FINANCIAL PLANNING FOR EVERY STAGE OF LIFE

JNBA FINANCIAL ADVISORS

It is never too early or too late to begin thinking about and establishing a solid foundation for your financial future. Whether you're in the early stages of building your financial foundation, at the peak of your professional career, or approaching retirement, there are important strategies to implement to help you create healthy financial habits and prepare yourself for retirement success. Use this guide to help you align your current financial success with your retirement goals.

FINANCIAL POSITION

- ☐ Establish and maintain a budget and keep an appropriate financial record system to track your income, expenses, assets, and liabilities. Mint.com is a free online resource to consider using.
- ☐ If you're approaching retirement, determine what your monthly income needs will be.
- ☐ Ensure you have a liquid emergency fund of 3 to 6 months of living expenses in a cash or cash equivalent type account (e.g., money market account, CDs).
- ☐ Evaluate short-term and long-term goals and rank them in order of importance.
  - If you have student loans, develop a plan for paying them off. Consider prioritizing paying off the higher interest rate loans at a faster rate, while paying the minimum on lower rate loans.
  - If one of your goals is to purchase a home, determine how much house you can afford and save a minimum of 20% down payment to avoid private mortgage insurance. This should be separate from your liquid emergency fund.
  - Make a plan to pay off any non-mortgage debt prior to retirement.
- ☐ If you have a current mortgage, review the details including term and interest rate to determine if refinancing might be appropriate for you.
- ☐ Keep your priorities in order. There will be different stages of your life that tend to have competing priorities including maximizing savings for retirement, paying for college for your children (if applicable), and possibly helping aging parents.
- ☐ Build and monitor your credit. You can review your credit history for free by visiting AnnualCreditReport.com. Please note, reviewing your credit history is free, but viewing your actual credit score typically is not. You can view a free credit report from each of the three credit bureaus once per year. By doing so, you can fix errors quickly and ensure that an identity thief isn't getting hold of your personal information.

RETIREMENT PLANNING

- ☐ Continue saving for retirement. Do you have a company retirement plan such as a 401(k), 403(b), etc. with a company match? Ensure you are contributing at least enough to get the full company match. Increase your contribution annually with the goal of working up to maximizing your 401(k) contribution ($19,000/year under current limits). Those 50 and older can contribute $19,000 plus a $6,000 catch up for a maximum of $25,000 to a 401(k) or 403(b) in 2019.
  - ☐ Once you maximize your company retirement plan contributions, review income to determine if you qualify for a Roth IRA, and if not, consider a non-deductible IRA contribution to save another $6,000 (plus a $1,000/year catch up for those 50 and older) for 2019.

RETIREMENT PLANNING

- ☐ If you haven't done so already, consider tax diversification with different account types. Funding a Roth IRA might be appropriate if you are under certain income limits and qualify to make a contribution. A contribution to a Roth IRA is not deductible on your tax return, but money distributed from these types of accounts typically is not taxable when withdrawn in retirement. Once you are able to maximize these savings, consider also saving in a taxable investment account to allow for another way to help control taxes in retirement. Funds from taxable investment accounts are only taxable to the extent there are capital gains or dividends paid on investments owned.
- ☐ If you don't have a financial plan to help you track your progress towards retirement, it is important to complete one. Consider that life expectancy today can reach into your 90s. You will need to have enough assets when you retire to potentially last 30+ years.

INVESTMENT MANAGEMENT

- ☐ Learn more about investing. Read a book on investing to educate yourself on the basics.
- ☐ Determine and revisit your risk tolerance related to your investment portfolio. As you near retirement, make certain your investments are properly positioned and you are not taking too much risk given your situation. If you haven't completed a risk tolerance questionnaire recently, now is a good time to do so.
- ☐ Understand your time horizon for your investments to make sure accounts are invested consistent with your time frame for using them. For example, if you have a short-term goal of purchasing a home, assets should be invested more conservatively to ensure cash is available when needed.
- ☐ Ensure your retirement plan investments and any other investments you own are properly diversified. Periodically rebalance your investments to ensure you maintain your chosen allocations.
- ☐ If you have worked for several employers over the years, consider consolidating old retirement plans into an IRA rollover to make them easier to track and manage.
- ☐ If you own company stock, consider diversifying out of it as you approach retirement, especially if it makes up a sizable percentage of your invested assets. As you near retirement, you don't have as much time to recover if the value of the stock declines.

RISK MANAGEMENT

- ☐ Confirm you have proper medical coverage on you and your family. Current law allows most children to stay on their parent's medical insurance until age 26.
  - If you plan to stay with the same company until you retire and you are nearing retirement age, start to research if they provide retiree health coverage.
  - If you are approaching age 65, be prepared to sign up for Medicare Part A during the 7-month period that begins 3 months before the month you turn 65, includes the month you turn 65, and ends 3 months after the month you turn 65. There is no cost to Medicare Part A and you can enroll online at www.ssa.gov or call 1-800-772-1213.
  - Enroll in Medicare Part B when you're first eligible (typically at the same time you sign up for Part A unless you have creditable coverage in place and are still working). If you don't sign up for Part B when you're first eligible, you may have to pay a late enrollment penalty of 10% for each year you could have enrolled but did not for as long as you have Medicare. In 2019, the cost for Part B starts at $135.50.
  - Research and choose Medicare Part D coverage (Prescription Drug Plan) and a Medicare Supplement based on your individual situation.
- ☐ Ensure you have enough life insurance to cover your family's needs if something were to happen to you unexpectedly. Once you have saved enough to meet your retirement needs, life insurance may no longer be necessary.

RISK MANAGEMENT

- ☐ Have both short-term and long-term disability coverage in place while you are still working. This may be provided by your employer or you may need to purchase a private policy. Note that disability coverage typically only pays out until you reach age 65.
- ☐ Evaluate the need for long-term care insurance and pricing options to determine how this may fit into your financial picture.
- ☐ Complete an annual review with your property and casualty insurance agent to ensure you have the proper coverage in place. This includes renter's or homeowner's insurance, automobile coverage, and umbrella insurance.
- ☐ Ensure you have an umbrella (excess liability) policy in place. You should have a coverage amount in place at least equal to your net worth. Umbrella insurance provides liability coverage over and above your automobile or homeowner's policy.

ESTATE PLANNING

- ☐ Consider your estate planning needs. Ensure you have an executed Will (especially if you are married and have children), Power of Attorney, and Health Care Directive in place. Review your documents every five years or so to confirm they still reflect your current desires as well as reflect any changes to the law that may have taken place in prior years.
  - If you have children that are minors, you will need to have language included designating personal guardianship of your children as well as trustee(s) of your financial assets, if applicable, if something would happen to you.
  - If your children are grown and grandchildren are now in the picture, documents may need to be updated.
- ☐ Confirm all beneficiary designations are up-to-date and reflect your current wishes. This includes but is not limited to life insurance policies, company retirement plans, IRAs, etc.
- ☐ Understand how your state of residence taxes estates. Many states mirror the federal estate tax exemption; however, some states (like Minnesota) have an estate tax exemption of much less than the federal exemption. Minnesota's estate tax exemption is $2.7 million in 2019 and set to increase $300,000/year until it reaches $3 million in 2020. If your estate is above this amount, it is important to talk to a qualified estate planning attorney regarding ownership of assets if you are married.
- ☐ If you move to another state in retirement or have a second home in another state, make sure the properties are appropriately dealt with in your estate plan to avoid probate in multiple states when you pass away.

TAX PLANNING

- ☐ Contribute to your employer retirement plan not only to save for retirement but also to decrease your federal taxable income.
- ☐ Consider saving additional funds in a Roth IRA (if you qualify) or making a non-deductible IRA contribution annually.
- ☐ If you prepare your own taxes, ensure you are taking all allowable deductions.
- ☐ If you owe taxes or receive a refund, consider changing tax withholding on your wages.
- ☐ Maximize contributions to a Health Savings Account if you have one. You do not pay federal income tax on contributions and you can build up a balance for potential health care expenses during retirement.
- ☐ If you retire prior to age 70 ½, review your taxable income and tax bracket annually to determine if there is an opportunity to take accelerated IRA distributions or do a Roth conversion while you are in a lower tax bracket. Once you reach 70 ½ and are required to take required minimum distributions (RMDs), there is typically less of an opportunity.