Financial Planning Steps for the Ages

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Financial planning is an ongoing process that needs to be reviewed and adjusted over time. Here are some practical tips on areas to focus on in various stages of your life.

20s

Many individuals in their 20s are recently out of college, settling into their careers and starting their families. This stage of life is typically about figuring out income freedoms and responsibilities while managing debts from college, credit card(s) or vehicle purchases. Changing jobs or careers amid searching for the right employment fit is common during these years, but it requires personal savings to meet potential expense gaps.

Establish saving funds.

- Keep a minimum of three to six months of expenses in a cash reserve account set aside for emergency use.
- Start a savings plan for your short-term goals, such as affording a vehicle, house, wedding, starting a family, etc.

Create a plan to pay off debts.

Contribute to your retirement plan. If a retirement savings plan is not available through your employer, then consider establishing a retirement account for yourself.

- Contribute as much as possible toward your retirement savings account, and, if available, take advantage of your employer's contribution match.
- Consider allocating a portion of the retirement funds toward a growth allocation. Remember, these funds are earmarked for use in your retirement years.

Create a budget to track income, expenses and savings goals.

Review budget monthly and adjust as needed.

Focus on obtaining a good credit score.

Having a low credit score can affect your ability to obtain loans and the interest rate of the loan. Increase your credit score by:

- Paying off debts as quickly as possible
- Making all debt payments on time
- Reviewing your credit history annually for errors

Ensure proper insurance coverage on all major items such as cars and home.

Review medical and disability insurance.

Consider purchasing a life insurance policy that will afford your survivors with some level of financial protection in the event of your premature death.

Create a last will and testament to ensure your estate is distributed per your wishes. Also, name a guardian who will take care of your minor children.

30s and 40s

Many individuals in their 30s and 40s are juggling careers while raising a family. For some families, saving for upcoming expenses like their children's education and vacations is at the forefront while retirement planning becomes a secondary thought.

Excess funds during these high-cost years are generally tight, so great care is needed to manage budgets and properly allocate surplus cash flow. Items to add to your financial planning to-do list should include plans to…

Increase emergency savings fund for unplanned items.

Establish a savings plan for each goal and review annually to track progress. Children's college fund and other savings goal accounts should be separated from the primary investment account.

Look for ways to cut costs and save additional funds.

Discuss your tax return with your CPA to ensure all deductions are maximized.

Increase retirement savings as much as possible.

Review your investment accounts to ensure proper allocation with each of the goals established.

Review life insurance needs and other risk assessments to ensure proper coverage for your family.

Examine your estate documents for any adjustments to guardians, executors or beneficiaries. This includes examining beneficiaries of life insurance, IRAs and retirement plans.

50s and early 60s

For most Americans, the 50s and 60s are key savings years. During this period, salaries are near the peak of a career and expenses typically begin to decline as children leave home, wedding expenses have passed and debts are paid off. Savings and investments should be maximized during these final working years.

Review retirement accounts for portfolio allocation adjustments to minimize excess market risk

After age 50 catch-up contributions are allowed into most retirement plans; consider taking advantage of this option

Analyze employer and government retirement program options to maximize benefits

Review budget for savings opportunities

Plan for future healthcare costs

Perform a risk analysis assessment to protect assets

Review your estate documents for any necessary changes

Carefully consider any requests by children for financial assistance

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Late 60s, 70s and 80s

As many individuals begin to retire in their 60s, they transition from their work routine to one of flexibility and leisure. More time is spent with family and friends as well as for travel and hobbies. It is not unusual for expenses to increase immediately after retirement for several years due to expenses related to hobbies, travel or second homes before declining many years later. There are many items to review and examine, so make plans to…

Review all retirement plan distribution options carefully.

Review your portfolio allocation annually to ensure excess risks are not inadvertently taken.

Carefully track the total amount of assets distributed annually. This amount, as a percentage, in relation to the total available assets can assist in forecasting future balances.

> Excess spending during years with negative market returns could impact the assets needed in the long term. Reductions in expense could be warranted.

Proper income tax planning can be important to minimize excess income taxes. Meet with your CPA and investment manager to review possible tax strategies.

Examine your spending each year to ensure your investment assets will sustain the funds withdrawn during challenging market conditions.

Once your future retirement is secure, consider potential annual gifting to heirs or charities.

Review all property and casualty insurance policies to ensure all assets are protected for lawsuits.

Discuss plans for the possibility of your future incapacity along with wealth transfer to heirs and charities with your estate attorney.

If you have any questions about financial planning relating to your phase in life, don’t hesitate to contact your Westwood wealth advisor.

Donald W. Roberts, CFP®

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