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Leaving a Legacy

Many of us want to do our part to leave the world a better place. Fortunately, there are many ways you can ensure you'll have a meaningful impact on the world and leave a legacy that lasts long after you're gone, including the work you do or how you raise your family. Of course, you can also leave a financial legacy, using the wealth you've accumulated in your lifetime to benefit the world. Below are six different ways you can leave a financial legacy.

1. Give gifts during your lifetime. If you have the financial freedom to do so, making financial gifts while you are still alive is a great way to leave a legacy. Money donated to qualified charitable organizations can be deducted from your taxes, saving you money while also helping support a good cause. If you want to leave a family legacy, consider giving gifts to loved ones while you are living, like helping pay for your grandchild's college education. Just make sure you're aware of annual limits on what you can give to individuals without triggering gift taxes ($14,000 per person in 2015).

2. Make a bequest in a will. Many people use their will to make philanthropic bequests, leaving funds to a favorite charity, their alma mater, or their church. For people who have money to give, recognizing an organization in their will is a relatively easy way to leave a legacy. Bequests in a will don't require any additional planning and are exempt from estate tax, provided the recipient is a qualified charitable organization. However, if you plan to make a substantial bequest to a charity, you may want to inform them of your plans in advance. This is particularly important if you plan to donate real property, like real estate or artwork, as

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Factors Influencing Your Asset Allocation

While you probably won't make frequent changes to your asset allocation strategy, changes in your personal situation may necessitate periodic alterations. That will typically occur when personal changes alter the major factors affecting your asset allocation:

Risk tolerance — Your risk tolerance is likely to change, either as you become more familiar with investing or as you age. Familiarity with investing typically makes you more risk tolerant, while aging may make you more or less risk averse. Adjust your asset allocation when your risk tolerance shifts.

Return needs — Your need to emphasize income or growth is likely to change over your life. Young investors typically want to emphasize growth, while retirees often want to emphasize income.

Investment time horizon — With a short time horizon, your liquidity needs may require avoiding more volatile investments, such as stocks. With a longer time horizon, you can wait out any fluctuations in volatile investments. Typically, young investors have longer time horizons than older investors, so they can invest more aggressively. ❍❍❍

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not all charities will want or be able to accept such donations, or if you plan to place restrictions on how the gift is used.

3. Create a charitable remainder trust. If you would like to make a substantial gift to a charity but also want to provide for your heirs or continue to receive income during your lifetime, a charitable remainder trust (CRT) may be an option. Here's how it works: You transfer property to the trust (and get a tax deduction at the time of the transfer), and you or your heirs receive income from the trust for a specified period of time. When that period ends, the remaining assets go to the charity of your choice. A word of caution: CRTs are irrevocable, which means once you've made this decision, you can't reverse it.

4. Set up a donor-advised fund. Know that you want to leave money to a charity, but not ready to hand it over just yet? Consider setting up a donor-advised fund. A donor-advised fund allows you to make contributions to a fund that is earmarked for charity and claim the associated tax deduction in the year you contribute the funds. You continue to make more contributions to the fund, which are invested and grow free of tax. When you are ready, you can choose a charity to receive all or some of the accumulated assets. It's a great way to earmark funds for charity now while also accumulating a more substantial amount of money to leave as a legacy.

5. Fund a scholarship. Endowing a scholarship is a great way to make a difference in the life of a talented student. Here's how it typically works: You give a certain amount of money to the school of your choice, which earmarks it to fund scholarships, often for certain types of students (e.g., female math majors, former foster children, or people suffering from a certain disease or disability). Other scholarships are established through community foundations. A seed gift of $25,000 or $50,000 may be enough to get started. Be aware, however, that while you may be able to have a say in selection criteria for the scholarship, there's a good chance you won't be able to select the recipient yourself. If you want to do that, you'll need to distribute the money in another way, perhaps by setting up your own nonprofit organization.

6. Start a foundation. Starting a family foundation is appealing to many, especially those who like the idea of having greater control over how their money is used as well as the prestige that comes with running a foundation. Well-managed private foundations may also endure for many generations after you're gone. But you'll need substantial assets to make setting up a foundation worth it. Plus, foundations are complicated and expensive to set up and administer. But, if you are committed to the idea of giving back and especially if you want to keep the entire family involved in giving (a concern for many wealthy families), a private foundation could be the way to go.

There may be amazing options available to you, your loved ones, your business, and your charities. Let us help you create a legacy that endures. ❍❍❍

Get These Decisions Right

While it often seems like there are a myriad of financial decisions that must be made to help you pursue your financial goals, the key is to get the major decisions right:

✔ **How much you save** — Aim to save a minimum of 10% of your gross income. Calculate how much you need to meet your financial goals and then determine how much you should be saving on an annual basis. The more you save and the sooner you start, the greater your odds of reaching your financial goals.

✔ **How you invest** — The ultimate value of your investment portfolio is basically a function of two factors — how much you save and how much you earn on those savings. Even small differences in return can make a significant impact on the size of your portfolio over the long term.

✔ **How much debt you owe** — Take steps to keep your consumer debt as low as possible — any interest payments just reduce the amount you can set aside for saving. Look for ways to reduce the amount or the cost of your debt.

✔ **How expensive your home is** — Many individuals purchase the most expensive home they can afford, often straining their budget. Financially, it may make more sense to purchase a smaller home and invest the balance of your money in other investments. A smaller home may also reduce your monthly living expenses.

✔ **How you spend your income** — The amount of money you have left over for saving is a direct result of your lifestyle choices. These choices impact you now and in the future, since you will typically want a similar lifestyle after retirement. To get a grip on your spending, take time to analyze your expenditures and to set a budget.

✔ **How you prepare for financial emergencies** — Making arrangements to handle financial emergencies will help prevent them from adversely affecting your financial goals. Consider disability income insurance, a durable power of attorney, umbrella liability insurance, lines of credit, and an emergency fund. ❍❍❍

Five Steps to Creating an Investment Plan

Like anything in life, having a plan for your investments will help you reach your investment goals. Below are five steps for crafting your investment plan.

1. Determine Your Goal

Every good investment plan begins with a clear goal in mind. Ask yourself: "Why am I investing? What do I hope to do with the money I save and earn?" For example, you might invest to fund a child's college education, retire comfortably, buy a house, start a new business, leave a charitable bequest to a favorite cause, or pay for a wedding.

Write down your investment goals. Make them as specific as possible. Think about the kind of lifestyle you want in retirement, the cost of your dream vacation home, the cash you'll need to start your business, or the cost of tuition where your children might go to college. Write down a realistic estimate of how much you think you'll need. Making these estimates can be challenging, but it's an essential investment planning step. After all, if you don't know where you're going, you'll never get there.

2. Decide on Your Time Frame

After you outline your goals, you need to establish your time frame for investing. Typically, your goals will fall into one of three categories:

✔ **Short-term:** Short-term goals are those you expect to achieve in five years or less.

✔ **Mid-term:** Mid-term goals are those you expect to achieve in five to 10 years.

✔ **Long-term:** Long-term goals are those you expect to achieve in more than 10 years.

Your investing time frame has a direct relation to the investments you'll choose. Generally, the shorter your time horizon, the less risk you'll want to take. If you will need your money in three years to pay for your daughter's college education, then putting all your money in riskier investments is probably not wise, as the chances of losing money are greater. Instead, less-risky investments, like bonds, will likely make up a larger portion of your portfolio. But if you're investing for the long haul (say, for a retirement that's 30 years away), you can invest in higher-risk investments, since you'll have more time to recover from a loss.

3. Evaluate Your Tolerance for Risk

All investments come with risk — the chance you could lose your money. But riskier investments also come with the possibility of greater return. As an investor, you must decide how much risk you're willing to accept. Your personal risk tolerance is closely related to your goals and your time frame, as well as your experience with investing and your feelings about the possibility of losing money.

4. Decide How Much You Want to Invest

Once you've considered your time horizon, goals, and risk tolerance, you can consider how much money you want to invest. You should keep a portion of your savings in a stable, easily accessible account to use for emergencies and other immediate needs.

Once you have the funds for your initial investment, you need to decide how much you want to invest on an ongoing basis. This number will be determined by your budget, your investment goals, and your time frame. For smaller, short-term goals, determining ongoing investment amounts is fairly easy. If you want to buy a home in five years, you might open an account with $2,000 you've already saved, and then invest $400 a month for the next five years.

Deciding how much to invest for longer-term goals can be more challenging. When saving for retirement, you need to consider how much yearly income you'll need, your anticipated investment returns, when you want to retire, how long you expect to live, the impact of inflation, and the money you'll receive from other sources like Social Security. It can be a complicated equation, which is why many people turn to a financial advisor for help running the numbers.

5. Choose Your Investments

Given the thousands of possible options, choosing investments can be overwhelming. But completing the first four investment planning steps should help you make those decisions. Again, your goals, risk tolerance, and time frame will point you in the right direction, such as toward target-date funds designed for retirees or college savers, or perhaps a money market fund for short-term goals. But if you're baffled by all the options, it's always a good idea to seek a second opinion. Please call if you'd like help with your investment plan. ❍❍❍

BBQ Glazed Corn on the Cobb

This is a 5★ Recipe from the Neely family. FoodNetwork.com

4 ears corn, not husked

¼ teaspoon freshly ground black pepper

¼ teaspoon paprika

¼ teaspoon cayenne pepper

2 garlic cloves, chopped

⅛ teaspoon crushed red pepper

1 tablespoon brown sugar

2 tablespoons honey

Directions:

- ❍ Peel corn down to the end but do not remove the husk from the cob. Remove all the fine hairs along the corn.
- ❍ In a medium sized bowl, whisk together the remaining ingredients to make a glaze.
- ❍ Spread the glaze on the ears of corn and replace the husk. Wrap in aluminum foil.
- ❍ *Cook's Note: For best results, allow the corn to sit overnight in the refrigerator.
- ❍ On a medium-high grill, place the corn, turning occasionally. Cook for 20 minutes.
- ❍ Once cooked, peel the charred husk away from the cob and serve.

Investment Answers News

It has been wonderful reconnecting with many of you these past few weeks. We've had a full house at our Bourbon tasting, our wine tasting, and at each night of our Social Security Planning events.

One of the best resources we can offer you is helping you to design how this lifetime income benefit will enhance your monthly income in retirement. Social Security is complicated, and there are many challenges receiving support in the system. We are a resource for you. We hope that you can attend one of the next Social Security workshops on our Calendar of Events. Keep an eye out for upcoming events through the end of the year.

Summer is a busy season for reconnecting with friends and family. If you find conversation leading toward financial wellness in retirement, income planning, estate planning, or catastrophe planning, consider introducing your friend, family, or co-worker to Investment Answers. Our weekly e-mail Market Update has many useful resources in each issue. Forwarding the weekly e-mail is an easy way to introduce someone to Travis.

Financial Thoughts

It is estimated that workers who start saving in their mid-30s and plan to work until age 70 should save 6% of their income. That would increase to 24% of income if the worker stops working at age 62. A 45-year-old worker would need to save 10% to retire at age 70 and 44% to retire at age 62 (Source: The Center for Retirement Research, 2014).

The median accumulated individual retirement account balance as of 2011 was $34,000 (Source: General Accountability Office, September 16, 2014).

In a recent survey asking how they would like to spend retirement, 48% of respondents said traveling, 23% said pursuing hobbies, 16% said spending time with family, and 13% said volunteering or working (Source: *Money*, November 2014).

An average replacement rate of 73% of annual income is needed in retirement. That figure ranges from 80% for low-income households to 67% for high-income households. The middle-class replacement rate of 71% assumes that there is a 41% contribution from Social Security (Source: The Federal Reserve's National Retirement Risk Index, 2014). ❍❍❍