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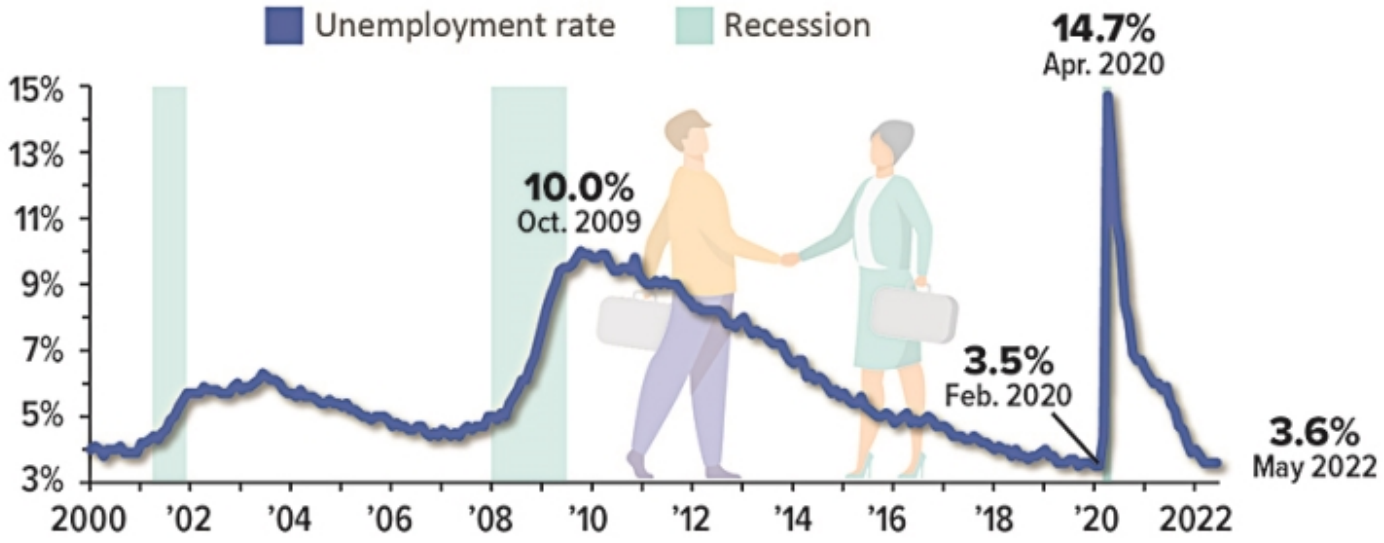
Quick Recovery for Unemployment Rate

The U.S. unemployment rate skyrocketed to 14.7% in April 2020 when the economy shut down in response to the pandemic. This was by far the highest rate since the current tracking system began in 1948. Fortunately, employment has recovered at a record pace — the unemployment rate was just 3.6% in March, April, and May 2022, nearly the same as before the pandemic.

The official unemployment rate only reflects unemployed workers who are actively looking for a job. A broader measure that captures workers who want a job but are not actively looking, as well as part-time workers who want full-time work, dropped from 22.9% in April 2020 to 7.1% in May 2022.



Source: U.S. Bureau of Labor Statistics, 2022; National Bureau of Economic Research, 2022

Life Insurance Living Benefits

When thinking about life insurance, you might focus on the death benefit that can be used for income replacement, business continuation, and estate preservation. But life insurance policies may include other provisions that allow you to access some or all of the death benefit while you are living. These features are often referred to as living benefits, which are usually offered as optional add-ons called riders.

Some living benefit riders are added to a life insurance policy at no additional cost. Other riders are optional and come with an added cost to your basic policy premium. Living benefits vary depending on the type of life insurance and the company issuing the policy. Generally, living benefits are available to the policy owner, but using your living benefits will reduce the life insurance death benefit available for policy beneficiaries.

However, most riders let you take a portion of the total amount available — you don't have to take the full amount so you can preserve a portion of the death benefit for your life insurance beneficiaries. Generally, living benefits are received free of income tax. Here are some common living benefits.

Accelerated Death Benefit for Terminal Illness

An accelerated benefit rider for terminal illness allows you to access a portion or all of the death benefit if you are diagnosed with a terminal illness or medical condition with a life expectancy of six to 24 months, depending on specific policy provisions. Most accelerated death benefit riders do not restrict how you use the money from the death benefit — you can use the money to help pay medical bills or other expenses arising from your illness. Or you can use the money to pay for funeral expenses.

Potential Drawbacks to Living Benefits

- **Eligibility:** To qualify, you must meet policy requirements.
- **Rider fees:** Many living benefit riders charge a fee in addition to your premium.
- **Limit on benefit amount:** What you can receive may be limited to a maximum dollar amount or percentage of the death benefit.
- **Reduction in death benefit:** Living benefit amounts received reduce the death benefit.

Chronic Illness Rider

A chronic illness rider allows you to use a portion of your death benefit if you become chronically ill and cannot perform at least two of six activities of daily living (ADLs). These ADLs include bathing, continence, dressing, toileting, eating, and transferring. You may file a claim using this rider to receive a portion or possibly all of the death benefit. Usually, the insurance company will want to evaluate your claim and may require that you be examined by a medical professional chosen by the insurer. Often there are no restrictions on how you use the proceeds.

Critical Illness Rider

Similar to the chronic illness rider, the critical illness rider allows you to receive some or all of the death benefit if you are diagnosed with an illness or medical condition specified in the policy. Common critical illnesses include heart attack, stroke, cancer, end-stage renal failure, ALS, major organ transplant, blindness, or paralysis. With some critical illness riders, the percentage of death benefit available to you is based on the type of illness you have.

Long-Term Care Rider

A long-term care rider can be added to a life insurance policy, generally for an additional cost, to help cover qualifying long-term care expenses. Like the chronic illness rider, you must be unable to perform at least two of six ADLs to claim a benefit. Unlike the chronic illness rider, the long-term care rider usually pays a portion of the death benefit on a periodic basis, commonly monthly. Some riders have a waiting period during which you must incur long-term care expenses before you can receive any proceeds. Other riders may only require that you cannot perform at least two of six ADLs, after which you receive periodic payments to use any way you wish.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable. An individual should have a need for life insurance and evaluate the policy on its merits as life insurance. Optional benefit riders are available for an additional fee and are subject to contractual terms, conditions, and limitations as outlined in the policy and may not benefit all investors. Any payments used for covered long-term care expenses would reduce (and are limited to) the death benefit or annuity value and can be much less than those of a typical long-term care policy. Policy guarantees are contingent on the financial strength and claims-paying ability of the insurance provider.

A Wealth of Information: How to Read a Mutual Fund Prospectus

With more than 7,400 mutual funds to consider in the United States alone, some investors may feel overwhelmed by the thought of deciding which ones to select for their portfolios. At the same time, most mutual fund-owning households base their purchase decisions on these measures: historical performance (94%), investment objectives and risk potential (91%), and fees and expenses (90%).[1]

Fortunately, reading a mutual fund prospectus is a key way to learn important details about your investment options while learning more about how they may help you pursue your financial goals.

What's in a Prospectus

A prospectus is a document containing specific details about the fund's unique characteristics, designed to help investors better understand their options and make well-informed decisions. The Securities and Exchange Commission requires investment companies to provide prospective investors with a free, up-to-date prospectus for each fund they offer. Although the exact content of each prospectus varies from fund to fund, all prospectuses must include the same general information. (A shorter version, called a summary prospectus, contains much of the same information discussed here in an abbreviated format.)

Here's an overview of what you'll find in a fund prospectus — and why you should care.

Types of Mutual Fund Risk

Business or issuer risk: The risk that a company in which a fund invests will go out of business or suffer another significant financial setback.

Concentration risk: The risk that a fund's holdings may not be well diversified.

Credit risk: The risk that a debt investment's issuer will not be able to make interest payments or repay the principal.

Inflation risk: The risk that the value of investments will not increase in step with rising prices.

Interest-rate risk: The risk that a fund's holdings will lose value if interest rates rise.

Market risk: The risk of loss arising from overall price declines in the broader market.

Investment Objective, Strategies, and Risks

A fund's investment objective describes the financial goal it targets on behalf of shareholders. For example, the objective could be capital appreciation (i.e., providing asset growth), income (providing interest or dividend payments), or a combination of the two.

The section of a prospectus highlighting a fund's investment strategies, on the other hand, explains how the fund will invest its holdings to attempt to pursue its objectives. It typically identifies the geographic regions, industries, and types of securities the fund focuses on. It also lets you know whether the fund is actively managed or passively tracks the performance of a market index.

In addition, a prospectus lists the types of risk a particular fund or group of funds may entail, such as market risk, credit risk, inflation risk, and business or issuer risk. (See table for definitions.) This information clarifies exactly what types of risk you may encounter by adding a fund to your portfolio. All investments are subject to market fluctuations, risk, and loss of principal. Investments, when sold, may be worth more or less than their original cost. Investments seeking to achieve higher yields also involve a higher degree of risk.

Fees, Performance, and Management

The fees you pay to invest in mutual funds, such as sales charges and operating expenses, can have a direct impact on your net investment returns. To offer insight into how they may influence your portfolio's bottom-line performance, a fund's prospectus specifies the types and amount of fees the fund charges. Each prospectus must include a table illustrating the effect of those fees on a hypothetical investment over different time periods. You can also find details about a fund's management team, rules for buying and selling shares, dividend payment policies, and other helpful information.

A prospectus is required to disclose the fund's performance during the past 10 years (or since inception) and to compare its performance with that of a relevant market index. Keep in mind, however, that the performance of an index is not indicative of the performance of any particular investment, individuals cannot invest directly in an index, and past performance is not a guarantee of future results.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional.

1) Investment Company Institute, 2021-2022

The Potential Benefits of Roth IRAs for Children

Most teenagers probably aren't thinking about saving for retirement, buying a home, or even paying for college when they start their first jobs. Yet a first job can present an ideal opportunity to explain how a Roth IRA can become a valuable savings tool in the pursuit of future goals.

Rules of the Roth

Minors can contribute to a Roth IRA as long as they have earned income and a parent (or other adult) opens a custodial account in the child's name. Contributions to a Roth IRA are made on an after-tax basis, which means they can be withdrawn at any time, for any reason, free of taxes and penalties. Earnings grow tax-free, although nonqualified withdrawals of earnings are generally taxed as ordinary income and may incur a 10% early-withdrawal penalty.

A withdrawal is considered qualified if the account is held for at least five years and the distribution is made after age 59½, as a result of the account owner's disability or death, or to purchase a first home (up to a $10,000 lifetime limit). Penalty-free early withdrawals can also be used to pay for qualified higher-education expenses; however, regular income taxes will apply.

In 2022, the Roth IRA contribution limit for those under age 50 is the lesser of $6,000 or 100% of earned income. In other words, if a teenager earns $1,500 this year, his or her annual contribution limit would be $1,500. Other individuals may also contribute directly to a teen's Roth IRA, but the total value of all contributions may not exceed the child's annual earnings or $6,000 (in 2022), whichever is lower. (Note that contributions from others will count against the annual gift tax exclusion amount.)

Roth IRAs offer an opportunity to learn about important concepts that could provide a lifetime of financial benefits.

Lessons for Life

When you open a Roth IRA for a minor, you're giving more than just an investment account; you're offering an opportunity to learn about important concepts that could provide a lifetime of financial benefits. For example, you can help explain the different types of investments, the power of compounding, and the benefits of tax-deferred investing. If you don't feel comfortable explaining such topics, ask your financial professional for suggestions.

The young people in your life will thank you — sooner or later.

For questions about laws governing custodial Roth IRAs, consult your tax or legal professional. There is no assurance that working with a financial professional will improve investment results.