

If You're Using
Cash Less Often,
You're Part Of
A Trend

2



Retirement:
Get Your
Retirement Plan
Back On Track

3



Financial Trouble
And Tapping
Retirement
Accounts

4



MOMENTUM WEALTH STRATEGIES' FINANCIAL NEWS

DIGEST



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Life Insurance In The Age Of COVID

Courtesy of Mark N. Howard, MS, MBA


I recently read a story about a young entrepreneur with no kids, named Jesse, who hadn't purchased life insurance before the coronavirus crisis.

"I just didn't think I needed it yet, and I've committed most of my financial resources to my business," said Jesse, 31, the owner of a small business.

COVID-19, though, forced Jesse to consider his mortality. "I don't want to leave my wife in debt should something happen to me," he said. "Also, during the slowdown, I had more time to do the

research." So, he purchased his first policy.

I have certainly seen an "uptick" in interest in life insurance lately. Major catastrophic events can serve as a catalyst for people to reassess their financial security, including life insurance.

Many financial experts agree that most people should have life insurance. How much coverage you need, though, depends on your age, the size of your family, your health and your income. When you're young, your life insurance needs are greatest, because you're supporting a young family. Coverage of 10 to 20 times your annual income is a good ball-park consideration to start you thinking, but a more thorough Cash and Income Needs Analysis or Income Replacement Calculation would be a good idea if you haven't done either of those calculations recently. 



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Did you know that many Americans commit financial infidelity? About 44% of US adults admit hiding a bank account or debt, or spending more money than a partner would be comfortable spending. Millennials are more likely than baby boomers or members of Generation X to commit financial infidelity.

Source: CreditCards.com

Avoid pandemic scams. Fake websites: Before you click, make sure it's really a bank or government site by checking that the URL ends in ".com," ".gov" or ".org," not something weird like ".com.co" or ".ma." *Scam calls:* Even if the number looks legit or your phone displays the name of a business, do not answer. Call back on a number you know is legitimate. *E-mail:* Look closely at the address to see if anything appears off. Fraudulent e-mails often look like they come from official organizations but will perhaps have a slight misspelling of the organization's name in the address. Use the same criteria when you look at links in suspicious e-mails. And never click on them if you're not sure. *Home-office threats:* Check to see if your Wi-Fi router needs a security update. If it is more than seven years old, it may no longer be eligible for updates, so buying a new one is safest.

Source: The New York Times

"The safest way to double your money is to fold it over and put it in your pocket."

— Kin Hubbard



If You're Using Cash Less Often, You're Part Of A Trend

By Sandra Block, Kiplinger's Personal Finance

Dayna Ford, who focuses on digital wallets and other forms of electronic payment for Gartner, a market research firm, discusses a cashless world.

Q: *Electronic payments have soared since the pandemic began. Do you expect that trend to continue after the crisis is over?*

A: I do, though the trend toward digital payments due to the pandemic has taken different forms: shopping online, paying digitally while doing a physical pickup or using contactless methods of payment, such as digital wallets. All were existing trends that had been steadily climbing over the past couple of years but have accelerated since the pandemic began. After the crisis is over, the rate of digital payments will drop, but not to what it was before.

Q: *What about contactless, peer-to-peer payment systems? Will we continue to see the growth of peer-to-peer systems?*

A: Yes. You have many programs which cater more to consumers who use traditional banks. The pandemic adds momentum because some consumers don't want to touch cash.

Concerns about hygiene will get some people over the inertia that prevented them from trying these systems.

Q: *How can consumers protect themselves from identity theft when using these methods?*

A: In some ways, digital wallets are more secure than credit and debit cards. For example, when

you make online purchases using a digital wallet, only the wallet provider sees your credit or debit card information. Consumers should follow best practices for protecting data on their phones — use passwords and biometric authentication, auto-lock the screen — to keep their phones protected. And make sure you choose a reputable digital wallet provider, because you are storing your payment credentials with them.

Q: *Other countries, such as Sweden, are essentially cashless. How far is the United States from becoming a cashless society?*

A: I don't think cash is going away anytime soon. We've seen a number of legislative initiatives to protect cash, such as banning cashless stores in San Francisco, New Jersey and Philadelphia because they're seen as discriminating against consumers who don't have a bank account. Plastic cards may go away before cash. I do think we will see some reduction in the amount of cash in circulation due to the pandemic.

Q: *What are the prospects for the Federal Reserve introducing a digital form of the U.S. dollar?*

A: The U.S. Federal Reserve, along with central banks in Europe and other regions, has considered developing its own digital currency. Other countries, such as China, are farther along this path. It seems likely that the United States will watch to see how these initiatives fare in other regions before it makes a decision. 🌐

Retirement: Get Your Retirement Plan Back On Track

By Jill Schlesinger, Tribune Content Agency

Investors engaged in a test of wills with the stock market during the recent declines — a test that some failed. They panicked and sold their holdings, only to see the market bounce back.

Don't compound the damage by trying to figure out the optimal time to rebuild your portfolio. "A lot of times people say, 'I'm going to wait until the dust settles,'" says Vinicius Hiratuka, a CFP in Madison, Mississippi. "The stock market is a leading indicator. When the dust has settled, you've missed it."



Still, reentering the market will require fortitude because the stock market will likely continue to be volatile. Consider taking emotion out of the equation by getting back to your target in segments, rather than all at once. If you sold \$100,000 in stock funds, you might reinvest \$25,000 each month for four months. Over the long term, the day you invest won't matter much. What will matter is that you invested.

Also use your reaction to the recent market swings as a barometer of your tolerance for risk, says Marcel Winger, a CFP in San Antonio. Keep in mind, though, that if you decide to dial down your allocation to equities (stock market), you'll also give up potential long-term returns. That's particularly the case now, when low interest rates have depressed returns from bonds and cash. A

financial advisor can help you come up with an asset allocation that matches your risk tolerance but still provides potential for long-term returns.

Selling equities in a downturn may be a temporary setback, but taking a withdrawal from your retirement plan could put a permanent dent in your portfolio. If you're younger than 59 1/2, you'll usually pay a 10% penalty, plus income taxes on the amount you take out. But if you're among the millions of people who were laid off or furloughed in recent months, you may have had no choice.

But the Coronavirus Aid, Relief and Economic Security (CARES) Act signed into law in March provides an opportunity to repair some of the damage. If you or someone in your family was diagnosed with COVID-19 or suffered adverse financial consequences because of the pandemic, you can withdraw up to \$100,000 from your 401(k) (or other employer-sponsored retirement plan) or IRA without triggering an early-withdrawal penalty. You'll have up to three years to pay taxes on the withdrawal. And as long as your employer allows it, you'll have up to three years to roll the money back into your plan.

If you took a 401(k) loan (or are considering one) instead of a withdrawal, you also have new options. In addition to increasing the maximum you can borrow from \$50,000 to \$100,000, the CARES Act allows borrowers to skip making payments in 2020 — giving you six years to pay it off instead of five.



Free credit reports now available weekly. Through April 2021, Equifax, Experian and TransUnion each will provide a report as often as once a week instead of once every 12 months at AnnualCreditReport.com. *Why it helps:* If you receive a deferment or forbearance on mortgage or other loan payments, make sure lenders report it correctly. Also, before applying for loans or higher credit limits, check for errors and correct them.

Source: JohnUlzheimer.com

Now is a good time to lend money to cash-strapped family members. If you want to give more than \$15,000 in a given year without the excess counting against your lifetime gift-tax exemption, the IRS requires it to be a formal loan at a fixed interest rate. Recently, the minimum mandated rate plunged to 1.01% for loans longer than nine years, down from 2.7% a year ago... 0.43% for three to nine years... 0.18% for shorter terms.

Source: RetirementWatch.com

Did you know that a Social Security increase next year is unlikely? A preliminary estimate says there will be no cost-of-living adjustment (COLA) for 2021 because inflation has been so low this year. The official word on COLA will not come until October, but the specific index used to calculate any hike is very unlikely to show an increase.

Source: USA Today

"Hard work never killed anybody, but why take a chance?"
— Edgar Bergen

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Financial Trouble And Tapping Retirement Accounts

By Elliott Raphaelson, Tribune Content Agency

Many individuals are facing loss of employment income and need to access some of their assets in order to meet normal expenses.

Think carefully before doing so. IRA expert Ed Slott points out that for people in debt or facing bankruptcy, funds maintained in 401(k)s and IRAs are generally protected from creditors under federal law, but any funds withdrawn become immediately exposed to creditors.


Here are some issues to consider.

■ **Traditional IRA withdrawals:** Loans from IRAs are not allowable under current regulations. Generally you have only 60 days to rollover assets taken from a traditional IRA back into an IRA. If you don't replace the funds within the allowable time frame, the pretax funds will be taxable, and a 10% early withdrawal penalty applies if you are younger than 59 1/2.

■ **Roth IRA withdrawals:** This should only be a last resort. That is because these funds have already been taxed and withdrawing them sacrifices the opportunity for tax-free future income on those

funds. As long as you are older than 59 1/2 and have maintained the account for five years, you have flexibility regarding all withdrawals.

■ **Loan options from company retirement plans:** If your plan allows this option, loans are not taxable when taken, but if you don't repay the loan at the time you terminate employment, you will face income tax liabilities, and if you are younger than 59 1/2 you will owe a 10% early withdrawal penalty.

■ **Coronavirus-related distributions:** The CARES Act allows you to withdraw up to \$100,000 penalty-free from your IRA or company plan during 2020 if you have been impacted by the virus. However, these withdrawals (known as CRDs) are taxable unless you are able to repay these withdrawals within a three-year period. To qualify for this program, the account owner, or the owner's spouse or dependents, must have suffered adverse financial consequences from the loss of income related to the virus. Company plans are not obligated to grant CRDs. 

It's always prudent to consult a qualified tax advisor before taking any action.