VOLUME 2 | ISSUE 1
WINTER EDITION

THE PROSPERITY® CONSULTING GROUP, LLC
A WEALTH MANAGEMENT COMPANY

The Prosperity Press

A quarterly publication providing you with invaluable information in financial planning, wealth management, taxes and so much more!

The Power of Habits

Did you make a new years resolution this year? Here's how to make it stick!

As we welcome in 2019, many of us made resolutions. Yours may be to get healthy and fit, to read more, to be more mindful, to enhance your vocabulary, to do one nice deed a day, or perhaps something else. All these resolutions will require you to evaluate your current habits, and decide which you want to keep, which you want to end, and which new ones you'd like to adopt.

The Power of Habits
Habits are a very powerful force in our lives. Take smoking as an example. Within seconds of taking a puff, neurotransmitters, such as dopamine, are released into the brain. Dopamine improves your mood and releases the feeling of pleasure in your brain. When something makes you feel good, it's easy to get hooked, even if you logically know that smoking is bad for you.

It may surprise you to know that physical nicotine withdrawal symptoms last about two weeks. But addicts return to smoking long after the physical dependence has subsided. That's because they get used to having a cigarette with their morning coffee, after lunch, while on the phone or while drinking alcohol. The mental addiction is a habit that is much harder to break than physical dependence on nicotine.

How Habits Form
Habits are a learned behavior. One of the most basic evolutionary learning processes is positive and negative reinforcement.

Take food for example. We see a cookie and it looks good. Our brain is focused on the calories and survival that food provides. So, we eat the cookie, it tastes good and we feel good. Our brain then teaches us that if we see food, we should eat the food and then we will feel good. This basic pattern can also be broken down into trigger (see food), behavior (eat food), and reward (feel good).

Let's take this one step further – we remember that food makes us feel good so next time we're sad, or stressed, our brain suggests that we eat food, so we feel better. We quickly learn that if we eat something like cookies when we're feeling bad, our mood can quickly improve. Now the trigger has changed from "see food" to "feel bad" and the pattern becomes feel bad, eat food, feel good. And voila – we just developed the bad habit of emotional eating.

How to Break a Bad Habit, and Develop Good Habits

Mindfulness - Understand what your habits are and why you have them. How did these habits come into your life and what are you doing to keep them or to stop them?

Strategy - Give yourself structure and a timeline. Decide how you will reward yourself for hitting milestones and how you will deal with slip-ups.

Accountability - Why do we have such a hard time breaking a promise to someone else, but we break promises to ourselves all the time? You wouldn't stand up a friend, so don't strand up yourself.

Discipline - Set iPhone reminders, block time off in your calendar and force yourself to be disciplined. To make something a habit, you must get used to doing it on a regular basis.

Time - Eating one healthy meal will not suddenly make you more fit. Give yourself time and understand that you are only human. You are bound to slip-up and the road may not be smooth. It's okay! Habits take time and patience.

Author: Maggie Spivak
Marketing Manager
MSP@prosperityconsult.com
(410) 363-7211
The Prosperity Consulting Group,LLC

Planning for a Special Needs Child

Families with special needs children face additional financial planning needs

Taking care of a special needs child can be very challenging. After juggling medical appointments, educational plans, behavioral assessments, occupational, physical, or speech therapy, parents often have little time or energy to address the financial implications of raising a special needs child. However, the financial implications are huge. One study by the Department of Agriculture suggests that a middle-income family will spend approximately $234,000 to raise a child until age 18.1 That number increases dramatically when raising a special needs child. As the term "special needs" covers many conditions, ranging from mild learning disabilities to severe cognitive, physical or behavioral impairments, the additional costs vary widely and can be difficult to estimate. According to Autism Speaks, the average lifetime cost of caring for an autistic person is $1.4 million. If the person with autism also suffers from an intellectual disability (as 1 in 5 do), the cost balloons to $2.3 million.2

So what are some financial planning areas that families with special needs children should be considering?

Life Insurance

For many families, life insurance is a temporary need that can be satisfied with low cost term insurance. Wage earners need life insurance to protect survivors who are dependent on their income and resources. But what if your child will always be dependent on you financially? In these cases, a permanent life insurance policy might be needed. A permanent life insurance policy covers your entire life and will provide a death benefit to ensure your special needs child will be financially taken care of after you are no longer here.

Estate Planning

If you have life insurance, your special needs child probably shouldn't be listed as the beneficiary. This is true for any account with a beneficiary designation, such as 401(k) plans and IRA accounts. Millions of disabled individuals and their families depend on public programs like Supplemental Security Income (SSI) and Medicaid for income, health care and housing assistance. To qualify for these programs, a disabled person cannot own more than $2,000 in assets. If the special needs child receives any assets directly, either through beneficiary designations or through a Last Will and Testament, they risk losing their public benefits.

So how should one give assets or leave assets to a special needs child? A Special Needs Trust can be set up with the child as the beneficiary of the trust. The trust holds and manages the assets for the disabled individual. It allows the special needs child to use and enjoy the assets in the trust, without affecting eligibility for public benefits.

ABLE Accounts

Although they can be a great planning tool, Special Needs Trusts can be complicated and expensive to draft. In 2014, ABLE (Achieving a Better Life Experience) accounts were introduced. Like Special Needs Trusts, they allow for asset accumulation (up to $100,000) for a special needs individual without compromising eligibility for public programs.

ABLE accounts are tax-advantaged savings accounts for individuals with disabilities. The account works similarly to a 529 college savings plan. The account can be funded with up to $14,000 per year. There is not a federal income tax deduction for the contributions, although some states allow a state income tax deduction. The money grows tax-free if used for "qualified disability expenses", including housing, transportation, special education services, tutoring, assistive technology, job training, health, financial management and legal fees. If withdrawn for expenses other than a qualified disability expense, the earnings are taxed and subject to a 10% penalty tax.

The account beneficiary must be an individual who became disabled before age 26. Anyone who qualifies for Social Security disability payments or Supplemental Security Income automatically qualifies. If you are not receiving either, but meet Social Security's definition of significant functional limitations and submit a certification letter from a licensed physician, you can also qualify.

Author: Donna Destl
Senior Vice President
DCG@prosperityconsult.com
(410) 363-7211
The Prosperity Consulting Group,LLC