CORBCO®

Your Company's Retirement Plan is our Business ™

RETIREMENT & FINANCIAL PLANNING CORNER

Brought to you by Dave Hojlo,

Accredited Investment Fiduciary ("AIF")

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Starter Guide to Financial Planning

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Financial Health

This section should provide an overview of your current standing.

1. Calculate your **Net Worth** (Assets – Liabilities = Net Worth)
2. Calculate **Debt to Income Ratio** (Total amount you pay in debt payments / monthly gross income = Debt to Income Ratio) **aim for under 20%
3. Evaluate your **housing** situation (Housing expenses should be less than 33% of your monthly income)
4. Create a **Budget**
5. Create Clear **Financial Goals** (Short Term = Less than 2 years, Intermediate Term = 2-5 years, Long Term = 5+ years)

https://www.moneyunder30.com/simple-steps-to-evaluating-your-financial-health

Risk Management

This section outlines the hidden dangers that could prevent you from reaching your goals, and what you can do to protect yourself against them. In other words, insurance, including life, disability, health, renters, homeowners, and any other kind of coverage you might need.

1. *Risk management helps you prepare for the unexpected.* While we cannot plan for everything that will happen to us, we can try to minimize the effects felt by such circumstances.

2. *It can protect your family*. Should anything happen to you; such as death, unemployment, medical accident or disease; your family will be taken care of and not left with extreme debts or financial hardships.

3. *It protects your financial status.* Similar to the last, your financial status will be safer if you have a plan in place to handle unexpected situations. Many circumstances can impact your finances and risk management will help you ride out those changes.

https://www.investopedia.com/terms/r/riskmanagement.asp

Investment

This section would dive into portfolio performance and topics such as risk, reward, correlation, stress tests, taxation issues, investment options, risk tolerance, portfolio risk score, and risk needed to reach goals score.

Best Investments for your Goals:

- **Short Term Goal?** *High Yield Savings Account*

Short-term investing goals have a time horizon of one year or less. They include things like a security deposit for your next apartment or an emergency fund. With short-term goals, your aim should be a low level of risk and a high level of security.

- **Mid Term Goals?** *Diversified Index Fund Portfolio*

If you're looking to invest with a time horizon of one year to five years on goals like a house down payment or a new car to a home renovation project, your best options are those that give you a little more upside. That means taking on a bit more risk in some cases, but you've got to give some to get some.

- **Long Term Goals?** *Roth IRA Account*

Long-term goals are at least five to 10 years in the future. They're usually substantial milestones, like your child's college education or retirement, requiring focus and planning. Luckily, an extended time horizon gives you plenty of scope to weather the ups and downs of the market and take on more risk.

If all of this sounds like "mumbo jumbo" and seems like a daunting task for you to handle on your own, remember there are Financial Advisors who will assist you in Asset Allocation, selecting investments, monitoring holdings and serving as a custodian.

https://www.forbes.com/advisor/investing/best-investments-for-your-goals/

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Retirement

How Much Should I Save for Retirement Each Year?

One rule of thumb is to save 15% of your annual earnings. In a perfect world, savings would begin in your 20s and last throughout your working years.

Key takeaways

- Fidelity's guideline: Aim to save at least 1x your salary by 30, 3x by 40, 6x by 50, 8x by 60, and 10x by 67.
- Factors that will impact your personal savings goal include the age you plan to retire and the lifestyle you hope to have in retirement.
- If you're behind, don't fret. There are ways to catch up. The key is to take action.

https://www.fidelity.com/viewpoints/retirement/how-much-do-i-need-to-retire

Estate Planning

In this checklist, we'll outline what you should consider when establishing an estate plan.

- Take inventory of your belongings
- Make a last will and testament
- Find a trusted estate executor
- Consider a living trust
- Opt for a power of attorney
- Write a living will
- Prepare for estate tax obligations
- Get your digital assets in order
- Make a guide for your executors
- Revisit your documents periodically

https://www.legalzoom.com/articles/estate-planning-checklist-how-to-start-getting-your-affairs-in-order

Tax Planning

6 Tax-Saving Strategies to Discuss with Your Advisor

1. Tax-loss Harvesting

Tax-loss harvesting is a strategy to lower your capital gains tax. Capital gains are taxable at a rate that's dependent on your income and how long you held the investment.

2. Practice of Investing in Dividend Paying Stocks

Regular dividends are taxed as ordinary income, just like interest or work income, even if they are reinvested. Qualified dividends are instead taxed at the more favorable capital gains rate. Keeping dividend flows in tax-exempt accounts like a Roth IRA shields investors from these taxable events.

3. Roth IRA Conversion

A Roth IRA conversion moves pretax money held in a traditional IRA or 401(k) into an after-tax Roth IRA. You will pay taxes on the converted funds — but future qualified withdrawals from the Roth IRA will be tax-free.

4. Accumulate Deductions

If you're under 65, your standard deduction is $12,950 for single filers and $25,900 for married filers. Those numbers are high enough that itemizing deductions every year may not be an option.

5. Maximize Retirement Contributions

If you're still working, you can reduce your tax bill by maximizing contributions to your tax-advantaged retirement accounts. The contributions you make to traditional IRAs, traditional 401(k)s, and HSAs are pretax — meaning they reduce your taxable income.

6. Buy-and-hold Investing

Buy-and-hold investing is the practice of investing in stocks you intend to hold indefinitely. This strategy is tax-efficient because it minimizes your realized capital gains.

https://www.forbes.com/sites/wealth-planning-insights/2022/10/14/essential-tax-strategies-your-financial-advisor-may-recommend/?sh=335d25146b7d

Education Planning

Start Saving for your child or even your own education with these accounts:

- ***College 529 Plans*** There are two types of 529 plans: the education savings plan (also called the college savings plan) and prepaid tuition plans. The former can be used for any and all education expenses, including books and room and board, whereas the latter can only be used to cover tuition and mandatory fees.

- ***UTMA or UGMA Accounts*** are custodial accounts that can be used to hold funds for minors until they come of age. Recipients receive control of their UTMA or UGMA accounts as soon as they reach the age of majority in their state, which is anywhere from 18-21.

https://www.bestcolleges.com/blog/college-savings-accounts/

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