



# Your Financial Health

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## PREPARING FOR MAJOR FINANCIAL EVENTS

Many life events are directly related to (or cause) financial events that are faced at the same time. Preparing for the financial aspects of these events can help to reduce the stress that often accompanies major changes.

### **Remodeling your home or making major repairs.**

Home equity loans have become a major source of funds used when making improvements to homes. The application process is usually easy and inexpensive with funds available when needed. This avoids paying interest on funds you don't need. Home equity loans usually have attractive interest rates and the interest is tax-deductible. If you are considering a major home improvement, you may want to investigate this source of funds.

**Buying a home.** Buying a first or new home can be one of the largest financial transactions of your life. Investigating the mortgage options before you start looking at homes can help you focus on a home you can afford and help keep you focused on the home selection and purchase negotiation parts of the process. You may want to talk to a lender to get some kind of pre-qualification or at least learn what the current rates are and how much your monthly payments would be for different size mortgages.

**Changing jobs.** It is seldom easy to change employers. New responsibilities, new co-workers and a new environment can be stressful. In addition, you will probably get a distribution from your old employer's retirement plan. Once you get that distribution, you have important decisions to make. You must move the funds into another qualified plan or IRA within 60 days to avoid paying taxes on the distribution. You must also make investment decisions. Retirement plan distributions are often the largest single sum an individual ever has to invest at one time. Sometimes, a new employer's plan can accept transfers as well. If changing jobs is in your near-term future, investigate your options early to make the transition less stressful.

**Retirement.** After a career, venturing into retirement brings many changes. Along with Social Security benefits, your existing assets must pay for a major portion of your living expenses. Your living expenses will probably fall somewhat, perhaps by 20% to 30%. You will probably want to modify your investment strategies to be more conservative. While you are young and still accumulating assets, it can be easier to absorb a fall in the value of your portfolio because you have time to recoup your losses. During retirement, a significant fall in your portfolio can be troubling. You may want to consider a more conservative asset allocation with more of your funds in cash and shorter-term fixed income investments.

**Funding a child's college education.** The cost of a four-year college education is expensive. Annual college costs at private out-of-state institutions can run over \$30,000. Even state sponsored schools can be at least half that amount. Paying those college bills can be tough if you do not start saving early. Make time your ally by establishing a regular savings program and taking advantage of some of the new tax-advantaged programs like Education IRAs and Section 529 Plans.