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financial $UCCESS

8 Questions Financial Plans Should Answer

You may have a financial plan, but is it really working for you? The fact is, not all financial plans are created equal. To make sure that your financial plan is going to get you where you want to be financially, make sure that it answers these eight questions.

How much do I have, and how much do I owe?

Before you complete any other financial planning task, you need to take stock of where you currently stand. That means taking a complete inventory of your assets as well as assessing how much you owe. Subtracting the second from the first will tell you your net worth. Your financial plan should make it easy to determine your net worth at a glance.

What do I want to achieve with my money?

We all have personal and financial goals. Perhaps you want to buy a bigger house in a nicer neighborhood. Maybe you want to be able to send your kids to college debt-free. You might be dreaming of owning a second home someday, retiring at 55, or starting your own business. Your financial plan should specifically identify your financial goals and outline steps you need to take to turn those dreams into reality.

Are my investments appropriate for my goals?

You know what your goals are, but is your money invested in a way that will help you get there? Your financial plan should point you toward investments that are appropriate for both your goals and your risk tolerance. That means carefully balancing the risk you need to take to achieve acceptable investment returns with the amount of risk you're comfortable taking based on your personality (some of us are natural risk takers, while some are more risk averse).

Am I protected in case of a disaster or emergency?

One of the main reasons to have a financial plan is to protect yourself and your family in the event that the unexpected happens. Part of being prepared is having an

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Frankly Speaking

"Wither goest thou, America?" -Jack Kerouac

"If all the cars in the United States were placed end to end, it would probably be Labor Day Weekend." -Doug Larson

"We aren't addicted to oil, but our cars are." -James Woolsey

"It's like driving a car at night. You never see further than your headlights, but you can make the whole trip that way." -E. L. Docktorow

"It's a never-ending battle of making your cars better and trying to be better yourself." -Dale Earnhardt

Televangelist Kenneth Copeland told his congregation that airline vaccine mandates were "the mark of the Beast" and yet another reason why they should buy him a private jet. -Yahoo!News, September 23, 2021

"Horse sense is a good judgment which keeps horses from betting on people." -W.C. Fields ❍❍❍

8 Questions

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emergency fund, and your financial plan will tell you how much savings you should have. But that's just the beginning. You'll also want to protect your income with disability insurance and safeguard your assets by having proper insurance.

Am I paying the right amount in taxes?

Thinking about taxes is no fun, but what's a real drag is realizing you've been paying the government more than you needed to. A comprehensive financial plan will include an evaluation of your tax situation. If necessary, your advisor will make suggestions for steps you can take to better manage your tax burden and keep more of the money you earn.

What's my plan for retirement?

Whether you're a few years or a few decades away from retirement, your financial plan should include a plan for what will happen after you stop working full time. Your financial plan should address how much you need to be saving for retirement and how to invest that money.

What will happen to my money when I die?

Your financial plan and your estate plan go hand in hand. Part of comprehensive financial planning involves checking to make sure the beneficiaries on your retirement accounts and insurance policies match with your overall estate planning goals. A financial planner can also work with your estate planning attorney to make sure your assets aren't lost to unnecessary taxes and address other issues related to how your wealth is distributed after your death.

Who is in charge of helping me achieve my money goals?

Finally, your financial plan should clearly identify who is in charge of helping you achieve your most important money goals. Your financial advisor is a critical partner in your financial life, guiding you to make smart decisions that will put you on the path to achieving your goals.

Please call if you'd like to discuss this in more detail. ❍❍❍

Guarding Your Financial Information

Protecting your financial accounts and information is extremely important. Here are some steps to help you:

Passwords and PINs — Create strong passwords that contain numbers, letters, and symbols, and don't share them or store them on your computer. If you need to write down your passwords and PINs, put them in a secure place. Change your passwords and PINs on a regular basis.

Keep Your Computer Secure — It is best to always use your own computer or device to access your financial accounts. Make sure your computer has up-to-date security software.

Completely Log Out — Always click the log out button to terminate your session. Access to your account may not be terminated by closing your browser or entering a new web address.

Use Secure Wireless Connections — Only use secure wireless connections when accessing your financial accounts. Be cautious of using hotspots in public areas, because they often reduce their security settings.

Protect Your Apps — If you access your financial accounts through an app on your mobile device, make sure you use the highest security setting that is available and that your device is password protected.

Check for Secure Websites — Most financial institution sites are very secure, but when shopping online with your credit card, make sure you are using a secure site. The address of a secure website connection starts with https instead of just http and has a key or closed padlock in the status bar.

Never Respond to Emails Requesting Personal Information — If you receive emails that request personal information, such as your Social Security number, passwords, or PINs, do not respond to them. A legitimate company or financial institution would not ask you to provide or verify sensitive information through email.

Review Your Statements — Make sure to review all of your monthly financial account statements to ensure that all transactions are accurate.

Secure Your Documents — Find a safe location to maintain your financial documents. When disposing of any financial information, make sure that you shred the documents before throwing them away.

Protect Your Social Security Number — You should keep your Social Security card in a secure place and not carry it with you. You should also never use your Social Security number as a username or password.

Check Your Credit Reports — By reviewing your credit report on a regular basis, you may be able to identify inaccuracies or unauthorized activity. You can obtain a free credit report every 12 months from the three different credit bureaus. ❍❍❍

Sufficient Funds to Last Your Entire Retirement

Depending on your age and circumstances, retirement can feel far away and mysterious or achingly close and excitement (or panic) inducing. When you're young, the idea of retirement is shrouded in the mists of future wealth and idle thoughts of what you'll do when you don't have to work anymore. But while those fast approaching retirement may have a clearer view of what is to come, in some ways, they are just as unaware of what is really in store for them over the next few decades. Most of us don't know how long we're going to live, so making sure we have sufficient funds for our entire retirement is incredibly important.

How Much to Save?

While it's thought you could only need as low as 70% of your current income per year in retirement, it is wise to assume that you will need closer to 100%. Think of all the things you enjoy doing now: traveling, hobbies, attending cultural events and sports games. All of these could be a vital part of an active and interesting retirement, but they also cost money. Make sure you have saved enough to be active and that your withdrawal rate is not so high that your resources could deplete early. While it's always customizable, a good starting point is to withdraw 4% in the first year of your retirement, and continue to adjust for inflation down the road.

Cutting down on living expenses now will free yourself up for more contributions to your retirement and will give you an idea of how little you can live comfortably on. This will give you a better idea of how much you will really need in retirement. The most important expense to get rid of is payments on any debt before you enter retirement. Your cost of living will be significantly reduced if you have paid off your mortgage and any outstanding consumer debt.

When forming a plan or determining if you are ready to retire now, err on the side of longevity when it comes to your lifespan. Add a few years to what is generally expected — plan on living until 85 or 90. It is a far better situation to have saved more than necessary than to run out of funds so late in life. In the vein of further caution, it is a good idea to have an emergency fund outside of your retirement plan. A general rule is to have at least six months of living expenses tucked away just in case.

What about Housing?

In general, housing should take up about 25% of your gross pay or 35% of your take-home pay. If you own your own home and have paid off your mortgage, this shouldn't be a difficult guideline — but remember that with a house comes additional, and often expensive, repair and maintenance costs. If you plan on staying in your home throughout your retirement, make sure that the big stuff is in good working order or replaced while you are still drawing income. This includes the roof, the foundation, siding, HVAC, sewer lines, and septic system, as well as an emergency fund in case of fire or water damage.

Your house will also need to be adapted for your needs as you age. You may need to consider selling a home that requires a lot of upkeep and downsizing to something more manageable. No one wants to face the reality of physical deterioration, but most people face mobility issues as they age and a one-story home is safer and easier to navigate.

Continuing Income Options

It may be tempting, but resist the urge to take early retirement. It is difficult enough to save enough money to live on in retirement if you are only retired for 20 to 25 years. Imagine if you retire at 55 years old and live for another 35 years. You will need enough funds to support yourself in retirement for longer than you were in the workforce. Every extra year you work is a year you don't have to support yourself using your retirement savings.

Once you've retired, it can be helpful for your savings and your wellbeing to work a casual, light job. Many retirees find themselves missing the comradery of the workplace and the continued income will allow for more spending money, vacations, and greater security in your savings. You could put your experience to work for you as a part-time consultant in your former field, or put in a few hours a week at the town museum.

Last but not least, consider longevity insurance. This is a type of deferred annuity that will continue to provide income well into your twilight years. People usually purchase it at around 65 years old, and the payout begins at 80 years.

Please call if you'd like to discuss this in more detail. ❍❍❍

Bond Investing Tips

Determine your objectives before investing. Decide how much of your portfolio you want invested in bonds.

Diversify your bond holdings among different bond types. Consider government, corporate, and municipal bonds, or different industries, credit ratings, and maturities.

Understand the risks that affect bonds. The most significant risk is interest rate risk. When interest rates rise, bond values fall, while values rise when interest rates decline. Other risks include default risk, or the possibility the issuer will redeem the bond before maturity; and inflation risk, or the possibility that inflation will outpace the bond's return.

Choose bond maturity dates carefully. When you need your principal is a major factor, but the current interest rate environment may also affect your decision. Rather than investing in one maturity, you may want to stagger or ladder the maturity dates.

Follow interest rate trends. At a minimum, follow the prime rate, Treasury bill rates, and Treasury bond rates. Understand the significance of the yield curve and track its pattern over time.

Compare interest rates for specific bonds before investing. Interest rates can vary substantially among different bond types and among bonds with different maturities or credit ratings.

Research a bond before purchase. Review the credit quality, coupon rate, call provisions, and other significant factors. Determine whether the bond is appropriate for you in terms of risk, return, and maturity date.

Consider the tax aspects. By comparing the after-tax rate of return for various types of bonds, you may be able to increase your return. Depending on the bond, the interest income may be fully taxable or exempt from federal and/or state income taxes.

Review your bond holdings periodically. Evaluate the credit ratings of all your bonds at least annually to ensure the quality hasn't deteriorated.

Call for assistance with your bond holdings. You should use carefully designed strategies to make bond decisions. ❍❍❍

Your Bond Allocation

Your asset allocation mix represents your personal decisions about how much of your portfolio to allocate to various investment categories, such as stocks, bonds, and cash. Some factors to consider when deciding how much to allocate to bonds include:

Your risk tolerance. The advantage of including both stocks and bonds in your portfolio is that when one category is declining, the other category will hopefully help offset this decline. One way to assess the percentage of bonds to include in your portfolio is to look at how holding varying percentages of stocks and bonds would have impacted your average return.

Your time horizon. The longer your time horizon for investing, the more risk you can typically tolerate in your portfolio.

Your return needs. Your need to emphasize income or growth is likely to change over your life. When your needs for a predictable income stream become more important, such as when retirement approaches, you may want to allocate more to bonds. ❍❍❍

Financial Thoughts

It is estimated that the richest 1% of Americans hide a fifth of their income from the Internal Revenue Service. Collecting all unpaid income taxes from the top 1% would boost revenue to the U.S. Treasury by $175 billion a year (Source: *Financial Advisor Magazine*, May 2021).

The median annual salary for college graduates is $64,896, compared to $38,792 for high school graduates. Jobs that require a college degree are also more likely to come with benefits such as health insurance and a 401(k) retirement plan. And unemployment rates are much lower for college graduates (Source: *Financial Advisor Magazine*, May 2021).

The composition of the members of a Board of Directors influences dividend policy. Having at least one woman serving on the board was found to be associated with a higher likelihood of dividend payments and an increase in the yield of the dividend paid. Older directors have a higher likelihood of paying dividends than younger directors. The larger the board, the more likely the company will pay dividends and the higher the yield will likely be (Source: *AAII Journal*, April 2021). ❍❍❍