Securing Your Future with Life Cycle Planning

The need for regular saving and investing spans many life stages. Through the years, your goals will change and your strategies will shift, but don't be alarmed. You're just progressing through the normal stages of life, getting closer to achieving your own financial freedom.

Here are some common goals and possible investment portfolios for four life stages. Though your requirements may differ, these examples may help you examine your particular needs.

Age 25-35: Young Adulthood

Many Americans begin regular saving and investing in their mid- to late 20s or early 30s. Goals may range from the immediate need to buy a home to the establishment of an education fund for the kids, and even reach retirement funding, though that might be years away.

Time is on your side, so you may choose to let your funds grow. You have a longer period in which to recover from unpredictable market fluctuations, so you may have a higher risk tolerance with your savings and investments. Historically, **stocks** have outpaced other investments—and inflation—over the long term, so you may want to consider stock funds that seek growth, as you plan your portfolio. You may also want to set up an **automatic reinvestment plan** to take advantage of market ups and downs. For ***diversification,*** you could put some money in **bond** or **stock and bond funds**. Remember to utilize tax deductions offered by **Individual Retirement Accounts (IRAs)** (if you're eligible), as well as the long-term tax-deferred growth offered by employer-sponsored or private retirement funds.

Age 35-55: Asset Building Years

Regular investing becomes even more important as your goals come into sharper focus. Education funding may become a high priority, and a vacation home or other major purchases (the boat you've always wanted) may be within reach. Retirement seems less far off.

You may want to reposition your portfolio for a better balance of growth and income investments. While you still have time to benefit from the growth provided by stock funds, ***income-producing*** bond or stock and bond funds become valuable as college payment time approaches.

Many individuals reach their peak earning years in their mid-40s, so tax considerations rise. Now may be the time to look at ***tax-free* bond funds** since continued tax-deferred investment for retirement is becoming more critical.

Age 55-65: Asset Conservation

Children may no longer be part of your financial equation, but you may have new “dependents” to consider: Aging parents may need increased assistance, both physically and financially. Gifts to grandchildren may also be a high priority. In addition, you may need to guard and increase your retirement funds. Reducing your tax obligations and overall debt also becomes more important as you near retirement.

With a shorter investment horizon, you may want to move away from heavy involvement in stock funds and into bond funds. A more conservative investment vehicle gives you a good way to preserve the assets you have accumulated. Tax-free bond funds can help reduce the tax bite as your peak earning years continue. Also consider reallocating assets among stock and bond funds for both continued growth and income.

Age 65 and Over: Retirement Years

Tax reduction and protection from inflation are key in your retirement. You will need an ample income stream as your employment income disappears, and is replaced only in part by Social Security or other pension funds.

Growth stock funds may become a smaller part of your portfolio as you place greater emphasis on income-generating stock and bond funds and tax-free bond funds for protection from taxation. However, you might find it difficult to stay ahead of inflation without some exposure to growth stocks.

At All Stages. . .

When investing, bear in mind that investment return and principal value will fluctuate due to changing market conditions. When shares are sold, they may be worth more or less than their original cost.

Diversification and regular investing are important at any stage of your investment life, but the real key to success is *planning*. Look at your goals and see if your current strategy is geared to meet them. If you have avoided doing this, it is rarely too early to begin, but it can suddenly be *too late* if you procrastinate. Professional financial advice can get you started and keep you going in the right direction toward the fulfillment of your personal financial goals and the secure, comfortable future you deserve after years of hard work.

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