FOR THE EXCLUSIVE USE OF KATHY.CJ@THECONLEYFINGRP.COM

From the St. Louis Business Journal:
https://www.bizjournals.com/stlouis/news/2017/09/08/moneyhow-to-prepare-for-financial-security-in-each.html

Money in America

Money: How to prepare for financial security in each decade of your life

SUBSCRIBER CONTENT:
Sep 8, 2017, 5:00am CDT

This story is part of the Business Journal's "Money in America" report on financial planning. For a look at how retiring baby boomers are opening a multitude of business opportunities, click here.

ILLUSTRATION/CHARLIE POWELL
Are you where you need to be in terms of financial planning at every stage of life?

It's never too early to start planning for retirement. Vanguard Group, this year launched the Vanguard Target Retirement 2065, a target-date fund aimed at investors 18 to 22 years old who would reach retirement age 50 years from now. That's planning ahead.

But retirement planning isn't happening much for many in the U.S. Consider:

One in three Americans has nothing saved for retirement.
The average 50-year-old has $60,000 saved.
A retired couple can expect to spend about $250,000 on health care alone.

With all of that in mind, we asked St. Louis financial planners to advise investors what they should be doing in their 20s, 30s, 40s, 50s, 60s and in retirement to be financially secure.

20s:

Kathy Conley-Jones, principal and owner of The Conley Financial Group

Establish a budget. Individuals in their 20s are now bringing home the bacon, but do they know how to slice it up to sustain it? Twenty-somethings should take the time to write down all expenses and ongoing monthly payments.

It's also important to get insured and create a debt repayment plan for student loans and credit card debt.

As many advisers say, retirement planning should begin as soon as possible. Build a retirement fund. The bank of mom and dad should be closed. Start saving for retirement. If your company offers a 401(k) plan or other retirement savings program, sign up and have money deducted from your check and deposited automatically in savings.

This is also an important time to build up your credit history, and keep an eye on your credit score.

Finally: Each one, teach one. Individuals should commit to sharing financial literacy information with friends and loved ones. You and they will be better off for it.

30s:

Bob Wacker, senior vice president of investments at Wells Fargo Advisors

Thirty-year-olds should have their own written financial plan, but sticking to it is the challenge. Same thing goes for a budget. Have a budget, and stick to it. Technology is out there to help and Wacker advised using one or more of the many financial apps that are available.

Save a minimum of 15 percent of your net income. Try to make an extra payment toward your mortgage or accelerate student loan payments. Wacker would count that toward the 15 percent.

You probably won't have a defined-benefit pension, so the earlier you start investing, and taking advantage of compound interest, the better.

Participate in Roth IRAs while you can. Tax-free distributions are wonderful later in life.

Set up automatic investing instead of letting the money go into your checking account first.

Take steps to start an estate — life insurance and revocable trust, if appropriate. Revisit it every seven years or so, or at the time of big life changes.

Finally, don't be afraid to ask for advice.

40s:

Tom Egan, general partner at Edward Jones

During your 40s, it's generally a good idea to start incorporating investments that can give you rising income during retirement; these might include things such as dividend paying stocks.

Hopefully your income stream is a little more stable and robust by now, making this a good time to make sure your investments are diversified over all asset classes. You may not have had the income stream to make this possible in your 30s, so now is the time to check your mix across asset classes. You should also use that income stream to max out your 401(k) and Roth IRA contributions, as well.

If possible, you may want to start to build tax-free buckets, such as a Roth 401(k), back-door Roth, or even make after-tax 401k contributions.

If you have debt, have a plan to reduce it as soon as reasonably possible. Finally, make sure you protect your family against premature death that could derail the retirement or education plans of your loved ones.

50s:

Laura Boedges, wealth adviser at HighTower St. Louis

These are the years when your income may well be peaking, your children are graduating from college,

and retiring becomes a topic of conversation. It's the perfect time to pump up your savings and do some planning. Find or talk to your current financial planner to create a plan, for as the adage goes, "failing to plan is a plan to fail." Review and update your estate plans — wills and trusts in concert with your financial planning.

If you own a business and you're counting on it to fund your retirement, evaluate your succession plan or investigate a path to its sale. For employees, invest bonuses and raises, maxing out your work retirement plans first, then moving on to brokerage accounts and tax-advantaged opportunities to create a variety of buckets to meet unique needs in your plan. Those with an entrepreneurial streak who want to pursue an encore career after and into retirement, think about starting part time now. The extra income you earn can go a long way to support you later.

Practically speaking, your 50s are an appropriate time to reassess your expenses and your lifestyle. If you're empty-nesting in the house you raised your children in, perhaps it's time to downsize. Your budget could probably use some scrutiny for places and ways to reduce expenses to redirect funds to your future. Remember, many of us will live a lot longer than our parents did. We may be alive for 30 or more years in retirement, creating a need for more savings than ever before. Keep an eye and an ear on developments in health care coverage and the Social Security system for changes that will undoubtedly impact all of us in our futures. Consider it "long-term care planning" — not so much the purchase of insurance or assisted care arrangements, but the advance plan for what can happen when you get into your elder years.

60s:

Chris Lissner, president and partner at Acropolis Wealth Management

For most retirement investors, this is the home stretch. You may have your eyes set on 65, which is Medicare age, or maybe you are waiting for full Social Security benefits to begin at 66 or 67. The majority of your savings years are likely behind you, but you can still do a lot to improve your chances of a successful retirement.

Ideally, you are capitalizing off a lifetime of career experience and still at peak earnings and savings. Because of your age, you qualify for catch-up contributions to your tax deferred retirement savings accounts, which for 401(k) plans means you can currently contribute $24,000 per year. Deferring income taxes during high-income years can be a big long-term advantage; however, there is a benefit to having some diversification across account types. If you are heavily concentrated in tax deferred accounts it may be smart to prioritize savings into after-tax investments and, in some cases, Roth accounts to give you more flexibility with respect to minimizing taxable cash flow in retirement.

After you make sure you do your part by saving, it's important to make sure you give the market a chance to work for you. By this time, your portfolio should have adjusted to be more conservative than young people who are just starting to save for retirement. It is very important to remember that long-term growth is still important. Your investment portfolio should probably still have more growth assets like stocks than conservative assets like bonds with an allocation of up to 60 to 65 percent allocated to stocks. Because a portfolio like this is positioned for long-term growth, it will participate in bear markets as well. Even though retirement is right around the corner, your time horizon is still measured in decades, so short-term drops in the stock market shouldn't derail your long-term plans.

In retirement:

Tom Collins, president and CEO at Northern Trust - Missouri

Once you’ve retired, you’re probably focused on maintaining the quality of life you’ve earned throughout your career. You’ve probably had some time to gauge the flow of your expenses. Do they work within your plan? Do you need to consider altering these expenses? What are the goals you have for yourself and your family? Can your assets meet those goals over the next 20-plus years? Reviewing an assessment of your overall financial picture can help you have a clear understanding of your assets and peace of mind as you look forward.

Work with your investment professional to ensure you can meet your goals. If your goals are too ambitious for your overall level of wealth, it’s better to reduce those goals (lifestyle expenses, gifting or capital purchases) now. Continue to review and reallocate your investments to maintain diversification; do not chase returns.

It's also important to review with your insurance professional all your coverages to make sure they are in alignment. If you haven’t considered long-term care insurance, you should revisit the topic. Look at the pluses and minus of eliminating your debt.

Start implementing wealth transfer plans to establish your family legacy, and review your estate planning documents to reflect those intentions. Talk to your children about your wealth transfer plans. While you don’t have to necessarily share the financial details of your wealth with your children, You should consider sharing the contents of your will and trust documents with them. To the extent you can, assist with some of the expenses — especially pertaining to education — for your grandchildren. Implement or review your lifetime gifting, both philanthropically and to your family. Think about active volunteerism.

Greg Edwards
Reporter
St. Louis Business Journal