MARTIN INSURANCE GROUP, LLP

CLIENT NEWS & ADVISORY

3rd QUARTER - 2022 ISSUE

CHOICES WE MAKE THAT "WILL" CHANGE OUR LIVES

Hello Everyone,

WOW! The Texas "heat wave" is upon us, hope all of you are staying as cool as possible! I hear some people talking about the heat wave and say things like "it's the hottest it's ever been," but I am quick to remind those people that we are not even hitting some records from previous years. Some of those were people who moved to Texas during the pandemic and haven't lived some of these more common summers, the others just admittedly forgot about some of those summers. This, got me thinking "we all need to do a better job of learning from our own past experiences and the experiences of OTHERS around us." In this issue of our quarterly newsletter, we will go over some first hand witnessed life scenarios and how they could have been handled better. Out of respect we will refer to these individuals by different names.

SCENARIO – DID NOT APPLY FOR ENOUGH LIFE INSURANCE COVERAGE:

Bob married later in life to a younger woman. For years Bob has felt adequately insured for life insurance with his employers group term life policy of $200,000 and makes a good salary. However, this was before him, and his new wife are blessed with two sons. Bob flirts with the idea of getting an individual policy for more coverage, but never pursues. Bob unfortunately is diagnosed with colon cancer and now cannot qualify for a life insurance policy. After years of battling the cancer Bob unfortunately passes away. Bobs widow and his young sons are forced to apply for government assistance programs as well as turn to family for financial help until his widow can (after almost a decade) try to rejoin the workforce to sustain their family.

What could Bob have done to have better prepare for his family? –

Term Life policies are the best way to get the 'most' coverage for the 'least' amount of premium, especially when you are still younger and healthier. When my wife was pregnant with our first child I immediately applied for a policy as the main breadwinner in our household. Then when she was pregnant with our second, I applied again for an increased amount. We always tell our clients "apply for the most while you can, you can always lower as your needs change in the future," (i.e. children get older and move out, mortgage is paid off, etc.) If you are planning to get married soon and or have children in the near future, do NOT procrastinate!

SCENARIO – FAILED TO ADEQUATELY SAVE FOR RETIREMENT:

Joe has always had the common mindset of retiring at age 65, enrolling on Medicare and enjoying Social Security Income. However, like most Americans Joe never saved more than a few hundred dollars a month for retirement. Instead opted for vacations, dinners, new clothes, and cars whenever he could.

Joe does retire from his job but quickly finds himself digging into his savings faster than anticipated. This is primarily due to his budget and spending habits being based on his previous 6 figure salary, but now being based on the $40K SSI annual benefit. Joe has a heart attack and now even if he wanted to, he cannot return full time to his previous 6 figure income job. Joe now must start selling off assets and finds himself seeking income in a new industry and position in a modified part time status due to his health conditions as a 70-year-old.

How could Joe have avoided getting into this position? –

1. Joe could have cut one or two excessive costs items or trips and instead invest that money into his employer's 401(k) plan that matched dollar for dollar what he would put in up to $18,000 per year as the company's engineer. In other words, the majority of employer sponsored 401(k) plans require YOU to put money in it before the employer puts a matching amount for you.
2. In addition to this *(and or the circumstance that Joe's employer did not offer a 401K)* could have been putting monies into an qualified tax deferred IRA that would have accumulated compounding interest over the years to yield a large financial cushion for him in his retirement years.
3. Whole Life and Universal Life insurance policies also have cash accumulating features. Being a great choice for a young professional this can hit two birds with one stone.

SCENARIO - DEALING WITH A LONGTERM DISABILITY:

Jerry opens a restaurant with two other partners that have been long time friends. The restaurant quickly takes off and is so successful that the three partners open up two more locations, with one partner managing each location. One night after closing his location, Jerry is driving home and falls asleep behind the wheel of his car. He hits a tree and instantly becomes a quadriplegic. Out of the kindness of their hearts the two partners continue to pay Jerry his regular salary to help Jerry and his family of 5. However, after 2 years of paying Jerry for a job that he no longer can do, and the two partners are now having to do for him, they are financially forced to stop issuing him his salary. Instead, they offer to buy Jerry out of his portion, but Jerry and his Wife know that the money can only last them so long and they need an income to survive off of. A lawsuit quickly unfolds, and Jerry and the two partners come to a settlement that no one is happy with and in the end lifelong friendships are ruined and Jerry's family's story only gets worse as the years go on.

How could have Jerry (and his partners) have avoided getting into this position? –

By having an individual disability policy on each partner this situation could have been avoided. The two partners could have bought Jerry out of his share, and Jerry could have used that money and the money from the disability policy to sustain him and his family. In that scenario the 'company' could have even been the owner and PAID the tax deductible premiums for Jerry and his partners.

This same situation applies to people who are NOT business owners. –

Maybe, the scenario is a young professional who is the main bread winner for his wife and kids. What happens if that young professional is in a catastrophic accident but does not die? How will he be able to take care of himself and his family if he can no longer work anymore? ANSWER – He could enroll on his employers Long Term Disability plan and/or applied for an individual disability policy on his own.

WHAT ELSE CAN YOU DO TO PROTECT YOURSELF, YOUR SPOUSE AND CHILDREN?

We just covered three very real examples, but on top of those you can also do the below to make sure that no matter what hardship may follow. You and your family are prepared the best you can be.

First, we covered the importance of **making sure you have sufficient life insurance** and clearly identify if it is term or permanent coverage**. You should consider buying one term policy and one permanent policy and layer then**. Life comes with changes, so do not forget check & update your beneficiary designations.

Second, start **saving for retirement no matter how early or late it is** in your life. Every dollar counts, can be compounded and have interest earned on. If you do not have an employer that sponsors a 401K **contact us regarding setting up an IRA**.

Third, enroll in a disability policy that protects you in the event you become disabled due to an accident or serious illness. There are distinct kinds, so you need to know the differences. **Contact us for more info.**

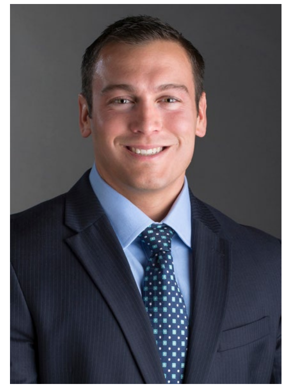
Fourth, train yourself to save. We are all guilty of impulse buying and spreading ourselves too then at times. Look for the leaks in your budget and sit down with your spouse to jointly identify each other's dreams in life today, tomorrow, and even after you are gone.

Fifth, seek all available legal avenues to save on "taxes." You can save on income taxes, state and federal taxes by doing your research. Today, we are taxed for everything we buy, lease, rent, etc.

Six, remember, you work hard for your money, now make your money work hard for you. One fitting example is why do you still keep your money in a bank CD that is earning less than the rate of inflation? Look at investing into short term annuities, shop out the best interest rates. Also, consider, paying off credit card or other debt accounts that are charging you double digit interest rates on your owed balances.

We are most grateful for the privilege to work for and with you. Remember we are never further than a phone call away, so call us at 210-236-9821.

Ted M. Martin, MPA, LUTFC, RHU, REBC, CLU
Founder & President



Taylor M. Martin, BA, REBC
Chief Executive Officer

"REMEMBER, TO THE WORLD YOU MAY BE ONE PERSON, BUT TO ONE PERSON, YOU MAY BE THE WORLD."

MARTIN INSURANCE GROUP, LLP
Registered Employee Benefits Consultants & Compliance Specialists
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13333 Blanco Road Suite 212, San Antonio, Texas 78216 – Telephone: 210-236-9821
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2022 contribution and benefit limits

For 401(k) and other qualified plans

Type of limitation	2022	2021
401(k), 457, and 403(b) maximum annual elective deferral limit	$20,500	$19,500
401(k), 403(b), and 457 plan catch-up contribution limit for individuals age 50 or over	$6,500	$6,500
Defined contribution plan annual limit	**Lesser of:** $61,000 **and** 100% of compensation	**Lesser of:** $58,000 **and** 100% of compensation
Savings incentive match plan for employees (SIMPLE) maximum annual elective deferral limit	$14,000	$13,500
SIMPLE 401(k) or SIMPLE IRA catch-up contribution limit for individuals age 50 or over	$3,000	$3,000
Traditional IRA contribution limit	**Lesser of:** $6,000 **and** 100% of compensation	**Lesser of:** $6,000 **and** 100% of compensation
Traditional IRA catch-up contribution limit for individuals age 50 or over	$1,000	$1,000
Defined benefit plan annual limit under IRS Section 415	$245,000	$230,000
Annual allowable compensation limit for deduction, benefit, and contribution purposes	$305,000	$290,000
Highly compensated employee	$135,000[1]	$130,000[2]
Key employee/officer in a top-heavy plan	$200,000	$185,000
Income subject to Social Security tax	$147,000	$142,800

For full details on the pension plan limits for 2022, visit the IRS website.

Annual contribution rates are based on the IRS 2022 retirement plan limitations and are subject to change

Ask us about 1st year interest rates of 3.75% for qualified tax deferrable annuities!