

Ask The Experts (Q&A)



Jefferson Matthews Wealth Solutions

The Need Objective:

Q: How much life insurance should I have and why?

A general rule of thumb is that the face amount of the policy equal 20x times your annual income. It is imperative that you consider not only the emotional, but economic impact of your death to your loved-ones. Typically, I advise that you replace your human capital, which represents the present value of your future earnings. For example, if you earn \$100k per year income you should have \$2,000,000 of life insurance. If those proceeds were invested at an average return of 5% the beneficiaries would earn \$100k of interest in perpetuity from the death benefit, thus replacing your income. In my opinion, far too many households do not maintain an adequate level of life insurance coverage. If you do not make it home tonight, what will happen to your family? How will your family fare?

Q: What's the difference between whole life and term, and what is best for me?

Two types of life insurance are permanent and term. A popular form of permanent insurance is whole life insurance. You can equate purchasing whole life insurance to owning a home. Your

premium price is fixed at the time of purchase and there is a guaranteed death benefit for life. The premiums paid into the policy builds cash value over time, accessible penalty free and tax free, similar to drawing equity on a home. Conversely, term insurance is like renting your insurance. There premiums are guaranteed level during the specified length of the term, but the policy does not build equity. This form of coverage is ideal for a short or limited period of time or until you can afford a permanent policy. As an advisor, I help my clients select the type and amount of coverage based on their need, objectives and budget.

The Greed Objective:

Q: What is the best time to invest?

Market timing can be risky, and it's hard to predict when the market is at its highest or lowest so I generally advise my clients to "dollar cost average." This is the practice of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. It allows you to purchase more shares when the price is low and fewer shares when prices are high, minimizing the risk of investing a large amount of money at the wrong time. There is also tremendous value in taking advantage of compounding interest, which allows your money to work for you. A powerful component of accumulating wealth lies in reinvesting your gains in order to generate the compounding effect.

Q: What variables should I consider before I invest?

You should consider several factors before you invest, such as risk tolerance, time horizon, and investment objectives. I do believe in creating a sound, diversified investment strategy using the aforementioned factors. Often, when I meet clients I find that an "aggressive" investor has a mix of conservative investment allocations that are unlikely to produce the high yields they seek, while a "conservative" investor has a blend of risky investments that could subject them to far more volatility than they would otherwise be comfortable with. Make sure your investment choices match your declared objectives.

Q: What separates Jefferson Matthews Wealth Solutions from the competition?

We take a consultative approach adhering to our clients' objectives and goals. Solving problems, as opposed to selling products, is central to our model. This process ensures clients receive a solution that reflects their vision, which executed in a timely and cost-efficient manner.

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