

# Personal Finance



# Planning Ahead

Estate planning isn't strictly for seniors or the affluent. In fact, it's a vital component in personal and financial management, offering advantages to individuals of all ages.

Having a plan in place safeguards the assets of young professionals just beginning their careers, established families and, yes, retirees. Wills protect the welfare of loved ones while mapping out the continuation of your legacy. Many are hesitant to deal with estate planning because they associate the process with getting old and dying. But other unforeseen circumstances can arise at any age, including accidents or illnesses, and that emphasizes the importance of mapping out this process.

Estate planning empowers you to determine who will act on your behalf if you are incapacitated, how your assets will be distributed, and who will look after minor children if necessary.

## UNDERSTANDING WILLS

Drafting a will is a fundamental aspect of estate planning. This is a legal document that outlines someone's desires regarding the allocation of assets, providing clarity during a time of great emotion. Without a will, state laws dictate asset distribution, and that may not align with your



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intentions. It could also lead to disputes among family members. But estate planning can, and often does, extend beyond simple asset distribution.

## THE REST OF THE STORY

Estate plans may specify healthcare preferences, enable someone to appoint a guardian for minor children, and designate a person to make finan-

cial decisions through power of attorney. Making these decisions ahead of time is essential for those of all ages since accidents or health concerns can render anyone temporarily or permanently incapable of decision-making. Another often overlooked aspect of estate planning is the reduction of expenses. Strategies like establishing trusts or cer-

tain gifting techniques can lessen the tax burden on beneficiaries, conserving a larger portion of their assets.

## TIMING IS EVERYTHING

Estate planning early in life offers additional advantages. It allows young adults starting their careers to name beneficiaries for their retirement accounts and life insurance

policies, ensuring a smooth transition of assets in the event of an untimely death. It also provides an opportunity to protect assets from potential creditors or lawsuits, safeguarding one's financial well-being.

Just remember to regularly review and update your plans as circumstances and priorities change over time.

# Start Saving Money

America's overall rate of savings continues to decline, putting people at risk of potentially catastrophic financial difficulties should they face an urgent situation.

A healthy bank account will be critically important if you were to suffer the loss of a job, a broken-down vehicle or a sudden health issue. Unfortunately, things like that can happen at any time. That's why having a nest egg at all times is so important. Here are some strategies to help grow your savings.

## HIGH-INTEREST DEBT

Prioritize paying off any high-interest debt you may have like credit card balances. By reducing or eliminating these bills, you can free up more money to put towards savings. You'll more quickly build the kind of nest egg needed when something unexpected happens.

## EASY DOES IT

One easy way to avoid overspending is to employ a 30-day rule for any big-ticket purchase. This creates a "cooling-off period" before you buy. You might end up rethinking the purchase. Even if you don't, you can spend this time seeking out annual sales, better offers or cost-saving coupons.

## BUNDLE IT UP

Look for opportunities to bundle services or products to save money. For example, consider combining your internet, cable and phone services into a single package offered by a provider. Bundling can often lead to discounted rates. Keep track of your subscriptions, and sign off on things

you pay for but use only rarely or never at all.

## SMART SHOPPING

Be strategic when it comes to grocery shopping. Plan your meals around what you already have at home, create a shopping list and avoid impulse purchases by sticking to it. Take advantage of loyalty pro-

grams and use coupons to get the best deals on essential items. Some cashback cards offer extra rewards for grocery purchases, but remember to pay off the monthly balances in full to avoid interest charges and fees.

## AUTOMATE TRANSFERS

Simplify the process of sav-

ing by setting up automatic transfers from your checking account into savings. By doing so, your savings account will seem to magically grow because you're putting money away without actively thinking about it. You can easily arrange this through your bank's website or by using related apps.



# Starting Your Own Business

Starting your own business is thrilling, of course, but it can be demanding.

You're pursuing a passion and controlling your own destiny, both of which can bring immense satisfaction. Entrepreneurship requires smart decision-making and meticulous financial planning. This holds true whether you are working for yourself as a freelancer or establishing a larger independent business.

## PREPARATION PROCESS

Craft a comprehensive business plan with your objectives, revenue projections, target markets and expenses. A well-crafted business plan acts as a navigational tool for your financial future, guiding the decision-making process while attracting potential investors or lenders. Various business plan templates are available online, and the U.S. Small Business Administration offers a step-by-step guide for developing these plans.

## DO YOUR RESEARCH

Don't forget to conduct thorough market research. Are there customers who are interested in the services or products you intend to offer? How saturated is the market? Who are your competitors? Do you have a unique selling proposition? The answers to these questions will guide you toward success.



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## PAYING FOR IT ALL

It's important to calculate your start-up costs to estimate profits and conduct a break-even analysis. Next, focus on securing loans or bringing in investors. Factor in built-in costs with suppliers, contractors and vendors. Try to get underway with minimal debt, if possible. That may require dipping into your savings or exploring alternate financing options like crowdfunding or

grants. If they're necessary, carefully evaluate loan options to ensure you can manage the note.

## PROMOTE TRANSPARENCY

It's best to maintain separate bank accounts for personal and business finances, since that simplifies tax filings and helps with accurately assessing your profitability. Start this practice early to pro-

vide transparency. It's smart to build an emergency fund covering three to six months of living expenses to safeguard your finances against unforeseen circumstances.

## ASK FOR ADVICE

Seek out professional advice from accountants, lawyers and tax advisors who specialize in small businesses or freelancing. They can help you navigate financial com-

plexities, ensure regulatory compliance and maximize tax benefits, saving time and money in the long term. Consider joining support groups with other entrepreneurs or freelancers. Beyond the helpful knowledge exchanges, you'll be staying informed about industry trends and market conditions. That's essential if you want to keep adapting to this evolving landscape.

# Being Smart about Taxes

Whether we like it or not, taxes are a reality in life. Still, careful investors with a solid grasp of tax requirements can significantly lower their obligations.

Call it “tax-efficient investing.” It’s crucial for anyone who wants to accumulate and preserve their wealth. Interested in minimizing your tax liabilities to allow investments to grow more effectively? You’ll need to stay vigilant, since tax laws can change. It’s also smart to seek out professional advice about successful tax-efficient investing.

## GETTING STARTED

Choose investment funds that prioritize tax efficiency like index funds and ETFs, which generate fewer capital gains than actively managed funds. Diversify your investments across different types of funds, including taxable, tax-deferred and tax-free accounts. Placing tax-inefficient assets in tax-advantaged accounts can help reduce your overall burden. Consider tax-managed funds that focus on minimizing taxable distributions through strategic selling of securities. So-called “tax-loss harvesting” involves selling investments with losses to offset gains in your portfolio, reducing taxable income and potentially lowering your



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bill. This approach can lead to deductions or tax-free growth, aiding in wealth accumulation. It’s also a tax deferral until retirement.

## TRADING TIPS

Minimize frequent trading within your investment portfolio to avoid triggering capital gains taxes. Opt for a buy-and-hold approach to reduce taxable events. By holding invest-

ments for the long term, you may qualify for more favorable tax rates on capital gains. Typically, assets held for more than a year are subject to lower capital gains rates, and that encourages a patient investment approach. Municipal bonds often provide tax-free interest income. When issued by your state of residence, they may even offer additional state tax benefits.

Regularly contributing to tax-advantaged retirement accounts like 401(k)s and IRAs is highly recommended.

## SPREAD IT AROUND

Diversify your investment portfolio to spread risk, while considering the tax implications of each asset class. Tax-efficient investing, by its very nature, requires participants to stay updated on changes in

tax laws and regulations that may affect investment strategy. Periodically assess your portfolio to identify needed adjustments like rebalancing or tax-loss harvesting. Research and select funds with a track record of tax efficiency and low turnover. By implementing these strategies from the beginning, you can avoid unnecessary future tax consequences.



# The Role of Insurance

Health insurance has become rather complicated, with a crowded mix of health maintenance organizations, preferred provider organizations and exclusive provider organizations.

Then there are potentially confusing terms like co-payments and deductibles. It's essential to sort through and understand these things since health insurance plays such an important role in protecting our health and finances in times of need. You'll also want to regularly review your insurance policy to make sure it's still aligned

with your budget and needs.

## UNDERSTANDING THE TERMS

Begin by familiarizing yourself with basic health insurance terms such as premiums, co-payments, deductibles and out-of-pocket maximums. Think of these terms as levels where you will pay different amounts, with some levels only coming into effect after the previous one is paid. If you find anything confusing, reach out to your health insurance company.

## DEFINING THE PLANS

When it comes to plans, the major types include health maintenance organizations (HMOs), preferred provider organizations (PPOs), and exclusive provider organizations (EPOs). HMOs require a primary-care physician and refer-

als for specialist care within a network, offering lower costs but limited flexibility. PPOs allow visits to both in-network providers and out-of-network providers without referrals. That provides more flexibility but there are inevitably higher costs for out-of-network services. EPOs combine features from both HMOs and PPOs, while requiring in-network providers without the need for referrals.

## COVERAGE CONSIDERATIONS

Begin by reviewing the coverage and benefits provided by these various health insurance plans. Several factors will determine which one is right for you and your family, including the network of doctors and hospitals, mental health services, prescription drug coverage, specialty care and preventive care. Beyond your specific healthcare needs,

assess the costs — including premiums, deductibles, co-payments and co-insurance amounts. Pay close attention to the out-of-pocket maximum, which represents the top annual amount you will have to pay for covered services.

## IN OR OUT OF NETWORK?

In-network providers have negotiated contracts with your insurance company and generally have lower costs, while out-of-network providers may result in higher out-of-pocket expenses or may not be covered at all. Make sure that your preferred healthcare providers are included in the network of your chosen insurance plan. Stay informed about any coverage updates by reviewing your documents, since policies can change annually. Read the fine print too, since there are always exclusions or limits.

# Safeguarding Credit Cards

If it seems like nobody ever pays with cash anymore, that's because it is essentially true.

One study found that fewer than 10 percent of Americans use paper currency and coins to make their purchases. That makes safeguarding the bank and credit cards we use for most transactions even more important. Here's how to prevent criminals from accessing these critical areas – and what to do next if you become a victim.

## KEEP AN EYE OUT

Always monitor your accounts very closely. Immediately report any suspicious charges, and follow up in writing each time. Suspicious changes may also show up on your credit report, so keep a close watch. Obtain complimentary copies of your credit report and look for unfamiliar accounts or charges. Give your property insurance policy a close read, since your coverage may include protection against charges stemming from card theft.

## IF THEY'RE LOST

In the event of a stolen or lost card, the FDIC advises immediate reporting. Contact your financial institution on the phone or through their app as soon as you realize the card is missing. Federal law



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states that you are not liable for charges or withdrawals after reporting the loss, so act promptly. If you wait until unauthorized transactions have already happened, you might end up being responsible for some or all of the charges. Following the report of a stolen or lost card, the

FDIC recommends sending a written follow-up. Include the account number, time and date of the card's disappearance, and date of your initial contact. Keep a copy of this letter and any communication with your financial institution in case there are questions later.

## FRAUD ALERTS

If you suspect identity theft or notice unfamiliar accounts, immediately contact the issuing companies. Place a fraud alert, inform the Federal Trade Commission, and file a report with your local police. Close the unauthorized accounts, dispute the charges, and work

to correct your credit report with the major bureaus. Consider adding a fraud alert or credit freeze, while continuing to regularly monitor your credit reports. Contact the Social Security office and IRS if your number has been compromised, since there may be associated tax fraud.



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Americans have traditionally relied on Social Security as a primary source of income in their old age. Newer concerns about the program's stability, however, are leading more people to take responsibility for their own retirement outlook.

Thankfully, there are a variety of programs beyond the government-run system that can help create a more financially secure future:

### **INDIVIDUAL RETIREMENT ACCOUNTS**

Individual Retirement Accounts, or IRAs, allow individuals to invest funds on a tax-deferred basis, ensuring financial security during retirement. There are two main types of IRAs: Traditional IRAs and Roth IRAs. Traditional IRAs are funded by personal savings, with the potential for tax deductions on contributions. On the other hand, Roth IRAs do not offer tax deductions on

contributions, but qualified distributions may be tax-free. Less common types of IRAs include payroll deduction IRAs established by employers and Simplified Employee Pension plans (SEPs). (SARSEPs were a type of SEP used before 1997.) With SIMPLE IRAs, employees contribute a portion of their salary and employers may provide matching contributions. Your personal needs or investment strategy will dictate which of these retirement accounts is best for securing a better financial future.

### **401(K) PLANS**

These plans are qualified profit-shar-

ing plans that enable employees to allocate a portion of their earnings to individual accounts. Their contributions are not subject to taxation. However, 401(k) distributions are considered taxable income when made during retirement, including any earnings. 403(b) plans, also known as tax-sheltered annuities or TSA plans, are retirement plans offered by public schools and specific 501(c)(3) organizations. Both employers and employees can contribute to these accounts. As with a 401(k), 403(b) options allow employees to defer a portion of their salary into individual accounts, with taxes being levied upon distribution.

### **PROFIT-SHARING**

On the other hand, profit-sharing plans accept discretionary employer contributions for an employee's retirement. Contributions are not mandatory, and the business does not need to generate profits to make contributions. Employee Stock Ownership Plans (ESOPs) are designed to primarily invest in employer securities, granting employees ownership interest in the company through shares of stock. Both the company and the employee can accrue tax benefits. These plans align the company's success with the employee's savings plan, creating a shared motivation to succeed.