

Planning Tips for Financial Life Stages:

High Earners

As you reach certain milestones in life, you are reminded that you are constantly evolving and adapting to the changes that life brings. For example, when you reach your thirties and forties, your responsibilities often increase. You might be single, married or divorced with a family of your own. You may be entering your peak earning years in your career.



You are probably accumulating assets through savings and major purchases. There's also a good chance your living expenses are at an all-time high. During these years, it's important to make sure that your financial plans are up to date. The following are some financial planning tips to consider during this stage of your life.

Create or Review Your Overall Financial Plan

If you have not had a formal financial plan prepared, talk to your financial advisor about doing so. Establishing goals and then analyzing your current situation will help you to determine what you need to do to reach those goals. Financial planning is a process rather than a static blueprint of your financial dreams, so your financial plan must be reviewed and revised over time.

Review Your Retirement Cash Flow Projection

As a part of your updated financial plan, make sure that the funds that are projected to be available when you retire will be sufficient to sustain your expected lifestyle. If your cash flow projection shows that you could outlive your assets, consider ways that you can adjust your retirement goals, eliminate expenses and save more.

Increase Savings

To the extent possible, consider increasing your contributions to your employer-sponsored retirement plan. At the very least, make sure you are contributing up to the amount that your employer will match. Also, consider making or increasing contributions to a traditional or Roth IRA. Building savings in a taxable account is also a good idea. The sooner you commit to saving more, the more time you have for compounding to work in your favor.

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Review Your Budget

Your budget may be on autopilot right now, but it's still important to review it periodically to see if there are expenses that you might be able to reduce or eliminate in order to save more for the future.



Review Your Investment Allocation

As you age, your investment allocation will probably need to be tweaked. Generally speaking, you'll want to reduce equity exposure and increase your fixed income holdings in order to preserve principal as you move closer to retirement. In addition, certain milestones such as the birth of a child or grandchild or a job change will often cause a shift in your financial goals and/or risk tolerance. It's important that your investment allocation reflects any changes that have occurred.

Review Your Estate Planning Documents

Make sure that your documents are up to date and reflect your current situation and wishes. For example, if you've recently had a child, you should have a legal guardian named for that child in case something happens to you. If you don't have

documents in place, ask your financial advisor for the report titled "Essential Estate Planning Documents" that includes information on basic documents most people need and then meet with your attorney to determine what's appropriate for your situation.

Review Your Auto and Homeowner's Insurance Policies

Make sure that your coverage is sufficient. Life events such as the addition of a teenaged driver could warrant higher auto policy limits. Also, as you accumulate assets and your net worth and income increase, your auto and homeowner's policies may not provide enough coverage. Talk to your insurance agent to see if your particular situation would benefit from the additional liability coverage of an umbrella policy.

Review Your Disability Insurance Coverage

Disability insurance is a must for anyone who relies on earned income to live. As you develop in your career and your earnings increase, it becomes even more crucial to have sufficient disability insurance coverage. If you become disabled, the insurance benefits will provide an income stream to replace your earnings. No matter what your age, accidents and illness can happen, and you should be prepared.

Consider Life Insurance Protection

If you have a family of your own, you will probably want to provide for them after you're gone. Life insurance is a great way to provide a replacement for lost earnings due to premature death.

Many people don't think about the many expenses that can arise shortly after an untimely death. Funeral expenses, medical bills and other unpaid bills can accumulate quickly. Life insurance

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proceeds can be a great way to provide liquidity to cover those types of expenses, so that assets do not have to be liquidated. Your financial advisor can assist you in determining the appropriate amount of life insurance for your particular situation and goals.

Explore Long-term Care Insurance

Healthcare costs are inflating at a much higher rate than most other living expenses. Planning ahead for long-term care may allow you to lock in a lower premium for coverage when you need it down the road. Talk to your financial advisor to determine when is the best time to consider adding long-term care coverage to your protection plan.

Hire a Tax Professional

If you're like many Americans, you prepare your own tax return every year. You might think you are saving yourself money by handling your own taxes, but in reality, you could be missing out on tax breaks if you're not a tax expert. The fees you pay to have a qualified tax professional prepare

your tax return and review your overall situation for potential tax savings strategies may be well worth it.

Consider a 529 Savings Plan or Coverdell Education Savings Account

If you're looking to save for your children's or grandchildren's education expenses, consider contributing to one of these tax-advantaged accounts. Your contributions can grow tax-deferred and distributions will be tax-free if used for qualified higher education expenses. In addition, your state may offer an income tax deduction for contributions to the in-state 529 savings plan.

As you reach milestones in your life, it's also a good time to review and update your financial plans to make sure they appropriately address your current needs and goals. The strategies in this article are some of the more common ones that you might find helpful. For more information on these or other financial strategies, please consult your financial advisor. ■

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