MAY 2022

Focus

Water Damage Protection

Tips to avoid getting soaked financially

Financial Literacy for Teens

Teaching money management through summer jobs

Great Reshuffle Money Moves

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Here Comes the Rain Again

Are you protected against water damage?

Whether it's falling from the sky, rising from a river or gushing from a burst pipe, water can cause tremendous damage to your home and property. In fact, the Federal Emergency Management Agency (FEMA) says just one inch of floodwater in a home can cause up to $25,000 in damage.

With Texas' torrential spring rains looming and hurricane season on deck, every homeowner should double-check they have the right insurance policies to protect against water damage. If you own a second home near a body of water, reviewing your coverage is especially vital, because it's not always as straightforward as it might seem.

Different Threats, Different Policies

The most important thing homeowners need to know is this: Standard homeowners insurance does NOT cover flood damage.

To be insured against a flood — which occurs when normally dry land becomes inundated by rising water — you'll need a separate flood insurance policy. If you live in or own additional property in an especially flood-prone area, your mortgage lender may require you to have flood insurance. But remember, flooding can happen almost anywhere, so paying for protection isn't a bad idea even when it's not mandatory. Though coverage is administered by the federal government's National Flood Insurance Program, Frost or other insurance providers can facilitate the purchase.

Nonflood-related water damage is a different story. If the loss is caused by a failed water heater, burst pipe or leaky dishwasher, homeowners insurance would protect you in most cases. Your policy might also cover losses from a storm where rain enters through a damaged roof or window, but we recommend consulting with an insurance professional to confirm.

Words to Be Water Wise

Here are five extra tips to help you avoid getting soaked financially:

1

ASSESS YOUR RISK.
Even if you're not required to have flood insurance, you may want to understand your potential vulnerability. Obtaining an elevation certificate from an engineering firm will tell you where the structure falls within the flood map and enables insurers to give you a quote for coverage.

2

DON'T PROCRASTINATE.
Unless you're obtaining a new mortgage that requires flood insurance, there's a 30-day waiting period before a new flood insurance policy takes effect. So, don't wait until water is lapping at the doorstep before you take action.

3

READ THE FINE PRINT.
All homeowners insurance policies are not created equal; coverage varies from company to company and product to product. An extremely inexpensive premium might be attractive at first, but could cost you later when certain water-related damages aren't covered.

4

KEEP UP WITH HOME MAINTENANCE.
Homeowners insurance is designed to cover sudden, catastrophic losses, not damages that occur when homeowners fail to maintain their properties. Steps like replacing the water heater every 10 years, insulating pipes, sealing leaks and other regular upkeep can help ensure your claims won't be denied.

5

UPGRADE YOUR TECHNOLOGY.
Devices such as temperature sensors and automatic water shutoff valves can alert you to problems in the home and help minimize any damage from frozen pipes or water leaks. (The temperature sensors don't actually prevent the pipes from freezing, just alert you to it.) These types of tools are even more important if you own a vacation home that sits unoccupied for lengthy periods.

If you're unsure about the types of insurance you might need, a Frost Insurance risk advisor can help you understand the risks and secure the most appropriate coverage.

Four Ways to Help Your Teens Become Financially Literate

As we head into the summer job season, there's no better time to engage your kids in discussions about managing their money. The cornerstone of good financial decision-making is developing a fundamental understanding of the money being earned and spent. In addition, savings should be a topic of discussion. Helping your kids, particularly teens, make saving a habit will lay a solid foundation for a more secure financial future.

All of this is easier said than done, but here are some suggestions for getting started.

1

REVIEW THEIR FIRST PAYCHECK TOGETHER.
This a great opportunity to talk about pay-stubs and how to review them, including how and why money is taken out for taxes. Explain that while it's good that they have a paycheck, this is not free money. They worked for it and paid taxes on it, and it's important to think about how they want to use that money, including saving on a regular basis.

2

MAKE SAVINGS ENJOYABLE.
Help them open a checking or savings account. Then, match every dollar they save. If your child puts five dollars into a savings account, match it with five dollars of your own. You should also help them establish savings goals and strategies. As they see their savings grow, they may just find that they like saving as much as spending.

3

INTRODUCE INVESTING.
Parents should start to discuss investing with their teens as they build their bank accounts. If they are putting money aside and gaining momentum, it's a good idea to talk about opening a small investment account. You can also help them run mock investments beforehand and then encourage them to join investment clubs once they are ready.

4

ENCOURAGE PHILANTHROPIC ACTIVITY.
Introducing philanthropy is a great way to provide your kids with a deeper purpose and meaning in their lives. You can do this by helping them set up a giving circle with their friends or providing them with money to donate in a meaningful way on their birthday or during the holidays. As you do, make sure to explain how the money was used and what the impact was.

Career Shift?

Smart Money Moves to Consider Amid the Great Reshuffle

Over the last two years, record numbers of workers have left their jobs in what has become known as "the Great Resignation." But many career-minded professionals aren't exiting the workforce altogether; they're reevaluating their priorities and making strategic moves to improve their quality of life and long-term prospects. As it turns out, "the Great Reshuffle" may be a more accurate description. If you're considering a job change, your finances should weigh heavily in the decision, but there's a lot more to the equation than salary alone.

Keep these tips in mind to stay on solid financial footing as you ponder your next career move.

- **Compare apples to apples.** Don't be lured into switching jobs for a bigger salary, only to find out the total compensation package doesn't measure up. Account for everything your current employer gives you (health care benefits, retirement plan, incentive pay, education and training, vacation time, etc.) to make sure the new job is really a better fit for your lifestyle.

- **Roll the right way.** If you do leave your job, you'll likely need to decide what to do with the funds in your current employer's retirement plan. If the current plan is to your liking, you may have the option to leave the account in place. On the other hand, it may be better to arrange a rollover to your new employer's retirement plan (for the simplicity of consolidated accounts) or to a separate IRA (which may offer more investment choices). Whichever you choose, be sure to conduct a direct rollover and avoid cashing out the account, which would result in tax consequences and early withdrawal penalties if you're under age 59½.

- **Reevaluate everything.** A big career change — especially if you're leaving to start your own business or to retire altogether — calls for a complete review of your financial situation. Work with your advisor to make sure you and your family will be in good shape when it comes to health and life insurance, paying off debts, handling emergency expenses, funding your retirement and kids' college accounts, and other needs.

- **Don't discount happiness.** Money isn't everything, of course. More time with your family, or a greater sense of fulfillment at work, can be just as life-changing as a bigger paycheck. So, if you're on the fence about switching jobs, the "joy factor" might just be the key to your final decision.

The Big Four

Considerations for Comparing Retirement Plans Between Employers

Fees
Will it be more or less expensive on an annual basis to roll your retirement assets into your new employer's plan?

Investment Options
Does one plan offer better investment options than the other? Are you able to direct how your retirement assets are invested, or does the employer make those decisions?

Flexibility
What are the rules set by each company for its retirement plan? When can you access your funds? Is there a 401(k) employer match program in place? Does the company offer profit sharing to their employees, and, if so, how is that determined?

Convenience
Will one option be more convenient than the other? Are you willing to manage and keep track of multiple accounts?

Need additional guidance? Frost wealth advisors can answer your retirement planning questions and help you make a well-informed choice.

To learn more, visit www.frostbank.com or contact your Frost representative.

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