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Back to Basics

By Xenia Woltmann

With all of the financial tools and account types available today, it is difficult to decide which strategy is best to help you meet your goals. Most individuals have more than one financial goal, and it can be confusing to decide which one takes priority. This article may help to review some basic financial topics.

Planning: Nearly 40% of retirees go back to work. While some choose to return to work to have fulfillment and stay busy, many are forced to return to work for financial reasons. Unforeseen expenses like healthcare or family support, and unexpected economic changes. Taking notes of your concerns should be the first step in creating a plan. Then share them with your advisor so that they can help you be prepared if that issue should arise.

Taxes: With several important tax laws expiring in the next few years, including increased tax brackets, lower standard deductions, and decreased estate tax limits, it is more important than ever to review your assets and ensure they are properly titled and managed efficiently to avoid unnecessary taxes. Additionally, consider some options to convert your assets now to prevent higher tax rates in the future.

Titling: It cannot be stated enough that the success of any plan relies heavily on proper titling. If you have a trust, confirm that you have properly funded it and that the beneficiaries inherit assets as you want them to. For example, if you have two children (each with two children of their own), and one predeceases you, do you have it stated that the remaining child would inherit 100% of those assets or will your deceased child's children inherit their half? Note that the titling of your accounts will supersede any wishes you put forth in a trust or will.

Social Security: In an effort to keep Social Security funded, there are several aspects that may change in the near future. Review your benefit options, along with your existing assets, to determine the best time to begin taking benefits. Medicare does not begin until age 65, so consider the cost of health care when planning.

Debt: Many Americans are choosing to pay down debt faster. In the event you are trying to decide on paying down a low interest rate mortgage, consider your plan and determine if you should allocate more towards funding retirement instead.

Inflation: Purchasing power will diminish over time. It is easy to calculate that you need $5,000/mo of income in retirement. However, make sure you plan for inflation. $5,000/mo today is estimated to be around $10,000/mo in 20 years. Since most pensions do not inflate and since the cost-of-living adjustment on social security has a hard time keeping up with inflation, it is important to factor in where the extra income will be coming from.

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