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CLIENT NEWSLETTER

Inside This Issue:

If you enjoy our monthly newsletter and know someone who would benefit from receiving it, please contact us or email our Office Manager at Laura.Fleming@ceterawealth.com

Interest Rates		
Type	**Oct**	**Sept**
Prime Lending	3.25%	3.25%
Federal Funds	0.25%	0.25%
3 Mo T-Bill	0.06%	0.04%
5 Yr T-Note	1.08%	0.84%
Mortgage Rates		
Type	Oct	Sept
30 yr Fixed	3.21%	3.17%
15 Yr Fixed	2.43%	2.43%
5/1 ARM	3.69%	3.63%
Source: Bankrate.com		

Social Security Cost-of-Living Adjustment will be 5.9% in 2022

The Social Security cost-of-living adjustment will be 5.9% in 2022, the Social Security Administration announced Wednesday.

The 5.9% COLA will be the biggest boost to Social Security beneficiaries' checks in about 40 years.

In 2021, the Social Security COLA was 1.3%. The last time the annual adjustment came close to the 2022 figure was in 2009, when beneficiaries saw a 5.8% increase.

More than 64 million Social Security beneficiaries will see the boosts in their monthly checks starting in January. Meanwhile, about 8 million Supplemental Security Income, or SSI, beneficiaries will see the increase starting Dec. 30. The estimated average monthly benefit for all retired workers will rise to $1,657, up from $1,565.

The 5.9% COLA increase is the largest increase in four decades. Social Security's benefits are adjusted annually using a specific set of consumer price index data, the Consumer Price Index for Urban Wage Earners and Clerical Workers, or CPI-W.

John R. Lachapelle, Financial Adviser

Financial Tip of the Month

The Valuation of a Key Person ("key man" Insurance)

How much life insurance should a key person purchase? Many formulas can be used for valuing a key person, and no single formula is accepted as the best in every situation. Because the principal purpose of key person life insurance is to indemnify the business for the economic loss that it would suffer as a result of the death of the key person, the formula that best fits the structure of the business operation and the key person's relationship to the success of the ongoing concern is preferable. The objective is to place the value of the key person in his or her relationship to the business, which can be a highly biased issue.

Valuing a key person is much like valuing a business—it is more of an art than a science. One or more of the following formulas should provide a useful approach in determining the value of the key person:

- **Multiple of salary**—Because salaries paid to the key person are generally an indicator of his or her value, a factor ranging from 3 to 10 times annual salary can be used. Often, the higher the salary, the higher the multiple that is used. However, in some circumstances the key person's salary may be lower than the industry standard. Therefore, the position or contributions being made to the business must be considered to determine the multiple of salary that should be considered.
- **Business life value**—The business must estimate the loss to annual earnings if the key person were to die. This annual loss is discounted by a selected interest rate for present value and is then multiplied by the number of years the key person would have worked until retirement. For example, consider a key person who was age 40 at death and the annual estimated loss was calculated to be $50,000. If the selected interest rate for present value factor were 10%, then the discounted annual loss to earnings would be $4,538 X 25 (years to retirement), or $113,450 as the value for the amount of life insurance.
- **Contribution to profits**—This formula evaluates and then capitalizes the key person's contribution to profits to determine the value. For example, the book value of a business is $1,000,000 and the expected rate of return on book value for that type of business is 9%. The expected rate of return would then be $90,000. However, the profits of the corporation are $200,000. The difference between the profits of $200,000 and the expected rate of return of $90,000 is $110,000. This is referred to as **excess earnings**, which reflect the success of the operations to that of the norm. If the key person is assumed to have contributed to 50% of the excess earnings success, then 50% of the $110,000, or $55,000, is factored into the capitalization formula to determine the key person value. Given these factors, the formula is:

$55,000	(50% of $110,000)
X 8.33	(capitalization factor)
$458,150	key person value

- **Discount of business**. This formula is a simple discount to the value of the business as a result of the key person's death. If the business value is $500,000, and the impact upon death of the key person is a discount of the value by 30%, then the value of the key person is $500,000 X 30%, or $150,000.

John R Creteau, Investment Adviser and Reg Ed

– REMEMBER –

WE WANT YOU TO CONTACT US WITH YOUR *"HERE'S WHAT WE'RE THINKING ABOUT DOING"* QUESTIONS, NOT YOUR *"GUESS WHAT WE JUST DID!"* COMMENTS!

Moving Retirement Accounts – Rollovers/Transfers

A common reason that people initiate a rollover is because they are changing employers. Rather than keeping any money in a 401(k) under a former employer's retirement administrator, you can move your savings into a traditional or Roth IRA.

IRA Transfer Options
When you transfer your IRA funds from one financial institution to another, you have a few options.

Custodian/trustee to custodian/trustee transfer
This type of transaction leaves the transfer to the financial institutions and ensures that you, the account holder, don't come into contact with any funds. It's a straightforward method and avoids any penalties or tax scenarios.

IRA 60-Day Rollover Rule
You can also transfer funds using a rollover. In this case, as the account holder, you're more involved with the transfer. In fact, it becomes your responsibility.

Using an IRA rollover, the original custodian sends you a check for the total amount you're withdrawing from your IRA. You'll then send the check to the new custodian. You have 60 days from when you receive the funds from the previous financial institution to when the new financial institution receives the funds.

Should the new financial institution not receive the check within the 60-day window, you could incur income tax on your funds and have to pay penalties.

One key component of a rollover is that the check from your former IRA institution is made payable to you. If you're moving your money via transfer, the check is payable to the receiving institution for your benefit.

To qualify for the 60-day rule, the two accounts must be the same type of IRA – Roth or traditional IRA. The original custodian will send a tax form called a 1099-R, which you will file with your yearly income taxes. The custodian will also submit a Form 5498 to the IRS showing the contributed/transferred amount.

One Year Waiting Rule
You're allowed one rollover per year. Any additional rollovers will count as a distribution, and you will have to report those funds as income on your taxes. If you decide to have a custodian transfer the funds instead, there isn't a limit to how many transactions you can make.

If you plan to rollover or transfer your retirement funds, it's crucial you follow all the rules, as the IRS is strict about people following this process correctly. If you're thinking about moving your retirement funds, contact the office to find the simplest and most effective way to transfer your money.

John R. Lachapelle, Financial Adviser

Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty. A Roth IRA offers tax free withdrawals on taxable contributions. To qualify for tax free and penalty free withdrawals of earnings a Roth IRA must be in place for at least five years, and the distribution must take place after age 59 ½ or due to death, disability, or a first-time home purchase (up to $10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes. Before rolling over your retirement account, consider all available options: Remain with your current retirement plant, Rollover into a new employer’s plan rollover to an IRA, or cashing out the account value. When deciding between an employer plan and an IRA there may be differences to consider. Such as range of investment options, fees and expenses, availability of services, and distributions rules. In some cases, the investment management fees with your employer plan may be lower than similar investment options offered outside the plan.

When to Update your Will

You likely understand the importance of having a will, which conveys our instructions about who should get our assets and who should care for our children after our death. But are you aware of when to update it? Here are some situations that should trigger a review and possible changes to the document:

Relationship changes: If you've recently married, divorced, or entered into a civil partnership, your old will may no longer be valid. You'll need to create an up-to-date document.

Change in financial situation: If you've gained or lost a significant amount of wealth, you should make sure the provisions in your will are still appropriate.

Change of executor: If the person you want to carry out the terms of the will and handle related legal matters has died or moved far away, you may want to name a replacement. Or, if your affairs have become more complex, you may decide a different executor is required.

Addition or change of beneficiary: You may wish to add or remove a beneficiary from your will for any reason.

Remember that a will is not set in stone. You can change it as often as you like, and new versions will automatically supersede previous ones.

Feel free to reach out with any general questions about estate planning. You'll need to consult your attorney for specific questions regarding your will

John R. Lachapelle, Financial Adviser

For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Cetera Advisor Networks LLC nor any of its representatives may give legal or tax advice.

S&P 500 Historical Rates

2020						2021				
01/02/20	3,257		07/01/20	3,115		01/05/21	3,727		07/01/21	4,320
02/03/20	3,248		08/03/20	3,294		02/01/21	3,774		08/03/21	4,387
03/02/20	3,090		09/01/20	3,526		03/01/21	3,902		09/01/21	4,524
04/01/20	2,470		10/01/20	3,380		04/01/21	4,020		10/01/21	4,357
05/01/20	2,830		11/02/20	3,310		05/03/21	4,193			
06/01/20	3,055		12/01/20	3,669		06/01/21	4,202			

Source: https://finance.yahoo.com/quote/%5EGSPC/history?p=%5EGSPC&guccounter=1

What is Long-Term Care?

When people consider the subject of long-term care, they often think about nursing homes. In fact long-term care has little to do with nursing homes. Understanding the difference can help you protect your family and finances.

Long-term care encompasses the care, services, and housing you will need when you live a long life. Think you won't live a long life? Think back 25 years ago. If you had cancer or a stroke, you simply died. Few ever heard of Alzheimer's. Today it is the leading cause for long-term care services. The longer you live, the more likely you are to need care. The question is not who will take care of you, because your family will most often, but rather what providing that care will do to your family and finances.

Long-term care is defined as needing assistance with your activities of daily living (toileting, bathing, dressing, eating, getting in and out of the bed or chair, and maintaining continence). Another type of long-term care is the supervision that is needed for someone with severe memory loss.

If you need on-going, custodial care, chances are it will be delivered in the community, not in a nursing home. Every study conducted finds that care is overwhelmingly provided at home.The key question, of course, is who is going to pay for it?

Medicare, the primary health care program for retirees, pays only for skilled, medically oriented or rehabilitative care, not custodial care in any venue. Medicaid, a federal and state program for financially needy individuals will pay for custodial care, but primarily in nursing homes. Funding for home care and assisted living is very limited and based on availability of funds.

Veterans believe that the VA will pay for home care, adult day care or assisted living. As with Medicaid, funding is limited and generally based on service-related disability.

The result is that consumers are forced to pay privately for their care. Unfortunately, the best thought-out retirement plan rarely takes into consideration living a long life. Put another way, those assets and income have been allocated to pay for retirement, not for the consequences of living a long life. This results in the need to invade principal and divert income to pay for care. As a result, one of seniors' greatest fears - that of outliving their assets - literally may come true.

The use of long-term care insurance has become an important part of planning for disability resulting from living a long life. The coverage serves to both keep families together and allows your retirement portfolio to be used for the purpose for which it was intended, namely retirement.

From a family perspective, think about who will be providing your care. Chances are your children will play a key role. Long-term care insurance doesn't replace the need for family involvement in providing care but rather builds on it. It pays professionals to assist the person with the toughest tasks such as toileting, bathing, feeding and continence. This, in turn, allows the family to provide care better and longer at home.

The options for paying for an extended health care need at any age are limited to self-funding, Medicaid (for those who are impoverished), and long term care insurance. Each of these options is appropriate for certain people in certain circumstances. None of these is right for everyone. It is important to make an informed decision, in advance, as to how best fund an extended health care need and then to communicate that decision to your family. The emotional challenges of a health care crisis are easier to handle when the financial challenges have already been addressed.

Call us if you would like to discuss long term care, or receive a quote from one of the many companies we represent.

John R Creteau, Investment Adviser

Moving?

Moving can be time consuming and stressful. We make it easy to keep your investments, retirement and insurance accounts up to date.

Just email us at Laura.Fleming@ceterawealth.com with the subject line: ***Change of Address*** and include your name, your old address and your new address and updated phone numbers.

Or call the office at 603-332-6518 ~

Health Tip Of The Month

5 Healthy Eating Tips for the Holidays

Savor a serving of the foods you really love.
Here's your recipe for staying on track no matter what's cooking.

'Tis the season for family, festivity, and food—lots of food. Temptations are everywhere, and parties and travel disrupt daily routines. What's more, it all goes on for *weeks*.

How do you stick to your diabetes meal plan when everyone around you seems to be splurging? Here are 5 tips that can help:

1. Holiday-Proof Your Plan
You may not be able to control what food you're served, and you're going to see other people eating tempting treats. Meet the challenges armed with a plan:

Eat close to your usual times to keep your blood sugar steady. If your meal is served later than normal, eat a small snack at your usual mealtime and eat a little less when dinner is served.

Invited to a party? Offer to bring a healthy dish along.

If you have a sweet treat, cut back on other carbs (like potatoes and bread) during the meal.

Don't skip meals to save up for a feast. It will be harder to manage your blood sugar, and you'll be really hungry and more likely to overeat.

If you slip up, get right back to healthy eating with your next meal.

2. Outsmart the Buffett
When you face a spread of delicious holiday food, make healthy choices easier:

- Have a small plate of the foods you like best and then move away from the buffet table.
- Start with vegetables to take the edge off your appetite.
- Eat slowly. It takes at least 20 minutes for your brain to realize you're full.
- Avoid or limit alcohol. If you do have an alcoholic drink, have it with food. Alcohol can lower blood sugar and interact with diabetes medicines.

Also plan to stay on top of your blood sugar. Check it more often during the holidays, and if you take medicine, ask your doctor if the amount needs to be adjusted.

3. Fit in Favorites

No food is on the naughty list. Choose the dishes you really love and can't get any other time of year, like Aunt Edna's pumpkin pie. Slow down and savor a small serving, and make sure to count it in your meal plan. If you plan for it, no food needs to be on the naughty list.

4. Keep Moving
You've got a lot on your plate this time of year, and physical activity can get crowded out. But being active is your secret holiday weapon; it can help make up for eating more than usual and reduce stress during this most stressful time of year. Get moving with friends and family, such as taking a walk after a holiday meal.

5. Get Your Zzz's
Going out more and staying out later often means cutting back on sleep. Sleep loss can make it harder to manage your blood sugar, and when you're sleep deprived you'll tend to eat more and prefer high-fat, high-sugar food. Aim for 7 to 8 hours per night to guard against mindless eating.

Most of all, remember what the season is about—celebrating and connecting with the people you care about. When you focus more on the fun, it's easier to focus less on the food.

Source:
https://www.cdc.gov/diabetes/library/features/holidays-healthy-eating.html

Client Quiz!

This Month's Quiz

Question: What do you think the S&P 500's average annual return has been since adopting 500 stocks into the index in 1957, to 2018?

a. Roughly 8%
b. Roughly 9%
c. Roughly 10%
d. Roughly 12%

Source: *John R. Creteau*

Answer to Last Month's Quiz

Quiz: The sole purpose of this instrument is to assist you in determining your general attitudes towards investment risk. One's time horizon and risk aversion is the nucleus of this instrument.

a. Dollar cost avergaing
b. Needs analysis
c. Business valuation
d. **Risk tolerance questionnaire (CORRECT)**

Source: *John R. Creteau*

Did you know that Congress is Considering a $3.5 Trillion Budget Reconciliation Bill that Includes Approximately $2 Trillion in Tax Increases?

This is an unprecedented legislative threat. Many of our clients could be effected.

I would suggest you speak to your politician so that you have proper representation on Capitol Hill!

In addition a discussion with your CPA may be warranted so that you are aware of how these proposed tax increases may affect you, starting in the year 2022.

We felt it appropriate to include a few of the major proposed changes for our readers.

- Proposed individual and corporate tax increases.
- Modification or elimination of the Section 199A deduction for non-corporate business income.
- New rules for IRAs with balances over $5 million.
- Changes to estate planning rules involving trusts.
- Proposed changes to the tax treatment of carried interest and capital gains.
- Proposed taxes on investments or financial transactions.
- Proposed changes and reduction to the unified credit effecting federal estate taxes.

John R Creteau, Investment Adviser and CCN

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Advice Works Client Portal

Did you know with access to Advice Works Client portal you can upload and share documents with your Financial Professional?

You can also create folders, delete and move documents. And to upload a document all you have to do is drag and drop or upload.

To learn more about sharing documents look for the **blue bar** on the right side of your screen called **“What can I do here?”.** A list of options will appear, select “*Sharing Documents*”.

If you are not set up to access the client portal and would like to receive an inviation just email Ashley.Langlais@Ceterawealth.com or Laura.Fleming@Ceterawealth.com.

Put **Client Portal Access** in the **Subject Line** and include your cell phone number in the body of the email. *{Client Portal Access requires an email and cell phone number to set up access to the portal}*

PLEASE NOTE THAT OUR WEBSITE ADDRESS HAS CHANGED TO: CETERANH.COM