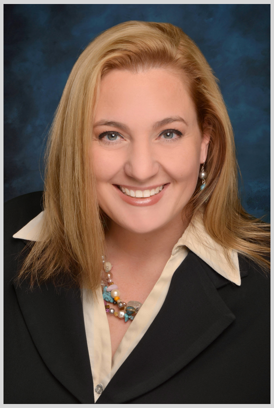
RBC Wealth Management
WealthMonitor



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Time to Hire? Consider the Pros and Costs

It's exciting to discover an opportunity to expand the size or scope of your business, and sometimes more workers are needed to make that happen. In the fourth quarter of 2017, 32% of small-business owners said they intend to increase the number of jobs in their companies over the next 12 months.[1]

How do you know if your business is really ready to take on new employees? Start by estimating the potential revenue and profit gains, in light of the additional costs.

Help wanted?

Here are a few more signs that it may be time to hire.

- Customer demand for your company's goods or services is steadily increasing. It may take some time to confirm that growth is consistent and not a seasonal or temporary surge.
- You (and/or your staff) can no longer handle critical work in a timely manner, and customer service is suffering.
- You regularly pay current employees a significant amount of overtime.
- You would like to act on attractive growth opportunities, such as opening a new location.
- One or more people with a particular skill set are needed to help develop a new product or add to your menu of services.

Run the numbers

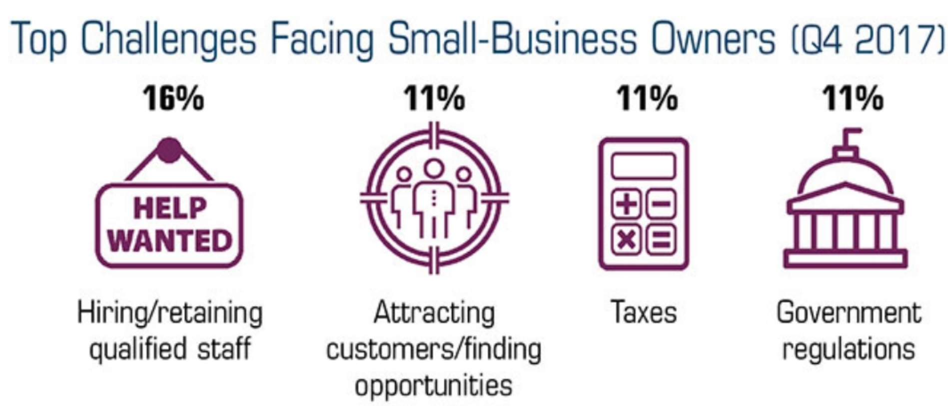
A new employee's salary can be substantial by itself, but Social Security, Medicare, and unemployment taxes add to the employer's total costs, as do legal requirements such as workers' compensation insurance. For example, U.S. employer costs averaged $36.32 per hour worked in March 2018, with $24.77 going to wages and $11.55 for benefits.[2] Of course, an employer's actual costs will vary widely by industry, region, and the type of position.

Small businesses may not offer workplace benefits (such as health insurance and retirement plans) commonly provided by large companies. Even so, offering a more generous benefit package might be helpful for recruiting and retaining qualified employees, a task that has become more difficult in competitive job markets.

There may be additional expenses associated with screening applicants, training new workers, and complying with various federal and state regulations, some of which may be specific to your industry. In fact, you might consult an accountant to help determine whether you can afford to hire extra help.

[1] Gallup, 2017

[2] U.S. Bureau of Labor Statistics, 2018



Source: Gallup, 2017

The Financial Implications of a Chronic Illness

There's no such thing as a one-size-fits-all financial plan for someone with a chronic illness. Every condition is different, so your plan must be tailored to your needs and challenges, and reviewed periodically.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.

When you live with a chronic illness, you need to confront both the day-to-day and long-term financial implications of that illness. Talking openly about your health can be hard, but sharing your questions and challenges with those who can help you is extremely important, because recommendations can be better tailored to your needs. Every person with a chronic illness has unique issues, but here's a look at some topics you might need help with.

Money management

A budget is a useful tool for anyone, but it's especially valuable when you have a chronic illness, because it will serve as a foundation when planning for the future. Both your income and expenses may change if you're unable to work or your medical costs rise, and you may need to account for unique expenses related to your condition. Clearly seeing your overall financial picture can help you feel more in control.

Keeping good records is also important. For example, you may want to set up a system to help you track medical expenses and insurance claims. You may also want to prepare a list of instructions for others, such as a trusted friend or relative, that includes where to find important household and financial information in an emergency.

Another step you might want to take is simplifying your finances. For example, if you have numerous financial accounts, you could consolidate them to make it easier and quicker for you or a trusted advisor to manage. Setting up automatic bill payments or online banking can also help you keep your budget on track and ensure that you pay all bills on time.

Insurance

Reviewing your insurance coverage is essential. Read your health insurance policy and make sure you understand your copayments, deductibles, and the nuts and bolts of your coverage. In addition, find out if you have any disability coverage, and what terms and conditions apply.

You might assume that you can't purchase additional life insurance, but this isn't necessarily the case. It may depend on your condition or the type of life insurance you're seeking. Some policies will not require a medical exam or will offer guaranteed coverage. If you already have life insurance, find out if your policy includes accelerated (living) benefits. You'll also want to review beneficiary designations. If you're married, make sure that your spouse has adequate insurance coverage, too.

Investing

Having a chronic illness can affect your investment strategy. Your income, cash-flow requirements, and tolerance for risk may change, and your investment plan may need to be adjusted to account for both your short-term and long-term needs. You may need to keep more funds in a liquid account now (for example, to help meet day-to-day living expenses or use for home modifications, if necessary), and you'll want to thoroughly evaluate your long-term needs before making investment decisions. The course of your illness may be unpredictable, so your investment plan should remain flexible and be reviewed periodically.

Estate planning

You might think of estate planning only as something you do to get your affairs in order in the event of death, but estate planning tools can also help you manage your finances right now.

For example, a durable power of attorney can help protect your property in the event you become unable to handle financial matters. A durable power of attorney allows you to authorize someone else to act on your behalf, so he or she can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes.

A living trust (also known as a revocable or inter vivos trust) is a separate legal entity you create to own property, such as your home or investments. The trust is called a living trust because it's meant to function while you're alive. You control the property in the trust and, whenever you wish, can change the trust terms, transfer property in and out of the trust, or end the trust altogether. You name a co-trustee such as a financial institution or a loved one who can manage the assets if you're unable to do so. There are costs and ongoing expenses associated with the creation and maintenance of trusts.

You may want to have advance medical directives in place to let others know what medical treatment you would want, or that allow someone to make medical decisions for you, in the event you can't express your wishes yourself. Depending on what's allowed by your state, these directives may include a living will, a durable power of attorney for health care, and a Do Not Resuscitate order.

Review your plan regularly

As your health changes, your needs will change too. Make sure to regularly review and update your financial plan.

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Take Charge of Your Student Debt Repayment Plan

If you have federal student loans, you aren't automatically eligible for an income-driven repayment plan — you have to fill out an application (and reapply each year).

Outstanding student loan debt in the United States has tripled over the last decade, surpassing both auto and credit card debt to take second place behind housing debt as the most common type of household debt.[1] Today, more than 44 million Americans collectively owe more than $1.4 trillion in student debt.[2] Here are some strategies to pay it off.

Look to your employer for help

The first place to look for help is your employer. While only about 4% of employers offer student debt assistance as an employee benefit, it's predicted that more employers will offer this benefit in the future to attract and retain talent.

Many employers are targeting a student debt assistance benefit of $100 per month.[3] That doesn't sound like much, but it adds up. For example, an employee with $31,000 in student loans who is paying them off over 10 years at a 6% interest rate would save about $3,000 in interest and get out of debt two and a half years faster.

Understand all your repayment options

Unfortunately, your student loans aren't going away. But you might be able to choose a repayment option that works best for you. The repayment options available to you will depend on whether you have federal or private student loans. Generally, the federal government offers a broader array of repayment options than private lenders. The following payment options are for federal student loans. (If you have private loans, check with your lender to see which options are available.)

Standard plan: You pay a certain amount each month over a 10-year term. If your interest rate is fixed, you'll pay a fixed amount each month; if your interest rate is variable, your monthly payment will change from year to year (but it will be the same each month for the 12 months that a certain interest rate is in effect).

Extended plan: You extend the time you have to pay the loan, typically anywhere from 15 to 30 years. Your monthly payment is lower than it would be under a standard plan, but you'll pay more interest over the life of the loan because the repayment period is longer.

Example: *You have $31,000 in student loans with a 6% fixed interest rate. Under a standard plan, your monthly payment would be $344, and your total payment over the term of the loan would be $41,300, of which $10,300 (25%) is interest. Under an extended plan, if the term were increased to 20 years, your monthly payment would be $222, but your total payment over the term of the loan would be $53,302, of which $22,302 (42%) is interest.*

Graduated plan: Payments start out low in the early years of the loan, then increase in the later years of the loan. With some graduated repayment plans, the initial lower payment includes both principal and interest, while under other plans the initial lower payment includes interest only.

Income-driven repayment plan: Your monthly payment is based on your income and family size. The federal government offers four income-driven repayment plans for federal student loans only:

- Pay As You Earn (PAYE)
- Revised Pay As You Earn (REPAYE)
- Income-Based Repayment (IBR)
- Income-Contingent Repayment (ICR)

You aren't automatically eligible for these plans; you need to fill out an application (and reapply each year). Depending on the plan, your monthly payment is set between 10% and 20% of your discretionary income, and any remaining loan balance is forgiven at the end of the repayment period (generally 20 or 25 years depending on the plan, but 10 years for borrowers in the Public Service Loan Forgiveness Program). For more information on the nuances of these plans or to apply for an income-driven plan, visit the federal student aid website at studentaid.ed.gov.

Can you refinance?

Yes, but only with a new private loan. (There is a federal consolidation loan, but that is different.) The main reason for trying to refinance your federal and/or private student loans into a new private loan is to obtain a lower interest rate. You'll need to shop around to see what's available.

Caution: *If you refinance, your old loans will go away and you will be bound by the terms and conditions of your new private loan. If you had federal student loans, this means you will lose any income-driven repayment options.*

Watch out for repayment scams

Beware of scammers contacting you to say that a special federal loan assistance program can permanently reduce your monthly payments and is available for an initial fee or ongoing monthly payments. There is no fee to apply for any federal repayment plan.

[1] New York Federal Reserve, Quarterly Report on Household Debt and Credit, February 2018

[2] CFPB, Innovation Highlights: Emerging Student Loan Repayment Assistance Programs, August 2017

[3] Society for Human Resource Management, October 2, 2017

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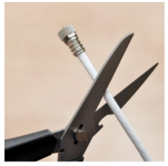

Should I cut the cord on cable?

In the last few years, it's become common for consumers to ditch cable television in favor of streaming services and devices. Many affordable streaming options are available, making it easier for consumers to give up cable without necessarily sacrificing their favorite shows. But there are some drawbacks to relying exclusively on streaming services for television viewing. Consider the following before you decide to cut the cord.

The most obvious benefit of cutting cable is the money you'll likely save each month. Compare what you spend on your monthly bill to how much of your cable subscription you actually use. Are you regularly watching all the channels you pay for, or do you watch only a few of them? Are the channels you watch worth what you pay each month? If not, it might make sense to cancel cable and switch to an alternative entertainment source.

You may decide to replace cable with a streaming service or device. In addition to being less expensive than cable, most services are user-friendly. You won't need to flip through hundreds of channels to find your favorite shows, and as long as you have an Internet connection, you can view them on the go on your cell phone or tablet. Plus, streaming services typically let you stop and start month to month without termination fees.

But depending on your viewing preferences, a streaming service might not be the right option for you. There is often a delay in the online release of many television shows, which can be frustrating for dedicated viewers. And if you're a sports fan, you might be disappointed to learn that you won't have access to live sports coverage through most streaming services. Comprehensive sports packages are offered by some services, but they can be expensive and are not available in all regions.

Another disadvantage of switching to streaming is that you may need to subscribe to multiple packages or invest in special streaming devices to access the programs you want. You might also consider the cost of high-speed Internet — you won't be able to stream without a relatively fast Internet connection. Between multiple subscriptions and reliable Internet, the cost of streaming can add up quickly. Be sure to compare prices and take advantage of any free-trial offers.

Should I enroll in a health savings account?

A health savings account (HSA) is a tax-advantaged account that you can establish and contribute to if you are enrolled in a high-deductible health plan (HDHP). Because you shoulder a greater portion of your health-care costs, you'll usually pay a much lower premium for an HDHP than you would pay for traditional health insurance. This allows you to contribute the premium dollars you're saving to your HSA. Then, when you need medical care, you can withdraw HSA funds to cover your expenses, or opt to pay your costs out-of-pocket if you want to save your account funds. An HSA can be a powerful savings tool, especially if your health expenses are relatively low, since you may be able to build up a significant balance in your HSA over time. Before you enroll in an HSA, ask yourself the following questions:

What will your annual out-of-pocket costs be under the HDHP you're considering? Estimate these based on your current health expenses. The lower your costs, the easier it may be to accumulate HSA funds.

How much can you afford to contribute to your HSA every year? Contributing as much as you can on a regular basis is key to building a cushion against future expenses. For 2018, you can contribute up to $3,450 for individual coverage and $6,900 for family coverage.

Will your employer contribute to your HSA? Employer contributions can help offset the increased financial risk that you're assuming by enrolling in an HDHP rather than traditional employer-sponsored health insurance.

Are you willing to take on more responsibility for your own health care? For example, to achieve the maximum cost savings, you may need to research costs and negotiate fees with health providers when paying out-of-pocket.

How does the coverage provided by the HDHP compare with your current health plan? Don't sacrifice coverage to save money. Read all plan materials to make sure you understand benefits, exclusions, and all costs.

What tax savings might you expect? HSA funds can be withdrawn free of federal income tax and penalties provided the money is spent on qualified health-care expenses. Depending on the state, HSA contributions and earnings may or may not be subject to state taxes. Consult your tax adviser for more information.

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