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Financial Tips for Major Life Events

As you encounter major life events, different financial matters will be of primary concern. For instance, your financial concerns when you start your first job will be very different from your concerns as you approach retirement age. Some tips to consider as you encounter major life events include:

Your First Job

✔ Establish solid financial habits, since the habits you develop now will set the financial tone for the rest of your life. Start by setting up a record keeping system, monitoring your cash flow, and developing a workable budget.

✔ Before you get used to spending your entire paycheck, start saving at least 10% of your gross income. A good place to start is with your 401(k) plan at work. If you can't save the maximum permitted by the plan, at least save enough to take full advantage of any employer matching.

✔ Review all benefits offered by your employer, taking advantage of all that are appropriate for your circumstances. Many benefits are offered free or can be paid with pretax dollars.

Your First Home

✔ Set an upper limit for your home's purchase price. Don't raise that limit as you look for houses, thinking you can reduce your living expenses to cover the difference. It's very difficult to change your spending habits. Plus, you want to have money left over for other financial goals.

✔ Aim for a down payment of 20% of the purchase price. A 20% down payment means you don't have to obtain private mortgage insurance, which typically runs from .25% to 1.25% of your total mortgage amount.

✔ Review your options before selecting a mortgage. You will want to review fixed-rate mortgages and adjustable-rate mortgages, plus decide how long a mortgage term you want.

✔ Make sure you have adequate homeowners insurance. Even though your insurance company will estimate how much insurance is needed, it is your responsibility to set the policy limits.

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We Have Moved!

At the beginning of 2010, it became apparent we had outgrown our Brookfield, Wisconsin, office in Bishop's Woods. We began looking for a larger suite and found the perfect space in the same building, just 20 feet down the hall from our old office. In early June, we moved and, fortunately, were able to retain our Maplewood Executive Center address, suite number, and phone number. ***No address change and no new stationery needed!***

Our new office provides greater space for the staff, more file cabinets, and an extra-large conference room for future client events. The terrific view of Bishop's Woods hasn't changed, and we still get occasional glimpses of the wildlife that live there. We hope to see our Brookfield clients soon in our new office!

Financial Tips

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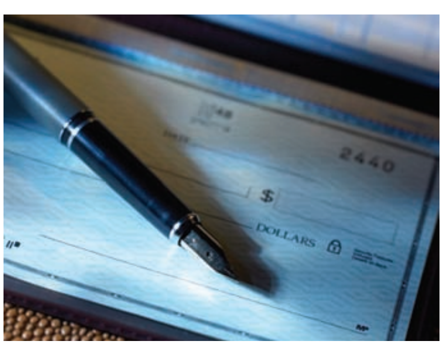
Marriage

- Update documents. Review your estate planning documents, asset ownership, and beneficiary designations to make sure they reflect your wishes for the distributions of your assets to your spouse.
- Track expenses for a month. This will give you an idea of where money is spent, so you can decide how to spend money in the future. You can then set a written budget to guide your spending.
- Decide on joint or separate bank accounts. Some couples prefer pooling all funds, believing it helps create a feeling of unity. Others, however, have difficulty losing their financial autonomy.
- Split financial responsibilities. One person may be more suited for the tasks due to their background or time availability. However, the other spouse should not give up total control.

Children

- Name a guardian for your children. If you and your spouse both die without naming one, the courts will appoint a guardian and supervise your children's property.
- Purchase sufficient life insurance to provide for your children until they are adults. Determine how much is needed for living expenses, hobbies, medical expenses, and college. Also ensure you have adequate disability income insurance, so your family's lifestyle won't be disrupted if you incur an injury or illness.



- Save for college. Many people have difficulty saving the entire amount needed to fund a college education. However, there are other sources available. Thus, your goal may be to accumulate 30%, 50%, or some other percentage of the total cost. Take a look at education savings accounts and section 529 plans, both of which have significant tax advantages.
- Teach money basics to your children. In a society that has difficulty managing money, teaching your children good money skills is a lesson that will benefit them for a lifetime.

A Job Loss

- Don't just accept your employer's severance package. Try to negotiate for more severance pay or for an extension of health insurance benefits. If your employer won't cover health insurance, check into COBRA coverage and pay the premiums yourself.
- Update your resume. Take advantage of any career counseling opportunities offered by your former employer. Look into the possibility of a career change if you have difficulty finding a job. Consider taking courses to update your job skills or to qualify for another job.
- While this may be a time when you'll need to dip into your emergency cash reserve, use the money carefully, since you don't know how long you'll be without a job. Look for ways to cut your living expenses and avoid nonessential expenses like vacations, clothing, and entertainment.

A Second Marriage

- Prepare formal estate planning documents to carry out your wishes. Even with a will, your spouse can typically override its terms and elect to receive a statutory percentage. To prevent this, you usually need a prenuptial or nuptial agreement.

- Review beneficiary designations and life insurance amounts. It's not unusual to forget to update beneficiary designations for retirement accounts, individual retirement accounts, and life insurance policies. Also review your life insurance amounts, since you may need more to help ensure all heirs are treated equitably.
- Discuss your plans with your spouse and children. Openly discussing your plans before death may prevent disagreements among heirs after your death.

Retirement

- Before retiring, review your finances carefully to ensure you have adequate funds. You may want to consider part-time employment, both to supplement your income and to occupy your time.
- If you retire before age 65, obtain health insurance until you're eligible for Medicare.
- Plan for long-term-care needs through the use of insurance or savings.
- Before retirement, make any necessary changes to your debt structure. For instance, you may want to refinance your mortgage, purchase a new car with a loan, or open a home-equity line of credit for future needs.
- Review your estate plan. Consider a living will, health care proxy, and durable power of attorney.

If you need help dealing with financial concerns at any point in your life, please call. ❍❍❍

Don't Forget to Organize Your Estate

Don't think you're finished with the estate-planning process once a will, trusts, and other estate-planning documents are in place. From your heirs' point of view, it's just as important for you to organize paperwork and inform them of basic decisions. One way to approach this task in a systematic manner is to prepare a notebook including the following items:

✔ **Net worth statement.** An up-to-date net worth statement is a good way to ensure heirs are aware of every asset and liability. Make sure to list all pertinent information for each item on the statement, including account numbers, contact names, and phone numbers. Identify where important documents are kept. You may also want to explain your rationale for your estate's distribution.

✔ **Individuals to contact.** List names, addresses, and telephone numbers of individuals your heirs may need to contact, including employers, attorneys, accountants, insurance agents, investment managers, and financial planners.

✔ **Personal papers.** Indicate where personal records are kept, including your birth certificate, marriage certificate, divorce or separation agreements, diplomas, military records, and naturalization records.

✔ **Safe deposit box.** Indicate where the safe deposit box is located and what is contained in the box.

✔ **Disposition of personal items.** Detail how you would like personal items distributed. Often, disputes over personal possessions are more apt to cause conflict among heirs than disputes over money, so explain your rationale for the distribution of personal items. After you have decided how to distribute your most valued possessions, come up with a method for heirs to distribute the remainder.

✔ **Last wishes.** Indicate your preferences for funeral arrangements, including whether you want a religious or secular service, whether you want flowers or donations to a charity, whether you want to donate your organs or body to medical institutions, and where you would like to be buried. These are details your heirs may feel uncomfortable asking about, but will be grateful your wishes are known so they can be carried out.

Your thoughts on these subjects can change over time, so review and update the information periodically. Keep it in a place where heirs can find it immediately after your death. ❍❍❍

Reevaluate Your Portfolio

The market changes. Companies change. Investments change. Your needs and goals change. That's why it's important to see — at least once a year — if your investment portfolio needs to change, too. Here is a step-by-step plan:

Step 1. Review the value of your investment portfolio. Have your investments lost value? Gained value? By how much? Answering these questions will give you the big picture overview of your portfolio's status.

Step 2. Check how your portfolio is performing in comparison to benchmarks. If you simply review the absolute performance of your investments, you may feel you've done very well or quite poorly. However, what really matters is how your investments have performed relative to their respective benchmark indexes. It is not possible to directly invest in an index.

Step 3. Compare the individual investments in your portfolio against comparable investments in the same asset class. This will help you understand how individual investments similar to yours have performed.

Step 4. Ensure that your investments remain consistent with your established goals. As your life circumstances change, so should your investments. If your financial goals include sending children to college or saving for retirement, you'll want to transition your assets into more conservative investments as you get closer to your goal. You'll also want to evaluate whether your asset allocations remain consistent with your financial goals. As investments gain and lose value, your asset allocation can change. You may need to adjust your investments if uneven gains and losses have disrupted your asset allocation. Asset allocation does not assure a profit or protect against loss in declining financial markets.

Step 5. Make any necessary tweaks to your investment allocations. Once you've gone through Steps 1 through 4, you should know what changes are needed in your portfolio. To make those changes, you can:

✔ Sell off investments from overweighted asset categories and use the proceeds to purchase investments for underweighted asset categories.

✔ Purchase new investments for underweighted asset categories.

✔ Alter your contributions (if you make regular contributions to your investment portfolio) so that more investments go to underweighted asset categories until your portfolio is back in balance.

You should reevaluate your investment portfolio annually. Please call if you'd like help with this analysis. ❍❍❍

Strategy for a Tax-Free Retirement

Due to some of the recent changes in the economy, it is becoming evident that consumers need to take a much more proactive stance with their retirement decisions. Without forethought or the right information, you could find your traditional plans, like IRAs, 401(k)s, or 403(b)s, taxed at rates beyond reasonable expectations.

I recently picked up a book, entitled ***Tax-Free Retirement***, by Patrick Kelly, that has received rave reviews in the financial community. The principles found in this book are useful to those *between the ages of 35 and 50*. The book's concepts could provide options for either my clients in this age range, or their children, to work toward independence and a tax-free retirement income.

Recent studies have shown that people who become educated and empowered about their finances and play a role in planning and monitoring their retirement accounts feel smarter and end up twice as successful as those who don't. I'm here to help you or your children make the right choices *now*.

If you or your children are in the age range of 35 to 50, we should get together to discuss how concepts in Kelly's ***Tax-Free Retirement*** can help in planning for a financially secure retirement. I'm sure you will agree that this information is both eye-opening and practical. You or your children could be ideal candidates to benefit from Kelly's tax-free retirement strategy, and I can make it simple to understand and employ. Please contact my office at 262-786-8600 to set up an appointment.

Reducing Life Insurance Premiums

✔ Check prices for slightly more coverage. Often, insurance rates will do down as you purchase higher amounts.

✔ Clearly explain any medical conditions on the insurance application, especially if the condition is under control or cured.

✔ Shop around, especially if you have a medical condition. Insurance companies often specialize in different diseases, so it pays to find a company who is familiar with your condition.

✔ Work on health issues. If you stop smoking or lose weight, you will typically save significant amounts in insurance premiums.

✔ Don't rely on rules of thumb when purchasing insurance. This can result in too much or too little coverage.

✔ Understand your options before purchasing insurance. There are so many types of insurance with so many options that many people just rely on the advice of an insurance professional. While you definitely want to consult with a professional, only you truly understand your circumstances. ❍❍❍

Financial Thoughts

Approximately 40% of middle-aged parents provide some financial support to adult children between the ages of 23 and 28. More than one-third of the parents said adult children are more reliant on them today than they were on their parents at a similar age, primarily due to college debt and unemployment (Source: Charles Schwab, 2010).

One-quarter of 401(k) plan participants had a loan outstanding in 2009, up from 23% in 2008. The average contribution rate remained level at 7%. However, just under 30% do not contribute enough to receive their employer's full match (Source: Hewitt Associates, 2010).

In a recent survey, approximately 92% of Americans have not discussed long-term care with their spouses or partners. Almost 65% of the survey respondents say the biggest barrier, besides cost, to purchasing long-term-care insurance is confusion (Source: *Financial Planning*, 2010).

In 2010, an estimated 25% of Americans between the ages of 65 and 75 are in the work force, compared to 17% in 1990 (Source: RAND, 2010).

Two-thirds of all adults are concerned that they will not be able to cover all of their expenses this year, while one-quarter of all homeowners fear they owe more on their mortgages than their homes are worth (Source: Harris Interactive, 2010). ❍❍❍