SUCCESSFULWOMEN

TIMELY INVESTMENT AND FINANCIAL PLANNING TOPICS

Ensuring your financial plan outlives you

Generate seamless life transitions by tailoring your plan to the needs of both you and your spouse

Married life brings with it a divvying up of responsibility. In the past, husbands often oversaw investments and handled retirement and estate planning details. This is changing, however. And, considering women typically outlive their male counterparts, modern couples understand it's essential for both individuals to be familiar with their family's financial plan. It's also important to keep in mind that the partner who assumes the lead financial role has a responsibility to ensure the financial plan can be maintained if and when one spouse passes away.

STRATEGIC COORDINATION

Unfortunately, because discussing a loved one's death is unpleasant, many couples put it off. That's a mistake – one that invites problems by essentially assuring that the surviving spouse will have to make important decisions while they're dealing with the stress of a major life loss. Making certain your financial plan survives you begins with talking about it, in detail, with your spouse.

This is particularly important because the person who handles financial matters may have a temperament that's better suited to the task, meaning the surviving spouse can be left with a plan that seems complicated and difficult to follow. Since that spouse also will be dealing with grief, it's easy for trouble to surface. And although the spouse who's maintained the couple's finances likely views their financial advisor as someone their partner can turn to when they're gone, the other spouse may not view the relationship in the same light.

> Alongside your financial advisor, identify and discuss the different ways each spouse approaches investing – then plan accordingly.

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Ensuring your financial plan outlives you (cont.)

Avoiding this unfortunate outcome can be eased by recognizing that there are three parties in this equation, and that forming a good working relationship between you, your partner and your financial advisor is of the utmost importance. This relationship should include – at a minimum – an understanding of your investment strategy and portfolio holdings, what accounts are included, how assets are titled, and what needs to happen if one spouse dies. In this regard, it's a lot simpler if your and your partner's accounts are all under one roof.

THOUGHTFUL ACCOMMODATION

Acknowledging that the surviving spouse may not want to handle financial matters in the same way is essential for the long-term success of your plan. For example, choosing specific stocks, bonds and other investments may be fine for a well-informed and experienced "do-it-yourself" investor. However, the surviving spouse may not have the time, experience or inclination to be a portfolio manager. If that's the case, it may be wise to either modify the portfolio ahead of time or identify investment alternatives that may be more suitable for the surviving spouse. Creating an investment policy statement – a document that discusses important subjects such as the annual withdrawal rate your portfolio can support – can also help to guide the less-involved spouse when the time comes.

THOROUGH PREPARATION

A well-structured financial plan will also include appropriate cash reserves, which will prove especially important for the surviving spouse. Having immediately available cash gives the survivor time to adjust without needing to make major financial decisions. Try to set aside a year's worth of living expenses – more, if you can manage it – in highly liquid accounts such as CDs, money markets, and checking and savings accounts. Though yields in these kinds of accounts are minimal, that's not the major consideration here. You want to buy time for the survivor. Life insurance is essential and can help, but there's no substitute for immediately available cash.

To be fully prepared, it's also important that you and your spouse both understand whatever recordkeeping system has been used and have easy and immediate access to those files. Be aware that your way of approaching financial recordkeeping may not make sense to your spouse, and try to bridge any gap that exists.

It's useful to have a master directory that covers every relevant account, asset and obligation. This might include bank and brokerage accounts, corporate retirement plans, IRAs, life insurance policies, real estate and other assets such as coins, art and collectibles; partnership agreements if one or both spouses have their own businesses; and any other items that have a bearing on your long-term financial objectives. This directory should include account names and numbers, contact people and their phone numbers, URLs and passwords – anything necessary to access and manage the accounts. Obviously, you don't want this falling into the wrong hands, so be sure it's stored safely and that there's a backup copy in a separate location. Remember to update both directories as time goes by and your situation evolves.

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Although details matter a lot here, what's most important is ensuring that all your hard work and careful planning aren't damaged or even undone by failing to consider that the responsibility for carrying out your shared goals may shift from one spouse to another late in life. If that reality is acknowledged, discussed and approached as partners, it can serve as a way for you and your spouse to grow closer. ■

Information provided is general in nature, and is not a complete statement of all information necessary for making an investment decision. Diversification and asset allocation do not ensure a profit or protect against a loss. Investing always involves risk and you may incur a profit or loss. CDs offer FDIC insurance and a fixed rate of return whereas both principal and yield of investment securities will fluctuate with changes in market conditions.

NEXT STEPS

- Form a working partnership between your financial advisor, your spouse and you
- Discuss end-of-life details with your spouse and align your planning
- Update your investment policy statement and create a recordkeeping system

Benefit from your birthdays

The road to and through retirement is dotted with time-sensitive financial planning milestones

Not all birthdays are about a driver's license, getting to vote or toasting with a glass of wine. Some are important to your comfort in retirement, too. No matter who you are, the years leading up to and during retirement contain a number of key financial planning opportunities worth capitalizing on. You and your spouse may hit these dates at different times, so be sure to coordinate before making any decisions.

50 This birthday brings catch-up provision eligibility in your IRA and certain employer-sponsored plans. Annual traditional or Roth IRA contribution limits increase from $5,500 to $6,500 for 2018. 401(k) and 403(b) salary deferral limits increase from $18,500 to $24,500. Plus, SIMPLE IRA participants can defer an additional $3,000 of salary.

55 Penalty-free, separation-from-service withdrawals from 401(k)s are now available to you. Health Savings Account (HSA) participants are also allowed a "catch-up" contribution: For single individuals, annual contribution limits increase from $3,450 to $4,450. For families, the limit increases from $6,900 to $7,900.

59 1/2 Withdrawals from most retirement accounts without an additional 10% tax penalty are now possible. Additionally, those who are still working and looking to diversify by rolling funds from their qualified plan to an IRA may now be able to do so.

60 Those who have lost a spouse are eligible to collect Social Security survivor's benefits, assuming the deceased was eligible and the survivor did not remarry.

62 Social Security eligibility begins, but with reduced benefits. Confer with your advisor to best maximize household benefits.

65 Medicare eligibility begins. Those not collecting Social Security should enroll in Part A three months prior to their 65th birthday to avoid a gap in health insurance coverage. Unless you're covered by an employer-sponsored health plan, enroll in Medicare Part B to avoid future penalties.

66–67 Full retirement age for Social Security (depending on birth year) provides eligibility for full retirement benefits. Social Security recommends applying for benefits three months prior to the month you would like them to start.

70 Maximum Social Security benefits are provided at this age. Don't wait any longer to receive them.

70 1/2 The year you turn 70½ is referred to as your "first distribution year" and required minimum distributions (RMDs) from qualified accounts must begin. The IRS allows the first RMD to be postponed until April 1 of the year following the "first distribution year"; however, subsequent RMDs are due by year-end of each year.

NEXT STEPS

- Map out when you and your spouse will hit these planning milestones
- Work alongside your advisor to address key benchmarks
- Coordinate with your spouse and planning professionals as each year passes

Sources: irs.gov, hsacenter.com

The professional parent

Modern moms juggle the demands of parenthood and a full-time career

The demands of motherhood and of a full-time career are weighty and rewarding, and more and more women are managing to juggle these dual roles with success. According to the Center for American Progress, "Women now make up half of all workers in the United States, with nearly 4 in 10 homes having a mom that is also a working mother." Striking this balancing act can be challenging, but it can also be a wise financial move – especially when you consider that women who stay at home or work part time to raise children (or to care for an aging parent or spouse) may experience a negative effect on their income and their ability to save for retirement.

A GREATER EFFECT

Though maintaining a balance between motherhood and a career can cause guilt, studies show it's time to let that misplaced feeling go. A Harvard study found that daughters of working mothers grew up to earn more money and climb higher on the corporate ladder than the daughters of stay-at-home moms. Plus, the sons of working mothers pitch in more at home, clocking almost twice as many hours on family and childcare. And social acceptance of working moms continues to grow, with millennials embracing the trend. Forbes found that 70% of 12th graders in the 2010s believed working mothers could develop equally warm relationships with their children, compared to 53% in the 1970s.

STRIKING A BALANCE

Of course, to sustain what is surely a hectic schedule, working moms must master the ebbs and flows of work/life balance. It's about accepting that there will be good and bad days, focusing on the joys and not the stresses, and taking care of yourself so you have the ability to shine at work and care for others. With higher demands on your time as you build both a career and a family, working moms must maintain their boundaries purposefully, which sometimes includes saying no to requests – and meaning it.

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Thankfully, working moms can tailor their career to fit their needs more easily than in the past. There are a few things savvy working mothers should look for in job listings: comprehensive insurance, flexible schedules, paid leave policies, and women leaders who are equipped to support their career growth. ■

Sources: americanprogress.org, hbs.edu, apa.org, forbes.com, cnbc.com, workingmother.com, parents.com

NEXT STEPS

- Carve out time for yourself and spend it wisely
- Focus on your priorities, get support and recognize when to say no
- Choose one professional and parental goal to work toward in 2018