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Financial Briefs

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Give Yourself a Money Makeover

A new haircut or wardrobe overhaul can work wonders in terms of giving someone a fresh outlook on life and a self-esteem boost. The same can be said for a money makeover. While it might not be quite as fun as a traditional makeover, a money makeover can improve your finances. Best of all, unlike other kinds of makeovers, a money makeover can actually save you money.

Step 1: Identify your flaws. Any makeover begins with identifying the things you want to change. Sit down, make an honest assessment of your current financial state, and then list a few things that you wish were different. For example, your list might include:

- Save more money
- Purchase a house
- Stop relying on credit cards
- Figure out where all your money goes

Be honest at this stage. You need to face up to things you want to change if you want your life to be different. At the same time, if your list is a mile long, don't beat yourself up over it.

Step 2: Decide what you want to change. If you're like most people, your list of potential financial fixes is a bit overwhelming. Since you won't be able to tackle everything at once — and because there are some things you may not be able to change at all — you'll need to prioritize.

Look at your list and highlight a few items you think would make the biggest difference in your life and that you can actually do something about. Say you want to buy a house so you can stop renting, but reckless spending has left you with poor credit. Rather than focusing on changing your living situation, you might be better off focusing on improving your credit score, so that one day you can buy that dream house. Or you may wish you had more disposable income. A raise may not be on the table at work, but you may find more income by committing to a budget and reining in unnecessary purchases.

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Talking to Your Parents about Finances

Often, our parents need a gentle nudge or reminder to take their medication or make it to a doctor's appointment. Other times, there's the need for full financial intervention. The tough job is knowing the difference.

Signs That You May Need to Intervene

You may want to consider some degree of financial intervention if your parents repeatedly exhibit multiple symptoms, such as the following: inability to handle day-to-day details, exorbitant expenditures, grandiose thinking, reluctance to spend money, increase in the number of checks written, excessive opening and closing of accounts, uncharacteristic withdrawals of large sums of cash, unattended long-term obligations, or unpaid bills.

How to Approach Your Parents

At issue is the element of control — most seniors loathe giving up control in their lives. The best approach is to appeal to their sense of protection where you're concerned. For example, you might say something like, "I'm attempting to do my own financial planning, but I need to know more about yours in order to plan accordingly." This can then open the discussion about their plans for long-term care and if they have money earmarked for assistance if needed, either through savings or a long-term-care insurance policy.

In some cases, the most effective strategy may be to engage the services of a third-party expert, such as a financial planner, tax advisor,

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Money Makeover

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Step 3: Take action. The next step is to actually implement your makeover. Take the steps you need to make the necessary changes in your life. It may be helpful for you to come up with a calendar or list of specific action steps to keep you on track and help prevent getting discouraged.

For example, if you're looking to improve your credit score, you might make a list of specific things you need to do to make that happen with deadlines for each one. For example, check your credit report for errors, automate bill pay in order to avoid future late payments, and pay off one credit card in full in two months.

If it's your spending that's the problem, you might start by simply tracking how and when you spend for a week or two. Then, you might look at that information and see that you're spending $40 per week on after-work drinks. Once you know that, you can make an effort to stop or reduce spending and dedicate that money to other goals.

Step 4: Get help if needed. You don't necessarily need fancy tools to give yourself a financial makeover. But it often helps when someone has your back. If you're worried about your ability to turn your makeover dreams into reality, you may want to seek the help of an expert on issues related to taxes, retirement, college planning, debt repayment, and more.

Not only can they provide valuable and objective advice, but they'll also be a coach who can help you stay on track and achieve your money makeover goals.

Celebrate your success. As you take steps to change your financial life, be sure to stop and celebrate your successes. Give yourself a pat on the back — and perhaps a small reward — when you pay off that credit card, stick to your monthly budget, or set up automatic contributions to your retirement account at work.

Big Life Changes?

Does your financial plan fit with your current life? If it's more than a few years old, there's a good chance it doesn't. After all, your financial plan isn't just a static document.

It's a dynamic set of guidelines that need to be adjusted whenever your life changes. As your income changes and goals and circumstances shift, you need to update your plan accordingly.

Here are five times in your life when you may need to make big changes to your financial plan.

When You Get Married

Getting married is often the first major life event that leads people to think about updating their financial plan — or getting a financial plan in the first place. Once you get married, you also need to marry your finances.

The process should ideally start before you get married as you review your debts and income and talk about your goals as a couple. Together, you should make sure you're on the same page and working together to get to where you want to be.

In fact, if you're in a long-term relationship in which your finances are intertwined, you may also want to have a shared financial plan addressing all of these issues, even if you're not married.

When You Have Children

Having a baby means big changes to your life, including your finances. If one parent will be staying home with the little one, you may need to make adjustments to your budget to account for the reduced income. If you'll be relying on daycare, that's another big expense you'll need to add to your budget.

Other issues to consider include updating your insurance to include new dependents, setting up a college savings account, and making sure you have adequate life insurance.

Finally, if you don't already have one, it's absolutely crucial that you have a will and other estate planning documents so that your loved ones, including your children, are protected.

When You Change Jobs

The days of working for one employer over the course of your career are long gone. Chances are you are going to change jobs at least once, if not numerous times, before you retire.

To ensure that your career shifts result in steps up on the financial ladder, you'll want to review your financial plan. Making decisions about your retirement savings is paramount (such as whether you'll roll your money over to a new employer's plan or an IRA), but you'll also probably want to think about issues like insurance, other benefits, and taxes.

When You Get Divorced

It may not be a happy change, but divorce is a reality for many people. If your marriage ends, a financial checkup is a must.

Your income will probably be changing, which may necessitate changes in your budget. You will also need to think about changing the beneficiaries on your retirement and insurance plans, developing a new savings strategy, and more.

When You Retire

When you stop working, that doesn't mean your financial plan is off the hook. As you prepare for this major life change, you'll need to make sure you are prepared financially for life after full-time work.

This includes creating a retirement budget fits your lifestyle and a plan for drawing down your savings in a responsible way. You'll also want to think about issues such as where you will live, end-of-life care, and estate planning.

If you've experienced a big life change recently and need financial guidance, please call.

Talking to Your Parents

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and/or elder law attorney. Parents often feel threatened when children pry into their financial matters. Utilizing the services of an outside professional will help let them know that you have their best interests at heart.

How to Organize Your Parents' Finances

However you end up dealing with decisions about your parents, you'll need to draft or find the paperwork listed here:

- **Sources of retirement income** — If your parents don't keep good records, this may mean checking the mail regularly to wait for income checks and bank or investment statements.
- **Residential preference** — You should regard staying in the family home as a temporary situation that must eventually change regardless of your parents' wishes. Should your parents develop an illness or dementia, they will likely need 24-hour care at some point, and not many adult children can provide this on their own.
- **Last will and testament** — While it's important to honor your parents' wishes, it's also important to stave off sibling arguments and discord in the future. Ensuring your parents write a will helps make sure assets get distributed according to their wishes.
- **Durable power of attorney** — This is legal authorization to take over your parents' finances and make decisions on their behalf. A durable power of attorney for healthcare (DPAHC) allows you to make healthcare decisions on their behalf.
- **Living will** — A living will is similar to a healthcare DPA, but is also an advance directive of the actual wishes of the incapacitated person regarding healthcare, such as life-sustaining measures or resuscitation.
- **Funeral arrangements** — Many times seniors make these arrangements but forget to tell their children.
- **Update beneficiary forms** — These may be outdated and include everything from insurance policies to investment payouts.
- **Create a plan for estate taxes** — The larger the estate, the more prudent it may be to seek advice from an estate attorney or financial advisor.

The key elements to your parents' financial security and longevity are to determine how much they need to live on now — and in the future — and be sure to factor in increased healthcare expenses.

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

Take Inflation into Account

Inflation is one the most insidious risks investors face, for two reasons: 1) it's unavoidable and 2) it's easily overlooked.

Inflation Reduces Purchasing Power

At an annual rate of inflation of 3%, a loaf of bread that cost $3.00 last year costs $3.09 this year. That doesn't seem too bad. In fact, since 1926, the U.S. has experienced an annual rate of inflation of 3%, which is deemed a healthy rate for economic growth.

The other way to look at that 3% hike in prices is that the dollar you owned last year is now worth just 97 cents. Again, that alone doesn't seem like a big deal, until you compound that rate over time. After 10 years, at that same rate of inflation, a dollar is worth 74 cents; after 15 years, it's worth just 64 cents; and after 25 years, it's worth only 48 cents.

Inflation Dwindles Investment Returns

Financial experts and economists make a distinction between nominal and real or inflation-adjusted growth. Nominal growth means that if the market value of your IRA rose from $100,000 to $103,000, it grew by $3,000, or 3%. But if the prices of all goods and services also rose 3%, your real return was 0% — inflation discounted every penny of growth you earned.

The Implication for Investors and Retirees

The direct implication for investors is the need to account for inflation in their financial plans. The way financial advisors do this is to either 1) state your goals in present dollars (i.e., don't adjust them for the effects of inflation) and subtract an assumed rate of inflation from your expected return; ***or*** 2) state your goals in future dollars by compounding your current expenses by the assumed rate of inflation, and use your nominal rates of return to project your future asset values.

To deal with inflation, investors and retirees may require some adjustments in how they invest or must reduce their lifestyle costs in retirement. Since historically stocks have been the best way to keep your investment assets growing faster than inflation, even the most conservative investors may need to keep a healthy percentage of their portfolios invested in stocks.

The investor who thinks he's avoiding risk by staying out of the stock market is ignoring inflation risk. Without some offset for the eroding effect of inflation, such ultraconservative investors virtually guarantee that the longer they live, the less purchasing power they will have.

Does your financial plan take inflation into account or are you already retired and withdrawing as much or more than your portfolio earns to support your lifestyle? These are absolutely essential questions to address.

Please call if you'd like to discuss inflation and your financial plan in more detail.

News and Announcements

From the Alexander Household

In *The Behavior Gap*, Carl Richards writes, "When I get up in the morning, I try to remember what really makes me happy — great experiences with the people I love."

I had one of these experiences recently with Jackson, our 11-year-old son, when he performed at the Junior Theater Festival in Atlanta with KidsAlive! Each group has 15 minutes to perform, and we enjoyed watching the other groups. After performing, we were surprised by the thunderous applause and three standing ovations. At this Festival, there were 5,832 people representing 115 theater groups from four countries. Groups are encouraged to support each other.

The adjudicators gave feedback to each group. These Broadway veterans were able to transform performances before our eyes. With one group, they asked the ensemble to have silent conversations rather than lip-sync. It was fascinating to see the improvement.

I love what Jackson is learning from the experience, including the memorization of lines, teamwork, the value of rehearsals, taking direction, and adaptability. He enjoys being in front of an audience. KidsAlive! is led by Shawna Linck and Chad Haney in partnership with Jewel Box Theatre at First Christian Church.

Best wishes,

Carol Ringrose Alexander,
CFP®, AIF®, CDFA™

From the Flinton Household

"We the people tell the government what to do, it doesn't tell us." ~ Ronald Reagan

As the political machines ramp up production and the election cycle bears down on the public with full force, I am intrigued by the ever-changing landscape of American politics. As I reflect on the history of American and the values that made us great, I can't help but wonder what our country will look like in just a few short decades. Many years ago a wise man, now in his late 80s, commented to me that his generation grew up with statesmen, while my generation will only know politicians. Truer words may never be spoken.

One evening a Presidential nominee debate was taking place, and I noticed my young daughters were captivated by what they saw. I began to explain that the people they saw were candidates to be the next President of the United States. My five-year-old daughter exclaimed with excitement that she knew of some Presidents. "So they will be like George Washington and Abraham Lincoln!" To which I quickly and honestly replied, "They're no Washington or Lincoln!" I hope I didn't burst her bubble, but there is only so much a father can take.

Make it a great month,

Andrew Flinton, CFP®

From the Rudy Household

A few days ago, I was driving Tatum, our nine-year-old, to basketball practice. On most days, assuming we catch the green light, we are minutes away from practice and normally take this time to cover a couple key things to focus on during practice. This particular drive, Tatum had a much broader topic.

The conversation started with her asking me how much do teachers get paid and if it was something like $50 or $500. I shared the starting salary for teachers and she was very pleased to hear my answer. It was decided that she was going to be a teacher. She then asked how to find a nice husband "like you." Now I was feeling pretty good, so I asked her what she meant by "nice." She said a nice husband who will share his money with her. Tatum informed me that she wanted to teach for a few years, have her nice husband work and share his money, and she would stay home with the children.

In our short trip, I was just hoping to cover some basketball shooting and rebounding tips for practice. Instead, we covered Tatum's career, husband criteria, and her quick retirement plan! I am anxiously awaiting our drive to practice next week.

Best wishes,

Chad Rudy, CFP®