CEO CORNER

FirefightersFirst CREDIT UNION

It's yours.

I am proud to announce a series of articles from Jean Chatzky, developed exclusively for our members. She is a personal finance columnist, financial editor of NBC's TODAY show, and AARP's personal finance ambassador. I hope these articles provide you with insights and information to help you achieve your financial goals.

Protect Your Financial Future: Estate Plans, Insurance... and More

There are five steps you should take to secure your financial future.

1. Earn a decent living.
2. Spend less than what you make.
3. Invest the money you're not spending, so it works as hard as you're working for yourself.
4. Protect your financial life, so that no emergency can rob you of it.
5. Give back in a way that is meaningful to you.

For many people, number four is the hardest hurdle to clear. Why? Because it involves thinking about and planning for inevitabilities that we don't like thinking about: aging, emergencies and death. The thing is, as we learned in 2020, emergencies happen.

Here's how you can put a **protection plan** in place – and put the worry behind you:

1. **Fund (or refund) your emergency cushion.** You might not think an emergency cushion belongs on the list of "protections" along with insurance and an estate plan, but it's actually the first building block. A three-to-six month cushion of liquid funds (i.e. money in the Credit Union; not in the stock market) is what it takes to get through most job losses, illnesses or other short-term emergencies. If you've used yours or don't have one, start by setting up an automatic transfer of a few hundred dollars a month (or whatever you can afford) out of checking and into a separate savings account for this purpose.
2. **Evaluate your insurance needs.** Chances are, you have your property/casualty insurance covered. Most people do because they're required to hold homeowners insurance by the mortgage lender and auto insurance by the state. When it comes to life, disability and long-term care insurance that's often not the case. Here's the rule: If you can't afford to replace it, insure it. If you can afford to replace it, don't.
    - Life insurance is also income insurance, but for the people you leave behind. There are two basic types – **term insurance** (which is a death benefit and has a termination date), and **permanent insurance** (a death benefit plus an investment account). Term is much less expensive than permanent and the right choice for most people. Look for a level-premium term policy that lasts 10, 20 or 30 years. The goal is, to time the expiration of your policy with the approximate date when you don't think you'll need it anymore. This is usually around retirement, when your mortgage is paid off and your kids have grown and flown. If you think you'll need insurance longer or forever (perhaps because you have a special needs child) look into term insurance that you can convert to permanent along the way.
    - **Long-term care insurance** is a policy that can help pay for home health care or nursing home care as you age. (Many people mistakenly believe Medicare covers these. It doesn't.) Policies can be pricey so don't feel as if you have to insure 100% of your needs. You can also look into a "hybrid" permanent life insurance policy where the benefits can also be used for long-term care. This, like disability insurance, is particularly important for singles who don't have others in the family to care for them.
3. **Put together a basic estate plan.** Contact Lilith Mansuryan, the Credit Union's Trust Officer, for any assistance you need. There are a handful of legal documents you need to ensure your assets move into the right hands at your death, but also that your wishes and financial needs are carried out. Most estate plans should have **both a will and a living trust**. An advantage of having a **living trust** is that property left through a trust doesn't have to go through probate court after your death, saving your family lots of time and money. However, most people don't put everything in a trust, therefore it is important to also have a will. A **will** is a legal document that stipulates what happens to your money and property at your death. It's also the only legal document that allows you to name guardians for minor children. (Note: While you're drawing up your will, it's a good time to review beneficiaries you've named on financial and retirement accounts and insurance policies. Beneficiaries trump people you've named in your will, so try to be consistent.) A **living will** tells doctors and hospitals whether you want life support or other care measures taken if you need them. A **durable power of attorney for healthcare** (sometimes called a healthcare proxy or medical directive) gives another person the ability to make health-related decisions for you, if you can't make them for yourself. A **durable power of attorney for finance** does the same for financial decisions. Once you have an estate plan, review it every three years or if you have a major life event.

We are here to help

Call us to talk through your specific needs. One of our talented team members stand ready to assist. You can reach us at **800-231-1626** or visit us online at **FirefightersFirstCU.org**.

Have a great month.

Sincerely,
Dixie Abramian
President/CEO