Loose Change®

a penny saved is a penny earned

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Recruit and Retain the Best

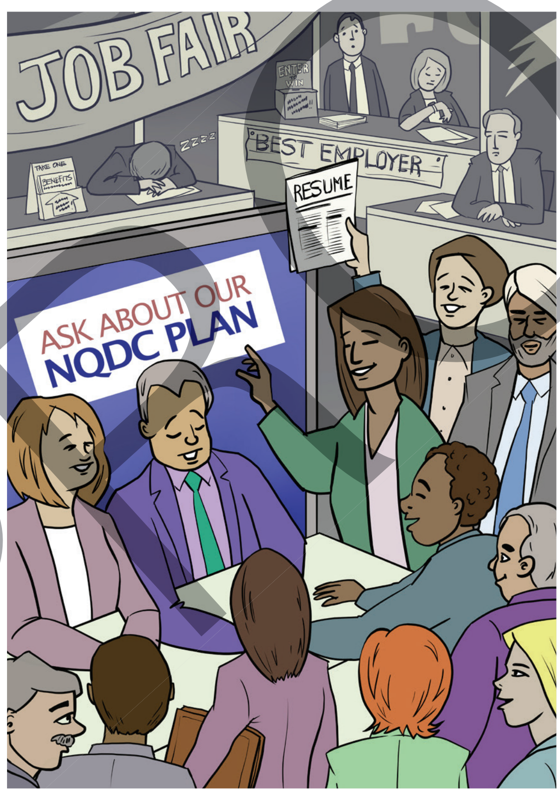
When you need to recruit the very best executives, offering a nonqualified deferred compensation package can help separate you from your competitors.

Nonqualified Defined

The IRS defines a nonqualified deferred compensation (NQDC) plan as an elective or non-elective plan, agreement, method or arrangement between an employer and an employee that pays compensation in the future. In comparison to qualified plans, NQDC plans do not typically provide the tax benefits associated with qualified plans.

Types of NQDC Plans

Companies may structure NQDC plans in a variety of ways. They might defer a portion of an executive's salary, pushing it into the future where it can help supplement retirement income, while reducing current taxable income. Executive bonus plans operate on the same premise, deferring bonus income to the future. These plans may defer nonqualified contributions from employers and employees above what qualified plans, such as a 401(k), allow.



Employer Points

Even without the tax advantages of qualified plans, NQDC plans benefit employers because an unfunded arrangement frees up working capital. One efficient way for an employer to prefund the plan is to purchase life insurance on the employee to pay benefits upon retirement. When employers prefund an NQDC plan, the amount also may be tax-deductible. Consult your tax professional.

Two more advantages: NQDC plans generally enjoy less red tape than their qualified cousins do, and employers can require vesting to encourage employees to stay with the company.

Employee Points

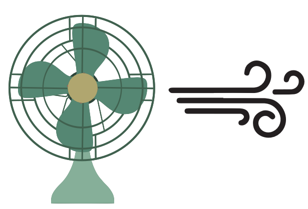
Executives like NQDC plans because they don't have a contribution limit. They may negotiate an agreement that annually defers much more money than allowed by qualified plans. Unlike qualified plans, NQDC plans normally don't require minimum distributions.

However, a company's bankruptcy can expose NQDC money to the claims of creditors and there are no guarantees any company won't go out of business, which can put the employee's deferred compensation at risk. Those with unfunded NQDC benefits must also rely on their companies' financial strength. Early distribution, loans and rollovers of plan funds are not allowed and FICA taxes may apply upon distribution. And if employees leave before a contractually agreed-upon term, they can forfeit all or a portion of benefits.

Keep Cool and Save

The high heat of summer can affect your pocketbook in many ways. Consider these money-saving tips:

- Grill your meals outdoors to keep the kitchen cool.
- Use insulated curtains on windows where the sun hits the hardest.
- Keep the windows shut when your house is cooler than outdoors, but open windows for a cross-breeze when outside temperatures are cool.
- Caulk windows, doors and air conditioning spaces to keep the heat out and cold in.
- Close vents and doors in unused spaces of your home.
- Use your overhead fans to aid the air conditioning.
- Replace your air conditioner filters frequently.
- Check attic and garage insulation for air leaks.
- Upgrade to a smart thermostat.
- Turn lights and TVs off when leaving a room.



Three Important Documents

1. Will - A will is needed by most people, even when they don't have great wealth. More than a way to direct how your assets are distributed, a will can also provide crucial instructions for taking care of minor and special-needs children.

2. Powers of Attorney -
The financial powers of attorney names a person who will handle your financial affairs if you can't. Two common types of these assignments are:

- Limited powers of attorney for singular events, such as an absence when signing a legal document is required, and
- Durable powers of attorney, which typically goes into effect when people are incapacitated and can't make financial decisions for themselves. In this case, it is important to clearly define the incapacity that would activate the powers.

3. Advance Directive - When you can't make healthcare decisions like end-of-life treatment for yourself, an advance directive can provide general guidance. Alternatively, you can assign healthcare, or medical, powers of attorney to individuals who would make these decisions for you. Consult with your family and legal advisor to make these and other estate strategy decisions carefully.

Annuities for Longer Lives

Fewer Americans can count on a guaranteed retirement income these days other than social security benefits, which are little more than a safety net. A fixed annuity* can offer this certainty. For some people, converting a portion of 401(k) plan or IRA balances to a fixed annuity may make more sense. There are a couple of ways to do this.

A Matter of Time

Annuity income payments can begin in one of two ways. An immediate annuity begins payments to you immediately, and a deferred annuity begins paying you at a future date. You get the annuity's guaranteed interest rate credited to your account balance during the accumulation phase, and then receive a fixed income payment based on the rate when payments begin, and the length of the annuity contract.

Varied Options

Because time is so important, how and when you structure your annuity matters, with longer terms resulting in lower periodic payments. Consider buying an immediate annuity by partially converting other retirement money, leaving open the possibility of converting more at a later date if needed.

Or you might purchase a deferred annuity that begins income payments in 10 or more years, increasing the accumulation phase and reducing the payment term. You can use other money to purchase a deferred annuity at any time.

Work with an insurance professional who can help you make the appropriate choice.

**Fixed annuity contracts guarantee a minimum credited interest. For immediate fixed annuity contracts, annuitants receive a fixed income stream based, in part, on the interest rate guarantee at the time of purchase. Annuity products are not FDIC-insured, and any guarantees are backed solely by the claims-paying ability of the issuing insurance company. Withdrawals prior to age 59½ may result in a 10% federal tax penalty, in addition to any ordinary income tax.*

529 Plan College Savings Plans

Coverdell Education Savings Accounts (ESAs)* and 529 plans** can help lower the cost barrier to college for many students.

A 529 plan lets you prepay for a specific institution or contribute to an account that pays for a student's qualified education expenses at any postsecondary institution. States establish their own 529 savings plans, each with their own contribution limits (which can be high), while eligible educational institutions can establish prepaid plans.

Potential earnings in a 529 plan grow tax-deferred and qualified distributions are tax-free. While contributions aren't federally tax-deductible, some states may allow a deduction, and there are no income restrictions.

Anyone can contribute up to $15,000 per individual and $30,000 per married couple filing jointly per year to a 529 plan, free of federal gift tax. You can also bunch contributions into one year up to the maximum of $75,000, but then you can't contribute anything else in the subsequent four years.

** https://www.irs.gov/pub/irs-pdf/p970.pdf*

***Certain requirements may apply. Before investing, consider the investment objectives, risks, charges and expenses associated with 529 plans. Read the program offering statement before investing. 529 plans are not guaranteed by any state or federal agency. Consider whether the investor's or beneficiary's home state offers any state tax or other benefits available only from that state's 529 Plan. Discuss 529 tax rules with your tax professional.*

Shifting Gears as Retirement Nears

How will you adjust your mutual funds* mix as you age? Consider the following fairy tale:

Just Right

Think about the story of Goldilocks and the Three Bears when adjusting the mix of your mutual funds.* Too much risk may be "too hot" for your retirement circumstances. This is when you need the money the most. Too safe may be "too cold" to keep your retirement accounts in sync with inflation. The "just right" mix of risk and potential reward is what you need to do your best to safeguard retirement income. It's a process that will change with time.

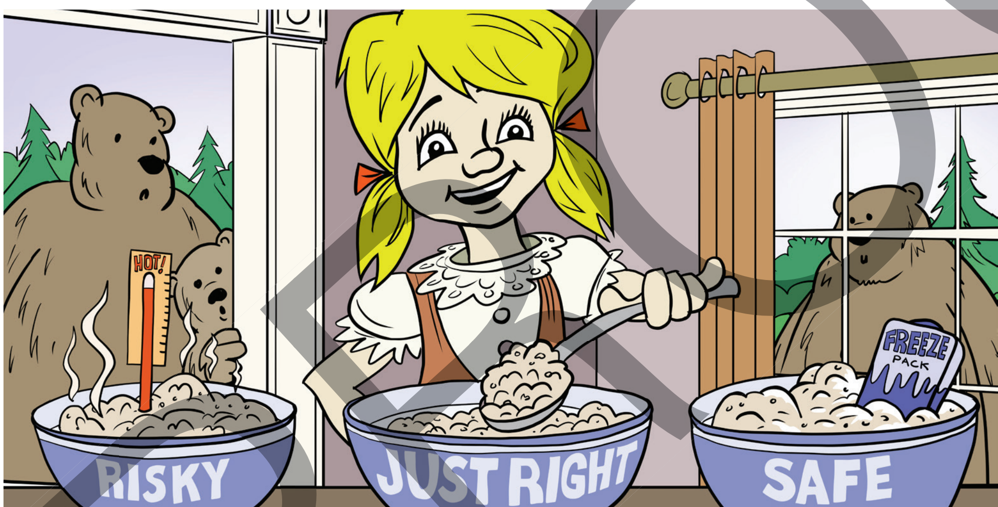
When you're young, you can invest for potential growth because time is on your side to rebound from losses. Not so when you can count the years before retirement on one hand — and certainly not the case if you are already retired, when you want to protect what you have for current income.

Changing Approach

There are all sorts of formulas for how people should invest as they grow older, with rules of thumb dominating the conversation. You, however, are an individual with unique financial needs, so it is important to discuss your investment approach and what's right for you with your financial professional.

What's certain is that most people should reduce their risk and attempt to preserve their savings near and in retirement. The landscape was littered with people who had to delay retirement after their too-aggressive investments went south during the 2008 recession. This may not mean putting every dollar into safer, low-return investments because you need to account for inflation, but you will want to line up your risk-reward mix with your circumstances.

** Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. Contact the issuing firm to obtain a prospectus which should be read carefully before investing or sending money. Because mutual fund values fluctuate, redeemed shares may be worth more or less than their original value. Past performance won't guarantee future results. An investment in mutual funds may result in the loss of principal.*



How to Save Money on Your Summer Trip

Summer vacations can eat up a family's budget in a hurry, so planning ahead and saving for big, more expensive trips is a necessity for most people. You can, however, take a few days off in the summer and not bust your budget in the process. For example:

Start Your Engines. Driving is a potentially cost-friendlier option than flying the family. Perhaps you could change your vacation plans and take a leisurely two-or three-day drive, stopping at points of interest or visiting friends and family along the way.

Use Your Points. If you choose the multi-day drive, you'll need to sleep somewhere. Use your points to help pay for lodging.

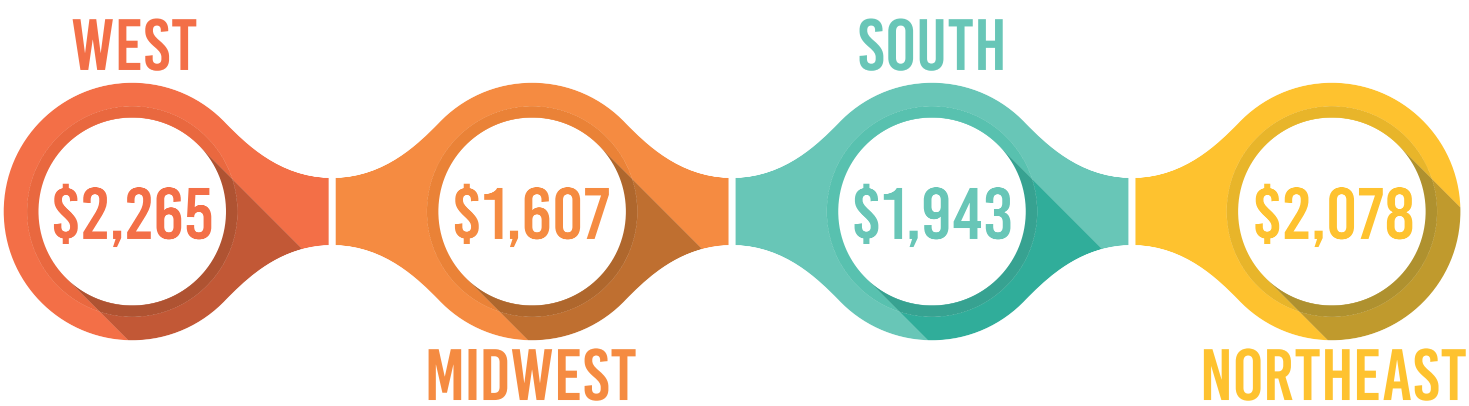
Find Coupons. Look for coupons at interstate rest stops to help reduce your lodging costs. You can also find travel coupons online from various organizations.

Stop Over. Stay at the homes of friends and family.

Go Bigger. Rent a home or apartment, especially in higher-priced areas. You'll find their costs are similar to or slightly higher than staying in a hotel, but you'll save money by using the kitchen for meals and probably have more space. You might even double up with family or friends, splitting the cost of a multi-room house or apartment.

What Americans Spend on Vacation

The Bankrate Summer Vacation Survey 2019 asked Americans how much they expected to spend on their vacations, with the average coming in at almost $2,000. These numbers differed by region.



Tax Help after Disasters

When natural disasters disrupt our lives, the last thing we think about is our taxes. While you'll still have to pay taxes and file tax forms, the IRS and many jurisdictions offer some assistance during these trying times.

Reconstruct Records.
When a natural disaster destroys your federal tax records, the IRS has a number of ways to help you reconstruct them. Request help online at www.irs.gov or by mail. Be prepared to give identifying information, including your social security number, date of birth and mailing address from your latest tax return.

Check for Help. When the federal government issues a disaster declaration, the IRS generally offers extra time to file and pay taxes, and waives late filing and payment penalties. If you inadvertently receive a notice for late filing or payment during the grace period, call the IRS number on your notice to rectify the matter.

Plan Ahead.

While no one wants to incur a loss due to a natural disaster, individual and business taxpayers may receive tax deductions for allowable losses. IRS publications 584 and 584-B are workbooks that can help identify and calculate casualty, disaster and theft losses to reduce your taxes. Consult your tax professional for help.

Bigger Baskets

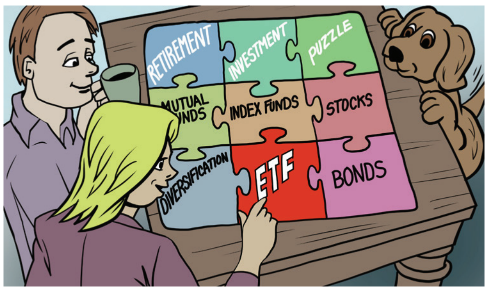
Buying shares of mutual funds* generally gives investors a way to own a piece of many securities, offering some diversification** most people could not afford if they were to buy the same securities individually. Two popular investments that aim to achieve this diversity at a reasonable price are index-based mutual funds and exchange-traded funds (ETFs). While they have some similarities, there are some important differences.

Similarities
Index-based mutual funds and ETFs are passive investments. They both seek to track underlying securities' indexes and replicate their respective returns, generally with lower fees than actively managed funds.

Both types of pooled investment vehicles generally have lower fees than non-indexed mutual funds, but charge a small fee known as the expense ratio. ETFs that mimic the major indexes may have lower fees than index funds.

Differences
ETFs are not mutual funds but investments registered with the Securities and Exchange Commission (SEC). While index fund shares can only be bought or sold at the end of each trading day, ETF shares are traded throughout the day. This means index fund prices change only after trading hours. ETF prices change more frequently and, because they are traded throughout the day, they are potentially more liquid.

Investment minimums also may vary between the two. Use caution, however, as some ETFs may trigger trading commissions.



Get Help
While these descriptions are generalized, some ETFs can be very specialized with a small niche focus and higher fees, making them more difficult to trade and more expensive. Talk to a financial professional to learn more.

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***Diversification cannot eliminate the risk of investment losses. Past performance won't guarantee future results. An investment in stocks or mutual funds can result in a loss of principal.*

FINRA
Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

January 08, 2020

Reference: **FR2019-1216-0013/E**

Org Id: 20999

1. Loose Change 2020 May/June

Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

David Y. Kim
Associate Principal Analyst aec

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