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financial $UCCESS

SUMMER 2019

Get These Decisions Right

The sheer number of financial decisions required to manage our finances can seem overwhelming. But often we spend an inordinate amount of time on small stuff — getting the bills paid on time, reconciling bank accounts, and calling to have a late charge waived. While those things need to get done, how do we judge whether we're headed on the right course? There are six basic financial decisions that can determine the course of your financial life:

1. How you earn a living. We all want to enjoy our work. But why not choose a job that will pay more than another? Your income is going to drive all your other decisions, so investigate your options:

- Are you sure you're being paid a competitive wage with competitive benefits? Pay attention to what is going on in your field.
- Do you have an outside interest or hobby that can be turned into a paying job? This could be a good way to supplement your current salary.
- Can you get some additional training to help secure a promotion or qualify for another job?

2. How you spend your income. The amount of money left over for saving is a direct result of your lifestyle choices, so learn to live within your means. To control spending, consider these tips:

- Analyze your spending for a month. In which categories do you spend more than you expected? Give serious thought to your purchasing patterns, trying to find ways to reduce spending.
- One of the most significant spending decisions will be your home. Purchasing a smaller home will reduce your mortgage payment as well as other associated costs.
- Prepare a budget to guide your spending. Few people enjoy set-

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Reviewing Legal Documents

Remember — there are very few things you can change after you're dead, and your estate planning documents are not one of them. If you have assets, liabilities, or loved ones, and you don't have estate planning documents, get started now. Periodically review your existing major legal documents — after all, life changes, and your life documents should reflect those changes.

✔ **Estate-planning documents** — Absolute bare minimum — Prepare a will and durable power of attorney for assets, so that state laws won't dictate how your estate is distributed. For those entering a subsequent marriage or with children, thoroughly review the entirety of your estate-planning documents to help ensure they accurately reflect your wishes.

✔ **Asset ownership** — Review how assets are titled for ownership to help ensure they are consistent with your estate-planning goals.

✔ **Assets with beneficiaries** — These assets would include life insurance policies, retirement plans, IRAs and annuities. Predetermined beneficiary designations take precedence over other estate planning documents.

✔ **Business arrangements** — Review any agreements dealing with what happens if you die, are injured, or sell your interest. ❍❍❍

Get These Decisions

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ting or sticking to a budget, but inefficient and wasted expenditures can be major impediments to accomplishing your financial goals.

3. How much you save. Make a goal to save a minimum of 10% of your gross income. But don't just rely on that rule of thumb. Calculate how much you'll need to meet your financial goals and how much you should be saving on an annual basis.

4. How you invest. The ultimate size of your portfolio is a function of two factors — how much you save and how much you earn on those savings. Even small differences in returns can significantly impact your investment portfolio. Typically, investments with potentially higher rates of return have more volatility than those with lower rates of return. Your portfolio should contain a diversified mix of investment categories based on your return expectations, risk tolerance, and time horizon for investing.

5. How you manage debt. Before you take on debt, consider the effect it will have on your long-term goals. To keep your debt in check, consider these tips:

- Mortgage debt is acceptable as long as you can easily afford the home.
- Be careful about taking equity out of your home in the form of a home-equity loan. You might want to set up a home-equity line of credit for emergency use, but make sure it is only used for emergencies.
- Never purchase items on credit that decrease in value, such as clothing, vacations, food, and entertainment. If you can't pay cash, don't buy them.
- If you must incur debt, borrow wisely. Make as large a down payment as you can. Consider a shorter loan period, even though your payment will be higher. Since interest rates can vary widely, compare loan terms with several lenders. Review all your debt periodically to see if less-expensive options are available.

6. How you prepare for financial emergencies. Proactively making arrangements to handle financial emergencies will help prevent them from adversely affecting your financial goals. Make sure to have:

- An emergency fund covering several months' worth of living expenses. Besides cash, that fund can include readily accessible investments or a line of credit.
- Insurance to cover catastrophes. At a minimum, review your coverage for life, medical, homeowners, auto, disability, and personal liability.
- A power of attorney so someone can step in and take over your finances if you become incapacitated.

Feeling overwhelmed? This is what we love to do. We're here to help. ❍❍❍

What Kind of Retirement Do You Want?

Retirement is no longer viewed as a time to slow down, but is now considered a new beginning in life. That means your current living expenses may have very little to do with your retirement expenses. You need to give serious thought to the type of retirement you want — visualize what retirement will be like. To help you estimate retirement expenses, consider these questions:

1 When do you want to retire? Will you realistically have the resources to retire at that age?

2 Do you plan to stay in your current home, trade down to a smaller one, or move to a different city? If you plan to move, is the cost of living there more or less expensive than your present city?

3 Will your mortgage be paid off by retirement? What about other debts?

4 Will you continue to work after retirement? If so, will you work part- or full-time? Where will you work and how much can you expect to earn?

5 Do you have any hobbies or interests that can be turned into paying jobs? Are you planning to start a business after retirement?

6 How will you spend your free time? What hobbies will you pursue? How much and where will you travel? How much will all these activities cost?

7 How will you pay for medical costs? Will your employer provide health insurance or will you need to purchase insurance to supplement Medicare coverage?

8 Do you have any medical conditions that are likely to impact your quality of life in retirement? What would you do if you became physically disabled? Would your spouse take care of you, would you move in with your children, or would you go to a nursing home? How will you provide for long-term-care costs?

9 How much of your income will be provided by personal investments including 401(k) investments? Are you confident you can invest so those investments will last your entire retirement?

10 What would happen financially if your spouse dies? If you die, would your spouse be able to support himself/herself financially?

Answering these questions should give you a clearer picture of retirement. We're here to help you transfer your goals and dreams into an actualized retirement plan. ❍❍❍

Retirement Planning Decade by Decade

Retirement planning is a lifelong process. Below are some of the key retirement-planning actions you need to take from your 20s through your 60s.

Your 20s

Start saving. The sooner you can start saving for retirement, the less you'll have to save overall. If you start saving $5,000 per year at age 25, you'll have just under $775,000 by age 65, (assuming annual returns of 6%). Wait until age 35 to start saving and you'll have about $395,000 — more than $300,000 less. Also, since you're still decades away from your retirement date, don't be afraid to take some risk with your investments. You'll have to stomach some ups and downs, but earning higher returns from equity (or stock) investments can mean more money (and less to save) as you get older.

Other steps to take when you're young: Start budgeting, avoid debt, and save for other goals like buying a house. Even if you're not earning a lot right now, adopting healthy money habits today will pay big dividends later in life.

Your 30s

As you enter your 30s, your income may be larger and your life may be stabilizing. You may find that you can contribute more to your retirement savings accounts than you could in your 20s. As your income increases, consider raising retirement contributions by the amount of your annual raise, so that you don't fall behind on saving. Reassess your savings rate and consider meeting with a qualified financial advisor to help devise a savings and investing plan.

Your 40s

You're at the halfway point to retirement. If you've been saving for the past 10 or 20 years, you should have a nice nest egg by now. If you're still not serious about saving, now is the time to do so. You'll have to be fairly aggressive, but you still have some time to build a respectable financial cushion. Whether you're an accomplished saver or just getting started, you consider meeting with a Certified Financial Planner™ to help you make sure you're saving enough to meet your goals, investing, and properly insured to reduce financial risks.

A special note: People in their late 40s and early 50s are often looking at steep college tuition bills for their children. Don't make the mistake of sacrificing your retirement goals to pay for your children's college educations. Stay focused and on track, so your children don't have to jeopardize their financial future to support you as you get older.

Your 50s

Once you turn 50, you have the option to make catch-up contributions to retirement savings accounts like 401(k)s and IRAs. You can save an additional $6,000 a year in your 401(k) plan and $1,000 more a year in your IRA in 2019. That's great news if you're already maxing out your savings in those accounts.

Your fifth decade is also the time to start thinking seriously about what's going to happen when you retire — when exactly you're going to stop working, where you want to live, whether you plan to work in retirement, and other lifestyle issues. It's also the time to take stock of your overall financial situation. You'll still want to keep saving as much as you can, but you may also want to make an extra effort to be debt-free in retirement by paying off your mortgage, car loans, credit card debt, and any remaining student loans.

Your 60s

Retirement is just a few years away. If you haven't already, you'll want to dial down the risk in your portfolio, so you don't take a large loss on the eve of your retirement. You'll also want to start thinking about a firm retirement date and estimating your expected expenses and income in retirement. If your calculations show that you're falling short, it's better to know before you stop working. You can make up a shortfall in a number of ways — reducing living expenses, working a bit longer, and even delaying Social Security payments so you'll get a larger check.

Whatever your age, the key to retirement is having a plan and consistently executing that plan. We're here to help. ❍❍❍

Homemade Caesar Salad Dressing

4 T Lemon Juice (freshly squeezed, if possible)

¼ C Extra Virgin Olive Oil (EVOO)

1 t Pepper

1 ½ t Worcestershire Sauce

1 Clove Garlic (peeled, smashed)

½ t Salt

1 Egg (raw)

½ C Parmesan Cheese

2 inches Anchovy Paste -or- 2 Anchovy Fillets

1 head Romaine Lettuce (washed, freshly torn)

Croutons (optional)

Directions:

Add all ingredients into a blender and run it for 1 minute. Toss Lettuce with dressing. Any unused dressing needs to remain refrigerated and used within a few days due to the raw egg. (6-8 servings)

Investment Answers News

It has been wonderful connecting with so many of you recently at some of the new locations we have been trying out for our events. Thanks to all who have come out to try new venues with us.

We have exciting news to share about the Investment Answers Team! Kristen Wilkins joined the Investment Answers Team this Summer. Kristen is running our Events Desk and already has several events underway. Kristen graduated from UK with a degree in Hospitality and she is even a Certified Tourism Ambassador! Keep an eye out for Kristen and introduce yourself. She's looking forward to seeing you soon at some of our upcoming client and/or public events this year.

Email RSVPs can now be sent directly to our Events Desk at:

Events@InvestmentAnswers.net.

Website RSVPS are still available at:

InvestmentAnswers.net/events

As always, you can RSVP by phone:

502-690-3434.

The Events Desk mobile number is:

502-655-1747.

Financial Thoughts

Approximately 47% of men who are retirement age or older will need long-term care in the future, compared to 58% of women (Source: U.S. Department of Health and Human Services, 2018).

In 1960, 10% of the U.S. population was over age 65. By 2040, 20% of the population will be over age 65 (Source: *Time*, 2018).

In 2017, the average annual cost of a nursing home stay was $82,000 (Source: Kaiser Family Foundation, 2018).

Approximately 40 million individuals are caring for older relatives. The typical family caregiver is a 49-year-old female (Source: *Journal of Financial Planning*, January 2018).

The average life expectancy in 1930 when Social Security was designed was 58 years for men and 62 years for women. Today, on average, a man turning 65 can expect to live to 84.3 years, while a woman can expect to live to 86.6 years (Source: Social Security Administration, 2017).

About 59% of the Social Security benefits of a 66-year-old couple retiring in 2016 will be required to cover retirement healthcare costs (Source: Wealthmanagement.com, November 2017). ❍❍❍