HOLDEN & MICKEY, INC.

Investment & Insurance Advisors

Serving Clients Since 1930

November 2017 | Vol. 5 No. 4 | Quarterly Updates

The Ring of Keys at Holden & Mickey, Inc.

About Us:

- *Holden & Mickey, Inc. designs, implements, and monitors financial plans for high net worth individuals. Our firm has been working with clients in this area since 1930. Holden & Mickey advisors are highly credentialed and multi-generational in their focus on wealth management.

One of the partners at Holden & Mickey, Inc. has a ring of 40 keys laying on a table in his office. Those keys have great significance to that partner, Steven Davis. At one time, Steven and his business partner owned 23 National Franchise Restaurants. Steven was responsible for what was behind a lot of locked doors, and he keeps those keys in sight as a reminder.

After analyzing a business with declining margins, increased competition, and high person liability risk, Steven negotiated the sale of his interests to his business partner in 2007. It turned out to be good timing. John Mickey knew Steven through a close family/friend relationship. John recommended Steven bring his business experience and apply it to our industry. Steven spent three successful years with another financial services firm before receiving an invitation to become a partner in 2012.

Having the ability to understand and sympathize with the concerns of business owners is a unique benefit that is often applied to their Financial Planning. It's a valuable perspective that Steven provides to his clients, and the Firm of Holden & Mickey, Inc.

Steven has become a valued partner, and his annual high production has garnered multiple industry recognitions. His business ownership concerns have now changed from locked doors in restaurants, to the financial security of his clients. The responsibilities have not gone away, they have just become more important, more significant, and more gratifying to him. Steven and his wife Stacy, a local CPA, have been married for 21 years. They are both natives of Winston-Salem, and have 3 teenage children.

Holden Mickey, Inc

336-724-1810

www holdenmickey.com

Holden & Mickey Principals

Lawrence N. (Chip) Holden, CLU®, ChFC®
lholden@holdenmickey.com

John E. Mickey, CLU®, CLTC
jmickey@holdenmickey.com

Gerald M. (Gerry) Malmo, III, CLTC
gmmalmo@holdenmickey.com

David L. Holden, CFP®, CLU®, ChFC®, CLTC
davidholden@holdenmickey.com

Steven H. Davis, LUTCF
sdavis@holdenmickey.com

Brian J. Holden
brianholden@holdenmickey.com

Securities, investment advisory and financial planning services offered through qualified registered representatives of MML Investors Services, LLC.

Member SIPC (www.SIPC.org)
Capital Towers
4350 Congress St., Suite 300
Charlotte, NC 28209
(704) 557-9600
Holden & Mickey, Inc. is not a subsidiary or affiliate of MML Investors Services, LLC or its affiliated companies.
CRN201911-222423

Life Insurance Products with Long Term Care Riders

Are they worthwhile alternatives to traditional LTC policies?

The price of long-term care insurance has really gone up. If you are a baby boomer and you have kept your eye on it for a few years, chances are you have noticed this. Last year, the American Association for Long-Term Care Insurance (AALTCI) noted that married 60-year-olds would pay between $2,000-3,500 annually in premiums for a standalone LTC policy.[1]

Changing demographics and low interest rates have prompted major insurers to stop offering LTC coverage. As the AALTCI notes, the number of LTC policies sold in this country fell from 750,000 in 2000 to 105,000 in 2015. Not all insurers offer these policies. The demand for the coverage remains, however – and in response, insurance providers have introduced new options.[1,2]

Hybrid LTC products have emerged. Some insurers offer "cash rich" permanent life insurance policies that let you tap part of the death benefit to pay for long-term care. Other insurance products feature similar potential benefits.[1,2]

As these insurance products are doing "double duty" (i.e., one policy or product offering the potential for two kinds of coverage), their premiums are costlier than that of a standalone LTC policy. On the other hand, you can get what you want from one insurance product rather than having to pay for two.[3]

Another nice perk offered by these hybrid LTC products: sometimes, insurers guarantee that the premiums you pay will never rise. (Many retirees wish that were the case with their traditional LTC policies.) Whether the premiums are locked in at the initial level or not, the death benefit, coverage amount, and cash value are all, commonly, guaranteed.[3]

Hybrid LTC policies provide a death benefit, a percentage of which will go to your heirs. Do traditional LTC policies offer a death benefit? No. If you buy a discrete LTC policy, but die without needing long-term care, all those LTC policy premiums you paid will not return to you.[3]

The basics of securing LTC coverage applies to these policies. The earlier in life you arrange the coverage, the lower the premiums will likely be. If you are not healthy enough to qualify for a standalone LTC insurance policy, you might qualify for a hybrid policy – sometimes no medical exam is required. The LTC insurance benefit may be used when a doctor certifies that the policyholder is unable to perform two or more of the six activities of daily living (eating, dressing, bathing, transferring in and out of bed, toileting, and maintaining continence).[4,5]

Lump sums are no longer needed to fund many of these hybrid LTC policies. In the past, insurers would commonly require a single premium payment of $75,000-$100,000. No more. Most insurance companies let you fund these policies with monthly, quarterly, or annual premiums. When a lump sum is necessary, it may not be a major hurdle for a high net worth individual or couple, especially since appreciated assets from other life insurance products can be transferred into a hybrid product through a 1035 exchange.[2,3,6]

Are these hybrid policies just mediocre compromises? They have critics as well as fans. Detractors cite their two sets of fees, per their two forms of insurance coverage. They also point out that hybrid LTC policies are not inflation protected, so the insurance benefit is worth less with the passage of time. Also, while the premiums paid on conventional LTC policies are tax deductible, premiums paid on these hybrid policies are not.[3]

Funding the whole policy up front with a single premium payment has both an upside and a downside. You will not contend with potential premium increases over time, as owners of stock LTC policies often do; on the other hand, the return on the insurance product may be locked into today's low interest rates.

Another reality is that many middle-class seniors have little or no need to buy a life insurance policy. Their heirs will not face inheritance taxes because their

continued on page 3

Disclosure

- This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates and should not be construed as investment advice.

continued from page 2

estates will not exceed the federal estate tax exemption. Moreover, their children may be adults and financially stable, themselves. A large death benefit for these heirs is nice, but the opportunity cost of paying the life insurance premiums may be significant.

Cash value life insurance can be a crucial element in estate planning for those with large or complex estates, however – and if some of its death benefit can be directed toward long-term care for the policyholder, it may prove even more useful than commonly assumed.

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Citations.
1 - investmentnews.com/article/20160721/FREE/160729979/long-term-care-insurance-market-sees-rapid-decline [7/21/16]
2 - nytimes.com/2016/03/06/business/retirementspecial/hybrid-long-term-care-policies-provide-cash-and-leave-some-behind.html [3/6/16]
3 - today.com/series/starttoday/have-healthy-retirement-jean-chatzky-how-pay-long-term-care-t106862 [1/10/17]
4 - elderlawanswers.com/hybrid-policies-allow-you-to-have-your-long-term-care-insurance-cake-and-eat-it-too-15541# [4/5/16]
5 - elderlawanswers.com/activities-of-daily-living-measure-the-need-for-long-term-care-assistance-15395 [11/24/15]
6 - kiplinger.com/article/insurance/T036-C001-S003-tax-friendly-ways-to-pay-for-long-term-care-insura.html [8/16/16]

End-of-the-Year Money Moves

Here are some things you might want to do before saying goodbye to 2017.

What has changed for you in 2017? Did you start a new job or leave a job behind? Did you retire? Did you start a family? If notable changes occurred in your personal or professional life, then you will want to review your finances before this year ends and 2018 begins.

Even if your 2017 has been relatively uneventful, the end of the year is still a good time to get cracking and see where you can plan to save some taxes and/or build a little more wealth.

Do you practice tax-loss harvesting? That is the art of taking capital losses (selling securities worth less than what you first paid for them) to offset your short-term capital gains. If you fall into one of the upper tax brackets, you might want to consider this move, which directly lowers your taxable income. It should be made with the guidance of a financial professional you trust.[1]

In fact, you could even take it a step further. Consider that up to $3,000 of capital losses in excess of capital gains can be deducted from ordinary income, and any remaining capital losses above that can be carried forward to offset capital gains in upcoming years.[1]

Do you itemize deductions? If you do, great. Now would be a good time to get the receipts and assorted paperwork together. Besides a possible mortgage interest deduction, you might be able to take a state sales tax deduction, a student loan interest deduction, a military-related deduction, a deduction for the amount of estate tax paid on inherited IRA assets, an energy-saving deduction – there are so many deductions you can potentially claim, and now is the time to meet with your tax professional to strategize how to claim as many as you can.

Could you ramp up 401(k) or 403(b) contributions? Contribution to these retirement plans lower your yearly gross income. If you lower your gross income enough, you might be able to qualify for other tax credits or breaks available to those under certain income limits. Note that contributions to Roth 401(k)s and Roth 403(b)s are made with after-tax rather than pre-tax dollars, so contributions to those accounts are not deductible and will not lower your taxable income for the year. They will, however, help to strengthen your retirement savings.[2]

Are you thinking of gifting? How about donating to a charity or some other kind of 501(c)(3) non-profit organization before 2017 ends? In most cases, these gifts are partly tax deductible. You must itemize deductions using Schedule A to claim a deduction for a charitable gift.[3]

If you donate appreciated securities you have owned for at least a year, you can take a charitable deduction for

continued on page 4

continued from page 3

their fair market value and forgo the capital gains tax hit that would result from their sale. If you pour some money into a 529 college savings plan on behalf of a child in 2017, you may be able to claim a partial state income tax deduction (depending on the state).[4,5]

Of course, you can also reduce the value of your taxable estate with a gift or two. The federal gift tax exclusion is $14,000 for 2017. So, as an individual, you can gift up to $14,000 to as many people as you wish this year. A married couple can gift up to $28,000 to as many people as they desire in 2017. Unfortunately, the I.R.S. prohibits a current-year income tax deduction for the value of a non-charitable gift. (Note that the gift tax exclusion rises to $15,000 in 2018.)[6]

While we're on the topic of estate planning, why not take a moment to review the beneficiary designations for your IRA, your life insurance policy, and workplace retirement plan? If you haven't reviewed them for a decade or more (which is all too common), double-check to see that these assets will go where you want them to go should you pass away. Lastly, look at your will to see that it remains valid and up-to-date.

Should you convert all or part of a traditional IRA into a Roth IRA? You will be withdrawing money from that traditional IRA someday, and those withdrawals will equal taxable income. Withdrawals from a Roth IRA you own are not taxed during your lifetime, assuming you follow the rules. Translation: tax savings tomorrow. Before you go Roth, you do need to make sure you have the money to pay taxes on the conversion amount. If you go Roth this year and change your mind, the I.R.S. gives you until October 15, 2018 to undo the conversion.[7]

Can you take advantage of the American Opportunity Tax Credit? The AOTC allows individuals whose modified adjusted gross income is $80,000 or less (and joint filers with MAGI of $160,000 or less) a chance to claim a credit of up to $2,500 for qualified college expenses. Phase-outs kick in above those MAGI levels.[4]

What can you do before they ring in the New Year? Talk with a financial or tax professional now rather than in February or March. Little year-end moves might help you improve your short-term and long-term financial situation.

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Citations.
1 - kiplinger.com/article/taxes/T052-C032-S014-a-quick-primer-on-tax-loss-harvesting.html [3/17]
2 - chicagotribune.com/business/ct-roth-401k-20171030-story.html [10/30/17]
3 - irs.gov/taxtopics/tc506 [9/21/17]
4 - fidelity.com/viewpoints/personal-finance/taking-tax-deductions [6/21/17]
5 - thebalance.com/best-states-for-college-savers-3193238 [5/24/17]
6 - irs.gov/Businesses/Small-Businesses-&-Self-Employed/Frequently-Asked-Questions-on-Gift-Taxes [10/23/17]
7 - marketwatch.com/story/when-youre-allowed-a-tax-free-do-over-with-your-ira-2017-07-27 [7/27/17]

Holden Mickey, Inc

Holden & Mickey, Inc
100 N Cherry St
Suite 500
Winston Salem, North Carolina
27101

www.holdenmickey.com

Tel:336-724-1810
Fax:336-724-2118

Securities, investment advisory and financial planning services offered through qualified registered representatives of MML Investors Services, LLC. Member SIPC (www.SIPC.org).
Capital Towers, 4350 Congress St., Suite 300, Charlotte, NC 28209 (704) 557-9600. Holden & Mickey is not a subsidiary or affiliate of MML Investors Services, LLC or its affiliated companies.
CRN201911-222423