

# Financial Planning

for Life's Milestones



# Introduction

**Life is full of milestones, opportunities, and choices** - many of which are financial in nature. Having a plan in place can better prepare you to make appropriate decisions when those events arise. We believe that financial planning is a dynamic process that should evolve with the changes in your life. Our process begins by learning about you and your unique circumstances. Understanding your current situation will help us guide you to make appropriate decisions throughout your journey.



# Getting Started

## 20s

- ▣ Open checking and savings account
- ▣ Develop a budget and follow it
- ▣ Enroll in your company's 401(k) plan and contribute at least the minimum needed to qualify for the full employer match
- ▣ Start an emergency fund with three to six months of living expenses
- ▣ Pay down your debt (e.g., credit cards, student loans)
- ▣ Buy renters insurance to cover your losses in the event of theft, fire, or other disasters
- ▣ Check your credit report to ensure there are no discrepancies; obtain a baseline credit score and make corrections if necessary
- ▣ Purchase life insurance and disability income insurance to lock in a low rate

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More than half of Next Gen investors (ages 18-35) put their retirement planning on hold during the pandemic. Despite this, as of 2022 a resounding 83% of Next Gen investors feel confident in achieving their long-term financial goals.<sup>1</sup>



# Career Advancement

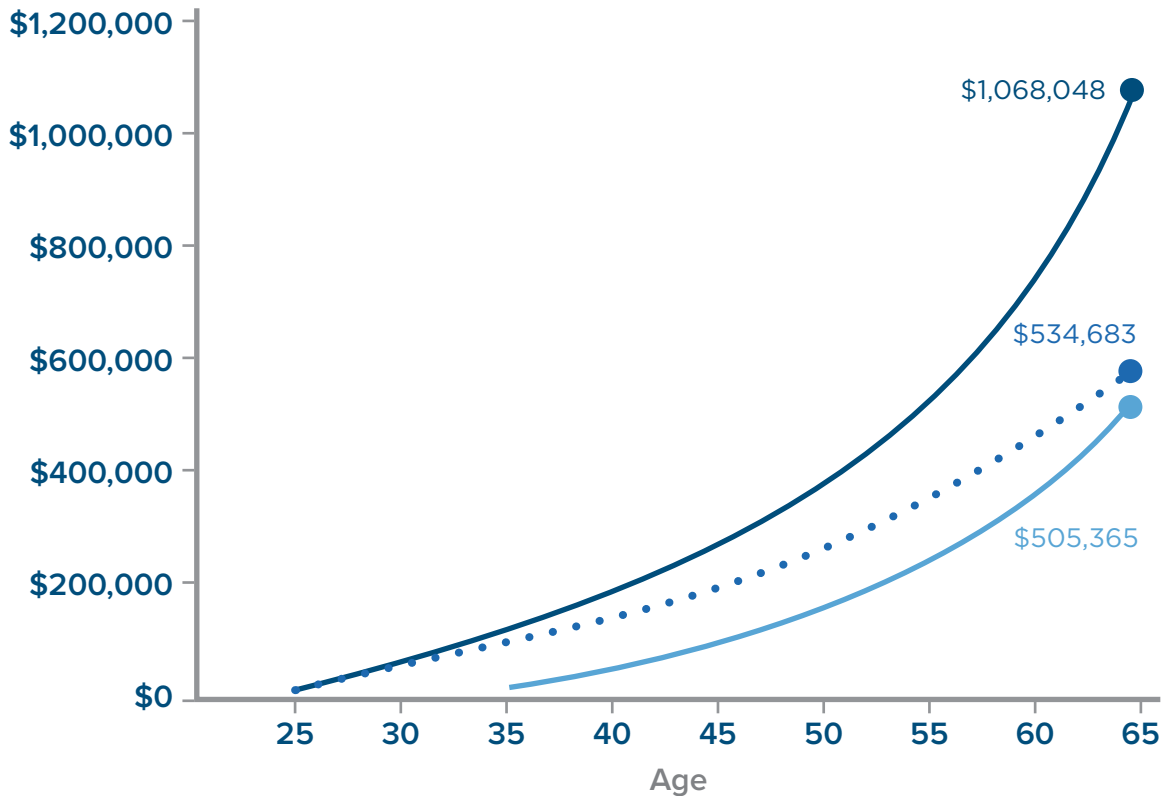
## 30s

- ▣ Work with a lawyer to prepare a will and address other possible estate planning needs
- ▣ Consider buying additional life insurance if you have started a family
- ▣ Evaluate your investment portfolio to ensure it is properly diversified
- ▣ Create an education funding plan if you have children
- ▣ Increase contributions to your retirement account(s) following raises
- ▣ Purchase a disability income insurance policy if you have not done so already
- ▣ Aim to make a down payment of 20 percent when buying a home to avoid the cost of mortgage insurance

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If you change jobs, resist the urge to take a withdrawal from your 401(k) account. Your 401(k) assets are portable allowing you to keep them in a tax-deferred environment, such as your new employer's retirement plan or an IRA.

# Growth of Retirement Accounts<sup>2</sup>



Chris invests \$5,000 annually between the ages of 25 and 65  
\$200,000 invested  
\$1,068,048 accumulated



Susan invests \$5,000 annually between the ages of 25 and 35  
\$50,000 invested  
\$534,683 accumulated



Bill invests \$5,000 annually between the ages of 35 and 65  
\$150,000 invested  
\$505,365 accumulated

## Established in Your Career

# 40s

- ▣ Develop specific retirement savings goals
- ▣ Check that the names of beneficiaries/heirs listed on your will, life insurance, financial accounts, and retirement accounts are up to date
- ▣ Assess how your 401(k) plan or IRA assets are invested as your investment objectives may have changed
- ▣ Review life insurance policies to ensure adequate coverage
- ▣ Evaluate your education funding plan based on expected college costs

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If possible, keep part of your savings outside of an employer-sponsored retirement plan. While your employer's plan is generally a great place to start, there are a variety of retirement savings vehicles that may serve as supplemental options.





# Preparing for Retirement

## 50s

- ▣ Evaluate your sources of retirement income, how much to expect from each source, and when to expect it
- ▣ Max out your retirement contributions in your employer-sponsored retirement account, and if applicable, your Roth or traditional IRA
- ▣ Revisit retirement savings goals to ensure they still make sense
- ▣ Check that your estate plan is up to date with personal changes and current laws
- ▣ Confirm that executors and guardians are still properly chosen
- ▣ Consider contributing to a health savings account (HSA) to save for current and future health care costs
- ▣ Invest HSA contributions that are not spent each year to help pay for health care in retirement

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If you're behind on building your retirement savings at age 50, ask us about "catch-up" contributions.



# Nearing Retirement

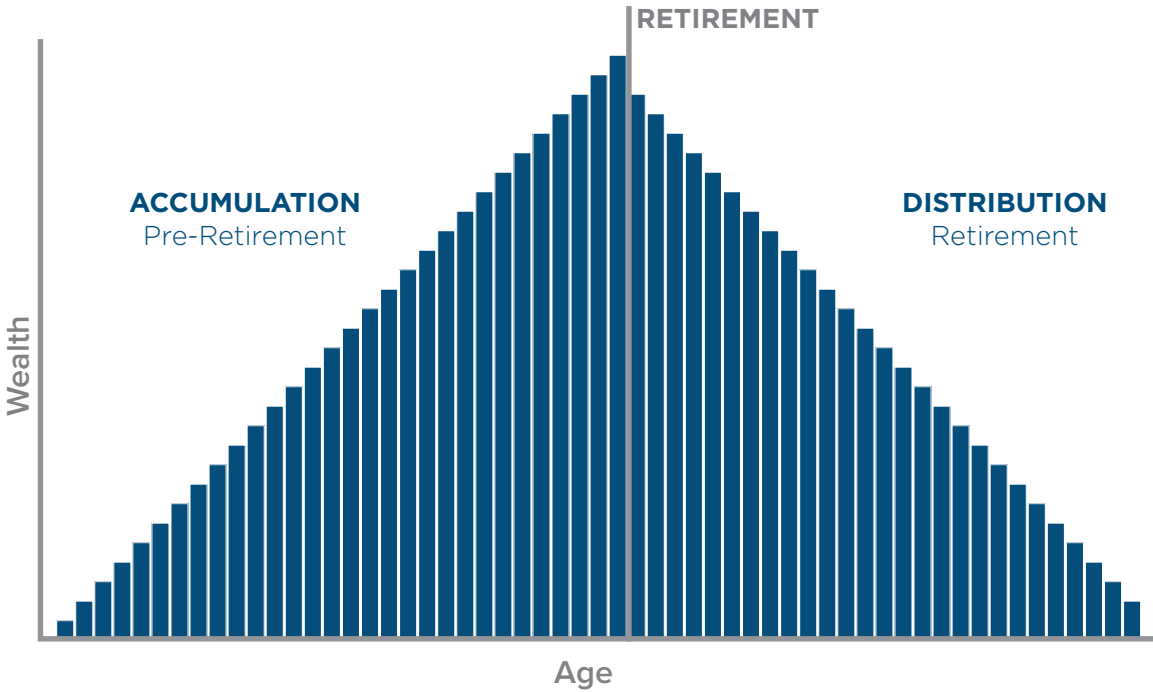
## 60s

- ▣ Decide when you are going to start withdrawing from your retirement accounts
- ▣ Consider rolling over your 401(k) balance into an IRA at retirement to retain tax benefits
- ▣ Review when you can receive your full Social Security benefit
- ▣ Identify your source of health insurance during retirement and what coverage is provided
- ▣ Pay off your mortgage and consumer debt, if applicable, prior to retirement

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As you approach retirement, it's a good time to begin developing a budget. Your initial budget can be based on what you expect to spend during the first year of retirement, but be prepared to make adjustments as your lifestyle changes.

# Phases of Retirement Planning



# Living in Retirement

## 70s

- ▣ Determine how you would like to be remembered in the form of bequests or gifts to charity
- ▣ Begin taking withdrawals from your traditional IRA by age 73 in order to avoid a large tax penalty
- ▣ Consider downsizing to a smaller home to help reduce property taxes, utility costs, and other expenses
- ▣ Plan for future health care costs by purchasing health benefits from a previous employer or a supplemental Medigap policy
- ▣ In the event of a spouse's death: Work with your attorney to update your will, living will, and powers of attorney to reflect your new circumstances
- ▣ In the event of a spouse's death: Make a list of all important bills and share with the executor or estate administrator so that bills can be paid promptly

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Outliving your money is one of the most common fears in retirement, especially as average life expectancy continues to climb. According to recent Social Security Administration data<sup>3</sup>, today's 65-year-old male can expect to live to about 84, and a 65-year-old female has a life expectancy of 86.8.





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