



**COMPASS**  
PLANNING ASSOCIATES

Fee-Only Financial and Investment Planning

(888) 320-9993



## On Course

March 31, 2015 Volume 15, #3

Welcome! This month we're tackling the last three tabs of the financial plan: taxes, retirement planning, and estate planning. We especially love to help people with creating and updating their financial plans. It's the best way we've found to help clients identify and then achieve their financial goals.

Part 1 of "**Your Financial Plan**" was the most popular newsletter we've published! Click [here](#) to read if you missed it.

If you want to create or update your financial plan, remember we're here to help you stay *On Course*!

-Jennifer Lane, CFP

### In This Issue

[Your Financial Plan](#)

[Question & Answer](#)

[Monthly Tip](#)



**Jennifer's Hint**

## Your Financial Plan

**Getting in touch with your finances and creating a simple plan for staying in control is the best way to keep your money working for you, not against you. It's a lifestyle, not just a one-time exercise. You can succeed by learning about your money and how to manage it well.**

### Taxes

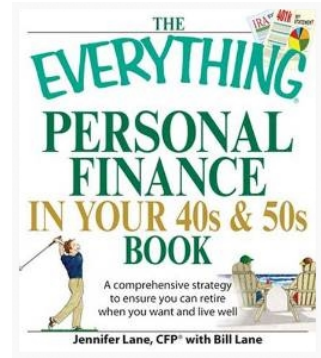
- This tab is more about developing strategies than doing your taxes.
- Reviewing past tax returns gives you a strong picture of where you are in terms of both work and investment income as well as expenses.
- Pay attention to what tax bracket you are in so you can make informed decisions about activities that push you into a higher one.
- You want to develop investment purchases and sales strategies based on your retirement horizon. For instance, in pre-retirement, long-term capital gains may be better.
- Understand and plan for realized gains, net losses, and carry forwards.
- Once you have reviewed and decided on strategies, we always recommend doing taxes yourself (manually or with online programs) so you understand your situation. Then, for complicated returns or your peace of mind, certainly use an accountant or enrolled agent.

### Retirement planning

Retirement planning can be stressful, especially if you and your partner have different ideas of what you'd like to do or how much you'd like to spend. A disinterested third party such as a financial planner, marriage counselor, or life coach can help mediate your discussions.

**Get more tips in Jennifer's book**

- This tab is such an important piece of the whole picture.
- Planning and understanding what your spending needs will be gives you the ability to know whether your assets can last throughout retirement.
- The earlier you learn to create a budget and then follow it, the easier planning (and saving!!) will be.
- Don't estimate income and spending -- you'll likely be off target. Track and analyze to have real numbers.
- As you get closer to retirement, you will need to develop strategies for taking social security. Often, your choice of how to begin taking social security locks you and your spouse in so it's imperative to know the advantages and disadvantages of each option.
- Once you've retired and you're drawing on your portfolio, you still need to plan how much and where to take the cash for your expenses with an eye towards taxes and continued growth of the assets. Your well-honed budgeting skills will help you in this phase as well.



([click here for link](#) )

## Estate planning

- The last piece. You plan and work hard to earn and save; make sure what you've accumulated goes where you want it to when you're gone.
- Don't focus just on the federal estate laws! Some states have lower exemptions, resulting in unexpected taxes.
- Whether you have a will or trust, check every year on your beneficiaries. Most common mistakes are to forget to add a new child or to leave in former spouses.
- Have conversations about your estate plan with the people who are affected so they know your thoughts and wishes. These can be difficult to begin but are so important for everyone.
- If you set up trusts, make sure you review regularly to ensure that the investments are funded to the right accounts and that all your assets match the paperwork in the trust.

## Helpful Websites

[Bankrate.com](#)

[CalcXML](#)

[H&R Block Online](#)

[IRS FreeFile](#)

[MassBar.org](#)

[Mint.com](#)

[NAELA.org](#)

[TurboTax](#)

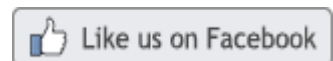
## Q&A

**Q:** I've heard you need 25 times your pay in savings before you can retire. That is a crazy number. Does anybody really ever reach that?

-- **Scott, Worcester**

**A:**

Scott, that 25 times your pay is based on a 4 percent withdrawal rate from your savings. First, consider that the money you receive from social security and any pension you have will cover part of that. Then figure out your actual expenses. For instance, if you expect additional expenses of \$20,000, you need a nest egg of \$500,000. If you start early enough, that's achievable.



## What's New

- Financial Planning's recent article, *When to Use Stop-Loss Strategies*, includes comments from Jennifer. Click [here](#) to read the full article (registration required).
- The CFP Experts' Corner has featured Jennifer's article, *Keeping your Data Safe Online*. Click [here](#) to read the full article.
- Jennifer recently answered NECN viewer questions about *life insurance*. Click [here](#) to watch the segment on her blog.
- Follow us on Facebook! Visit [www.facebook.com/AskJennifer](http://www.facebook.com/AskJennifer) and like us!

- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 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.

*All contents of this newsletter Copyright 2015 Compass Planning*