

LIVING DEBT FREE AND TRULY WEALTHY NEWSLETTER

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Dottenwhy Financial Group, LLC
'Where Your Dreams Become Reality'

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Stop Overpaying on Your Deductible

Renters, Health, Homeowners, and Car insurance. What do all of these have in common? A lot actually, but the topic for today is deductibles. They all have deductibles. What is a deductible though, and how do you choose the right one? In an insurance policy, the "deductible" is the amount that must be paid out of pocket (by the policy holder) before an insurance provider will pay any expenses.

So how do you know which level of deductible is best for you? (Ignoring health insurance, as it is much more complicated) choosing the right deductible comes down to three simple, yet imperative questions. First, how much is the price difference between the coverages for the different deductibles. Second, how often do/will you file a claim? Third, how much do you have in savings?

How different is the price between the policies with different deductibles? To answer this, you will need to have your agent run the numbers for you. You may be astonished at the difference in prices. The difference could be as little as $10/month, as much as $100/m or it could be more! The important thing to determine is how much money could you save each month? Keep that number in the back of your head for a minute as we go through the other 2 questions.

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Where Should You Save for Retirement Pt. 1

A lot of people come up to me and ask, **"Where is the best place to put money away for retirement?"** The problem is that there is no 'best place' for it. It depends on your situation and what you are looking for. Factors that help determine your best place include: **contribution limits, tax liability, withdrawal limitations, employer matches, transferability, control, and risk aversion**. It is similar to picking out a jacket for the winter. There is no one jacket that is best for everyone. Think about all the things you decide on... How warm is it, how much does it cost, will it help me in the rain, can I exchange it or get a refund if I change my mind, and does it fit my style?

The first question you need to ask yourself is; how much do you want to contribute? Different plans have different contribution limits per government regulations. In 2026, in a Roth or regular IRA, the max you can put away is $8,000 (and that is if you are above 50!) and for a 401k that number is $31,000 (above 50). This is similar to how warm of a jacket do you need. Do you need to put away a lot of money to make up for the lost time (heavy jacket) or are you just looking to put a little away (light jacket)?

The next question is tax liabilities. What is it going to cost you? (How much does the jacket cost?) At some point, in all retirement plans you have to pay taxes on the money. The difference is, do you want to pay those taxes now or later. With the huge deficits and problems with Social Security, do you think taxes are going to go up or down in the future?

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Interesting Facts:

-Photographers make you say "cheese" as it turns the corners of your mouth up and shows your teeth.

-About 77% of the Earth's population lives in the Northeastern Quadrasphere.

-Bedloe's Island was the name of what would become Liberty Island (Statue of Liberty).

-Recycling originally dates all the way back to Ancient Rome and Ancient Egypt.

-Recycling boosts the economy by lowering the cost of production.

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Did you know...

Congress designated May as ***National Military Appreciation Month*** in 1999 to ensure the nation was given the opportunity to publicly demonstrate their appreciation for the sacrifices and successes made by our service members - past and present.

Each year the president makes a proclamation, reminding Americans of the important role the U.S. Armed Forces have played in the history and development of our country.

May was selected because it has the most days set aside for celebrating and commemorating our military's achievements. These days include Loyalty Day, which was established in 1921, Victory in Europe (VE) Day commemorating the end of WWII in Europe on May 8, 1945, Armed Forces Day created in 1949, Military Spouse Appreciation Day established in 1984, and of course the best known of the May holidays, Memorial Day.

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The next question is, how often have you filed in the past, and how often will you file a claim? Is it homeowner's insurance that you have never filed a claim in your life? Is it an automobile policy, and you have a teenage driver who has wrecked three times in the past year? It is important to use *realistic* numbers, not optimistic ones. The important thing you need to determine is how often will you be paying your deductible?

The last question is, how much do you have in savings? How high of a deductible can you afford to pay? Do you have no savings, and will be financially crippled if you must pay a $1,000 deductible? What happens if you must pay it twice? Do you have large savings and can comfortably pay the deductible with no stress? This is important, but also you should realize that the savings you can get can help you build this up.

Once you know those three things, it is then a balancing act. For example, in car insurance again, if you can save $60 bucks a month by going from a $500 deductible, to a $1,000 deductible, knowing that you have $3,000 in savings and haven't used it in over 5 years. You could have saved (60*12*5) **$3,600.** Now you can pay your deductible 3 times over. Even if you don't have any savings, you could have enough to pay the difference in deductibles in under a year. On the flipside, let's assume you are in the same situation but you have high risk drivers and use your insurance regularly 1-2 times a year. That $60 you save each month is not making up for the amount you are having to pay in deductibles, so it does not make sense.

Like most matters in life, there is no "one size fits all" best solution for everyone. Everyone's situation is different, and the right deductible you need for your family will be different from the one your neighbor across the street needs. For help choosing the right deductible for you and your family, give me a call today.

Where Should You Save for Retirement Pt. 1

Do you want to pay taxes on the money now, when you can afford it, or later when you are on a limited budget? With IRA's & 401(k)'s you defer the taxes, while in Roth IRAs you pay taxes now.

The next question is about withdrawal limits. This is deciding if the jacket should be rainproof. Do you want to be able to use it on a rainy day? Do you want to have access to the money in case of emergencies? There can be harsh penalties if you withdraw from an IRA before the age of 59 1/2 (with few exceptions). You can't normally withdraw from a 401(k), you can only take a loan. In a Roth you can withdraw the money you put in (not the growth) without penalties, but if you do there is no way to pay it back.

The next question deals with 401(k)'s. Does your employer match your contributions, and if they do, how much do they match? Think of this as a bonus offer. It's free money, and it definitely needs to be considered.

In next month's issue, we will talk about the remaining things to consider when deciding where to put your money away for retirement.