volume 26 number 3

financial monitor

FRANKLIN
FINANCIAL GROUP, LLC

Kevin M. Becker
Chairman

William D. Franklin, CFP®, AEP
Managing Partner
Haswell M. Franklin, Jr., CLU, AEP, CLTC
James M.S. Franklin, CFS
Henry C.B. Franklin

Charles G. Breschi, CFS
Christopher Hanlon
Gerard C. Harrison
John D. Tolson, CLU, RHU, CLTC

Haswell M. Franklin, CLU, RHU, CLTC
Chairman Emeritus

Michele A. Barrett
Firm Administrator

Executive Plaza IV
11350 McCormick Road, Suite 200
Hunt Valley, Maryland 21031

Telephone: 410.771.0134
National: 888.685.9006
Facsimile: 410.771.0135

in this issue:

Ten Ways to Stretch Your Money

Life Insurance for Life's Milestone

Leasing: Understanding the Pros and Cons

Estate Planning: A Quick Look at the Basics

If you have a growing family and are just starting your journey on the road to your financial future, you may think estate planning is something you'll only have to contend with later. But estate planning is an important part of protecting your family now and in the future, and so the sooner you start, the better. Let's take a quick look at some estate planning basics.

Draft a Will. A formal legal document directing the settlement of your estate, a will provides for the distribution of your assets according to your wishes. Without a will, the laws of your state will determine estate distribution. Only through a will can you designate your own **executor, guardians** for minor children, and other **fiduciaries**. Because states have different standards and often require specific language for the document to be deemed valid, be sure to consult your qualified legal advisor.

Title Assets Properly. One of the simplest and least expensive estate planning techniques for married couples is to title assets as "**joint tenants with rights of survivorship**." At the death of one joint owner, such titled property automatically passes to the survivor without the need for **probate**. Depending on circumstances and individual state laws, there are other forms of titling that may be appropriate.

Review Your Life Insurance. Life insurance has long been recognized as a relatively affordable method for ensuring that a surviving spouse or other family members will have funds to meet financial obligations in the event of death. Regular reviews with an insurance professional can help ensure you have adequate protection and your plan is up-to-date.

continued on page three

Ten Ways to Stretch Your Money

We all want more money. Many of us would also like to work less. While this may seem like a dilemma, there may be a solution. The best way to increase money without increasing your hours is to *avoid* excess spending. Some people call this a budget, but you could just as easily call it a spending plan. Here are ten tips to help you stretch your hard-earned cash:

1. **Create a spending plan.** Many people resist the idea of a budget, and associate it with hardship. Instead, look at it in a positive way. Create a monthly "spending plan" for your fixed and discretionary expenses. When you plan your spending, you may find you use your money more wisely because you're taking control.
2. **Pay yourself first.** Put savings at the top of your spending plan. If you wait until the end of the month to save any leftover cash, you may find yourself without a nest egg when you need it most. A general rule of thumb is to save at least 10% of your income before spending the rest.
3. **Track your spending.** Record your expenditures for a month, especially for small, optional items. You may be surprised to discover how easily purchases costing only a few dollars can add up. At the end of the month, review your expenditures and adjust your spending plan accordingly. Once you see *where* your money is going, you may want to make different choices about your spending.
4. **Live within your means.** Many people feel they never have quite enough to live on, yet they probably know people who manage successfully on less. Spending is relative. If your expenses are in line with your income, you are living within your means.
5. **Shop for value.** Look for opportunities to get more value from each dollar. Join a warehouse or shopping club and buy in bulk. Purchase clothing, furniture, and household goods when they are on sale. Consider buying used cars and appliances. Big-ticket items like these often depreciate substantially in the first one or two years.
6. **Minimize debt.** Keep your debt level low. By reducing debt, you also minimize interest and finance charges. When you are tempted to charge a purchase, remember that you are committing to pay for it from income you have not yet earned.
7. **Eat in.** Restaurant dining can be expensive, since you are paying for service as well as food. Tips and meal taxes also add to the bill. Liquor and desserts (which you might not eat at home) can boost the tab even higher.
8. **Reduce housing costs.** Housing is a major fixed expense. Consider reducing this cost by buying or renting a smaller place, or one with fewer amenities. If you rent and plan on staying in an area for more than a few years, consider buying. Owning a home is often more expensive than renting at first, but the costs are usually lower in the long run. Remember, a house is an investment that generally appreciates over time.
9. **Trim transportation costs.** Transportation is another large expense for most families. Many households now own more than one vehicle. The more cars you own, the higher the costs for insurance, repairs, fuel, and parking. Use public transportation or carpool, if possible. The savings in vehicle-related expenses may offset any inconvenience.

10. **Create a cash reserve.** A cash reserve can help you stick to your spending plan and help keep you out of debt when emergencies, such as a major car repair or short-term disability, arise.

Cutting back on excess spending does not have to be difficult, nor does it mean that you must continually deny yourself life's simple pleasures. You will find that when you live within your means, and pay yourself first, your debts will decrease as your savings grow. A personalized spending plan can help provide that "extra" income and stretch your hard-earned cash.

Life Insurance for Life's Milestones

Maintaining a **life insurance** policy that meets your needs is an ongoing process. Before you put that policy in a drawer to gather dust, remember that life insurance needs change over time, especially as you reach life's various milestones. To help ensure your coverage continues to meet your current needs, review your policy on a regular basis.

The importance of life insurance and the role it can play in protecting the financial future of your loved ones is clear. Yet, are you reviewing your policy on an annual basis, particularly when you reach any of life's milestones? New additions in your life, such as that of a spouse, home, or child, make reviewing your policy a necessary component of planning your financial future. You may need to give your policy extra consideration in the event of any of the following:

Marriage. In addition to determining whether or not your coverage amount is still appropriate, you may also consider insurance for your spouse. Updating your **beneficiary** list to include your new spouse and updating your policy to reflect a name change, if applicable, are also important.

Birth or Adoption of a Child. With added responsibilities of a new child, additional coverage may be needed. Keep in mind that the skills of a child's primary caretaker are not easily replaced, and childcare can be expensive. As your family grows, be sure to also update your beneficiary list.

Purchasing a New Home or Refinancing of Your Mortgage. Owning your own home is exciting, but extra coverage may be necessary to help ensure mortgage requirements continue to be met in the event of your death.

Starting a College/Retirement Savings Plan. A family's financial goals, such as funding a college education or saving for retirement, may be affected in the event of your death. Insurance proceeds may be used to help fund these goals. Also, if the policy allows withdrawals or loans, they may be used to help supplement retirement income or pay tuition expenses. However, loans and withdrawals can reduce the policy's cash value and death benefit, can increase the chance that the policy will lapse, and may result in a tax liability if the policy is terminated before the death of the insured.

Starting Your Own Business. If you leave your job to start your own business, be sure to address changes in coverage when you leave your employer's benefit plan. Review your objectives, and consider the ways in which life insurance can be used as a business tool. For example, for business continuation purposes, you may be interested in obtaining coverage for funding a **buy-sell agreement**. In certain circumstances, you may consider naming business partners as beneficiaries.

New Job. If you change jobs, pay attention to the benefits offered by your new employer. The use of life insurance as an employee benefit may vary from one employer to another, and this must be factored into your personal policy.

Through annual reviews, you can plan for life insurance coverage that can help provide for your loved ones and help ensure financial goals and obligations are met in the event of your death. In addition, as you approach each one of life's many milestones, reviewing your life insurance policy with the guidance of an insurance professional can help you be prepared for whatever life brings your way.

estate planning: a quick look at the basics

continued from page one

Plan for the Unexpected. First, assess your **disability income insurance** coverage. Disability income insurance can help replace a portion of your income should you sustain a disability. Second, consider a **durable power of attorney** for financial matters, and a **living will** and **health care proxy** for medical matters. These **advance directives** enable a designated individual (usually your spouse, a relative, or close friend) to make important decisions on your behalf should you be mentally or physically unable to do so as a result of an accident or illness.

Keep Your Family Informed. Many families maintain a "need to know" policy between parents and children, especially while children are growing up. However, at some point, all family members can benefit from knowledge about financial, medical, and estate arrangements that can affect the entire family.

Regardless of your stage in life, estate planning can help you prepare for the future. Be sure to consult with your professional advisors for information applicable to your unique circumstances.

Leasing: Understanding the Pros and Cons

Leasing continues to grow in popularity among new car buyers. People who formerly purchased their vehicles may wonder how the option of leasing compares. Take Mike and Mary, for instance. They have always purchased their vehicles, but after hearing friends and relatives tout the benefits of leasing, they wonder whether it is better to lease or buy.

As Mike and Mary begin to look into the leasing process, understanding the details seems overwhelming. But, as they soon discover, the basics are pretty simple. If they purchase a vehicle, they own it. If they lease a vehicle, they pay to use it, typically for two to three years, and then return the car at the end of the contract.

Pros and Cons of Leasing

One of the main advantages of leasing is that it generally allows Mike and Mary to get more vehicle for their money. Since they are only paying a portion of the total value, they can expect to make a smaller monthly payment for a given vehicle or drive a more expensive make or model for a given monthly payment. Suppose, for example, they are considering purchasing a mid-size sedan. For the same monthly payment they may be able to lease a high-end luxury sedan. Alternatively, if they prefer the mid-size model, they may be able to pay less per month with a lease than if they purchased it.

Yet, leasing is not for everyone, and there are tradeoffs to consider. Leases include many charges that may require large sums of cash at the start and at the end of the lease. Up-front costs may include a security deposit, a destination fee, and a registration fee. Lease-end charges may be assessed for "excessive wear and tear," excess mileage (usually at $.10 to $.25 per mile), and a disposition fee. If Mike and Mary were to end the lease early, they would expect to pay a high penalty. In addition, if they decided to purchase the car at the end of the lease, it may cost more than if they had originally purchased and financed the car.

When Buying Is a Better Option

Buying may be a better choice if Mike and Mary plan to keep the vehicle for a long time. Usually, if the financing costs over the life of a car loan are tallied and compared to the costs of leasing and then purchasing the leased vehicle, buying makes more economic sense. Also, once Mike and Mary own the car, they are free to drive it for years without a car payment, pass it on to a family member, or sell it. They may also maintain the vehicle as they wish, modify or customize it in any way they choose, and put unlimited miles on it without penalty.

Now that Mike and Mary understand the basics, they are in a better position to decide between leasing and buying. They will have to weigh the pros and cons carefully, taking into account both their short- and long-term objectives, as well as their driving habits. Though the lease process may at first seem daunting, understanding their options can help them get the best new car deal for their circumstances.