SGROI Lawley

NEWSLETTER SUMMER 2025

INVESTMENTS | ANNUITIES | ESTATE PLANNING | IRAs | RETIREMENT
403(b) PLANS | ROLLOVERS | INSURANCE

Role of Life Insurance in Estate Planning

Life insurance is a popular financial product that generates a payout for the family of someone who has passed away, which is defined as the death benefit. While many are aware of the existence of life insurance, not as many are aware of the various ways that life insurance can be implemented in an estate plan.

Broadly speaking, there are three major areas life insurance is used to create or supplement an overall estate plan: creating liquidity, business succession planning and estate tax planning.

The most common use of life insurance is to create liquidity upon the passing of an individual. The most common forms of expenses that face the executors and heirs of an individual who has passed, also called a decedent, include funeral expenses, debts of the decedent and ongoing maintenance costs of assets that were owned by the decedent. A life insurance policy can be put in place to allow for the estate to cover these expenses without the executor or the beneficiaries having to use their own funds to satisfy the expenses of the decedent's estate.

Some other situations where liquidity will be beneficial to an estate are when the decedent wishes to fund trusts for their heirs upon their passing, or if certain beneficiaries are receiving illiquid assets that cannot be easily turned into cash to split amongst all of the recipients. Having a life insurance policy that is meant to fund trusts or to equalize payments amongst beneficiaries can make life much easier for an executor.

The second major area life insurance can aid in an estate plan is business succession planning. Typically, a life insurance policy is used in conjunction with an agreement called a buy-sell agreement that requires all partners in a business to own insurance policies upon each of the respective partners of that business. If an acting partner of a business passes away, the life insurance proceeds would then be used to pay their heirs in order to avoid the need for the surviving partners to sell the deceased's stake in the business. This allows the business to continue operations as smoothly as possible.

The third major area to implement life insurance in an estate plan is estate tax planning. If the individual taking out the life insurance policy expects to pass with enough assets to trigger the federal or a state estate tax liability, life insurance proceeds may be used to fund the estate tax bill in lieu of the assets of the estate. This is especially useful if the decedent was the owner of a small business that cannot be easily sold to fund the estate tax bill.

While the situations in which life insurance can be implemented in an estate plan are relatively straight forward, there are still many factors to consider once it is decided that life insurance should play a part in an individual's estate plan. These factors include the type of life insurance that should be used for the strategy (i.e. term or whole life), how the insurance should be held (i.e. by the individual themselves or in a trust), and who the beneficiary(s) of the life insurance policy should be. Each of the potential strategies summarized above may need different types of life insurance, different methods of holding the insurance and different beneficiaries.

If any of these strategies apply to you, contact your Sgroi Lawley advisor to set up an appointment. We'll review your specific goals and potential estate planning concerns to determine how life insurance can provide additional help. We at Sgroi Lawley are not only dedicated to working towards your goals, but also ensuring that your estate plan, and in turn, your heirs, are taken care of exactly the way you want them to be.

Lawley

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Top 5 Summer Home Maintenance Tips

Reduce Your Risk Profile This Summer

Summer in Western New York brings sunshine, vacations, and unfortunately, increased risks to your home and property. We want to help you proactively protect what matters most.

1. SECURE ENTRY POINTS

Burglaries increase in summer months. Ensure all doors and windows are equipped with sturdy locks and always lock up when you leave, even for short trips.

2. SEAL GAPS AND CRACKS

Protect against weather damage and improve energy efficiency by caulking around windows and doors and sealing any holes or cracks in your exterior walls.

To reduce the risk of damage from falling limbs or debris, make sure to trim trees and clear brush from your property.

4. SERVICE YOUR AIR CONDITIONER

Clean coils, replace filters, and check for faulty wiring to avoid unexpected breakdowns or electrical issues during peak usage.

5. INSPECT FOR PESTS

Look for signs of termites, rodents, or other pests that may cause costly structural damage if left untreated.

UPGRADE WITH SMART HOME DEVICES

Enhancing your home with smart technology can offer year-round risk reduction and may even qualify you for insurance discounts.

1. SMART SECURITY SYSTEMS

Surveillance cameras, alarms, and motion detectors can deter intruders and alert authorities immediately, adding peace of mind whether you're home or away.

2. SMART SMOKE DETECTORS

In addition to alerting you to a fire and/or smoke, these systems can contact emergency services automatically, reducing potential loss.

3. WATER LEAK SENSORS

Placed near plumbing and appliances, these devices can detect leaks early, helping you avoid extensive water damage and costly repairs.

A well-designed insurance strategy is a cornerstone of financial security.

Content provided by Zywave,
2025 Home Matters Newsletter

For a personalized review of your coverage or to explore policy enhancements, visit www.lawleyinsurance.com or call 716.849.8618

WELCOME TO THE SGROI LAWLEY TEAM!

MAEGAN ROSS

Maegan has joined our staff as an Administrative Assistant. She lives in Williamsville and proudly says she'll probably never leave the Northtown's because she loves them so much. Currently working toward her Bachelor of Professional Studies in Organizational Leadership at Bryant & Stratton College, Maegan brings a background in medical, dental, and higher education. She is excited to take this first step into the wealth management world and eager to learn everything she can. Outside of work and school, she enjoys spending time with her ten-year-old tortoiseshell cat, Rue, who she calls her greatest gift. A fun fact about Maegan is that she is a huge UFC fan, a passion inspired by her father's love of Brazilian jiu-jitsu and mixed martial arts.

HAYDEN MUMBACH

Hayden has joined our staff as an Associate Representative. Hayden grew up in Hamburg, NY, and is a graduate of Hamburg High School. He went on to study Wealth Management & Financial Planning at John Carroll University, where he also played lacrosse.

Hayden is no stranger to Sgroi Lawley, having interned with us during the summers of 2022 and 2023 on the Finance & Administration and Research team. Last summer, he gained additional experience working on the Corporate Planning team in the Finance & Accounting department at Rich Products Corporation.

Outside of work, Hayden enjoys spending time on the golf course, fishing, and playing in men's lacrosse and basketball leagues. We're excited to have him back and look forward to seeing him help our clients achieve their financial goals!

Life Insurance – The Basics

Life Insurance is a vital piece of coverage to protect you and your family's financial future. Despite this, 37% of parents with kids younger than 18 don't have life insurance. Many people have insurance for their homes, vehicles, and sometimes even cell phones, but may not have life insurance to protect their families. The main purpose of life insurance is to replace your lost income for your family if you pass away. **If you had a money-making machine in your house, would you insure it?** Think of yourself as the money-maker and life insurance as coverage for that asset.

If anyone is dependent on your income, generally you should have 10 to 12 times your annual income on yourself as a death benefit in a life insurance policy. When you're younger, not married and don't have kids, your need for life insurance is generally minimal as no one else is dependent on your income. However, as you become older, get married and have children, life insurance becomes a need for your family. You should be proactive in getting life insurance, as your family won't be able to be reactive if something happens to you without coverage. When purchasing life insurance, it's better to be 10 or 20 years too early than 1 second too late. At a later stage in life, when children are independent, the house is paid off, and investment accounts have accumulated over one's career, you could become self-insured from needing life insurance.

THERE ARE TWO MAIN TYPES OF LIFE INSURANCE:

Term and Permanent. Term life insurance is for a specific period, such as 10, 15, 20 or 30 years. So, if you buy a 20-year term life policy for $1,000,000 in coverage, you'll make premium payments for 20 years. If you die during those 20 years, the insurance company will cut your family a tax-free check for $1,000,000. **Note:** Term life only pays out benefits if you die, so a refund of your premiums will not be paid out if you are still alive during this time. Permanent life insurance is coverage that lasts your entire life if you pay the premiums. This type of policy combines life insurance with a savings or investment account, which is called cash value. The premiums on permanent life insurance are higher than term since a portion of the premiums go into the cash value of the account. If you pass away with a permanent life insurance policy, the insurance company will pay out the larger of the cash value or death benefit. If you cancel the policy during your lifetime, you will get a check for your cash value but won't have any life insurance.

A letter from our Partners

We spend a great deal of time and effort working with clients planning and investing towards future financial goals. Unfortunately, sometimes even the best plans run into problems from unexpected life events such as sickness, disability or premature death. No matter what your goals are whether it be saving for a robust retirement, a vacation home or for your children's education, it is important to think of how we preserve these goals in case things don't go as planned.

In this quarter's newsletter we take a deeper dive into the preservation piece of your financial plan. In its most basic form life insurance can provide financial independence for our loved ones in case of premature death. Depending on your phase of life it also has many other uses. For instance, it can be used to help fund long term care expenses or as an estate planning tool. For business owners it can ensure business continuity and protect against the loss of key personnel. It is important to note that choosing the right type and amount of insurance is critical. It is also important to regularly review your policies to make sure they still meet the evolving needs of you and your family. Should any question arise after reading these articles please reach out to your advisor to discuss.

As we continue to grow, we are excited to welcome Maegan Ross to the Sgroi Lawley family. Maegan is joining our service team as an administrative assistant. Maegan will add more depth to our service team and help provide support to our growing roster of financial advisors. We are also excited to welcome back Hayden Mumbach to the team. After interning with us for two summers as a research analyst, Hayden is now starting in his new role as an associate representative. We're excited to see him continue to grow and build his career with us.

No matter what your favorite summer activity is, we hope you get out and enjoy the typically great Buffalo summer weather!

Sincerely,

Patrick Sgroi,
Partner

John Clouden,
Partner

Planning for Long-Term Care

There are many uncertainties in life. One uncertainty that is often overlooked is the possibility of needing long-term care. With rising costs and greater life expectancy, it is more important than ever to consider how to handle this potential need. Those who choose not to plan may end up bearing the full financial burden themselves. If long-term care becomes necessary, they could be responsible for the costs until they qualify for Medicaid. Others recognize the value in partnering with an insurance provider to help manage this possible future expense.

Let's take a moment to consider the facts about long-term care (LTC). About 49% of men and 64% of women reaching age 65 today will one day need significant long-term care and about 14% will need more than two years of paid care, according to a 2022 study from the Federal Department of Health and Human Services. The NYS Partnership for Long Term Care states that the average monthly cost for a nursing home in WNY is $12,060 while the average monthly cost for assisted living is $6,090 (US News and World Report).

Approximately 3.3% of the American population, or about 7.5 million individuals, have long-term care insurance. This is a small fraction of the people aged 65 and older who are estimated to one day need this service. For those who did not participate in a private LTC plan, the government provides Medicaid. According to Morningstar, Medicaid currently pays for 62% of those needing LTC. For some people without significant assets, this is likely the best way to plan for this situation. However, for those with significant assets, Medicaid is not the ideal scenario.

There are several things you can do to protect your assets. You could consider setting up a trust or gifting your assets. Unfortunately, these types of plans take some time and there is a 5-year look back that you'll have to consider. If you choose to offload some of your risk to an insurance company, although expensive and harder to get, traditional LTC insurance is still available. However, most of the policies written in the past few years have been "hybrid policies" which combine life insurance with a long-term care rider. These policies are very flexible and remove the "use it or lose it" component of traditional LTC policies. If you have the insurance and don't need it for long-term care, upon passing, the death benefit will be paid out to your heirs.

Whether or not you choose to participate in an LTC plan, this is a conversation that you need to have with your financial advisor if you are approaching the age of 60 so that you can preserve your hard-earned assets.

ARE YOU A TEACHER OR KNOW A TEACHER THAT WOULD LIKE TO WIN $500 TOWARDS CLASSROOM SUPPLIES FOR THE 2025-26 SCHOOL YEAR?

Each year Sgroi Lawley rewards five hardworking teachers in Western New York through our Pencil Project promotion. Beginning July 28th, you can visit our website to nominate a teacher for our 8th Annual Pencil Project Classroom Giveaway, running through August 17th!

VISIT OUR WEBSITE FOR MORE DETAILS.

Market Letter Q2 2025

The second quarter of 2025 showed how financial markets can both be resilient and sensitive to policy uncertainty. From the White House's reciprocal tariff announcement in early April to escalating geopolitical tensions, investors faced many challenges. Yet, if you stayed the course, the stock market went on to stage one of the fastest rebounds in history and finished the quarter at new all-time highs. When all was said and done, the S&P 500 gained 10.94%, while the Barclays Aggregate Bond Index rose 1.21%. This comes after we saw significant volatility to start the quarter, as the S&P 500 fell 11.19% in just 6 trading days. All of this is a reminder that although headlines can create short-term swings, in the end, it is fundamentals and economic data that will ultimately lead markets higher.

Despite significant volatility, stocks recovered quickly once the worst-case scenario for tariffs and geopolitical tensions did not materialize. Equities opened the quarter with uncertainty, as the administration's new tariffs were more far-reaching than investors anticipated. However, as the administration engaged in negotiations and reached some preliminary trade agreements, sentiment improved. The Middle East conflict created similar uncertainty, although markets were once again resilient and went on to new highs after a ceasefire was announced between Israel and Iran. It ended up being the stock market's best quarter since 2023, and although it was a broad-based rally, investors rotated out of value and into beaten down growth stocks, as the growth index saw a gain of 17.80%, while the value index returned 3.80%, a stark reversal of the first quarter, when growth was down 10% and value gained 2.15%.

With a risk-on attitude in markets, the tech-heavy Nasdaq, which has around 40% allocated to those "Mag 7" stocks, saw the biggest gains of the major indices, returning 18%, while the Dow saw a 5.50% return. Once again, this was a stark contrast from the first quarter, as the Nasdaq was down 10.30%, while the Dow was flat. All of this shows that having a diversified portfolio allocated to different segments of the market is crucial to long-term success, as every quarter and every year, things can switch quickly and without warning and having allocations to different areas of the market can temper volatility and create long-term gains for the portfolio as a whole down the road.

While stocks ended the quarter at all-time highs, the swift decline and rebound was challenging. Fortunately, bonds helped to support portfolios during the quarter. High yield, corporates, and Treasuries all provided stability and are all positive year to date. Interest rates were volatile in the second quarter, and rates have remained higher than what was expected. Additionally short-lived concerns in April about a flight out of US Treasuries did not occur. Overall, we are still constructive on bonds as a whole. Expectations for rate cuts have increased due to weaker-than-expected economic data, limited evidence of tariff pass-throughs to inflation, and a shift from some Federal Reserve members suggesting further rate cuts may be coming. These factors, along with geopolitical tensions, have pushed rates lower and boosted total returns, as the Barclays Agg is up over 4% this year. We continue to see value in fixed income, as it has shown to be a ballast for a portfolio and can provide a yield that is higher than in past years, combined with appreciation potential.

In closing, we are closely monitoring the portfolios, and there are question marks that remain as we head into the third quarter. The tariff pause is set to end on July 9th, which could create short-term volatility, although extensions for some countries could be in the cards. The market has currently baked in 2-3 rate cuts by the Fed this year, so incoming economic data will be crucial to watch, as any data points that pushes back on this could create some question marks and cause both stock and bond market volatility. Lastly, budget discussions in Washington have brought renewed attention to America's fiscal trajectory, and Moody's downgraded the US credit rating. These fiscal debates underscore the importance of a diversified portfolio that can weather various monetary or fiscal policy outcomes. While all of this deserves attention, history shows the US economy's fundamental strength remains intact.

Plan. Protect. Invest.

> **"The stock market is a device to transfer money from the impatient to the patient."** - Warren Buffett

We would like to once again thank you for all of the trust you have put into Sgroi Lawley over the years and please do not hesitate to contact us with any questions that may arise. Have a wonderful summer!

SGROI Lawley

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