

THE PRINCIPLE QUARTERLY

THIRD QUARTER 2021



Dear Friends,
We enter the 4th quarter awaiting answers from Washington's massive "to-do" list of outstanding policy items. Fiscal stimulus, income and estate tax law changes, interest rate policy, and the U.S. debt ceiling, all up for debate, will have long-term impacts on the economy and markets. We expect the markets to rally on any clarity that Washington can provide.

In this issue of *The Principle Quarterly*, we cover a wide range of topics, including the ABCs of Medicare, navigating Social Security, and how to protect what you've built with appropriate insurance coverage.

We hope you enjoy it,

Robert S. Paolucci, CFP®
Founder & CEO



Join us in celebration of our new location in Westport!

Join us for our upcoming events

The State of the Economy

Leading economist Andrew Opdyke, CFA, from First Trust shares his insights on the key economic trends impacting the market.

Madison Beach Hotel, 94 W. Wharf Road, Madison, CT

Tuesday, October 19th, 2021 6:00pm-8:00pm

Please register. Limited seating. Dinner will be served.

Build Confidence for Your Financial Future

Westport Library, 20 Jesup Road, Westport, CT

Tuesday, December 14th, 2021 6:00pm – 7:00pm

Please register.

For information on any of our events, please call 203.318.8892

What's Inside

Protect What You've Built	Page 2
Navigating Social Security	Page 3
The ABCs of Medicare	Page 4
Community Outreach	Page 5
Employee News	Page 6
Looking Back at 2Q2021	Page 6

Protect What You've Built

By John Hannigan



Your portfolio has grown nicely over the years, and your retirement plan is on track. One accident or illness can destroy the best plan if your insurance coverage is not well thought out, updated when there

are changes in your life, and reviewed on a regular basis.

A few things to consider:

- Work with an independent agent who can compare multiple companies for you.
- Many companies use your claims history, credit score, and longevity with your current carrier as major factors when determining your premiums.
- Package your policies with one carrier to take advantage of multi-policy discounts.

Let's review some of the terminology you may see in your auto, home, and umbrella policies.

AUTO

- **Bodily Injury** pays damages for bodily harm, sickness, or disease, including death, incurred by the other party for which you are legally responsible because of an auto accident.
- **Comprehensive Coverage** pays for damages to a vehicle due to losses such as fire, hail, theft, vandalism, or impact with an animal. Check availability of full glass coverage (no deductible applies).
- **Collision Coverage** pays for damage to your vehicle when it collides with another vehicle or object (e.g., a tree). The only exception is an animal which is covered under Comprehensive.
- **Property Damage** pays for damage caused by your covered vehicle to the property of others (e.g., a fence, a telephone pole, or another vehicle).
- **Uninsured/Underinsured Motorist** coverage pays for medical bills and other expenses for you and your passengers if you're in a car accident caused by a driver who doesn't carry enough, or any, insurance. Coverage may include lost wages, pain and suffering, and funeral expenses.

HOME

Review covered events, deductible(s) and exclusions, and important endorsements to provide excess coverage for valuables like jewelry and artwork. The various coverages listed on your policy declaration page are percentages of the *Coverage A Dwelling* (described below).

- **Coverage A: Dwelling:** This covers the structure itself and anything permanently attached to it. Replacement cost does not equate to market value, and your agent should ask you detailed questions about your home.
- **Coverage B: Other Structures:** Normally 10% of Coverage A, this covers structures on the property not connected to your home, i.e., detached garage, shed, barn. You can increase this amount if 10% is not sufficient.
- **Coverage C: Personal Property:** If you could take the roof off your home and shake out the contents, what falls out is covered here. You want guaranteed replacement cost, and again check to make sure the default amount is sufficient.
- **Coverage D: Loss of Use:** If your home sustains a covered loss, and you must seek temporary lodging elsewhere, your coverage is either a percentage of Coverage A or time, i.e., up to 12 months.
- **Coverage E: Personal Liability:** Covers you in the event you are sued for something related to your property, i.e., a person slips and falls on your icy porch. At a minimum, consider \$300-\$500K.
- **Coverage F: Medical Payments to Others:** Pay for other persons injured while on your property.

UMBRELLA/PERSONAL LIABILITY

- Provides additional liability for both auto and home. Minimum coverage \$1M.
- The limit you purchase should be based on the amount of assets you are trying to protect.

Navigating Social Security

By Megan Maruzo



Social Security can be an important income source during retirement, particularly as pension plans become obsolete. It can pay benefits at retirement, death, and when disabled to both the

individual and family members. Understanding the complexities of Social Security ensures you choose the right strategy for your financial situation. A good place to start is to set up your personal account at ssa.gov and print out your benefits statement.

Qualifications and Benefits

The normal requirement to qualify for benefits includes a history of 40 quarters, or 10 years, of work. Benefit calculations are based on an average of your 35 highest-earning years and your full retirement age (FRA). FRA is the age at which you are eligible to receive your full primary benefit amount and is based on the year you were born, as shown below.

If you were born in:	Your FRA is:
1943 - 1954	66
1955	66 + 2 mos.
1956	66 + 4 mos.
1957	66 + 6 mos.
1958	66 + 8 mos.
1959	66 + 10 mos.
1960 or later	67

Note: people born on January 1 of any year, refer to the previous year.

Source: [Securing today and tomorrow](#), Retirement Benefits, Social Security Administration, 2021

When Should You Begin Taking Benefits?

You may begin collecting as early as age 62 or delay until age 70. Starting early results in a permanent reduction; waiting past your FRA adds 8% each year (until age 70). Longevity, family, personal health history, gender, and marital status should all be considered when making your decision.



Are Your Social Security Benefits Taxable?

For retirement planning purposes, keep in mind that a portion of your Social Security benefits may be taxable, based on your filing status and “Combined Income.” This is defined as your adjusted gross income (AGI), your non-taxable interest income, and 50% of your Social Security benefits. As an example, if you file jointly and your combined income is over \$44,000, up to 85% of your Social Security benefit is subject to income tax.

What if I Am Working While Collecting Social Security?

If you are working and collecting Social Security benefits before reaching FRA, earnings limits may impact the benefits you receive. The Social Security Administration shares up-to-date information on earnings limits, which you can find by clicking [here](#).

Who Else in Your Family May Be Eligible to Receive Benefits?

If you are receiving retirement or disability Social Security benefits, or if you have passed away, some members of your family may also qualify. Spouses, ex-spouses, dependent children, and even dependent parents may be eligible to receive benefits based on your work record.

[Webinar: Navigating Social Security](#)

Figuring out your Social Security strategy can be complicated. For more information on the topics discussed here, listen in as Julina, John, and Megan discuss [Navigating Social Security](#) in a recent webinar.

The ABCs of Medicare

By Colin Dugan



Congress enacted Medicare in 1965 to provide health insurance to seniors, regardless of their income or medical history. You are eligible for Medicare if you are 65 years or older, and you are either a U.S. citizen or have been a permanent legal resident for five continuous years. If you meet these qualifications and have paid Medicare taxes for at least 10 years, you can get Medicare Part A without paying a premium.

The “Parts” of Medicare Explained

Insurance coverage under Medicare is divided into Parts A, B, C, and D. Parts A, B, and D constitute what is called “Original Medicare,” Part C is referred to as “Medicare Advantage.” You can choose either Original Medicare or Medicare Advantage.

ORIGINAL MEDICARE			MEDICARE ADVANTAGE
	Part A (Hospital Insurance)	Part B (Medical Insurance)	Part C (Comprehensive)
Benefit	Helps cover: Inpatient care in hospitals, skilled nursing facility care, hospice, and home health care	Helps cover: Services from health care providers, outpatient care, medical equipment, and many preventative services	Covers: Part A, B, and often D as well as offering extra benefits, e.g., dental, vision, and hearing
Cost	Premium-free for people who have paid Medicare taxes for at least 10 years	Standard premium amount in 2021 was \$148.50 per month – can be higher based on your AGI* 2 years prior	Part B premium and Medicare Advantage premium

OR

*AGI = Adjusted Gross Income

Source: Medicare & You: The official U.S. Government Medicare handbook, 2021

What’s Not Covered

Unfortunately, many services we need as we get older are NOT covered by Original Medicare. These include things like long-term/custodial care, most dental, dentures, hearing aids, and healthcare while traveling outside the U.S.

When to Enroll

While Medicare is available to all who are eligible, it is necessary for most people to sign up proactively for the Medicare option of their choice. If you are already receiving Social Security benefits when you turn 65, you are automatically enrolled in Parts A and B. The timing of enrollment is also important, as there are premium penalties for enrolling after certain specified dates, (10% for each 12-month period you were eligible but did not sign up.)

For 2021/2022 enrollment dates and rules for Parts A, B, and D, click [here](#).

Determining the Options That Are Right for You

Navigating the Medicare maze can be challenging, but it is critically important to make informed choices at the right times.

Suggested resources for more detailed information.

Medicare:

1-800-MEDICARE

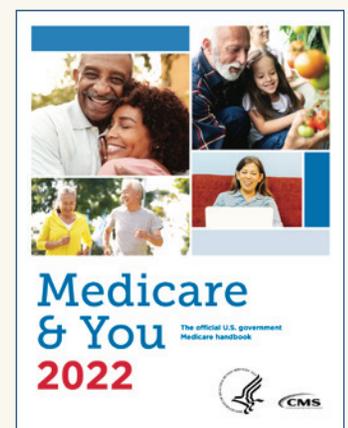
[medicare.gov](https://www.medicare.gov)

[Medicare And You](#)

Social Security:

1-800-772-1213

ssa.gov/benefits/medicare



Community Outreach

By Julina Ogilvie



Giving back is engrained in our firm's culture. Many of our employees serve on various nonprofit boards and volunteer at others, and each quarter we select a nonprofit to support.



The Scranton Library. Photo source: [Scranton Library Facebook page](#).

Nonprofit Networking at the E.C. Scranton Memorial Library

Starting in September, we are excited to be sponsoring the three-part "Nonprofit Network" program at the [Scranton Library in Madison](#), spearheaded by the Madison Chamber of Commerce. The idea is to bring nonprofit organizations together to discuss various topics, trends, and policies that impact their organizations, and to work together by sharing resources that would benefit all entities. Sessions will be held in September, October, and November, with topics covering resources available to nonprofits, success stories, and tips on grant writing.

Making Qualified Charitable Donations

The COVID-19 pandemic, as well as tax law changes have both severely impacted nonprofits' fundraising abilities. A way to help these worthwhile organizations is through qualified charitable distributions (QCD). A QCD is a tax strategy that allows eligible investors to use their IRA funds to make charitable contributions by transferring

taxable IRA funds, tax-free, directly to qualifying charities. The charitable donation is excluded from their taxable income, although it does not qualify as a deduction. Someone who uses the standard deduction and does not itemize is still able to take advantage of this option. These QCDs can also help satisfy your annual required minimum distribution (RMD). There are limitations on who can utilize a QCD:

- The person must be 70 1/2 years old.
- Funds must come from an IRA (not a 401(k), 403(b), or employer plan), and there is a \$100K annual limit.

Getting Ready for the Giving Season

More than half of nonprofits begin sending out their year-end appeals in October¹ and raise a good portion of their annual funds between Giving Tuesday (November 30th this year) and the end of the year. Donations must be made before December 31st to qualify for a [tax deduction](#) in the current year.



¹ *The Ultimate Giving Season Guide for Your Nonprofit*, [gofundmecharity](#)

Employee News



Welcome Sam Eberl!

Sam Eberl recently joined Principle Wealth Partners as a Client Service Associate. Her focus will be on organizing portfolio data and creating financial reports.

In her free time, Sam enjoys researching and practicing horticulture and botany, and is a big believer in volunteering time in her local community. She has volunteered with Kid's Kitchen, teaching elementary school children how to prepare meals, Forgotten Felines, preparing cats for their forever homes, and helps the Funktion Foundation run community blood drives. Sam lives in Haddam, CT.

Congratulations to our Chief Compliance Officer, Michael J. Castiello, IACCP®, for passing the Investment Adviser Certified Compliance Professional® exam! We are so proud of your accomplishment!



Watch your inbox for our monthly commentary, follow us on LinkedIn and Facebook, and now you can subscribe to our YouTube channel!



Looking Back at 2nd Quarter 2021



Planning for your child's future

College costs are rising fast. What are your options for saving? Learn how to put funds aside and why it pays to start early.



Have fun in your golden years

Learn the 5 key things to consider when planning for retirement.



Dividend Income Investing, a Conversation with Jenny Harrington

Jenny Harrington, CEO and Portfolio Manager of Gilman Hill, speaks with Julina Ogilvie about investing in an ever-changing world.



Political Administration Change: 1st 100 Days

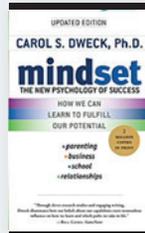
How did President Biden do in his first 100 Days? What could Biden's three stimulus plans mean for you and the economy?

September Book Club

Mindset by Carol Dweck

“The book *Mindset* reminded me that when you fail at something, you are not defeated, you are learning, and that’s what a ‘growth mindset’ is all about.”

— BARBARA GAMBINO



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The 2021 ranking of the Forbes' Best-in-State Wealth Advisors¹ list was developed by SHOOK Research and is based on in-person and telephone due-diligence meetings to evaluate each advisor qualitatively and on a ranking algorithm that includes client retention, industry experience, review of compliance records, firm nominations, and quantitative criteria (including assets under management and revenue generated for their firms). Overall, approximately 32,725 advisors were considered, and 5,000 (approximately 15.3 percent of candidates) were recognized. The full methodology² that Forbes developed in partnership with SHOOK Research is available at www.forbes.com.

¹This recognition and the due-diligence process conducted are not indicative of the advisor's future performance. Your experience may vary. Winners are organized and ranked by state. Some states may have more advisors than others. You are encouraged to conduct your own research to determine if the advisor is right for you.

²Portfolio performance is not a criterion due to varying client objectives and lack of audited data. SHOOK does not receive a fee in exchange for rankings.

Methodology: : <https://www.forbes.com/sites/rjshook/2021/02/11/forbes-best-in-state-wealth-advisors-methodology-2021/?sh=1606c4e96d22>

Source: Barron's "Top 1,200 Financial Advisors," March 2021. Barron's "Top 1,200 Financial Advisors" bases its ratings on qualitative criteria: professionals with a minimum of seven years of financial services experience, acceptable compliance records, formal succession plans, high client retention, and more. Financial Advisors are quantitatively rated based on varying types of revenues and assets advised by the financial professional, with weightings associated for each. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's past or future performance. Neither Principle Wealth Partners nor its Financial Advisors pay a fee to Barron's in exchange for the rating, however Principle Wealth Partners does pay to use the award ribbon for marketing materials. Principle Wealth Partners is not affiliated with Barron's or Dow Jones & Company, L.P. All of the information provided has been obtained from sources considered to be reliable, but we do not guarantee its accuracy or completeness, and does not constitute a recommendation. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved.