Investment Solutions, Inc.

# The Long Run
## Newsletter

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Investment Solutions, Inc.

**Investment Solutions, Inc.**
Long & Associates, P.C.
Benefit Resource Group, Inc.
107 East Main Street
Hydro, Oklahoma 7304
405-776-0600
www.long-cpa.com

# Insurance Needs Assessment: Married With Children

A growing family, by definition, means growing financial obligations-both present and in the future. Raising children can increase your insurance needs and heightens the urgency for being properly prepared.

## Auto

When a child becomes a new driver, one choice is to add the teenager to the parents' policy. You may want to discuss with your auto insurer ways to reduce the additional premium that accompanies a new driver.

## Home

You should periodically review your homeowners policy for three primary reasons.

A growing family generally accumulates increasing amounts of personal belongings. Think of each child's toys, clothes, electronic equipment, etc. Moreover, household income tends to rise during this time, which means that jewelry, art, and other valuables may be among your growing personal assets.

The second reason is that the costs of rebuilding–and debris removal–may have risen over time, necessitating an increase in insurance coverage.

Lastly, with growing wealth, you may want to raise liability coverage, or if you do not have an umbrella policy, consider adding it now. Umbrella insurance is designed to help protect against the financial risk of personal liability.

## Health

With your first child, be sure to change your health care coverage to a family plan. If you and your spouse have retained separate plans, you may want to evaluate which plan has a better cost-benefit profile. Think about whether now is the appropriate time to consolidate coverage into one plan.

### Disability

If your family is likely to suffer economically because of the loss of one spouse's income, then disability insurance serves an important role in replacing income that may allow you to meet living expenses without depleting savings.

The information in this material is not intended as tax or legal advice. It may not ·be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding your individual situation.

If you already have disability insurance, consider increasing the income replacement benefit since your income and standard of living may now be higher than when you bought the policy.

### Life

With children, the amount of future financial obligations increases. The cost of raising children and funding their college education can be expensive. Should one of the spouses die, the loss of income might severely limit the future quality of life for your surviving children and spouse. Not only does death eliminate the future income of one spouse permanently, but the future earning power of the surviving spouse might be diminished as single parenthood may necessitate fewer working hours and turning down promotions.

The amount of life insurance coverage needed to fund this potential financial loss is predicated on, among other factors, lifestyle, debts, age and number of children, and anticipated future college expenses.

Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Some couples decide to have one parent stay at home to care for the children full time. The economic value of the stay-at-home parent is frequently overlooked. Should the stay-at-home parent die, the surviving parent would likely need to pay for a range of household and child-care services and potentially suffer the loss of future income due to the demands of single parenthood.

### Extended Care

The earlier you consider extended-care choices the better. However, the financial demands of more immediate priorities, like saving for your children's college education or your retirement, will take precedence if resources are limited.

## Starting a Roth IRA for a Teen

Want to give your child or grandchild a financial head start? A Roth IRA might be a choice to consider. Read on to learn more about how doing this may benefit both of you.

**Rules for setting up a Roth IRA.** If your teen has an earned income, you may be able to set up a Roth IRA for them. For example, if your 15-year-old has earned $7,000 at a summer job, you can set up an account for them up to $7,000 (the maximum annual Roth IRA contribution). The amount cannot exceed the teen's income. Keep in mind that money that you contribute to the Roth IRA can count as a gift within your $19,000 yearly gift tax exclusion ($38,000 for a married couple).[1]

**Looking ahead to the future.** If money is withdrawn from a Roth IRA before age 59½, a 10% federal tax penalty may apply. There is, however, a notable exception. Up to $10,000 of investment earnings can be taken out of a Roth IRA at any time if the money is used to buy a first home. In this instance, the IRS may waive the early withdrawal penalty. Should your teenager become a parent someday, a portion of those Roth IRA assets might also be utilized to pay college tuition costs for themselves or their child.[2,3]

This article is for informational purposes only. It's not a replacement for real-life advice, so make sure to consult your tax professional before modifying any Roth IRA strategy. Tax-free and penalty-free withdrawal's also can be taken under circumstances other than first-home purchases, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals. To qualify for the tax-free and penalty-free withdrawal of earnings, the teenager must meet a five-year holding requirement and occur after age 59½.

**Greater earning potential, thanks to the magic of compound interest.** Setting up a Roth IRA for a teenager is a great way to introduce them to basic financial concepts, such as compound interest. Giving your teen a hands-on learning experience may help them understand the value of saving for the future. You may also be facilitating the development of your children's or grandchildren's financial habits.

**There are a few things to consider when setting up a custodial Roth IRA.** Setting up a Roth IRA for a minor is often referred to as a custodial IRA. Until the child is able to take it over, you act as the custodian of the account. Individual state laws determine when the minor child is able to take over management of the Roth IRA for themselves.

A tax professional can provide guidance that may help ensure that you and your minor child are following all federal and state regulations.

Citations

1. Investopedia.com, November 11, 2024
2. IRS.gov, 2025
3. IRS.gov, 2025

## For Your Information

- We are open from 9:00 a.m. – 5:00 p.m. Monday through Thursday, and 9:00 a.m. – noon on Fridays.
- We are open during the lunch hour.
- We have a mail drop on the far north door of the building. If you have any information you would like to deliver after normal business hours please drop it off there.
- We will be closed Wednesday, April 16th though Friday, April 18th for our Accountant's Legal Holiday.
- We are in the process of upgrading our phone system in January. When the upgrade is completed you will be notified of the following new numbers when you call our office:

  Calling Long & Associates, P. C. 405-663-2918 will be upgraded to 405-776-0600
  Calling Investment Solutions, Inc. 405-663-2916 will be upgraded to 405-776-0900
  Fax Number 405-663-2126 will be upgraded to 405-776-0700

April is a reminder that something better is always around the corner.

**"Spring will come and so will happiness. Hold on. Life will get warmer." – Anita Krizzan**


**Long & Associates, P.C.**
Assisting you with accounting, tax preparation, and tax planning

**Investment Solutions, Inc.**
Advising you and creating strategies for investment and retirement planning

**Benefit Resource Group, Inc.**
Handling employee benefits and other business services

**Whether you need one of these services, or all three, you'll work with the same professional, knowledgeable staff with our Comprehensive Solutions Program**