Fee-Only Financial and Investment Planning

(888) 320-9993

On Course

September 25, 2018 Volume 18, #9

Welcome! Readers of the newsletter have shown a great deal of interest in an **article** I contributed to about having saved twice your salary by age 35. I took a contrarian view that, yes, you should have saved that much money. This month, I'm expanding on that thought and write about where you should be from a financial planning perspective at various ages.

You may have missed our recent series on retirement. For Retirement, Part 1 - Retirement Savings, click **here**. For Retirement, Part 2 - Social Security, click **here**. For Retirement, Part 3 - The Retirement Paycheck, click **here**.

No matter your age, now is the time to begin planning. If you need assistance, we are here to help you stay *On Course!*

-Jennifer Lane, CFP

Financial Planning Timeline

When you practice financial planning for a living, you have the lucky advantage of seeing how money knowledge works along a life timeline. Good budgeting and cash management skills are always important, but other things like investing and retirement planning change over time.

In your 20s
Retirement seems far away and you can't yet pinpoint what your future nest egg needs to be, but you need to start saving anyway.

- Open a Roth IRA account. Open this on your own, without an advisor attached to the account, at a low cost brokerage firm like Fidelity or Vanguard. Roth IRAs are amazing because -- although you don't get a tax deduction for your deposit -- the earnings are tax free when you withdraw them. Make sure your income is under the limit to be eligible

In This Issue

Financial Planning -- being in control of your money instead of letting it control you -- is a lifestyle, not just a one-time exercise. Learning about your money and how to manage it well falls clearly in the category of helping yourself succeed.

Get more tips in Jennifer's book

- for a Roth IRA contribution each year -- if you're single in 2018, you can make up to $133k and still contribute to a Roth IRA!
- Begin work on an employer retirement plan. They come with many different names, 401(k), SIMPLE IRA, 403(b), or 457. If your employer offers a matching deposit, then -- at a minimum -- contribute enough to get the match. It's free money!
- Sign up for disability insurance either through your employer or on your own through an agent or professional organization.

In your 30s
You'll decide on housing and maybe buy a home or decide that your career or life needs dictate that you rent to stay flexible.

- If you have a partner, a mortgage, or are planning a family, you should buy life insurance.
- By your late 30s, unless you're building a business, you should be maxing the contributions to your work retirement plan: $18,500 per year or 25 percent of your pay if that is less.
- If you have kids, shift day care expenses into retirement plans and then college savings accounts like 529 plans.

In your 40s
Formal and detailed retirement planning should start in earnest.

- Project your measured current expenses forward to future dollars and use the time-value of money calculators.
- Research Certified Financial Planners™ to determine if engaging one makes sense for you.
- Study your long-term portfolio to ensure that you have enough stocks to keep it growing. Stocks are linked to long -term economic growth so they will help you keep pace with the price increases you'll see in retirement because of inflation.

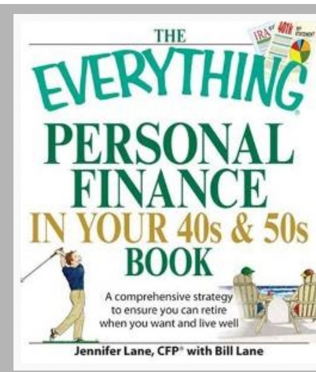
In your 50s and 60s
Asset allocation, cash flow, and tax planning become especially important.

- Study -- or work with a Certified Financial Planners™ -- to understand how risk and return and stocks vs bonds affect how much you can safely withdraw from your portfolio to reduce any anxiety and put short-term portfolio value changes in perspective.
- Many people use a rule-of-thumb of not withdrawing more than 4 percent of their portfolio in a year to supplement Social Security or pensions.
- Update and review your retirement plan every year. This will help you plan beyond that rule-of-thumb to achieve a more reliable long-term retirement withdrawal rate.

No matter where you are right now, jump onto the timeline and catch up to wherever you need to be. Knowledge is power.

Q&A

Q: Money burns a hole in my daughter's pocket. She gets a consistent allowance, but she is always out of cash. We're out of ideas.
-- Melissa, Arlington



(click here for link)

Helpful Websites

Certified Financial Planners

MINT.com

YouNeedABudget.com

Join our Mailing List

Forward to a Friend

A: Melissa, this is a great opportunity to begin your daughter's financial education. Sit down with her and explain the difference between short-term and long-term goals. Remember that her idea of long-term may be next week. Then help her plan on how to use her allowance. Once you have the plan, you need to stick your guns! Avoid leakage, e.g., one parent slips her a little bit just to get through until the next allowance day. What seems to be working for my clients is that she spends only her money -- not yours!! And that also means no advances on her allowance. Give her the responsibility on how to spend her money. Her behavior will probably change!

Jennifer in the Media

Below are links to Jennifer's frequent contributions to financial planning articles.

- The ***New York Times*** featured Jennifer in an article titled, **"Balanced Funds Don't Inspire Fear or Greed. That's Why They Are So Useful."** Click **here** to read the article.
- Jennifer discussed both the "snowball" and "avalanche" methods of paying off credit card debt in an article from ***CNN Money***, **"Which Credit Card Should I Pay Off First?"** Click **here** to read the article.
- With a contrarian view, Jennifer contributed to an article, "***People are enraged by the idea that you should have twice your salary saved by the time you're 35!***" published recently by ***Business Insider***. Click **here** to read the article.
- Moving in together? Click **here** for the article from ***Business Insider***, **"Five questions you and your partner should answer before taking the biggest step in your relationship**."
- ***Insider*** asked Jennifer to contribute to an article on old fashioned ways to manage your money, "**Six money-saving tips your grandma used that are way more effective than any budgeting app**." Click **here** for the article.
- Jennifer contributed to an article on ***Business Insider***. Click **here** to read "**This is the best way to do your taxes online - according to experts**."
- **CNN Money's** *Money Moves* featured Jennifer in an article on how to strike the right balance between retiring early and saving enough. Click **here** to read the article.
- Jennifer contributed to a ***CNN Money*** article "**When is the Right Time to See a Financial Advisor**?" Click **here** to read the article.
- Jennifer contributed to ***The Wall Street Journal*** article "**The Biggest Money Mistakes We Make -- Decade by Decade**." Click **here** to read the article.

Compass Planning News

- AdvisoryHQ named **Compass Planning** as one of the ten best Boston financial advisors.
- Jennifer recently answered NECN viewer questions about ***Medicare open enrollment***. Click **here** to watch the segment on her blog.
- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 7:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.