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Dear Friends:

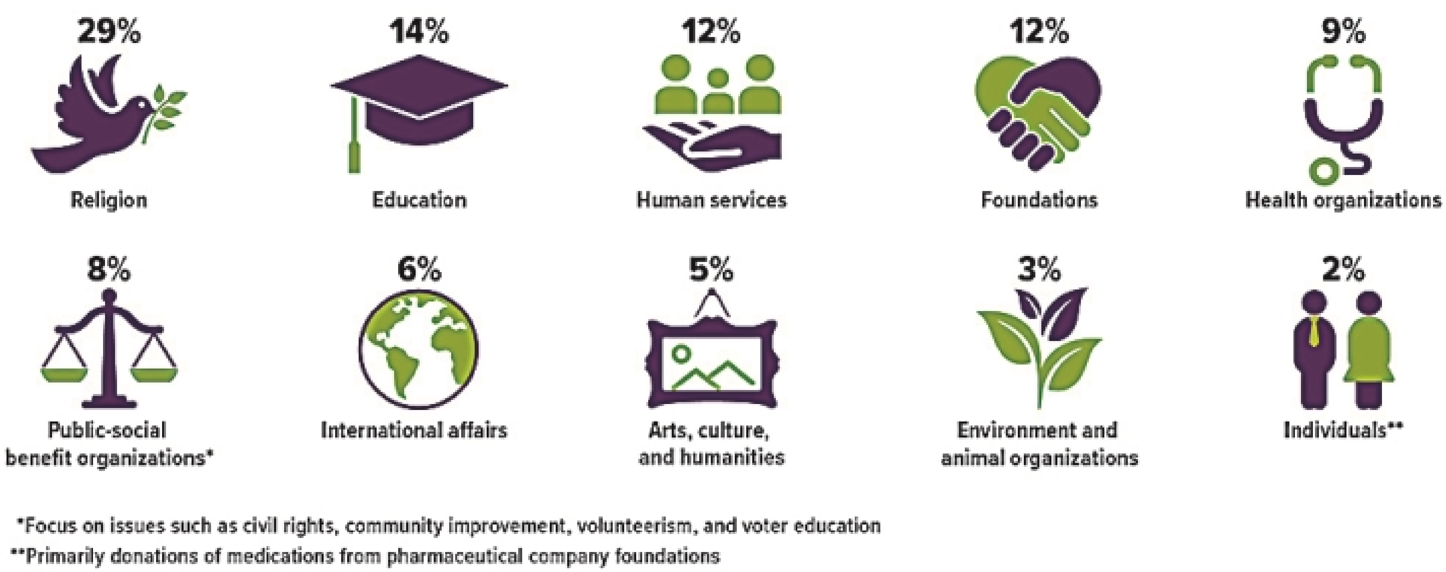
As you know, the world economy entered a recession as a result of the COVID-19 pandemic. An anticipated consequence of that recession is reduced giving to organizations engaged in charitable work. To help stimulate giving to charities, the CARES Act of 2020 enacted a provision enabling an above-the-line tax deduction for charitable gifts even if the taxpayer did not itemize . This provision has been extended through 2021 so a married couple can deduct up to $600 of charitable gifts. There has never been a better time to give: charities need the money and you can receive a tax-deduction for your gift.

We've helped many of you put together charitable giving and legacy plans that maximize the utility of your gifts. If you are inclined to make such gifts and we haven't talked about it, please let me know so we can develop a plan for you too.

Jesse

Spreading Generosity

Americans gave almost $450 billion to charity in 2019, an increase of 4.2% over the previous year. Individuals accounted for more than two-thirds of this amount, followed by contributions from foundations, bequests, and corporations. Here is a breakdown of the recipients of this generosity, by percentage of total charitable contributions.



Source: *Giving USA 2020*

COVID-19 and the Importance of Disability Income Insurance

The prospect of being unable to work due to an illness or injury may seem remote to many of us, particularly during our younger working years. However, the COVID-19 pandemic has increased the chances of getting sick and not being able to work for an extended period, making disability income insurance (DI) more important than ever, regardless of your age.

Health insurance may pay for some of the medical expenses related to your illness, but it won't cover your lost wages if you can't work. And while many employers offer some form of sick leave, it may not last long enough to cover the length of time you can't work. Disability income insurance pays a portion of your salary if you are unable to work due to an injury or illness. But will DI cover you if you can't work due to COVID-19?

Will Disability Insurance Pay for COVID-19-Related Disabilities?

Generally, disability income insurance provides income benefits if you are unable to work for a medical reason. Before paying a claim for benefits, most DI policies require that you are unable to work because of a diagnosed medical condition, such as COVID-19, that has been verified by a doctor or other qualified medical professional.

If you are ill, or test positive for the virus, and are unable to work due to your illness or a medical quarantine (i.e., you can't work remotely), you should qualify for DI benefits. On the other hand, even if you tested positive and have a mild illness or are under a medical quarantine, but you have the ability to work, (i.e., you can work remotely), then you probably won't qualify for DI benefits. It is important to note that social quarantine (e.g., a government-mandated stay-at-home order) is not a medical quarantine and will not qualify for DI benefits. Likewise, if your employer shuts down temporarily or permanently due to the virus, you will not qualify for DI benefits.

Short-Term Disability Insurance vs. Long-Term Disability Insurance

There are two types of disability income insurance, short term and long term. While the provisions may vary by insurer, short-term DI policies usually have short elimination, or waiting periods (3-14 days) following the onset of your disability before the insurance pays. Although some policies offer benefits for up to two years, many contracts pay benefits for six months to one year.

Long-term DI policies have a longer elimination period (typically 90 days), but may pay benefits up to age 65, although, in certain instances long-term DI may pay lifetime benefits. Disability policies typically pay benefits that equal 50% to 70% of your gross monthly base salary. A monthly maximum benefit may apply.

For disability protection related to COVID-19, short-term DI should be enough if you miss work due to a medical quarantine. However, if you're unable to work for a longer time due to complications from the virus, long-term DI would be needed.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace. Guarantees are subject to the financial strength and claims-paying ability of the issuer.

Where Can You Get Disability Insurance?

In general, access to disability benefits can come from private insurance (individual or group DI policies purchased from an insurance company) or government insurance (social insurance provided through federal or state governments).

Private disability insurance refers to disability insurance that you purchase through an insurance company. Many types of private disability insurance exist, including individual DI policies, group policies, group association policies, and riders attached to life insurance policies.

Private disability policies usually offer more comprehensive benefits to insured individuals than social insurance. Individually owned disability income policies may offer the most coverage (at a greater cost), followed by group policies offered by an employer or association. Check with your employer or professional association to see if you are eligible to participate in a group plan. Even if your employer offers disability insurance, it's probably short-term DI and may not provide benefits if a disability due to COVID-19 lasts for more than three months. For disabilities that last longer or are permanent, you'll need a long-term DI policy to provide benefits while you can't work.

Test Your Knowledge of College Financial Aid

Financial aid is essential for many families, even more so now in light of COVID-19. How much do you know about this important piece of the college financing puzzle?

1. If my child attends a more expensive college, we'll get more aid

Not necessarily. Colleges determine your expected family contribution, or EFC, based on the income and asset information you provide on the government's financial aid form, the Free Application for Federal Student Aid (FAFSA), and, where applicable, the College Scholarship Service (CSS) Profile (a form generally used by private colleges). Your EFC stays the same no matter what college your child attends. The difference between the cost of a particular college and your EFC equals your child's financial need, sometimes referred to as "demonstrated need." The more expensive a college is, the greater your child's financial need. But a greater financial need doesn't automatically translate into a bigger financial aid package. Colleges aren't required to meet 100% of your child's financial need.

Tip: Due to their large endowments, many elite colleges offer to meet 100% of demonstrated need, and they may also replace federal student loan awards with college grants in their aid packages. But not all colleges are so generous. "Percentage of need met" is a data point you can easily research for any college. This year, though, some colleges that are facing lower revenues due to the pandemic may need to adjust their financial aid guidelines and set higher thresholds for their aid awards.

2. I lost my job after submitting aid forms, but there's nothing I can do now

Not true. Generally, if your financial circumstances change significantly after you file the FAFSA (or the CSS Profile) and you can support this change with documentation, you can ask the financial aid counselor at your child's school to revisit your aid package; the financial aid office has the authority to make adjustments if there have been material changes to your family's income or assets.

Amid the pandemic, annual income projections for some families may now look very different than they did two years ago based on "prior-prior year" income (see graphic). Families who have lost jobs or received cuts in income may qualify for more aid than the FAFSA first calculated.

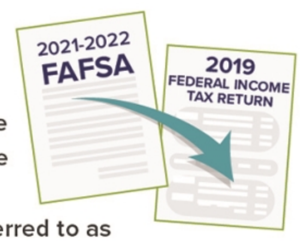
Tip: Parents should first check the school's financial aid website for instructions on how to proceed. An initial email is usually appropriate to create a record of correspondence, followed by documentation and likely additional communication. Keep in mind that financial aid offices are likely to be inundated with such requests this year, so inquire early and be proactive to help ensure that your request doesn't get lost in the shuffle.

3. My child won't qualify for aid because we make too much money

Not necessarily. While it's true that parent income is the main factor in determining aid eligibility, it's not the only factor. The number of children you'll have in college at the same time is a significant factor; for example, having two children in college will cut your EFC in half. Your assets, overall family size, and age of the older parent also factor into the equation.

Tip: Even if you think your child won't qualify for aid, there are still two reasons to consider submitting the FAFSA. First, all students, regardless of family income, who attend school at least half-time are eligible for unsubsidized federal Direct Loans, and the FAFSA is a prerequisite for these loans. ("Unsubsidized" means the student pays the interest that accrues during college, the grace period, and any loan deferment periods.) So if you want your child to have some "skin in the game" by taking on a small student loan, you'll need to submit the FAFSA. Second, the FAFSA is *always* a prerequisite for college need-based aid and is *sometimes* a prerequisite for college merit-based aid, so it's usually a good idea to submit this form to maximize your child's eligibility for both.

Prior-Prior Year for Income



The FAFSA relies on current asset information (as of the date you fill out the form) and income information based on your tax return from two years prior, referred to as the "prior-prior year." For example, the 2021-2022 FAFSA relies on information from your 2019 tax return.

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4. We own our home, so my child won't qualify for aid

It depends on the source of aid. The FAFSA does not take home equity into account when determining a family's expected family contribution, so owning your home won't affect your child's eligibility for aid. The FAFSA also excludes the value of retirement accounts, cash-value life insurance, and annuities.

Tip: The CSS Profile does collect home equity and vacation home information, and some colleges *may* use it when distributing their own institutional need-based aid.

Umbrella Insurance Offers Extra Liability Coverage

Accidents can happen, no matter how careful you are. Even if you make every effort to help ensure that your house and the surrounding area are safe for visitors, rain, snow, or ice can cause slippery stairs and walkways. You might face an increased risk of having a liability claim filed against you if you have a dog, a swimming pool, a trampoline, employ workers in your home, or own a rental property. Or you could be held responsible for a serious auto accident — a special concern if you have a teenage driver.

American society is litigious, and some legal judgments seem excessive. Standard homeowners and auto insurance policies generally cover personal liability, but you may not have enough coverage to protect your income and assets in the event of a high-dollar judgment. That's when umbrella insurance could be a big help, providing additional coverage, up to policy limits.

On top of the liability coverage amount, an umbrella policy may help pay legal expenses and compensation for time off from work to defend yourself in court. It might also cover situations not included in standard homeowners policies, such as libel, slander, invasion of privacy, and defamation of character.

Umbrella insurance is not just for wealthy households; it is also appropriate for middle-income families with substantial home equity, retirement savings, and current and future income that could be used to satisfy a large jury award. (Home equity might be protected, at least in part, by state law. Qualified retirement plan assets may have some protection from creditors under federal and/or state law, depending on the plan and jurisdiction, but you would still be liable for any judgments.)

Protecting yourself with an umbrella policy could help avoid expensive consequences down the road.

Although coverage and costs vary by insurer, you can typically obtain $1 million in coverage for $300 or less per year; higher coverage amounts can be even more cost-effective. Before adding umbrella insurance, however, you generally must purchase a certain amount of liability coverage on your homeowners and auto policies (typically $300,000 and $250,000, respectively), which serve as a deductible for the umbrella policy.[1]

Your insurer can help you determine how much current liability protection you have, and how much more you can purchase. It might be helpful to consider your assets, potential exposure, and what you consider to be an acceptable risk.

1) Insurance Information Institute, 2020