October Fall into Financial Fitness Tips

In celebration of National Financial Planning Month, your BLBB Advisors have provided some guidance in support of your financial fitness. Check back daily for more helpful tips throughout the month of October and contact us at 215-643-9100 for your personal financial audit.

1. Financial planning is the process of meeting your life goals through the proper management of your finances. It consists of a series of steps that help you see your financial 'big picture'. It may provide direction and meaning to your financial decisions and allows you to understand how each financial decision affects other areas of your finances.
2. Build out a professional network. A lawyer can help you draft a Will, Guardianship Agreement for children and Trust documents. An accountant can help prepare taxes. An insurance broker facilitates insurance needs – life, disability, long-term care. A financial advisor serves as the quarterback that coordinates with other professionals in your network. A financial plan might unearth a need for more insurance coverage, updating a Will or a potential tax strategy that is not being utilized.
3. Drafting a budget can help you balance the needs of today with saving and investing for your future. It can identify spending patterns, prioritize spending (need vs. want), eliminate potentially damaging spending behavior and keep you on track for long-term financial goals.
4. Establish an emergency fund for unforeseen circumstances such as a job loss, major health expense or car/home repairs. An emergency fund can serve as a personal safety net and keep you from taking on unnecessary credit card debt or tapping into retirement plans early. At a minimum, the fund should have 3-6 months' worth of expenses and be liquid (savings accounts, CDs, etc.).
5. Consider insurance as part of your financial plan as you age, get married, buy a home, build a family and plan for retirement. As you build your wealth, it is important to protect your assets against any unforeseen events. Think of insurance planning as a precautionary investment that shelters you from financial loss. Life, disability, long term care, medical, property, car, professional liability, and umbrella policies may help protect you from the unexpected.
6. Attack saving habits in smaller increments. Aim to save at least 15% of your salary. Elect to receive the full benefit from your employer's 401(k) match, if offered. Treat raises and bonuses as extra savings and avoid lifestyle inflation. Develop saving habits early to take advantage of the power of compound interest.
7. Life changes (birth, marriage, divorce, death) are inevitable, and the naming of beneficiaries is not a one-time event. Do not overlook your beneficiary designations for life insurance policies, retirement plans, annuities, IRAs, Transfer on Death (TOD) and Payable on Death (POD) accounts to ensure these are current and in line with your intended wishes.

8. The retirement landscape is changing. The responsibility of funding retirement has fallen on the employee. Retirement plans such as 401(k)s or 403(b)s allow you to take advantage of tax-deferrals. Maximize your contributions and avoid pauses and borrowing against retirement accounts. Planning for retirement can help ensure that you do not outlive your assets.
9. When changing employers, ask the plan administrator about your 401(k) plan options. Can you…
    - Keep the 401(k) at your former employer?
    - Move your 401(k) to your new employer?
    - Roll your 401(k) over to an Individual Retirement Account or IRA?

   Avoid taking an outright distribution, which may be subject to taxes and penalty.
10. Increasing or accelerating mortgage, or student loan payments, can help eliminate debt faster. Consider switching from a monthly to a biweekly schedule, or making extra payments, when your cash flow allows.
11. Choosing an appropriate asset allocation is a critical component of investing. Asset allocation plays a key role in the amount of risk you take with your investments, as well as in the returns received. When you pick an asset allocation, you spread your investable dollars across categories of investments, based on your goals, age, time horizon and risk tolerance.
12. Track your net worth. Your net worth is the difference between your assets (investments, real estate, personal property) and liabilities (mortgages, car loans, student loans, credit card debt). It is a big picture number of where you stand financially. Revisiting and updating your net worth periodically can help you determine if you are making progress towards your financial goals.
13. Review your credit report regularly and keep an eye on your credit score. Errors such as misspelled names or incorrect numbers can signify an issue with data entry and can alert you to fraudulent behavior. If you notice any mistakes or major red flags, such as seeing a property you never bought or loans you do not remember taking out, follow the directions on your report on how to dispute the error.
14. Communicating about money with your significant other is key to a healthy relationship and financial future. Open the finances dialogue and discuss goals as a team. Even if one of the partners in a relationship is the "designated money person," it is important for both partners to know some basics: account passwords, where main accounts are located, professional to contact for emergency assistance. When both partners are in the game, everybody wins.
15. Leverage the triple-tax advantage of a Health Savings Accounts, or HSA, if you are in a high deductible health plan.
    - Contributions are pre-tax, regardless of your income.
    - There is no tax on investment gains or interest while the money is in the HSA.
    - Withdrawals from an HSA for qualified medical expenses are also tax free.
16. A vital part of your financial plan is estate planning. Planning ahead can give you greater control, privacy and security for your legacy. A complete estate plan may include important legal directives such as a Last Will and Testament, a Healthcare Power of Attorney and Living Will, a Financial Power of Attorney and perhaps a Trust. You want to ensure that your assets are distributed and that your descendants are cared for in the manner that is best for them when you are gone—while assuring yourself you have done all you can.

17. Revisit your homeowner's policy at least annually. If the market value of your home has increased or you have made improvements, make sure current coverage is sufficient. Review the policy's personal property coverage limits, which may not cover expensive valuables such as jewelry.
18. The SECURE Act, which became law on January 1, 2020, changed a variety of retirement account rules. The required minimum distribution age increased from 70 ½ to 72. The age limit for IRA contributions has been removed. Inherited retirement account distributions must now be taken within 10 years.
19. The scam artist has turned cybercrime into a $1.5 trillion annual business. Keep a close eye on your accounts for unusual activity or unauthorized withdrawals. Install security software on any electronic devices you own and do not provide any personal information to unknown callers.
20. Individuals who are age 50 or older at the end of the calendar year may make annual catch-up contributions to their retirement plans.
    - The annual contribution of up to $6,500 may be permitted in 401(k) and 403(b) plans for 2020 (in addition to the $19,500 deferral limit).
    - The annual contribution of up to $1,000 may be made to Traditional or Roth IRAs (in addition to the $6,000 contribution limit).
21. Review your Social Security Statement (available on ssa.gov) annually. Your benefits will vary depending on when you start collecting them. You can take benefits as early as age 62, although they will be permanently reduced from what you could receive if you wait until your full retirement age (FRA, currently between 66 and 67 for anyone born after 1943). You can also delay receiving Social Security up to age 70, in return for a larger benefit.
22. Evaluate whether your current mortgage interest rate is competitive. There are a few ways that refinancing may help you pay off your mortgage faster, such as by securing a lower interest rate or switching to a shorter-term loan.

Check back daily for more financial tips or send your name and email to Marketing@blbb.com for a sneak preview of the entire list.

Contact your BLBB Financial Advisor today at 215-643-9100 for your

October personal financial fitness checkup.