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SECRETS YOUR FINANCIAL PLANNER WANTS YOU TO KNOW

Do what the pros do

By: Shannon Darnall - June 28, 2019

Personal finance is a tricky subject for many people. While some people robustly grasp their financial future with two hands, others tend to put things off until tomorrow. A recent Gallup poll revealed that although Americans generally feel positive about their finances, 25 percent of people in the U.S. say they worry about making ends meet "all" or "most" of the time. If you are one of those who tend to avoid looking into your finances, there's nothing like a bit of education to help you feel in control again.

We spoke to financial planners across the country and asked them to share some of their top tips for financial success. Although none of these tips should replace visiting a trusted financial advisor to discuss your specific situation, their advice might be just what it takes to give you the confidence to take control of your financial situation. Read on, and Future You will be glad you did.

Make it automatic

The most effortless way to save for retirement? Make it automatic. The easiest way to do this is to sign up for your company's retirement plan and contribute at least enough to receive the free match. A top Seattle financial planner advised her clients to use any extra money to "start a Roth IRA with a monthly draft instead of a one-time annual contribution. Think of your automated savings like a subscription service for the future."

An emergency fund is a priority

A common piece of advice you'll hear over and over: Life happens, so it's wise to have a financial cushion to tap into when sudden, unpredicted expenses arise. Create an emergency fund with three to six months' worth of pay and you won't need to raid your retirement plans when life goes unexpectedly sideways.

Spend less than you earn

It doesn't matter how much you get paid — if you spend more than you earn, you'll never get ahead. It's often easier to spend less than earn more, so focus on what you are in control of now. Track where you are spending your money, and then figure out where you're able to realistically cut costs. This is the easiest way to be able to start saving without having to make more money.

Make friends with a local financial advisor

Don't be afraid to talk to a local financial adviser near where you live — someone whom you can meet with face-to-face or easily pick up the phone to call. Financial professionals can help investors at every phase of life, so interview several to find one that you trust and with whom you are comfortable.

Start investing as early as possible

A famous quote attributed to Albert Einstein reads, "Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it." Early investing can be the key to building wealth over time, even if you currently don't make a very high income. "People that have waited late in life to invest will have to put aside larger sums and taker fewer risks because they don't have the benefits of compounded interest," says Patricia Russell, a certified financial planner and founder of FinanceMarvel.

However, know that it's never too late to start

Start where you're at, says Anna Keisler, a financial planning associate with SG Financial Advisors. "We all started somewhere when it came to financial knowledge. Even advisors. You should never feel stupid or silly for asking a question, because it's better for you to know the answer than to sit in silence, confused. The sooner you start, the better, even if you can't afford to save very much right now."

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Maximize your Social Security

Speak with a financial planner to determine the optimal time to claim your Social Security benefits, as well as a strategy if you have a spouse (they may recommend for one spouse to claim early and the other to delay, or possibly take a different path). The best time to claim Social Security can vary and is dependent on what else you have going on in your financial life, according to Scott Butler, financial planner at Klauenberg Retirement Solutions in Laurel, Maryland. "For some, the best answer is to take Social Security earlier and let other investments grow. For others, drawing income from assets first and allowing their Social Security benefit to grow will net them more retirement income," he says.

Stay invested

When it comes to investments, time is on your side. Create a long-term investment plan and keep fully invested, even during market downturns (when you may be especially tempted to pull your money out or move it around).

Chip away at your debt

Work toward reducing or eliminating as much of your debt as possible before retirement. "Going into retirement can be disastrous if you are still carrying credit card debt. You will be on a limited income, which can make it stressful to cover expenses. The freer you are of debt, the more freedom you will have in your retirement," says Kevin Bard, owner and founder of Creative Asset Solutions.

Work closely with your tax accountant

Many financial planners warn that taxes can take a significant bite out of retirement accounts, so it's advisable to have an honest, working relationship with your tax accountant. There are strategies you can use to minimize Uncle Sam from being your partner in retirement, and your accountant can advise you on these.

Be aware of what is happening around the topics of Social Security and healthcare

Stay abreast of what is going on in the news and legislature concerning Social Security and healthcare — these are two areas that will have a huge financial impact on you at some point in your life. "Social Security benefits may be reduced or eliminated for some in the future. Healthcare costs are rising. Don't forget the impact of long-term care needs for the elderly in our families; pay attention to what is happening in the lives of your grandparents and other relatives," advises a top financial planner in Seattle.

Pay yourself first

We've all heard this one before, but what does it really mean? It means to funnel part of your income into a retirement plan right away — straight from every paycheck — before you have the chance to think about it (or spend it!). Participate in your company's employment plan by saving the maximum amount matched by your employer in a 401(k), and if possible, put a little more aside in a Roth IRA (even a tiny amount every month). It will grow tax-deferred and distributions are tax-free.

Have important money conversations with your family

Death is an incredibly stressful time for a family, even before sorting through the financial details. Many relationships are irreparably damaged by arguments about "who gets what," according to Kurt Hemry, president of Ironwood Wealth Consultants in Portland, Oregon. His advice? "Have a family meeting to let your adult children know what you want done with your estate at death. Even with a will or trust, it is advisable to personally tell them what you want to happen when you're gone."

Adjust your tax withholding

A tax refund always feels good, but remember what it actually is — the money you've overpaid in taxes during the year. Adele Alligood, financial advisor and founder of EndThrive, puts it bluntly: "Basically, the government just holds onto your money until tax season then returns it back to you. Which also means you gave the government an interest-free loan." Her recommendation? Visit IRS.gov to use their withholding calculator to determine the correct amount that should be withheld from your check, then contact your HR department to change your withholding if you find that you're paying too much.

Read the whole article at https://bit.ly/2XFUPLy

Scott Butler, CRC, is a financial planner with Klauenberg Retirement Solutions. Using his background as a former teacher, Scott breaks down financial topics to levels that clients can more easily understand, believing each person should have a basic understanding of the wealth strategies and products that work for them.

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