New Year, New Challenge: Five Financial Planning Tactics to Set You Up for Success

By: Michael Pappis, CFP®

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"Stock market drops 500 points in one day!" "The next recession is right around the corner!" "Thinking about retiring this year? Think again!" Recently, it has been very easy to turn on your television and come across these gloomy market headlines. It's also understandable if you are feeling a little (or a lot) of anxiety from all the "noise" of the financial media. However, in the end, we have no control over market returns or economic growth. I know it's easier said than done, but for the new year, I want you to try to focus instead on the following five financial to-dos that you do have complete control over and that can set you up for success in both the short and long-term:

1. Have a good understanding of your living expenses.
Life tends to get a little chaotic from time to time with work, kids, extra-curricular activities, aging parents, etc. This chaos can lead to mindless spending, and at times, spending more than what you are bringing in. You do not need to create a strict weekly budget that you will only dread and not follow; however, it is important to check in periodically and track what you are spending from month to month. You can do this by looking at your last three months' credit card or bank statements. If your expenses are in line with your values and will not affect your short and long-term goals, then there is no need to make any drastic changes. If they are not, take some time to determine where you can pull back your spending in certain areas (e.g., going out to eat or weekly online shopping) and instead direct these funds to areas that are in line with your financial goals and values.

2. Make sure you have an emergency fund.
An emergency fund isn't for when you are stranded at the casino and need to take an Uber home (because your significant other left you there). Your emergency fund is for those worst-case scenarios like losing a job, a surprise car repair, or an unexpected medical emergency. An important rule of thumb is to have 3-6 months of living expenses in liquid reserves that can easily be withdrawn from for these reasons. If you are married and only one spouse is working, or if you have volatile income, you should aim for the higher end of 6 months or more of savings. As to where to put your emergency reserves, your savings account at your bank or a money market fund in a brokerage account are both good places. Remember, the point of an emergency fund isn't to make money, but a little interest on your cash can only help.

3. If cash flow permits, maximize your employer retirement savings plan.
It really doesn't matter what the markets do if you don't have any retirement savings! If you notice you consistently have a surplus of funds in your bank accounts, it may make sense to maximize your contribution to your company's retirement plan if you are not already. The maximum contribution limits have increased in 2019 for employer retirement plans such as 401(k)s and 403(b)s. For 2019, you can defer $19,000 to your 401(k) or 403(b) if you are under age 50. If you are 50 or over, you can contribute an additional $6,000 for a total contribution of $25,000. These additional savings can really pay off in the years leading up to your retirement. If you cannot maximize your company's retirement plan, try to increase your contribution rate by 1% each time you receive a raise (hopefully annually!). It may not seem like a lot, but these additional savings each year will add up and get you on the right track.

4. Assess your current insurance coverage.
No one knows in advance that they will be in a car accident or will become disabled and unable to work anymore, but these unfortunate events do occur, and that is why it is essential to have adequate insurance coverage. Your financial advisor should periodically review your insurance policies to determine if there are any gaps in your coverage. If you are looking to lower your auto insurance premium, you can look into increasing your deductibles (what you pay out-of-pocket before your insurance kicks in). If you recently married, ask your financial advisor to conduct a life insurance needs analysis. Are you married with only one spouse working? You will want to be sure you have a long-term disability plan that will support you both in the event you are in an accident and unable to work any longer. These are only some of the issues to think about with regards to adequate insurance coverage.

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5. Conduct an estate plan review.
Many individuals believe they do not need an estate plan if they are young, single, or do not have millions of dollars. However, this is not the case. A basic estate plan is needed to determine who will inherit your assets or make significant financial or medical decisions on your behalf should your health decline at any stage of your life. When you have your first child, an estate plan becomes even more imperative. Who will become the guardian of your child should you and your spouse both die simultaneously? These are uneasy topics to discuss, but they are important and need to be addressed before it's too late. Your financial advisor can help you decide what estate documents make sense for your situation and can also recommend an estate attorney to draft the necessary documents.

I want to challenge you in this new year to focus on the financial items that are in your total control. Instead of turning on CNBC to see what the next hot stock will be, reach out to your financial advisor and schedule a meeting to discuss the above tactics that can play a large role in setting you up for financial success!

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