

# Keep your family secure with a comprehensive financial plan

Ensuring financial security for yourself and your family comes at a price. We're not talking about dollars, but what might be commodities just as precious: your time and concentration.

When was the last time that you undertook a review of all aspects of your financial life? Like many people, you've probably dealt with certain financial issues as they arose. But what about an integrated, strategic overview of where you stand today, and where you want to be tomorrow?

As the saying goes, there's no time like the present.

## **Review your portfolio now, and regularly**

How have time and changes in your personal circumstances affected your investments?

If you have an asset allocation strategy previously formulated, you want to make certain that it still makes sense today. Keep it in balance and modify it as economic and personal circumstances dictate.

Have your objectives changed? Are there new liquidity needs or tax issues that should be addressed? These factors and others will play a part in deciding whether modifications to your current investments are desirable.

Are you nearing the end of your working years? Retirement calls for some new investment thinking. Usually, the focus is on risk reduction, income enhancement and the protection of your purchasing power. Ideally, you want to start your planning well before the retirement date on the calendar, because it's impossible to predict with accuracy the best time to make buy-and-sell decisions.

## **Explore all the options for saving for college**

Given how much money is needed to pay for a college education these days, the time to begin is when the children are young. Establishing a plan now for saving and investing is a crucial step.

Uncle Sam offers some assists. For instance, you can open a Coverdell Education Savings Account (ESA), or as it was formerly known, an Education IRA, for each of your children and contribute up to \$2,000 a year. The earnings in the account grow tax free as long as withdrawals are used for qualified education expenses.

Unfortunately, not everyone can fund an ESA. Individuals' ability to contribute the full amount phases out between modified adjusted gross income of \$95,000 and \$110,000. For joint-filing couples the phase-out range is now double those amounts, \$190,000 to \$220,000.

No such limits apply to Section 529 college savings plans. A Section 529 plan is a state-sponsored savings account; various versions are now available in all 50 states. The account is set up for the purpose of saving in order to pay for most higher education expenses at eligible institutions. No federal tax is paid on the income earned on amounts accumulated in a Section 529 plan. Even better, when withdrawals are made and used for qualified expenses, they won't be taxed either. Often, there won't be any tax consequences at the state level either.

## **Make certain that your insurance coverage is adequate**

A key element of financial planning is *risk management*: protecting your assets and income in the event of the unexpected. To have insurance in place that will keep your family financially secure should you not be available to provide for them.

First step: Review your current coverage. Is your life insurance still sufficient? Have you explored the wide variety of policies available—whole life, variable, universal and term? What about disability insurance?

Other kinds of coverage may not spring automatically to mind, but bear examination. First, should you purchase a long-term care insurance policy? There is a wide variety of policies and options to consider. And because age determines the premium amount, you may want to explore coverage now.

Insurance may play an important role in your estate planning. If you own a family business or other illiquid asset, a life insurance policy in your name, or in an irrevocable life insurance trust, can be used to pay the taxes and avoid a forced sale of the property.

### **Put a plan in place for retirement**

Consider just a few of the tasks necessary to determine how much you'll need for your retirement. For instance, you'll need to project your annual income and expenses during retirement. Adjust your numbers for inflation between now and your retirement, and *after* retirement. Find out how much your Social Security benefits will be (and when you'll want to begin receiving them) as well as your retirement plan benefits (pension or lump sum payment).

If you are entitled to receive a lump sum distribution, will you take it in hand or roll it over into an IRA? If you choose the latter route, you can continue to shelter your retirement assets from tax, but you'll need to take the right steps. In either case, you'll want to consider what kind of investments will best suit your needs.

All these decisions need to be made well in advance of retirement in order to keep all of your options and opportunities available.

### **Formulate and monitor your estate planning**

An initial estate plan is not a final one. Even if you have done some estate planning already, revisiting your planning regularly is essential.

Is your will up to date? Changes to your family constellation (new children or grandchildren, marriage or divorce) may prompt some rethinking. Changes in your financial life may make new provisions a must (sale of a business, an inheritance). External factors (the ups and downs of the market, new tax laws) also may, in effect, rewrite your will and estate plan.

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Is it time for a comprehensive review of your financial plan? We would be glad to assist you in developing a strategy to meet your unique needs and circumstances. Call on us.