Edward Jones

Preparing for the unexpected

While you can't predict the future, you can prepare for it.

Your **future**

Providing for your family's future

Key points

- Your death or disability could leave your family unable to cover financial obligations or daily expenses.
- Life and disability insurance are potential solutions to help address these risks by providing income and wealth for your loved ones.
- Your insurance coverage should be reviewed as part of your periodic financial review, as well as after a life event.

Help ensure your loved ones have the financial resources to live the life you want for them.

While death and disability may be uncomfortable topics to discuss, ignoring them could lead to a much more uncomfortable situation for your loved ones. Providing for your family's future is all about developing a strategy to help ensure they have the necessary financial resources should something happen to you. Insurance is designed to help address these risks by providing added protection for what is too expensive to replace on your own.

The table below highlights potential solutions to help you prepare if you are:

- Early or mid-career
- Caring for dependent children
- Paying a mortgage or other loans
- Saving for retirement
- Planning to pay for a child’s education

Prepare for:	Potential solutions:
Needs of your survivors **L** Liabilities **I** Income **F** Final expenses **E** Education	**Life insurance:** Life insurance can be an important tool to help provide for your family’s income and expenses should an unexpected death occur. For most people, term life insurance may be the most appropriate and cost-effective solution. However, if you want to leave an inheritance to your loved ones, you may want to consider permanent insurance. There are different ways to calculate how much may be appropriate: • **Use your current salary:** We generally suggest seven to 10 times your pretax annual salary as a starting point. • **Calculate your family’s needs:** Using the acronym LIFE as a guide, estimate your family’s needs over time: Consider Liabilities (debts) such as your mortgage; Income needs to replace your future salary and provide for ongoing living expenses; Final expenses; and Education costs for your children. While either approach can give you an estimate of your insurance needs, using the LIFE acronym can better personalize your life insurance estimate to your specific needs. **LIFE + legacy** If you have specific legacy goals, such as leaving money to loved ones or a charity, they should be added to your LIFE estimate for your total insurance need. The type of policy you use for your legacy goals may be different than for your LIFE needs.
Long-term disability	**Disability insurance:** Consider purchasing an individual plan or supplementing your existing employer plan to cover as much of your after-tax income as possible to last until you reach age 65.

Protecting what you've worked for

Key points

- Living longer than you expect, an extended illness and/or an unexpected personal liability are risks that could put a severe strain on your financial resources and jeopardize your retirement.
- Annuities with lifetime income benefits, long-term care insurance and umbrella liability insurance may be solutions you can consider to help protect against these risks.

Help ensure the financial security you've created is protected from the unexpected.

As you approach retirement, your focus may begin to shift to protecting the financial security you have created for yourself and your family.

You've worked hard to be able to live the life you want, whether that includes volunteering, spending more time with your family or working at something you enjoy. Don't get caught unprepared by common risks that could derail what you have worked so hard to achieve.

The table below highlights potential solutions to help you prepare if you are:

- Nearing retirement
- Living in retirement
- A business owner

Prepare for:	Potential solutions:
Living longer than expected (outliving your money)	**Create and stick to a sustainable withdrawal rate strategy:** As a general rule, the longer you expect to live and the less flexible you can be with your expenses, the lower your rate should be. **Annuities with lifetime income benefits:** Depending on how much you rely on your portfolio for income and your spending flexibility, you may want to consider annuities that guarantee an income payment for as long as you live. *All contract and rider guarantees are subject to the claims-paying ability of the issuing company.*
A need for long-term care or an incapacity	**Budgeting for long-term care costs:** Even if you don't anticipate needing nursing home care, you should still consider planning for some type of assisted living or home health care costs within your strategy. **Long-term care insurance:** Several options could help pay for long-term health care costs, including traditional long-term care insurance or combining life insurance with a long-term care benefits rider. **Create appropriate legal documents with your team of tax and legal professionals:** Powers of attorney, health care directives and living wills can help you outline your wishes for your future care.
Personal liability	**Umbrella liability insurance:** This protection is designed to kick in when coverage on other policies, such as home or auto, has been exhausted. **Asset ownership structures:** Specific ownership structures designed to hold certain assets, such as a small business or rental property, could potentially reduce your personal liability.

Passing on your legacy

Key points

- Passing on a financial legacy can be derailed by unexpected events, such as changes in wealth, tax laws and/or regulations, or even a life event, which could render your current strategies ineffective or obsolete.
- Insurance strategies (such as life insurance and irrevocable life insurance trusts) are designed to help you achieve your legacy goals.
- It's important to review your estate strategy, including beneficiary designations and existing life insurance policies, after major life events to help evaluate whether your legacy wishes can withstand the unexpected.

Help ensure your plans for your legacy are followed as you intend.

One of your primary goals may be to pass on a financial legacy. You may already have strategies in place to transfer assets to your spouse or children, or perhaps you plan to contribute to a favorite charity or organization. Once again, the unexpected can have an impact on these goals as well.

While Edward Jones can assist with certain items, such as insurance strategies and beneficiary reviews, we do not provide legal or tax advice. It takes a team approach — you, your financial advisor, your CPA and your attorney — to build a strategy to pass on the legacy you intend.

The table below highlights potential solutions to help you prepare if you are:

- Planning to leave a financial legacy to loved ones or charitable organizations
- A business owner
- Caring for dependent family members

Prepare for:	Potential solutions:
Legacy goals, or potential changes in wealth due to unexpected expenses or untimely death	**Life insurance:** Life insurance and irrevocable life insurance trusts (ILITs) can generally help ensure a specific amount is passed on to beneficiaries in a tax-efficient manner, regardless of when you die or whether large unexpected expenses (such as long-term care) reduce your remaining assets. **Business succession planning:** If you are a business owner, your death or the death of a key employee, as well as business liquidity and liability issues, should be addressed to help ensure your business continues.
Changes in tax laws or regulations	**Trust planning:** Some types of trusts may provide the ability to better address tax issues. **Periodic estate reviews:** Estate strategies should generally be reviewed at least every three to five years or after a tax law or regulatory change.
Document and strategy inconsistencies (due to life events, improper titling, etc.)	**Beneficiary and legal document review:** There are many moving parts to your estate strategy. Work with your financial advisor and team of legal and tax professionals to align your documents, beneficiary designations and asset registrations to help you pursue your estate goals.

Building your foundation

Whether you're laying the groundwork for your financial future or finally enjoying the outcome of your careful investing and planning — there are some "foundational" risks you should prepare for.

Prepare for:	Potential solutions:
Unexpected expenses or events, such as: • Job loss or early retirement • Housing or auto repairs • Expenses related to child care or aging parents	**Emergency savings:** • Consider saving three to six months' worth of total expenses. If you are retired, this amount is in addition to having 12 months of income needs (minus any amount received from outside income sources) in cash for everyday spending. **Line of credit:** • A personal line of credit may help supplement your emergency savings.

Prepare for:	Potential solutions:
Property loss or liability, such as repairing or replacing your home, auto or boat, or personal liability issues.	**Homeowners/renters coverage:** • May cover lost/stolen property costs and may also include limited liability protection. • Additional liability insurance, such as an umbrella liability policy, may help when your standard policy coverage is exhausted.
Investment risk, such as your portfolio not being in line with your current goals and comfort with risk. **Market volatility** can be uncomfortable, but your reaction to volatility can be the biggest risk to your goals.	**Diversification, quality and a long-term focus:** • Diversify investments among stocks, bonds and cash, so success isn't tied to one company or investment type, and stick with quality investments with proven track records. And remember to focus on your long-term goals, not short-term fluctuations. **Personal risk assessment:** • Determine how much risk you are willing and able to take, so you can be better prepared to stay on track during the inevitable short-term declines.
Medical expenses, if not covered by insurance, can pose a substantial risk to your overall financial situation. These can include: • Emergency care services • Hospital visits • Preventive care	**Health insurance and Medicare** **Before age 65:** • Consider medical insurance through your employer, your spouse's employer, Marketplace coverage or COBRA. **Age 65 and older:** • You may be able to enroll in Medicare up to three months before turning 65. • Consider Medicare Supplemental Insurance (Medigap) or Medicare Advantage (Part C) to fill in the gaps. • Take into account premiums and other out-of-pocket costs like deductibles and items Medicare doesn't cover, such as long-term care costs.

Take the first step

A tailored strategy based on your goals

Certain risks will always need to be addressed; however, depending on your life stage and current goals, there may be additional risks that require your attention. For example, if you are saving for retirement, “Preparing for the unexpected” will look considerably different from when you are living in retirement.

To determine how to prepare for the unexpected, you should first outline where you are today and define your goals for tomorrow. To get started, we generally recommend the following:

- [ ] Detail your current financial situation, including your income, living expenses, assets and debts, including any money set aside for emergencies.
- [ ] Take inventory of your current insurance coverage (including life, disability and liability insurance) held through and apart from your employer.
- [ ] Outline your expected lifetime income sources, such as Social Security, pensions and annuities, if you are near or already living in retirement.
- [ ] Review current plans for covering health care and potential long-term care costs.
- [ ] Document beneficiaries on all insurance policies and retirement and investment accounts.
- [ ] Determine when you last updated your important legal documents and asset transfer strategies, including your will, powers of attorney, living trust, etc.
- [ ] Ensure your investment portfolio is properly aligned with your comfort with risk and documented financial goals.

Completing the above items can help you determine what you need to address to better prepare yourself in case of an unanticipated event. The good news is you don't have to do it alone. Your Edward Jones financial advisor can work with you to review your current situation, define your goals and then outline a strategy to help you prepare for the unexpected.

> **edwardjones.com** | Member SIPC