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FOX FINANCIAL GROUP
Planning for Peace of Mind

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How to Protect Your Deposits

By Amanda Compton
Source: Investopedia

After a slew of bank failures and yet another Fed rate hike, polls show that Americans' trust in both the banking system and the Federal Reserve's ability to stabilize the financial sector is waning.

Naturally, this environment prompts us to wonder how financial institutions safeguard our money in the event of failure.

In this article, we will discuss the Securities Investor Protection Corporation (SIPC) and Federal Deposit Insurance Corporation (FDIC) which were formed to insure depositors against personal financial ruin if banks or brokerages go belly up.

First Things First

The first course of action is to check whether your bank is a member of the FDIC and/or SIPC. If your financial institution is not a member, then your funds may not be protected. Credit unions are protected by the National Credit Union Share Insurance Fund (NCUA).

Bank Accounts and the FDIC

The FDIC is an independent federal agency insuring deposits in U.S. banks in the event of bank failures. It was formed in 1934 to prevent “run on the bank” scenarios that devastated many banks during the Great Depression.

What to know about the FDIC:

- Insures deposits (cash and CDs) up to $250,000 per account for each account holder.
- Is funded entirely by premiums paid by member firms and the earnings on those funds.
- Is backed by the full faith and credit of the U.S. government.
- There has never been a loss of insured funds to a depositor of a failed institution since its creation in 1934.

Key takeaway:
You don’t want to have more than $250,000 in one account. In other words, don’t put all of your eggs in one basket.

Brokerage Accounts and the SIPC

The SIPC is a nonprofit corporation created by Congress in 1970 to protect the clients of brokerage firms forced into bankruptcy.

What to know about the SIPC

- Unlike the FDIC, it is neither an agency nor a regulatory body.
- Covers shortfalls in accounts up to $500,000 including $250,000 in cash.
- Is funded by its members
- Some things not covered by SIPC include commodities, foreign-exchange contracts, cryptocurrency exchanges, insurance policies, mutual funds, and investment contracts such as private equity.

It's important to note that most large brokerage firms maintain supplemental insurance for much more than $500,000. The amount differs from firm to firm, so be sure to ask when opening an account.

Could an HSA or HRA Help You Offset Expensive Medical Costs?

The average annual healthcare expense per insured individual ranges from roughly $3,800 for 19- to 34-year-olds to about $13,000 for retirees (ages 65+). As Americans pay more for medical care, they often seek ways to save for emergencies. Health savings accounts (HSAs) and health reimbursement accounts (HRAs) can help.

What are these accounts, and who has access to them? We explore the pros and cons of each option to help you determine which one you may have access to and the best one for your individual needs.

What Is a Health Savings Account?
An HSA can be used to save for future medical costs. They tend to have multiple tax benefits including:

- Pre-tax income is deducted from your paycheck, lowering your total taxable income.
- Your HSA balance grows tax-free.
- The IRS won't tax money you withdraw to pay for medical expenses.

How Do I Qualify for an HSA?
To open an HSA, you must have a high-deductible health plan (HDHP). Due to the high out-of-pocket costs and lower monthly premiums, these plans are typically utilized by young, relatively healthy people. In addition, you can not:

- Be claimed as a dependent on the previous year’s tax return
- Have Medicare, or,
- Have any other health coverage, aside from certain exceptions as outlined by the IRS.

HSA Pros
HSAs include numerous tax benefits. At the end of the year, you can roll any remaining amount over into the next year and continue accumulating until retirement. HSAs cover many medical procedures and are sometimes accessible via debit cards.

HSA Cons
In order to qualify for an HSA, you must have an HDHP (high deductible health plan). This doesn't work for everyone, particularly those with high healthcare costs.

What Is a Health Reimbursement Account?
Whereas individuals or employees can fund their own HSAs, only an employer can fund an HRA. When employers offer HRAs, most people benefit from taking advantage of them. With an HSA, you can withdraw funds to pay for approved services and procedures.

If you have an HRA, you have to pay the expenses upfront and your employer reimburses you for the cost.

Your employer determines how much to contribute on an annual basis, and it’s important to remember that you can't add your own money to the account.

HRA Pros
Employers fund HRAs, meaning it doesn’t cost you anything to participate. Like HSAs, these plans have expansive coverage for numerous procedures, and there aren't any prerequisites on what health insurance you can use it with.

HRA Cons
Unlike HSAs, you are not able to contribute to your own HRA account. Also, your employer sets the contribution amount and eligibility rules. If you lose your job, you can't transfer the funds in your HRA account, nor can you roll the amount over at the end of the year.

HSA vs. HRA
Your financial advisor can help you determine your eligibility for a non-employer HSA. However, HRAs are only available under a current employer that offers this benefit.

Both employees and employers can fund HSAs, and it might help self-employed workers with

Can HDHPs save on taxes?
You can only withdraw funded amounts in an HSA, but you can withdraw funds from an HRA, even if it's not funded yet. The funds in your HSA stay with you even if you change jobs. Additionally, they roll over year after year. After age 65, you may use HSA funds for non-medical reasons, but these non-medical withdrawals may be taxed. With an HSA, you do have the option to make an early withdrawal, but you may be subject to a penalty. HRAs, on the other hand, do not allow for early withdrawals or for non-medical withdrawals.

Feel free to reach out to Fox Financial Group regarding your options as an employee, self-employed worker or individual. We'll help you weigh the pros and cons and determine whether you can save money on your yearly medical expenses by enrolling in either of these plan types.

5 Parallels Between Your March Madness Bracket & Investing

March Madness is upon us, and as many of us know, the season highlight for college basketball fans is often full of upsets, underdogs and blowouts. Like investing, filling out a bracket involves balancing risk, reward and expectations, and winning a pool ultimately requires a bit of luck along the way.

Here are a few lessons from March Madness that we can apply to the world of investing.

Lesson #1: Forget Perfection, Position Yourself Strategically
The odds of filling out the perfect bracket are pretty scarce - so are the odds of consistently selecting prime investments within the market. This can make the process of approaching March Madness, and investing, fairly daunting.

Successful investing stems from focusing on what you can control. That can mean building a portfolio that is positioned to maintain return premiums, such as size, value or profitability that can improve risk-adjusted returns. Additional areas that are also within your control include asset allocation, keeping investment costs low, minimizing taxes and more.

Lesson #2: Don't Let Past Performance Dictate Future Decisions

Similar to allowing a past team's success to influence your bracket picks, investing based on previous performances will generally only lead to disappointment. As an investor, you should never assume that your "best pick" from the past will act similarly in the near future.

It's also important to keep in mind that luck can often play a role in the success of one's season. While your bracket pool, or asset managers, might be skilled, it may be hard to tell if it's that skill or luck that helped them do so well. It's fairly common to see funds that have outperformed in a certain amount of time proceed to underperform in the following period.

Lesson #3: The More You Watch, the More Drama You Can Expect

Just like watching a clock tick slowly as you wait for a profound moment or event to take place, the more you watch March Madness, the more attached and emotional you may become about the outcomes. While highly entertaining, the drama associated with the NCAA tournament is undeniable.

Keeping a close eye on the market is almost never helpful or entertaining. In fact, the more you watch the markets, the more susceptible you may become to making poor investment decisions. Great investors detach themselves as much as possible from regular stock fluctuations.

Lesson #4: Leave Emotions out of the Decision-Making Process

As humans, we see patterns in everyday life and our tendency to maintain memories of the times they "work" only enhances that pattern-seeking behavior.

A great example is choosing your alma mater or a nearby school to advance in the season further than what evidence and probability suggest.

When it comes to making investment decisions, it's wise to emphasize evidence-based investment theory and research as opposed to basing your judgments on minor indicators, patterns or gut feelings. Quality decision-making processes should ultimately protect us from our internal hardwiring that causes us to misinterpret probabilities, discover patterns where none exist and exhibit emotional responses.

Lesson #5: Keep in Mind the Importance of a Great Coach

There's no denying that a great coach contributes greatly to the success or failures of a team, sports-related or otherwise.

Coaches can act as key motivators and can also be calming in times when emotions run high. In terms of financial well-being, working with a trusted, educated financial professional can be beneficial. Having a good behavioral coach is crucial to maintaining emotional stability and clarity as you make financial decisions.

Financial advisors often act as emotional barriers between individuals chasing returns and running from emotionally charged markets. Without proper guidance, you may lack the understanding and discipline to approach investments wisely.

Announcements

Fox Financial Group made the finals of the St. Louis Magazine's 2023 A-List Awards - and it's all because of ***YOU***, our clients and friends.

If you have a second, click on the image to the left to cast your vote! *You can vote daily through April 10.*

March 21st was World Down Syndrome Day. In honor of WDSD, Fox Financial Group celebrated the life of Harper Wagener, a 4th grader at Twin Oaks Christian School who has Down Syndrome.

In this interview with Harper's mom, Laura Wagener, you will learn of the challenges, blessings, and common misperceptions that come along with having a child with DS.

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