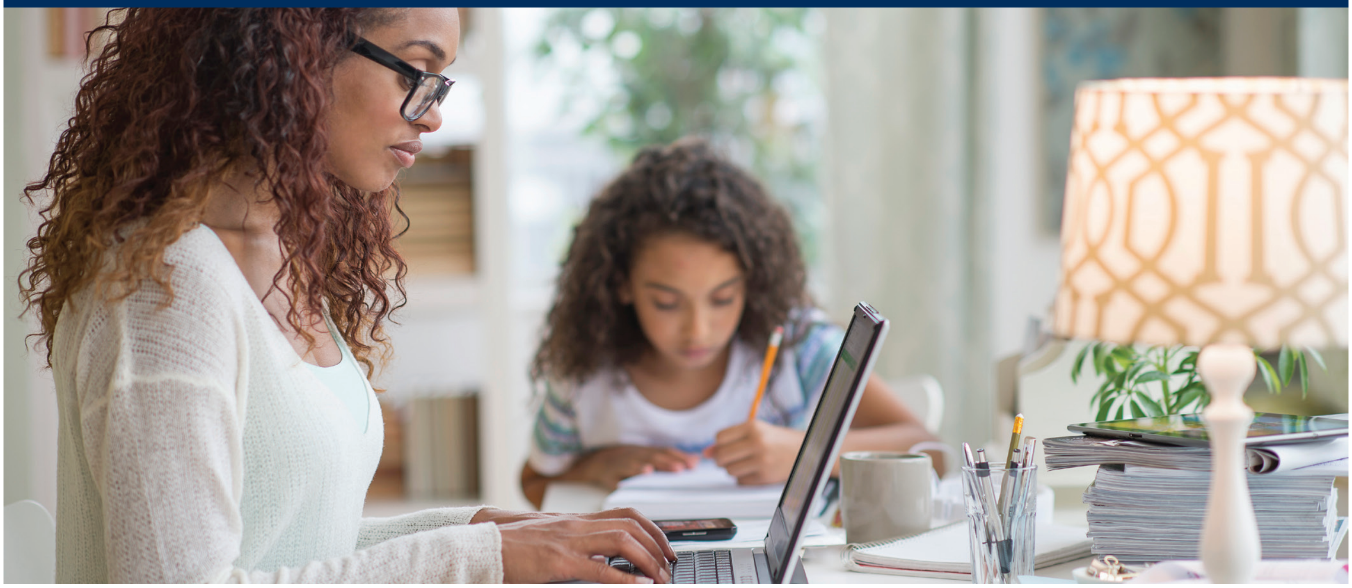
SUCCESSFULWOMEN

TIMELY INVESTMENT AND FINANCIAL PLANNING TOPICS



Planning your finances as a single parent

Review this checklist to help make sure you're on the right track

Deciding how to allocate your income as a parent can be overwhelming—especially if you're going it alone. Spending on essentials while saving for college, emergencies, and retirement is a challenge. That's why we've put together this list of action items and considerations to help get you started on the right budgeting path and improve your financial health.

> About 24 million children in the U.S. live in a single-parent household, according to Census data.

Set up a budget and recalibrate as necessary. There are many budgeting methods to consider, like a "zero-based" budget where every dollar spent has a purpose, or the 50/30/20 budget rule (That's when you allocate 50% of your after-tax income to needs and obligations, 20% to savings and 30% to wants). Try a few of these methods and see which works best for you. The most important part of managing a new budget is to check in with yourself at regular intervals to adjust what's not working for you.

Build up your emergency fund. Everyone's emergency fund will add up differently, but experts recommend saving enough to cover 3 to 6 months of living expenses. The amount you need will depend on your critical monthly expenses, such as housing, food, healthcare, childcare and transportation. Focus on steady progress toward your goal, whether that's contributing a set amount or a percentage each month, to keep your contributions sustainable.

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Planning your finances as a single parent (cont.)

Check your health insurance plan. A life event like a divorce or having a child enables you to make changes to your employer-sponsored health insurance plans without waiting for open enrollment. If you're coparenting, have a conversation with the other parent to determine which one of your health insurance policies has more comprehensive or cost-effective coverage for the children. Especially if you're concerned about childcare costs, explore a plan with a flexible spending account (FSA) option. This allows you to sock away up to $5,000 pre-tax to pay for daycare, preschool and summer camp for dependents age 12 and under. Consider maxing out your health savings account (HSA) as well, to help cover any out-of-pocket costs. (Bonus: HSA funds roll over every year and can even be used into retirement.)

Revisit your estate plan. Think about estate planning documents as future protection for your children in the case you're no longer here. A will is the first of these documents. It will allow you to appoint a guardian for your children and dictate how your assets will be distributed after your passing. A living trust, or revocable trust, can also hold your assets until it's time to distribute them according to your wishes. With this, you can give your children what you want them to have, when you want them to have it. You should also appoint a durable power of attorney to manage your financial affairs if you become unable to do so, and a healthcare power of attorney to make medical decisions for you.

Take advantage of relevant tax allowances. Typically, the parent who cares for the child the majority of the time is the one who can claim them as a dependent on their taxes. The 2023 federal child tax credit is worth up to $2,000 per child, and some states have additional child tax credits for which you may qualify. There's also the child and dependent care credit, which allows you to claim childcare expenses for children age 12 and under (up to $3,000 for one child and $6,000 for two or more). In preparation for the upcoming tax year and to account for household changes to income and expenses, determine if you need to change your withholding elections.

Save for your kids' future. One gift you can give your children is a solid start to adulthood in the form of a college savings. Commonly referred to as a "college fund," a 529 plan is a tax-advantaged, state-sponsored savings plan used for educational expenses. Earnings in 529 plans are not subject to federal tax and in most cases state tax, as long as you use withdrawals for eligible education expenses, such as tuition and room and board (reach out to a tax professional to discuss the eligibility for your state). However, if you withdraw money from a 529 plan and do not use it on an eligible education expense, you generally will be subject to income tax and an additional 10% federal tax penalty on earnings. It's a great way to pass down wealth and share the value of education with your children. The earlier you can start one, the better; compound interest will add up. You can set up recurring monthly contributions or add funds to the account as a gift for birthdays or holidays.

Don't forget yourself. It may not feel like a priority to save for your own future when your focus is on raising your children, but it's still important to set aside funds for your retirement. Take advantage of tax-efficient accounts, like a 401(k) plan, by setting up regular contributions. Another plus, many employers match your contributions to these accounts up to a specified amount. Consider a Roth IRA as well, which is a tax-deferred account that you can reserve for retirement (or use for qualified education expenses for your children if need be).

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Being a single parent can feel overwhelming at times. But finances shouldn't have to add to the pressure. It can seem like there are many priorities your money should be allocated to, but an advisor can help you sort through what to focus on next – so you can focus on your children. ■

NEXT STEPS

If you're a single parent, start by:

- Preparing an estate plan to communicate your wishes
- Revisiting your budget and building an emergency fund
- Setting aside savings for both your retirement and your children's future

Sources: turbotax.intuit.com; thebalancemoney.com; lendingtree.com; investor.vanguard.com; hr.nih.gov; legalzoom.com; marca.com; investopedia.com; realsimple.com; cnn.com

Understanding active and passive mutual funds

Learn more about the differences between these two investment types

If you're interested in investing in mutual funds or exchange-traded funds (ETFs) – or you already have some in your portfolio – you may be wondering what exactly the difference is between an active and a passive fund.

THE SUBJECTS

An active fund comprises stocks and bonds that have been selected by a portfolio manager for the fund, while a passive fund tracks an index, like the S&P 500. The passive fund often uses a representative sampling method to "match" the characteristics of the index in the fund, and its intention is to reflect overall market performance.

> Generally, active funds try to beat the market while passive funds reflect the market.

Here's a summary of how the two approaches differ.

ACTIVE FUNDS:

- Attempts to outperform the market
- Possibility of underperforming against the benchmark
- Portfolio managers have the flexibility to invest in special assets, which may offer distinct investment opportunities
- Higher fees, because there's more work involved in the management of the fund
- Could have more taxable capital gains because the portfolio manager may trade more often

PASSIVE FUNDS:

- Does not beat the market because it tracks the market
- There are no strategies in place to limit losses when the market is down
- Fund is transparent because you always know exactly what it's invested in
- Lower fees, which on average can be less than half that of a managed fund
- Usually has fewer taxable gains because there's less trading involved

Both active and passive funds have their benefits, and much of the decision to go with one or the other will be based on the investor in question. Your advisor can help factor in your risk tolerance and time horizon to determine how either – or both – may be an appropriate fit for your portfolio. ■

NEXT STEPS

Before you make any mutual fund or ETF investments:

- Research the historical returns and expense ratios
- Determine your risk tolerance and timeline for the investment
- Speak to your advisor about your current situation and financial goals

The S&P 500 is an unmanaged index of 500 widely held stocks. An investment cannot be made directly in this index.

Sources: investor.vanguard.com; experian.com; investopedia.com; nerdwallet.com; investor.vanguard.com; thebalancemoney.com

Give yourself permission to unplug

4 ways you can ward off relaxation-induced anxiety

Have you heard the term "stresslaxation" before? It affects some people, especially high performers, who have a hard time relaxing. It strikes when they've finally taken time away from work and other responsibilities to engage in self-care activities – but can't get in the headspace to actually enjoy them.

Stresslaxation is nothing new. This phenomenon, more formally known as relaxation-induced anxiety, has been studied for years. One study concluded that it affects worriers because relaxation interrupts the act of worrying. A different theory suggests it's an association between relaxation and lack of control. Yet another blames it on an addiction to productivity.

The bottom line? Stresslaxation is not healthy. Trying so hard to fit in time to "relax" that it becomes yet another stressful exercise leads to, at best, what some call the Sunday scaries.. At worst, it can lead to complete burnout. Here's how you can combat stresslaxation.

Understand the connection. Sometimes just understanding that you have a hard time getting into the mindset to relax is enough to help you overcome the feeling. Taking time to reflect on why you're experiencing anxiety as you approach relaxation (and even writing down your observations in a journal) will help you better address the feeling and break the pattern.

Consider a chill activity (one that's productive). You can trick your brain into thinking you're still being productive by choosing a low-key activity that will give you a sense of accomplishment. Some ideas include teaching yourself something new with a book, recipe, documentary, or website; creating something artistic from start to finish in one sitting; or completing a light stretch or walk..

Be active but unplugged. Downtime doesn't need to be physically relaxing. Often, removing yourself from your environment (especially if you work from home) and doing something active or adventurous will force your brain to take a break. You may feel more accomplished getting outside and taking a bike ride or hiking a new trail.

Keep a list of go-to activities. You may feel stressed just thinking about what you should do to relax. Having to plan can add to the pressure. Creating a list of your favorite calming activities takes the brain power out of deciding what you should do with your downtime. The key is to make these blocks of time – pencil them into your calendar if you can – as easy and enjoyable as you can.

Turning off work mode can be challenging. But the benefits of prioritizing downtime and making space to reenergize will pay dividends when Monday rolls around. These tips will help you overcome relaxation-induced anxiety and give you permission to achieve a healthy, more fulfilling balance in life. ■

NEXT STEPS

If you tend to have trouble turning off your mind and enjoying a little "me" time, try these methods for getting in the groove of relaxation:

- Block off your calendar to indicate this is time you planned to take it easy
- Plan ahead by creating a list of go-to activities you enjoy for relaxation
- Consider active or adventurous downtime, like hiking a new trail

Sources: cnn.com; insighttimer.com; hbr.org; medicalnewstoday.com; forbes.com; fastcompany.com