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Financial Briefs

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Squeezed by Competing Needs

At a time when baby boomer couples should be saving for their own retirements, many feel squeezed by competing financial needs. Having started families later than past generations, their children may just now be entering college or still living at home. At the same time, aging parents may need financial assistance. It is a dilemma that is likely to become more common.

Caring for Parents

As life expectancies continue to rise, it becomes increasingly likely that you may need to help an aging parent. Some financial precautions you should consider now include:

- Investigate long-term-care insurance for your parents. If they can't afford the insurance, you may want to purchase it for them.
- Have your parents prepare a listing of their assets, liabilities, and income sources, including the location of important documents. This can save time if you need to take over their finances.
- Make sure your parents have legal documents in place so someone can take over their financial affairs if they become incapacitated. They may also want to delegate healthcare decisions.
- Understand the tax laws if you provide financial support to your parents. You may be able to claim them as dependents if you provide more than half of their support. Additionally, you may be able to deduct medical expenses paid on their behalf.
- Find out if your employer offers a flexible spending account for elder care. This may allow you to set aside pretax dollars to pay elder-care expenses for a dependent parent.

Assisting Your Children

For many families, college costs are significant. While you may want to pay all college expenses for your children, it may not be feasible with competing needs to save for retirement and/or assist parents. Some strategies to consider include:

- Shift some of the burden to your children, requiring them to work part-time during college or take out student loans.
- Understand the financial aid system, investigating all financial aid sources. Search for scholarships that are not based on need.

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Expenses Cutting into Savings?

For those who are getting close to their retirement years, there are ongoing expenses that put a major dent in retirement savings. There are ways to increase retirement sources without increasing income, and they have to do with monthly ongoing expenses that can be reduced.

Refinance

Your mortgage is most likely your largest debt, so if you can refinance at a lower interest rate, you could save a significant amount of money that can go toward your retirement savings. Experts say if you can reduce your rate by a least 1%, then refinancing probably makes sense. You should also look into refinancing other loans you have such as your automobile.

Credit Cards

Credit cards are another source of debt that eats into your retirement savings. The average household pays over $2,600 in credit card interest every year that could go toward retirement savings (Source: Investopedia.com, September 15, 2017). Ask your credit card company for a rate reduction or transfer balances to a lower-rate card. You can also look for a card that offers a 0% interest rate for 12 to 18 months.

Energy Costs

Most people probably don't think they can save significant money by becoming more energy

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Competing Needs

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Apply to several different colleges, looking for the best financial aid package. Negotiate with your child's preferred college to see if you can increase that financial aid package.

- Look for ways to reduce the costs of college. Your child can start at a community college, which is often cheaper than a four-year university, especially if the child commutes from home. Also consider a public university in your state, which will generally be more affordable than a private university.

Once your child graduates from college, don't assume your financial responsibilities are over. Adult children may return home for a variety of reasons — they can't find a well-paying job, they have too much debt to live alone, or they divorce and need financial support. If your child returns home, realize there are increased costs — additional food, phone bills, utilities, etc. Consider charging rent and imposing a deadline on how long he/she can stay.

Don't Forget Yourself

When faced with the competing needs of children and aging parents, it's easy to neglect your own need to save for retirement. But don't feel guilty about your retirement needs. One of the best gifts you can give your children is the knowledge that you will be financially independent during retirement. Consider the following:

- Calculate how much you need for retirement and how much to save on an annual basis to reach that goal. Don't give up if that amount is beyond what you are able to save now. Start out saving what you can, resolving to significantly increase your savings once your parents' or children's needs have passed. Also consider changing your retirement plans, perhaps delaying your retirement or reducing your financial needs.
- Take advantage of all retirement plans. Enroll in your company's 401(k), 403(b), or other defined-contribution plan as soon as you're eligible. Also consider investing in individual retirement accounts. All provide a tax-advantaged way to save for retirement.
- Reconsider your views about retirement. Instead of a time of total leisure, consider working at a less-stressful job, starting your own business, or turning hobbies into paying jobs.

Please call if you'd like to discuss these issues in more detail.

7 Steps to Make Saving a Habit

Habits are all about the principle of human inertia: we tend to keep doing what we've always done and shy away from doing something new. That principle may work against you at first. If you're not used to saving money, it can be hard to get started. But once you gain some momentum, it'll be relatively easy to keep it up.

We all need to save money to meet our financial goals. If you haven't started saving or aren't saving enough, here are some tips:

1. Take full advantage of payroll saving plans. Automatic payroll deduction is, without doubt, a great financial innovation. With just a few strokes of a pen on an authorization form, you hook yourself up to a savings program that works for you without any more effort. It doesn't matter what type of plan it is or how much you deposit. Just get started, and you have a new habit.

2. Aim to max out on company matches. When a company offers you a matching contribution, it's like they're saying, "Here's some free money. Want it?" What argument can anyone make to turn it down? The only conceivable one is that you need all your money to pay bills.

3. Treat saving like a bill. The old adage for saving is, "Pay yourself first." It makes perfect sense, and the trick is to treat saving like any other bill. Name an amount and a date to pay it, and make the payment when it comes due. Instead of driving to the bank, you can mail your deposit in or transfer the money online or over the phone.

4. Set up automatic checking debits. Many financial institutions offer automatic withdrawals from your checking account into your savings account, money market, or other investment account. These automatic withdrawals are as good as payroll deductions at making saving easy.

5. Set annual goals for account balances. You can never reach a goal if you don't have one. Specific annual targets for account balances become incentives to save, and by dividing the difference between your current balance and target, you can easily find the periodic amount you'll need to contribute.

6. Devote your raises to savings. When you get a raise, don't forget to increase your savings. If you can afford to, bank the entire raise. If not, at a minimum, increase your savings proportionally.

7. Save your loose change. Keep a savings jar and at the end of the week, put your loose change in it. This can mean more than coins. It can be bills below any denomination you choose, like anything less than a 10- or 20-dollar bill. At the end of the month, take it to the bank.

Saving is all about discipline — denying yourself immediate gratification in favor of securing your future. For some people, this is instinctively difficult; but at some level, it's a challenge for everyone. Following these seven steps can take some of the pain out of creating a new habit or adjusting an existing one to help you pursue your goals.

Expenses?

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efficient, but you'd be surprised. If you make home modifications, such as weather-stripping, caulking, using a programmable thermostat, switching to energy-efficient light bulbs, insulating your hot water heater, and reducing your water heater setting to 130 degrees, you could save up to 20% on your utility bills.

Food

According to experts, there are things you can do to cut your annual grocery bill in half. Strategies include making a grocery list and sticking to it, buying advertised specials, using both paper and electronic coupons, buying items in bulk, and stockpiling items when they are on sale. Also, if you take your lunch to work and stop buying that morning coffee, you could save approximately $1,900 per year.

Transportation

First, shop around for less-expensive car insurance and look at raising your deductible, if that makes sense for your family. Also, if you are in an area with good public transit, the American Public Transportation Association says you could save up to $9,600 per year (Source: Investopedia.com, September 15, 2017).

Entertainment

The Bureau of Labor Statistics reports that the average American spends $2,800 per year on entertainment (Source: Investopedia.com, September 15, 2017). Take a serious look at what entertainment expenses you can cut or reduce. Think about things you may not be using, such as subscriptions to newspapers or magazines, club memberships, a different cable package, or cell phone plans.

By employing some of these strategies, you could be putting thousands more toward your retirement savings. It's certainly worth doing the math to see how much more you could be saving. Please call if you'd like to discuss this topic in more detail.

Saving and Life Planning

Knowing when and how to save for different periods of your life can seem a daunting task. After all, everyone is different, so how can one plan or system really apply across the board? The truth is, while everyone should have a savings plan customized to their own circumstances, there are some benchmarks and guidelines that are good to follow to meet financial goals.

When You're in Your 20s

This is the time in which you'll be making the least amount of income but will have fewer expenses as far as dependents go. Your priorities should focus on creating a safety net to avoid taking on potentially crippling debt in case of dire need and jump-starting your retirement savings so it has as much time to grow as possible.

You need to focus on building an emergency fund equal to three to six months' worth of living expenses that is readily available if needed. This means it should be liquid, in short-term savings vehicles like a bank account.

Begin putting money into a 401(k) plan or individual retirement account (IRA). Even if you can only contribute small sums, the long-term effects of compound interest will work in your favor down the road.

Additionally, it is a good idea to start saving for a down payment on a house. Housing prices and interest rates will likely continue to rise, so if you believe you will be in the same place for at least the next two to five years, and your area's housing market can bring a mortgage payment in at or under your current rent payment, you may as well begin to build some equity in home ownership.

When You're in Your 30s and 40s:

Priorities at this stage of life begin to diverge a bit more. If you have children, it is important to begin saving for their educations. Tax-advantaged 529 college savings plans are not very flexible, but they score high marks when it comes to state and federal tax breaks, high contribution limits, and age-based options. An Education Savings Account (ESA) has lower contribution limits, fewer state tax breaks, and no real age-based options. Although it ultimately depends on your resident state, a 529 college savings plan is a good way to combat the rising tuition costs you and your children will face in the future.

When You're in Your 50s

This is usually the peak of your earning years and when many parents have started weaning their children off full financial support. This means retirement contributions should be the largest yet, and federal limits on annual contributions have a higher ceiling to accommodate this greater amount of saving. In 2018, the limit for IRA contributions for those under 50 is $5,500, and those 50 and older can contribute up to $6,500. The limit for 401(k) plans is even more generous, with 50-year-olds or under able to contribute up to $18,500 while those over age 50 can contribute a maximum of $24,500 annually.

If you are in your 50s and worried you have only saved half of what you'll need by 65, you are not alone. This high-earning, high-contributing time is when many people make up the difference and still retire with a well-funded account.

When You're in Your 60s — Getting Close to Retirement

At this time, you should still be contributing more than ever to your accounts and acquiring assets for your retirement. With less than six years left before you retire, consider changing your portfolio in favor of more lower-risk investments.

Please call if you would like to discuss this in more detail.

News and Announcements

From the Thurman Household

My son, Levi finished the semester with a 4.0. The Medical Terminology class was the close one. He's considering summer school and then will lack only 6 hours for his Associate's degree. Then he will be off to a university, yet to be determined. At home, he's working on a "mining rig." This is a computer rigged up to "mine" crypto currency like Bitcoin. I don't think I'll ever get into for several reasons but he's enjoying the challenge.

I'm finally getting back into running. I'm up to 2.25 miles now, three times a week. Before shoulder surgery I was doing 5-6 miles almost daily. I'm not saying I'm moving slowly but a guy walking a dog passed me today.

My new book, *More than a Millionaire* is out and getting great reviews. My previous book, *The All Weather Retirement Portfolio* is now on audio book, if you prefer that format. If you're on Amazon check them out.

Thank you for all the referrals! Business has been incredible due, in large part, to client and friend referrals.

Have a great month!

Randy Thurman, CFP®, CPA/PFS

From the Flinton Household

Leave it to mom and dad to never miss a teaching opportunity. Especially a teaching opportunity regarding finances. My daughters, Samantha and Emerson, had outgrown their bicycles and had mentioned this fact to me shyly, as they surely know my philosophy of work and life by now. Seeing as I am no genie that grants magical wishes, we structured a system of work for them to earn the necessary fifty tally marks to work towards earning their new bicycles. We let them determine what things they could do to earn marks, but this was made more challenging due to the fact that it is already their responsibility to put up their own laundry, clean their rooms, as well as pick up their play room and other items they might leave around the house. To be clear, this is just part of being a member of our household; they don't receive anything for those activities. As I see it, the day they were born they came into this world indebted to mom for nine months of room and board. They worked diligently cleaning baseboards, vacuuming cars and the house, as well as doing our laundry and making our bed. Again, their choices, not ours. As they saw the marks adding up, we could see their sense of accomplishment growing as they worked toward their goal. After a few weeks, they had in fact earned their new bikes, and they were ecstatic when we went to the store so they could pick out whatever bicycle they wanted. The pride those girls have riding around on bicycles they worked hard to earn, is a life lesson that I would never dare rob them of. I know they are happier with their hard work, rather than just being granted their wishes. If this isn't parenting success, I don't know what is.

Have a wonderful summer!

Andrew Flinton, CFP®

From the Bolander Household

Have you had enough of the political commercials, yet? Well, it's no wonder since we have primary elections on June 26th for about 524 offices across Oklahoma! Every one of them is an important decision, and we each have a civic duty to study up on the candidates and get out to vote. President FDR declared, "Nobody will ever deprive the American people of the right to vote except the American people themselves and the only way they could do this is by not voting."

Recently, I attended a conference in Savannah, Georgia. The beautiful, quaint old city sits on the Savannah River with a very active seaport into the Atlantic. Founded in 1744, it was designed with small blocks and parks throughout. Its historical significance is remembered as the end of Sherman's march to the sea, for the large number of WWII US Naval ships built there, and the many prominent people in history who lived there. My mother relays vivid stories from her great-grandmother who hid down by the creek when Sherman's troops marched through their homestead near Atlanta. It was frightening, but fortunately none of the family was lost during that time. So, while in Savannah, in homage I had a real sweet tea and peach cobbler. It was delish!

Brenda C. Bolander, CFP®, CPA/PFS