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Dear Friends:

As we welcome the arrival of April, I'm delighted to present another edition of our quarterly newsletter. At Bell Financial, we're committed to providing timely insights and guidance tailored to your unique financial journeys.

In this issue, we delve into pertinent topics including the current state of the economy, strategies for optimizing life insurance beneficiaries, the complexities of family business succession planning, and effective cash flow management for couples with divergent spending habits.

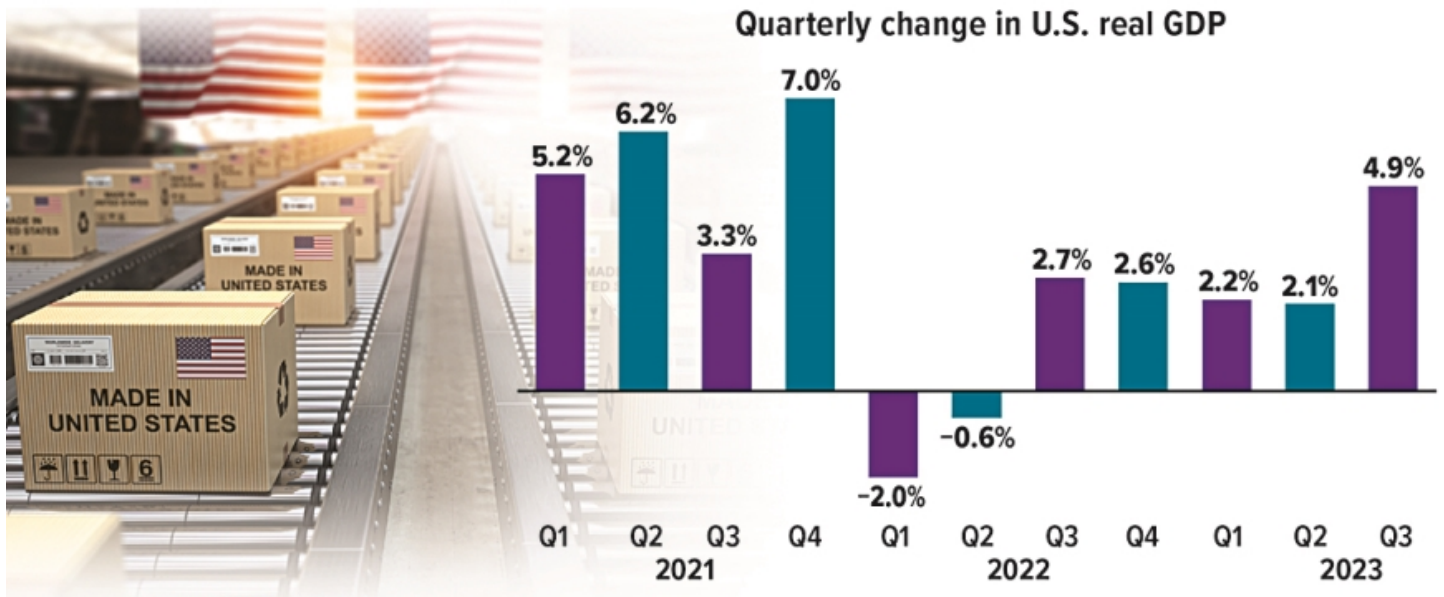
Our aim is to empower you with knowledge and strategies to navigate these financial landscapes confidently. As always, we're here to support you on your path to financial well-being.

Jesse

## Economy Staying Strong

After a worrisome decline in the first half of 2022 — which sparked fears of a recession — U.S. inflation-adjusted gross domestic product (real GDP) has grown steadily. The third quarter of 2023 showed the strongest growth since the post-pandemic bounceback.

Current-dollar (nominal) GDP measures the total market value of goods and services produced in the United States at current prices. By adjusting for inflation, real GDP provides a more accurate comparison over time, making its rate of change a preferred indicator of the nation's economic health.



Source: U.S. Bureau of Economic Analysis, 2023 (seasonally adjusted at annual rates; Q3 2023 based on advance estimate)

# Beware of These Life Insurance Beneficiary Mistakes

Life insurance has long been recognized as a useful way to provide for your heirs and loved ones when you die. While naming your policy's beneficiaries should be a relatively simple task, there are a number of situations that can easily lead to unintended and adverse consequences. Here are several life insurance beneficiary traps you may want to discuss with a professional.

## Not naming a beneficiary

The most obvious mistake you can make is failing to name a beneficiary of your life insurance policy. But simply naming your spouse or child as beneficiary may not suffice. It is conceivable that you and your spouse could die together or that your named beneficiary may die before you and you haven't named successor beneficiaries. If the beneficiaries you designated are not living at your death, the insurance company may pay the death proceeds to your estate, which can lead to other potential problems.

## Death benefit paid to your estate

If your life insurance is paid to your estate, several undesired issues may arise. First, the insurance proceeds likely become subject to probate, which may delay the payments to your heirs. Second, life insurance that is part of your probate estate is subject to claims of your probate creditors. Not only might your heirs have to wait to receive their share of the insurance, but your creditors may satisfy their claims out of those proceeds first.

## Naming a minor child as beneficiary

Insurance companies will rarely pay life insurance proceeds directly to a minor. Typically, the court appoints a guardian — a potentially costly and time-consuming process — to handle the proceeds until the minor beneficiary reaches the age of majority according to state law. If you want the life insurance proceeds to be paid for the benefit of a minor, you may consider creating a trust that names the minor as beneficiary. Then the trust manages and pays the proceeds from the insurance according to the terms and conditions you set out in the trust document. Consult with an estate attorney to decide on the course that works best for your situation.




## Disqualifying a beneficiary from government assistance

A beneficiary you name to receive your life insurance may be receiving or be eligible to receive government assistance due to a disability or other special circumstance. Eligibility for government benefits is often tied to the financial circumstances of the recipient. The payment of insurance proceeds may be a financial windfall that disqualifies your beneficiary from eligibility for government benefits, or the proceeds may have to be paid to a government entity

as reimbursement for benefits paid. Again, an estate attorney can help you address this issue.

## Life Insurance Payout Options

Most life insurance policies offer several options to the policy beneficiary, including:

 <b>Lump sum payment</b>	The most common choice. A one-time payment is made of the death benefit proceeds to the beneficiary.
 <b>Lifetime annuity</b>	The death benefit proceeds are converted to an income annuity, which makes a fixed, periodic payment to the beneficiary for the rest of his/her life.
 <b>Fixed period annuity</b>	Like the lifetime annuity, except the payments will be made over a specified period of time, such as 10 years, after which, payments cease.

## Creating a taxable situation

Generally, life insurance death proceeds are not taxed when they're paid. However, there are exceptions to this rule, and the most common situation involves having three different people as policy owner, insured, and beneficiary. Typically, the policy owner and the insured are one and the same person. But sometimes the owner is not the insured or the beneficiary. For example, mom may be the policy owner on the life of dad for the benefit of their children. In this situation, mom is effectively creating a gift of the insurance proceeds for her children/beneficiaries. As the donor, mom may be subject to gift tax. Consult a financial or tax professional to figure out the best way to structure the policy.

*As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.*

*While trusts offer numerous advantages, they incur up-front costs and often have ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax advisors before implementing such strategies.*

# How Savers and Spenders Can Meet in the Middle

Couples who have opposite philosophies regarding saving and spending often have trouble finding common ground, and money arguments frequently erupt. But you can learn to work with — and even appreciate — your financial differences.

## Money habits run deep

If you're a saver, you prioritize having money in the bank and investing in your future. You probably hate credit card debt and spend money cautiously. Your spender spouse may seem impulsive, prompting you to think, "Don't you care about our future?" But you may come across as controlling or miserly to your spouse who thinks, "Just for once, can't you loosen up? We need some things!"

Such different outlooks can lead to mistrust and resentment. But are your characterizations fair? Money habits run deep, and have a lot to do with how you were raised and your personal experience. Instead of assigning blame, focus on finding out how each partner's financial outlook evolved.

Saving and spending actually go hand in hand. Whether you're saving for a vacation, a car, college, or retirement, your money will eventually be spent on something. You just need to decide together how and when to spend it.

## Talk through your differences

Sometimes couples avoid talking about money because they are afraid to argue. But scheduling regular money meetings could give you more insight into your finances and provide a forum for handling disagreements, helping you avoid future conflicts.

You might not have an equal understanding of your finances, so start with the basics. How much money is coming in and how much is going out? Next, work on discovering what's important to each of you.

To help ensure a productive discussion, establish some ground rules. For example, you might set a time limit, insist that both of you come prepared, and take a break if the discussion becomes too heated. Communication and compromise are key. Don't just assume you know what your spouse is thinking — ask, and keep an open mind.

Here are some questions to get started.

- What does money represent to you? Security? Freedom? The opportunity to help others?
- What are your short-term and long-term savings goals? Why are these important to you?
- How comfortable are you with debt? This could include mortgage debt, credit card debt, and loans.

- Who should you spend money on? Do you agree on how much to give to your children or spend on gifts to family members, friends, or charities?
- What rules would you like to apply to purchases? For example, you might set a limit on how much one spouse can spend without consulting the other.
- Would you like to set aside some discretionary money for each of you? That could help you feel more free to save or spend those dollars without having to justify your decision.

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## What's Your Money Style?



Source: Consumer Financial Protection Bureau

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## Agree on a plan

Once you've explored what's important to you, create a concrete budget or spending plan that will help keep you on the same page. For example, to account for both perspectives, you could make savings an "expense" and also include a "just for fun" category. If a formal budget doesn't work for you, find other ways to blend your styles, such as automating your savings or bill paying, prioritizing an emergency account, or agreeing to put specific percentages of your income toward wants, needs, and savings.

And track your progress. Scheduling money dates to go over your finances will give you a chance to celebrate your successes or identify what needs to improve. Be willing to make adjustments if necessary. It's hard to break out of patterns, but with consistent effort and good communication, you'll have a strong chance of finding the middle ground.

# Why Family Businesses Should Have Succession Plans

In recent years, the family drama surrounding an aging media mogul — and his unresolved succession plans — have been at the center of a hit television show. For family businesses, succession plans are designed to ensure the orderly transfer of ownership and leadership to the next generation. But relationships among family members are sometimes just as complicated in real life as they are on TV and monetizing a closely held business to help fund retirement often takes longer than expected.

In fact, only 34% of family businesses have a robust, documented, and communicated succession plan in place.<sup>1</sup> Much like the fictional billionaire in "Succession," some leaders avoid the issue because they love running their businesses and don't want to stop any time soon.

But one never knows what the future has in store. Even if you are happy, healthy, and determined to stay involved in your business for years to come, you might be glad you took the time to develop a thoughtful succession plan.

## Set a target

It might be wise to have a realistic retirement date in mind. Any effort to identify and groom a successor might take longer than you expect. And if you plan to sell your company, it could take several years to find a qualified buyer, begin the ownership transition, and finalize the transaction. To get the best possible price

and terms, you may need to focus on improving the company's balance sheet before you put it on the market.

## Stage your exit

Keeping your business in the family may be an easy decision if an adult child or another relative is capable, willing, and prepared to take over. If so, finding ways to reduce the value of the business on paper could help you gift ownership shares with fewer tax consequences.

Otherwise, it may be possible to sell your business to co-owners, outsiders, or even your own employees. Closing and liquidating the assets could be the only viable option for some businesses.

## Invest for retirement

Making annual retirement plan contributions with some of your profits can build wealth outside of your business and help insulate your personal financial picture from risks associated with your business's distinct market. Building a separate investment portfolio might also provide greater flexibility during and after a transfer of ownership.

*All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.*

1) US Family Business Survey, PwC, 2023

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