

## Planning for Your Financial Life Stages

Do you realize that your finances are in a constant state of change? Financial markets fluctuate, and your financial needs also change over time. Luckily, it is easier to predict the changes in your financial life stages than it is to predict the direction of the financial markets.

Developing a sound overall financial strategy shows you that most individuals pass through three primary financial life stages. Income levels, spending patterns, family situations, and areas of financial concern are not exactly predictable, but they do tend to follow a pattern.

Life Stage	Life Events	Financial Events
Stage One	Enter work force Marriage Children	Develop financial habits Purchase car Purchase home
Stage Two	Family grows Career advancement Inheritance	Purchase larger home Accumulate wealth Fund college educations
Stage Three	Major promotion Retirement Grandchildren Death of spouse	Greater tax sensitivity Need to preserve wealth Estate planning

### Stage One – Building a Financial Foundation

To be successful, young adults must master the critical task of managing their spending and saving within the constraints of their income. Here are some sound financial habits:

1. Prepare a detailed household budget in order to learn how you are spending your money and to identify ways to save.
2. Use a wise borrowing strategy. Borrow for things that provide long-term value. Control your use of credit cards.
3. Establish a savings pattern. Consider an automatic savings program so that some amount is deposited into a savings account each paycheck.
4. Set some savings goals. Connecting a tangible goal to your savings can provide the motivation and discipline you need, whether it is accumulating a down payment for a home, paying for a car, or saving for a vacation.
5. Make sure you have adequate insurance.
6. Take advantage of employee benefit plans at work.

## Stage Two – Smart Choices in Your Prime Earning Years

This is often a time when your income is rising, but so are expenses. Nicer homes, nicer cars, and children can easily consume your increasing income. This is also the time when the financial decisions you make will have the greatest impact on the financial lifestyle you will enjoy during retirement. By now, you should have developed some savings and the expertise to make sound choices.

1. Start early to save for your children's college expenses. Consider using custodial accounts, Section 529 Plans, or Coverdell Education Savings Accounts (Education IRAs) to get additional tax advantages from your college funds.
2. Take full advantage of employer-offered retirement plans. If you have a 401(k) plan available, contribute as much as you can or at least enough to get the full matching contribution from your employer.
3. Invest wisely. Consider an asset allocation strategy that matches your time horizon and risk tolerance. Don't ignore the potential long-term returns of equities, but do your homework or rely on a qualified advisor.
4. Be sure your insurance protection has kept pace with your needs. It's critical to have adequate life insurance to protect your family, in case of your untimely death.
5. Prepare an estate plan to minimize taxes and to ensure that your custodial, financial, and medical wishes are respected.

## Stage Three – Planning for Retirement

These years can and should be some of the most enjoyable and fulfilling times of your life. If children and grandchildren are part of your life, having the financial ability to help them can be rewarding. Your "golden years" should be truly enjoyable if you've had a successful career, the freedom to live the retirement lifestyle of choice, and a sense of satisfaction with what you have accomplished. However, there are still financial issues that should be addressed.

1. Be sure your medical insurance is adequate. The costs of medical care continue to rise, and lifespans are longer. Medicare, Medicaid, and private health insurance will all be important.
2. Be sure your estate plan is up to date. Here are some triggers for reviewing your estate plan with a qualified estate planning attorney – a change in your financial situation, a move to a different house or state, and any change in your family.
3. Continue to manage your investments carefully. If you are using an advisor or stockbroker, be sure to fully understand their recommendations before accepting them.
4. Enjoy this time that you've worked so hard to earn!