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Why a Life Insurance Claim May Be Denied  
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What happens to my property if I die without a will?



# marrick wealth monthly

## Four Ways to Double the Power of Your Tax Refund



The IRS expects that more than 70% of taxpayers will receive a refund in 2017.<sup>1</sup> What you do with a tax refund is up to you, but here are some ideas that may make your refund twice as valuable.

### Double your savings

Perhaps you'd like to use your tax refund to start an education fund for your children or grandchildren, contribute to a retirement savings account for yourself, or save for a rainy day. A financial concept known as the Rule of 72 can give you a rough estimate of how long it might take to double what you initially save. Simply divide 72 by the annual rate you hope that your money will earn. For example, if you invest your tax refund and it earns a 6% average annual rate of return, your investment might double in approximately 12 years (72 divided by 6 equals 12).

*This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent the performance of any specific investment. Fees, expenses, and taxes are not considered and would reduce the performance shown if they were included.*

### Split your refund in two

If stashing your refund away in a savings account or using it to pay bills sounds unappealing, go ahead and splurge on something for yourself. But remember, you don't necessarily have to spend it all. Instead, you could put half of it toward something practical and spend the other half on something fun.

The IRS makes splitting your refund easy. When you file your income taxes and choose direct deposit for your refund, you can decide to have it deposited among two or even three accounts, in any proportion you want. Qualified

accounts include savings and checking accounts, as well as IRAs (except SIMPLE IRAs), Coverdell Education Savings Accounts, health savings accounts, Archer MSAs, and TreasuryDirect® online accounts. To split your refund, you'll need to fill out IRS Form 8888 when you file your federal return.

### Double down on your debt

Using your refund to pay down credit card debt or a loan with a high interest rate could enable you to pay it off early and save on interest charges. The time and money you'll save depend on your balance, the interest rate, and other factors such as your monthly payment. Here's a hypothetical example. Let's say you have a personal loan with an \$8,000 balance, a 12% fixed interest rate, and a 24-month repayment term. Your fixed monthly payment is \$380. If you were to put a \$4,000 refund toward paying down your principal balance, you would be able to pay off your loan in 12 months and save \$780 in interest charges over the remaining loan term. Check the terms of any loan you want to prepay, though, to make sure that no prepayment penalty applies.

### Be twice as nice to others

Giving to charity has its own rewards, but Uncle Sam may also reward you for gifts you make now when you file your taxes next year. If you itemize, you may be able to deduct contributions made to a qualified charity. You can also help your favorite charity or nonprofit reap double rewards by finding out whether your gift qualifies for a match. With a matching gift program, individuals, corporations, foundations, and employers offer to match gifts the charitable organization receives, usually on a dollar-for-dollar basis. Terms and conditions apply, so contact the charitable organization or your employer's human resources department to find out more about available matching gift programs.

<sup>1</sup>IR-2017-01, [irs.gov](http://irs.gov)

# Spring Cleaning Your Finances



The arrival of spring often signifies a time of renewal, a reminder to dust off the cobwebs and get rid of the dirt and grime that have built up throughout the winter season. And while most spring cleaning projects are likely focused on your home, you could take this time to evaluate and clean up your personal finances as well.

## Examine your budget..and stick with it

A budget is the centerpiece of any good personal financial plan. Start by identifying your income and expenses. Next, add them up and compare the two totals to make sure you are spending less than you earn. If you find that your expenses outweigh your income, you'll need to make some adjustments to your budget (e.g., reduce discretionary spending).

Keep in mind that in order for your budget to work, you'll need to stick with it. And while straying from your budget from time to time is to be expected, there are some ways to help make working within your budget a bit easier:

- Make budgeting a part of your daily routine
- Build occasional rewards into your budget
- Evaluate your budget regularly and make changes if necessary
- Use budgeting software/smartphone applications

## Evaluate your financial goals

Spring is also a good time to evaluate your financial goals. Take a look at the financial goals you've previously set for yourself — both short and long term. Perhaps you wanted to increase your cash reserve or invest more money toward your retirement. Did you accomplish any of your goals? If so, do you have any new goals you now want to pursue? Finally, have your personal or financial circumstances changed recently (e.g., marriage, a child, a job promotion)? If so, would any of these events warrant a reprioritization of some of your existing financial goals?

## Review your investments

Now may be a good time to review your investment portfolio to ensure that it is still on target to help you achieve your financial goals. To determine whether your investments are still suitable, you might ask yourself the following questions:

- Has my investment time horizon recently changed?
- Has my tolerance for risk changed?
- Do I have an increased need for liquidity in my investments?

- Does any investment now represent too large (or too small) a part of my portfolio?

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

## Try to pay off any accumulated debt

When it comes to personal finances, reducing debt should always be a priority. Whether you have debt from student loans, a mortgage, or credit cards, have a plan in place to pay down your debt load as quickly as possible. The following tips could help you manage your debt:

- Keep track of your credit card balances and be aware of interest rates and hidden fees
- Manage your payments so that you avoid late fees
- Optimize your repayments by paying off high-interest debt first
- Avoid charging more than you can pay off at the end of each billing cycle

## Take a look at your credit history

Having good credit is an important part of any sound financial plan, and now is a good time to check your credit history. Review your credit report and check for any inaccuracies. You'll also want to find out whether you need to take steps to improve your credit history. To establish a good track record with creditors, make sure that you always make your monthly bill payments on time. In addition, you should try to avoid having too many credit inquiries on your report (these are made every time you apply for new credit). You're entitled to a free copy of your credit report once a year from each of the three major credit reporting agencies. Visit [annualcreditreport.com](http://annualcreditreport.com) for more information.

## Assess tax planning opportunities

The return of the spring season also means that we are approaching the end of tax season. Now is also a good time to assess any tax planning opportunities for the coming year. You can use last year's tax return as a basis, then make any anticipated adjustments to your income and deductions for the coming year.

Be sure to check your withholding — especially if you owed taxes when you filed your most recent tax return or you were due a large refund. If necessary, adjust the amount of federal or state income tax withheld from your paycheck by filing a new Form W-4 with your employer.

## Why a Life Insurance Claim May Be Denied



*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.*

*Any guarantees associated with payment of death benefits are based on the claims-paying ability and financial strength of the insurer.*

Life insurance can be an important financial tool for you and your family. For example, life insurance can help replace earnings that would cease upon your death. It can provide a legacy for your children or grandchildren, and can even be used to make a charitable gift after your death.

However, the fact that you've purchased life insurance doesn't guarantee that the death benefit will be paid when it's needed most — after you've died. There are several reasons insurance companies may attempt to deny, or at least delay, paying a claim for the death benefit. Here are some possible circumstances when a death-benefit claim may be contested by the insurer.

### **Misstatements on the application**

A clause that's commonly found in life insurance contracts is the incontestability clause. A life insurance claim may be denied if the insurer finds that the applicant made misstatements on the policy application and death occurs within two years of the policy's start date. If the applicant makes statements intended to defraud the insurer, there is essentially no time limit, and the claim can be denied no matter how long the policy has been in force. That's why it is very important to provide accurate information on the policy application and not withhold information or facts that are requested by the insurer.

A good example of a policy being contested involved actor Heath Ledger, who died within seven months of purchasing a \$10 million life insurance policy for the benefit of his daughter. The medical examiner ruled that the cause of death was due to an accidental drug overdose. Subsequently, the insurer denied the claim on two grounds: The death was the result of an intentional drug overdose and amounted to suicide, and the insured did not disclose on the insurance application (as requested) that he was a user of illegal drugs, which is a material misrepresentation. The policy beneficiary sued the insurer, and the case was eventually settled for an undisclosed amount believed to be much less than the policy death benefit.

### **Suicide clause**

Most life insurance policies contain a suicide clause, which generally states that no death benefit will be paid if the insured's death results from suicide within two years from the inception of the policy. Often, policy owners inadvertently restart the two-year suicide clause when they replace existing life insurance with a new policy.

Even in the unfortunate circumstance that

death by suicide occurs within two years from the policy's inception, the beneficiaries may still be able to receive at least a portion of the death benefit, depending on the circumstances. For example, whether death is intentional (suicide) or by accident is not always easily determined.

### **Policy lapse**

A life insurance policy may not be in force because the coverage has lapsed. Policies may lapse for several reasons, including nonpayment of the premium and expiration of a stated term. Insurers generally send written notifications when a premium payment is past due, when the policy is about to lapse, and when a policy has actually expired. Sometimes the policy owner may inadvertently or intentionally neglect to make premium payments. In any case, the insurance beneficiary may not realize that the policy has lapsed until after the death of the insured.

An insurer may deny payment of the death benefit when death occurs outside the policy coverage term. Term life insurance provides death benefit coverage for a stated number of years, usually from one to 25 years, depending on the policy purchased. This type of insurance is also common through employer-provided plans. In any case, if the insured's death occurs after the policy term has expired, the claim for insurance proceeds will be denied.

### **What can you do?**

Nothing can be more emotionally trying than having a life insurance claim denied while dealing with the loss of a loved one. Here are some tips that may help get the death benefit paid.

Whether you fill out the life insurance application or it is completed by a life insurance agent, be sure you review each section of the application and answer each question honestly. Do not withhold or falsify information.

Pay the premiums on time. Indicate an alternative address for mailing the premium notices and also name another individual to receive notices of premium lapses. If you move or change financial institutions and don't notify the insurer, you may forget about the premium payments and the policy could lapse without your knowledge.

If you have group life insurance, verify that it is still in force at least once each year. Also, review your policy with an insurance professional. You may not realize that your life insurance will end on a certain date.

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## What are bond ratings?

Bond ratings are an essential tool when considering fixed-income investments. Ratings provide a professional assessment of credit risk, or the risk of default, which can be measured to some degree by analyzing the bond issuer's financial condition and creditworthiness.

Credit rating agencies perform this type of analysis and issue ratings that reflect the agency's assessment of the bond issuer's ability to meet the promised interest payments and return the principal upon maturity. The best-known independent rating agencies — Standard & Poor's, Moody's Investors Service, and Fitch Ratings — use similar scales in descending alphabetical order, ranging from AAA/Aaa for the most creditworthy bonds to C/D for the least creditworthy.

Bonds rated BBB/Baa or higher are considered "investment grade." Lower-rated bonds, commonly called "junk bonds," are non-investment grade; they generally offer higher yields and are considered speculative with higher credit risks. Bond insurance can add a layer of protection, but it is only as good as the insurer's credit quality and ability to pay.

A credit rating is not a recommendation to purchase a bond. Even so, higher-rated bonds in general may be more appealing to investors, and — due to supply and demand — typically have a lower yield than similar bonds with a lower rating. Investors must balance risk and reward when choosing bonds that present a comfortable risk while providing a yield that is appropriate to help meet investment goals.

Ratings are very important to a bond issuer when the bond is first offered for sale, because a higher rating may reduce interest costs. After the initial sale, significant shifts in the issuer's financial condition could result in rating changes that may affect the bond's yield and market value. However, as long as the issuer does not default, a change in a bond's rating would not affect the coupon rate or the principal due upon maturity.

Bonds carry other risks as well, such as market risk, interest rate risk, and inflation risk. However, these depend on factors that are difficult to measure or predict.

The principal value of bonds fluctuates with changes in market conditions. A bond sold prior to maturity may be worth more or less than its original value.



## What happens to my property if I die without a will?

If you die without a will, your property will generally pass according to state law (under the rules for intestate succession). When this

happens, the state essentially makes a will for you. State laws specify how your property will pass, typically in certain proportions to various persons related to you. The specifics, however, vary from state to state.

Most state laws favor spouses and children first. For example, a typical state law might specify that your property pass one-half or one-third to your surviving spouse, with the remainder passing equally to all your children. If you don't have children, in many states your spouse might inherit all of your property; in other states, your spouse might have to share the property with your brothers and sisters or parents.

But not all property is transferred by will or intestate succession. Regardless of whether you have a will, some property passes automatically to a joint owner or to a designated beneficiary. For example, you can transfer property such as IRAs, retirement plan benefits,

and life insurance by naming a beneficiary.

Property that you own jointly with right of survivorship will pass automatically to the surviving owners at your death. Property held in trust will pass to your beneficiaries according to the terms you set out in the trust.

Only property that is not transferred by beneficiary designation, joint ownership, will, or trust passes according to intestate succession. You should generally use beneficiary designations, joint ownership, wills, and trusts to control the disposition of your property so that you, rather than the state, determine who receives the benefit of your property.

Even if it seems that all your property will be transferred by beneficiary designation, joint ownership, or trust, you should still generally have a will. You can designate in the will who will receive any property that slips through the cracks.

And, of course, you can do other things in a will as well, such as name the executor of your estate to carry out your wishes as specified in the will, or name a guardian for your minor children.