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Social Security: Shoring Up America's Safety Net

Life Insurance with Long-Term Care Benefits

When should I file the FAFSA?

How can I teach my high school student the importance of financial literacy?



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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.

Leaving your debts for others to pay

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. Hopefully, you take advantage of that program, but is it 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 consider buying your own life insurance.

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.

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Future projections

In 2019, the trustees of Social Security reported that the Old-Age and Survivors Insurance (OASI) trust fund is projected to run out in 2034. At that time, payroll tax revenue alone would be sufficient to pay 77% of scheduled benefits.

Ever since a legal secretary named Ida May Fuller received the first Social Security retirement check in 1940, Americans have been counting on Social Security to provide much-needed retirement income. For many older Americans, Social Security is their main source of guaranteed retirement income — income that continues throughout their lifetimes and is indexed for inflation every year (in 2019, the cost-of-living adjustment, or COLA, was 2.8%).

Social Security provides more than just retirement income, though. It also provides disability and survivor insurance benefits. About 62 million people — more than one in six U.S. residents — collected some type of Social Security benefit in 2018, with approximately 80% of these recipients receiving Social Security retirement or survivor benefits.¹

How Social Security works

Social Security is a pay-as-you-go system, which means that payments from current workers (in the form of payroll taxes) fund benefits for current beneficiaries. The payroll tax rate for Social Security is 12.4%, with 6.2% paid by the employee and 6.2% paid by the employer (self-employed individuals pay the entire 12.4%). These payroll taxes are deposited into the Old-Age and Survivors Insurance (OASI) trust fund (for retirement and survivor benefits) and the Disability Insurance (DI) trust fund (for disability payments).

Because of demographic and economic factors, including higher retirement rates and lower birth rates, there will be fewer workers per beneficiary over the long term, worsening the strain on the trust funds. This year, the trustees of Social Security reported that the OASI trust fund is projected to run out in 2034. After that, payroll tax revenue alone would be sufficient to pay 77% of scheduled benefits.

Ideas for reform

There has been little national consensus by policymakers on how to deal with Social Security's looming demographic challenges. Meaningful reform will require broad bipartisan support, and the trustees have urged Congress to address Social Security's challenges sooner rather than later, so that solutions will be less drastic and can be implemented gradually, lessening the impact on the public.

Some Social Security reform proposals on the table include:

- Raising the current Social Security payroll tax rate — according to the 2019 trustees report, an immediate and permanent payroll tax increase to 15.1% (up from the current 12.4%) would be necessary to address the

long-range revenue shortfall (16.05% if the increase started in 2035)

- Raising or eliminating the ceiling on wages currently subject to Social Security payroll taxes (\$132,900 in 2019)
- Raising the full retirement age beyond the currently scheduled age of 67 (for anyone born in 1960 or later)
- Reducing future benefits — to address the long-term revenue shortfall, the trustees have noted that scheduled benefits would have to be immediately and permanently reduced by about 17% for all current and future beneficiaries, or by approximately 20% if reductions were applied only to those who initially become eligible for benefits in 2019 or later
- Changing the formula that is used to calculate benefits
- Changing the formula that is used to calculate the annual cost-of-living adjustment for benefits

Understand your retirement benefits

The amount you'll receive from Social Security is based on the number of years you've worked, the amount you've earned over your lifetime, and the age when you file for benefits. Your benefit is calculated using a formula that takes into account your 35 highest earnings years, but you don't need to work for that long to qualify for retirement benefits. Generally, you need to have earned a minimum of 40 work credits, which is about 10 years of work in a job covered by Social Security. If you haven't worked long enough to qualify on your own, you may qualify for spousal benefits based on your spouse's work record. A spousal benefit claimed at your full retirement age is generally equal to 50% of the primary worker's full benefit.

You can get an estimate of your future Social Security retirement benefits by visiting the Social Security website at ssa.gov and using the Retirement Estimator tool or by viewing your Social Security Statement. Your personalized statement contains a detailed record of your earnings history, as well as estimates of the retirement, survivor, and disability benefits you can expect at different ages. To view your statement online, you'll first need to register. If you haven't registered online, you'll receive your Social Security Statement in the mail every year if you are age 60 or older and not yet receiving benefits.

¹ Top Ten Facts About Social Security, Center on Budget and Policy Priorities, August 14, 2018



Life Insurance with Long-Term Care Benefits



If you are concerned about the high costs of long-term care but don't want to purchase traditional long-term care (LTC) insurance, you might consider two strategies that combine permanent life insurance coverage with long-term care benefits.

Keep in mind that any payouts for covered LTC expenses reduce (and are usually limited to) the life insurance death benefit that would go to your heirs, and benefits can be much less than those of a traditional long-term care policy.

Accelerated death benefit (ADB) rider

An ADB rider attached to a permanent life insurance policy allows the insured to begin receiving benefits while he or she is still living, under specific circumstances.

In the past, ADB riders only paid when a policyholder was diagnosed with a terminal illness. However, more insurers now offer riders that start paying when a policyholder is diagnosed with a chronic illness, is permanently disabled, or needs to enter a nursing home.

Although some policies may include an ADB rider at little or no cost, ADB riders are generally optional and will increase the premium.

Hybrid life—LTC policy

This type of policy combines permanent life insurance and long-term care coverage. Many such policies require a substantial up-front premium, but buyers don't have to worry about future rate increases or the issuer canceling the policy.

For the same premium, a hybrid policy typically has a smaller death benefit than a life policy with an ADB rider. However, the LTC coverage is more generous than an ADB rider.

Benefits under a hybrid policy typically begin when the policyholder needs help with two or more activities of daily living such as eating, bathing, and dressing.

With an optional continuation-of-benefits rider, payouts for covered LTC expenses could continue for a specified period or your lifetime, even if they exceed the death benefit.

Financial flexibility

Another advantage of these strategies is that policyholders can tap into the cash value of the permanent life policy during retirement if money is needed for income or emergencies. Loans and withdrawals will reduce the policy's cash value and death benefit.

Other considerations

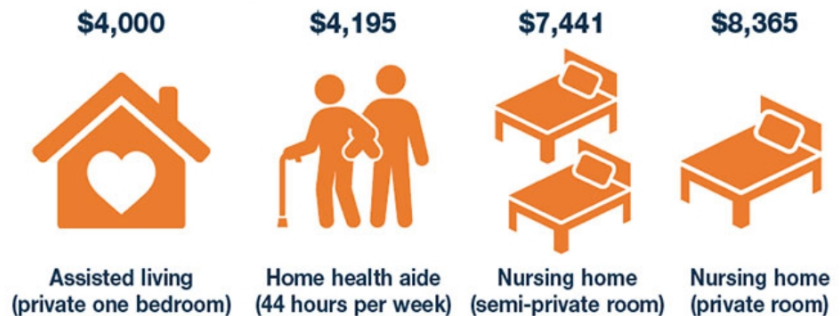
It would be wise to explore your LTC options while you are healthy. If you consider a life insurance policy with an ADB rider or a hybrid life-LTC policy, you should have a need for life insurance and evaluate the policy on its merits as life insurance.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. In addition to the life insurance premiums, other costs include mortality and expense charges. If a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company. Riders are subject to the contractual terms, conditions, and limitations outlined in the policy, and may not benefit all individuals.

Cost of Care

Long-term care costs vary widely by state and the type of care. Here are national median monthly costs for 2018.



Source: Genworth Cost of Care Survey, 2018



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When should I file the FAFSA?

The FAFSA, which stands for Free Application for Federal Student Aid, is the federal government's financial aid application. The FAFSA is a prerequisite for federal student loans, grants, and work-study. In addition, colleges typically require the FAFSA before distributing their own need-based aid and, in some cases, merit-based aid.

For the 2020-2021 school year, the FAFSA can be filed as early as October 1, 2019. Whether you have a senior in high school or a returning college student, it's a good idea to file the FAFSA as early as possible to increase your child's chances of getting financial aid, because some aid programs operate on a first-come, first-served basis. (For high school seniors who haven't yet been accepted at a particular college, you can list all the schools your child has applied to on the form.)

The 2020-2021 FAFSA relies on your family's current asset information and two-year-old income information from your 2018 tax return. The form is available online at fafsa.ed.gov.

In order to file the form, you'll need to create an FSA ID if you haven't done so already (be sure to follow the online instructions). You can save time and minimize errors on the FAFSA by using the built-in IRS Data Retrieval Tool, which electronically imports your tax data.

Even if you don't expect your child to qualify for need-based aid, you still might consider submitting the FAFSA. All students attending college at least half-time are eligible for federal unsubsidized Direct Loans regardless of financial need. So if you want your child to take out a loan (or your child needs to do so), you'll need to file the FAFSA. (Unsubsidized Direct Loan amounts are capped each year: \$5,500 freshman year, \$6,500 sophomore year, and \$7,500 junior and senior years.)

Keep in mind that you'll need to resubmit the FAFSA each year that you want your child to be considered for aid. Fortunately, renewal FAFSAs take less time to complete.



How can I teach my high school student the importance of financial literacy?

Even though your child is just in high school, he or she may still have to deal with certain financial challenges. Whether this involves saving for an important purchase like a car or learning how to use a credit card responsibly, it's important for your high schooler to have a basic understanding of financial literacy concepts in order to manage his or her finances more effectively.

While financial literacy offerings in schools have increased in popularity, a recent study reported that only 17 states require high school students to take a personal finance course before they graduate.¹ Here are some ways you can teach high school students the importance of financial literacy.

Advocate saving. Encourage your children to set aside a portion of any money they receive from an allowance, gift, or job. Be sure to talk about goals that require a financial commitment, such as a car, college, and travel. As an added incentive, consider matching the funds they save for a worthy purpose.

Show them the numbers. Use an online calculator to demonstrate the concept of long-term investing and the power of compound interest. Your children may be surprised to see how fast invested funds can accumulate, especially when you match or contribute an additional amount each month.

Let them practice. Let older teens become responsible for paying certain expenses (e.g., clothing and entertainment). The possibility of running out of their own money might make them think more carefully about their spending habits and choices. It may also encourage them to budget their money more effectively.

Cover the basics. By the time your children graduate from high school, they should at least understand the basic concepts of financial literacy. This includes saving, investing, using credit responsibly, debt management, and protection planning with insurance.

¹ Survey of the States, Council for Economic Education, 2018



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The Controversy of “Gaming Disorder”

Gaming disorder could soon join the World Health Organization’s (WHO) list of official mental health issues. This impending inclusion is due to a revision of the International Statistical Classification of Diseases and Related Health Problem (known as ICD-11). This list is heavily used by doctors for diagnosis and treatment planning.

Similar to other addictive disorders such as gambling addiction or drug abuse, gaming disorder would be diagnosed for individuals whose lives are severely impacted by their obsessions with video gaming.

While WHO has emphasized that most gamers wouldn't fall under this diagnosis, some controversy has arisen from the decision. Critics have pointed out that similar technology addictions -- the internet, smartphones, and social media -- aren't included on WHO's list of addictive disorders. They say gaming has been unfairly singled out.

Even more problematic is the implication that WHO is being pressured to include gaming disorder on the list. Rather than it being for clear and definitive medical reasons, it appears that political pressure, particularly from Asian countries, could have played a part. WHO denies these claims.

Source:

<https://www.theatlantic.com/technology/archive/2018/06/whos-afraid-of-virginia-wolfenstein/563843/>

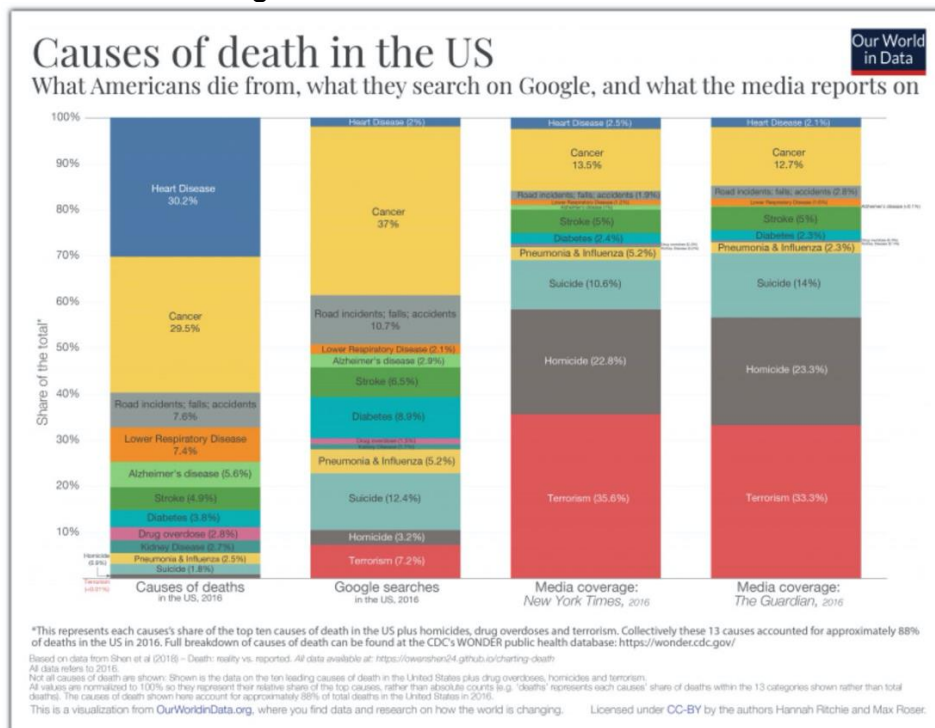


Media's Perception of American's Death

The media has an unmatched ability to shape our views of the world we live in. What we search for on Google and other search engines has a similar effect. What if the media and/or search engine results are not accurately representing reality? A study was done by Our World in Data to compare the relationship between how Americans most commonly die versus the types of deaths most often shown in the media.

Looking at the graph, you can see the reality of how most Americans die is strikingly different than the deaths the media covers. Instead of significant killers like heart disease or cancer being main stories, more sensationalistic topics such as homicide and terrorism make up the bulk of media coverage. Similarly, Google search results also show a disproportionate number of searches for topics like suicide and terrorism.

So what does this information mean to us? We need to realize there may be a big disconnect between what is presented in the media / search engines and what is actually happening in our lives. You probably already know that, but you may not have known how significant the differences can be.





Impact of Soil Erosion

Climate changes impact on soil erosion has not been significantly publicized. Soil erosion occurs when a large number of dry days are interspersed with heavier rains. A new European Union Joint Research Centre report suggests the cost of soil erosion is \$8 billion a year. In addition, they estimate worldwide food production has been reduced by 33.7 million tons a year.

Factors in this developing ecological situation are a combination of changing temperatures as well as land use (when developers and builders clear out vegetation that helps to hold soil in place).

Nations that are most vulnerable to soil erosion tend to have a large proportion of agricultural land. This includes the Caribbean countries along with Brazil, Central African countries, and parts of Southeast Asia. There, soil erosion is occurring on more than 70% of arable land, compared with 3% in countries like the European Union, Australia, Canada and Russia. India and Indonesia are estimated to have a 0.1% lower GDP as a result of soil erosion.