

FINANCIAL PLANNING BY THE DECADE

A lifecycle map to growing and preserving wealth and protecting your family.



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Individuals and families mark their milestones with celebrations — birthdays and anniversaries that transition us through the cycles of life. But as the decades roll by, it's important to remember that as people age, their financial needs and priorities change. The broad horizons of young adulthood yield to the responsibilities of parenthood and planning for retirement. With maturity comes the need to rethink your goals and the strategies you develop to achieve them.

This simple roadmap to financial planning by the decades can help you determine whether your plans for security, wealth preservation and growth are keeping up with the milestones of your personal and family lifecycle. A thorough review of your financial situation should also consider critical components such as tax planning opportunities, asset allocation, investing approaches, and insurance strategies. It's never too early — or too late — to tune up your financial health and take the appropriate steps towards a secure retirement.



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Age 30-40: Plan for Your Children's Care

In their 30s, most people find themselves deferring their own retirement planning for the more immediate needs of caring for a family. As children grow, homes and cars tend to grow along with them, leading to higher mortgages and auto loans, education and childcare expenses, and greater living expenses. Managing a busy household, it's easy to put off critical components of a sound financial plan. *Make time to plan and protect your children with these important tools:*

- **Execute a will and be sure your family knows where to find it.** A will is about more than passing your estate to your heirs—it is also where you can define who will care for your children and how they should be cared for in the event that you are not there to do so.
- **Purchase adequate life insurance.** Should you and your spouse pass away, will your children be able to continue living in the lifestyle they are accustomed to now? Discuss your life insurance needs with your adviser, and review your plans periodically.
- **Start saving for college.** Consider a 529 Plan to maximize college savings for your children, and adjust the plan if necessary as your children age.
- **Save, save, save.** Grow your emergency fund to equal one year of living expenses, aim to automatically save at least 10% of your monthly income, and contribute annually to your retirement savings fund. Controlling your spending and debt will help you meet these goals.
- **Rebalance your investment portfolio.** Has your risk tolerance changed in recent years? Meet with your financial adviser to discuss asset allocation.

Age 40-50: Time to Get Out of Debt

For many people, the 40s are a crossroads, with personal careers and incomes rising, children in or nearing college, and elderly parents who may require care. As your lifestyle changes in this decade, balancing the desire to create wealth with the need to provide for dependents young and old while pursuing retirement planning can be challenging for anyone. *Talk to your financial adviser and follow these simple rules:*



- **Eliminate debt.** High interest rates on consumer debt can derail a retirement plan. After saving for retirement, your next priority should be paying off credit cards, cars, and lines of credit. Pay off your home mortgage. Your goal is to be debt-free when you retire.
- **Pump up your retirement savings.** Contribute the maximum amount allowed to your retirement plan.
- **Rebalance your portfolio to match your risk profile at this stage of life.** This is the time to accumulate wealth by refocusing your investment strategy from growth to preservation. As you get closer to retirement, you are in a better position to determine what you will need to support the retirement lifestyle you desire. Seek help from your financial adviser to close any gaps in your plan.
- **Purchase disability insurance.** Your income may be at a career high, but an accident or illness could jeopardize your family's security in a very short time. Ensure that you have adequate short and long-term disability insurance to cover living expenses.
- **Plan for elderly parents.** Do your parents have a plan in place with adequate funding to provide for their care? Determine whether your parents have adequate insurances, including health plans and long term care coverage. Review their estate plan to minimize tax liability.

Age 50-60: Are You Fully Prepared to Meet Your Retirement Goals?

The economic upheaval of the past few years has caused many people to rethink their retirement plans. For people in their 50s, it's even more important to review your assets now, start developing a picture of what you'd like your retirement to look like, and estimate whether you are on track to meet those goals. *Start here:*



- **Purchase long-term care insurance.** This is the perfect decade to buy insurance that will provide for your long-term care. Take advantage of lower premiums for your age bracket while you're also more likely in better health, as illness or disability could make you ineligible for the most competitive rates. Tremendous variation in plan benefits can have a significant impact on premiums and your ability to choose your home healthcare aide: contact us to discuss the plan that's right for you.
- **Review life and disability insurance plans.** "Life" insurance doesn't mean one plan will meet your needs for the duration of your life. As your needs change over time, life insurance should be viewed as one strategy in your investment portfolio. And as you age, it's important to ensure that your disability benefits will allow you to maintain your lifestyle in case of long-term illness.
- **Increase your IRA contributions.** If you're over 50 and have fallen behind on making maximum contributions to your 401(k) or 403(b), the allows you to "catch up" with higher limits.
- **Continue to pay off debt.** Think seriously about ways to reduce your expenses and free up cash flow. Make paying off all of your non-deductible debt, such as personal or education loans, your first priority.
- **Review your will and estate plan.** Have two or three decades passed since you last looked at your will? Have your assets and needs changed since you drafted your estate plan? We can help you set up vehicles now to reduce your estate tax liability, allowing you to pass more wealth to your heirs.

Age 60-70: Have Your Retirement Plan in Place

Hopefully, you've been preparing for retirement throughout your working life. If not, this decade is the last opportunity to fund your retirement savings and ensure that your assets will support you for the duration. Because of the economy, good health, or personal interest, many people will choose to keep working throughout this decade, allowing more time to accumulate wealth. *Take these steps now:*

- **Consider working longer.** There are Social Security and tax implications involved in delaying the date of retirement, so plan carefully and talk to your accountant to determine the impact of working full or part-time beyond the age of retirement.
- **Consider downsizing your home.** Besides reducing expenses, downsizing can free the equity from your home, allowing you to invest it in other vehicles.
- **Envision your retirement and create a withdrawal strategy.** Calculate what it will cost to live in the style that you imagine. If your assets will not support that dream, talk to your financial advisor to see if you can close the gap.
- **Update your estate plan.** Appoint a power of attorney you can trust to make appropriate decisions regarding your finances and health care if you are not able to do so. Tell your family where you store important documents and make sure that your will and other documents are accessible to those who will need them. Focus on how you will transfer wealth to the next generation with minimum tax liability.
- **Revisit your investment asset allocation.** As you transition to retirement, you may need to rebalance your assets to allow for capital growth while considering your retirement income plan and withdrawal strategy.



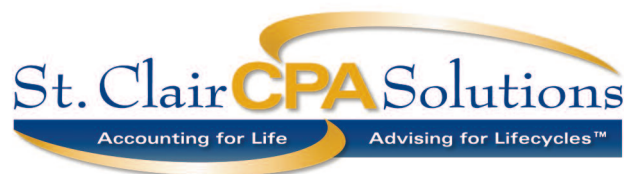
Age 70-80: Ensure That Your Estate Plan Will Effectively Transfer Wealth to Your Heirs

Now that you are retired or transitioning into retirement, your retirement planning must also transition into one that will help you meet your financial needs for the rest of your life. *In your 70s, you'll need to focus on:*

- **Maintaining your income plan.** Your withdrawal strategy is how you pay yourself in retirement. If you reduce your savings too quickly, you have too little to support you in your 80s and 90s, but if you spend your income too slowly you may compromise your standard of living. Your financial adviser can help you find the right balance.
- **Keeping your estate plan current.** Consider monetary gifts that may reduce your tax liability, such as to charitable organizations or your grandchildren's 529 college savings account. Make sure you have critical documents, such as a will and living will, power of attorney, trust agreement, list of emergency information, forms of ownership, and proper designation of beneficiaries.
- **Designing a tax-efficient strategy to transfer wealth to your beneficiaries.** You can use various strategies to transfer assets you don't need for retirement income into a more tax-efficient inheritance for the people and organizations you care about. An effective strategy may give you the potential to increase the amount of wealth transferred to your beneficiaries, realize an income tax-free death benefit, avoid probate, and avoid federal estate tax. As there are several ways to fund these strategies, and tax considerations can be complex, your financial adviser can help you determine which strategy best suits your needs.



Of course, proper asset allocation and tax planning is important at every age. As independent financial professionals, our top priority is helping our clients establish and achieve their financial goals. Please call us to discuss your own financial priorities and how we may help you achieve them.



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