



PLANNING FOR YOUR FINANCIAL LIFE STAGES

Having a sound overall financial strategy requires that you recognize that your finances are in a constant state of change. Not only do financial markets fluctuate, but your financial needs also change over time. Luckily, it is easier to predict the changes in your financial life stages than it is to predict the direction of the financial markets.

Most individuals pass through three primary financial life stages as they age. Income levels, spending patterns, family situations and areas of financial concern, while not exactly predictable, tend to follow a pattern.

| Life Stage | Life Events | Financial Events |
|--------------------|---|---|
| Stage One | Enter work force Marriage Children | Develop financial habits Purchase car Purchase home |
| Stage Two | Family grows Career advancement Inheritance | More home purchases Accumulation of wealth Funding college educations |
| Stage Three | Major promotion Retirement Grandchildren Death of spouse | Greater tax sensitivity Preserving wealth Estate planning |

Stage One - Building a Financial Foundation

Young adults face the task of learning how to manage spending and saving within the constraint of their income level. Developing sound financial habits is critical. Here are some issues to consider.

Learn how you are spending your money to identify ways to save. Prepare a household budget.

Use a wise borrowing strategy. Borrow for things that provide long-term value. Control the use of credit cards.

Establish a saving pattern. Consider an automatic savings program so that some amount is deposited into a savings account each paycheck.

Set some savings goals. Whether it is accumulating a down payment for a home, paying for a car or

saving for a vacation, connecting a tangible goal with your saving can provide the motivation and discipline you need to save.

Make sure you have adequate insurance.

Take advantage of employee benefit plans at work.

Stage Two - During Your Prime Earning Years

This is often a time when your income is rising as well as expenses. Nicer homes, nicer cars and children can easily consume your increasing income. This is also the time when the financial decisions you make will have the greatest impact on the financial lifestyle you will enjoy during retirement. By now, you should have developed some savings and the expertise to make sound choices.

Start early to save for children's college expenses. Consider using custodial accounts, Section 529 Plans or Coverdell Education Savings Accounts (Education IRAs) to get additional tax advantages with the college funds.

Take full advantage of employer offered retirement plans. If you have a 401(k) plan available, contribute as much as you can or at least enough to get the full employer matching contribution.

Invest wisely. Consider an asset allocation strategy that matches your time horizon and risk tolerance. Don't ignore the potential long-term returns of equities, but do your homework or rely on a qualified advisor.

Be sure your insurance protection has kept pace with your needs. Having adequate life insurance to protect your family, in case of your untimely death, is critical.

Prepare an estate plan to minimize taxes and to ensure that your custodial, financial and medical wishes are carried out.

CONTINUED



Your Financial Health

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PLANNING FOR YOUR FINANCIAL LIFE STAGES CONTINUED

Stage Three - Nearing or During Retirement

These years can and should be some of the most enjoyable and fulfilling times of your life. If children and grandchildren are part of your life, having the financial ability to help them can be rewarding.

A successful career, the freedom to live the retirement lifestyle of choice and a sense of satisfaction with what you have accomplished can make your “golden” years truly enjoyable. However, there are still financial issues that should be addressed.

Be sure your medical insurance is adequate. The costs of medical care continue to rise and we are living longer. Medicare, Medicaid and private health insurance will all be important.

Be sure your estate plan is up to date. Changes in your financial situation, moving to a different house or state and changes in your family should all be triggers for reviewing your estate plan with a qualified estate planning attorney.

Continue to manage your investments carefully. If you are using an advisor or stockbroker, be sure to fully understand their recommendations before accepting them.

Enjoy.