit/traditional pension plan: 64%
- Individual retirement account: 61%
- Workplace retirement savings plan: 54%
- Product that guarantees monthly income: 33%
- Work for pay: 25%

Lesson 1: Don’t count on work-related earnings

Perhaps the most striking percentage is the last one, given that 74% of today’s workers expect work-related earnings to be at least a minor source of income in retirement. Currently, just one in four retirees works for pay.

Lesson 2: Have realistic expectations for retirement age

Building upon Lesson 1, it may benefit workers to proceed with caution when estimating their retirement age, as the Retirement Confidence Survey consistently finds a big gap between workers’ expectations and retirees’ actual retirement age.

In 2019, the gap is three years: Workers said they expect to retire at the median age of 65, whereas retirees said they retired at a median age of 62. Three years can make a big difference when it comes to figuring out how much workers need to accumulate by their first year of retirement. Moreover, 34% of workers reported that they plan to retire at age 70 or older (or not at all), while just 6% of current retirees fell into this category. In fact, almost 40% of retirees said they retired before age 60. The reality is that more than four in 10 retirees retired earlier than planned, often due to a health issue or change in their organizations.

Estimating retirement age is one area where workers may want to hope for the best but prepare for the worst.

Lesson 3: Income is largely a result of individual savings efforts

Even though 64% of current retirees have defined benefit or pension plans, an even larger percentage say they rely on current savings and investments, and more than half rely on income from IRAs and/or workplace plans. Current workers are much less likely to have defined benefit or pension plans, so it is even more important that they focus on their own savings efforts.
Fortunately, workers appear to be recognizing this fact, as 82% said they expect their workplace retirement savings plan to be a source of income in retirement, with more than half saying they expect employer plans to play a “major” role.

Lesson 4: Some expenses, particularly health care, may be higher than expected

While most retirees said their expenses were “about the same” or “lower than expected,” approximately a third said their overall expenses were higher than anticipated. Nearly four out of 10 said health care or dental expenses were higher.

Workers may want to heed this data and calculate a savings goal that accounts specifically for health care expenses. They may also want to familiarize themselves with what Medicare does and does not cover (e.g., dental and vision costs are not covered) and think strategically about a health savings account if they have the opportunity to utilize one at work.

Lesson 5: Keep debt under control

Just 26% of retirees indicated that debt is a problem, while 60% of workers said it is. Unfortunately, debt can hinder retirement savings success: seven in 10 workers reported that their nonmortgage debt has affected their ability to save for retirement. Also consider that 32% of workers with a major debt problem were not at all confident about having enough money to live comfortably in retirement, compared with just 5% of workers who don’t have a debt problem.

As part of their overall financial strategy, workers may want to develop a plan to pay down as much debt as possible prior to retirement.

WHAT SHOULD I KNOW ABOUT INVESTING IN COLLECTIBLES?

Collectible assets such as fine art, antiques, coins and gems are one way to diversify your investment portfolio. But it can be difficult to predict if or when the money you invest will provide a return. Here are a few things you should know about collectibles before investing in them.

Not all collectibles are valuable. Some collectibles are valuable because of the creator’s inherent talent or skills; each item is unique. Other collectibles are considered valuable because they’re rare or experts and appraisers have attributed significance to them. Another type of collectible may have no intrinsic value, including baseball cards, action figures, stuffed toys and vintage wine. These collectibles are subject to changing tastes and tend to be valuable only if they’re currently in demand and someone is willing to pay for them, which makes it hard for collectors to get the timing right and profit from them.

Different factors help determine a collectible’s value. The age of a given item as well as its quality, condition, historical value and current popularity among collectors are factors that contribute to determining its worth.

It’s easy to fall for a counterfeit. Even the most experienced appraisers can get duped by forgeries. And it’s possible to overpay for a collectible because of an imperfection or inferiority that you didn’t realize prior to the purchase.

Returns may be low. The average returns that investors earn from collectibles may not keep pace with inflation, and it may take a long time for them to appreciate.

The most compelling reason to buy a collectible is personal enjoyment. If you have pre-existing knowledge or interest in a collectible, or desire to learn more about a particular subject, then that’s why you should buy a collectible—not because you expect a high investment return. Remember that all investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.