

Financial Planning in Today's *Fast-Paced World*



NEW HORIZONS
FINANCIAL CONSULTANTS

“Getting money and keeping money requires two very different sets of skills.

-Morgan Housel (Bestselling financial writer)

Financial planning is about shaping your financial vision through strategies and goals based on the fundamentals of finance. Managing wealth is becoming more complex, however, the skills you employ to preserve and grow your wealth have stood the test of time. Financial planning takes on many forms, from learning how to budget and cut back on unnecessary spending, to taking advantage of tax benefits, estate and trusts management, careful investing to ensuring you have enough to retire when that day arrives to maybe even leaving an inheritance to your children or loved ones.

Each individual's short- and long-term objectives are unique and personal to them, what are yours? What are the challenges you find yourself facing in a time of soaring cost of living, high interest rates, and an unpredictable market?

One of the main goals of financial planning is ensuring you have enough to last you through retirement while maintaining the lifestyle you want. Research conducted by Urban Institute found that one in 10 high-income families have little to no retirement savings. Just because you have a high income doesn't mean you are managing your money properly.

You are not alone. Millions of people struggle with financial planning. It is time-consuming, complicated, and can be quite stressful. Luckily, there are licensed financial professionals who tackle the complex issues of money management, financial planning, and budgeting with you. We put together a checklist that you can do yourself or together with a financial professional to pinpoint areas in your life, spending habits, and other financial decision-making to align more with your short- and long-term financial goals.

DO YOU PLAN TO MAKE AT LEAST ONE BIG PURCHASE IN 2025?

Making large purchases is fun if you can comfortably afford it, and in some cases, it is a necessity, such as buying a new water heater or HVAC because the old one is on the way out. But there are times when people make large purchases because of other reasons like trying to keep up with the neighbors and making such a purchase could take away from their regular saving strategy. Is it worth it then? What is your reason for making a big purchase this year?

It is a necessity, and I can afford it.

It is a necessity, but I can't afford it and have to borrow money.

It is not a necessity, but I would like to have it for convenience and can afford it.

It is not a necessity, but I would like to have it for convenience but have to borrow to buy it.

I want it because everyone in my social circle has one, but I can afford it.

I want it because everyone in my social circle has one, but I have to borrow money to buy it.

I want to discuss this large purchase with my financial professional to see the impact on my financial goals for the year.

☐ WHERE ARE YOUR FUNDS ALLOCATED?

Creating diversity through the allocation of your funds into different retirement accounts and investment vehicles is a great strategy for helping to lower some of the risk of market volatility. However, all forms of investing carry some level of risk, though some forms, like speculating, are highly volatile and extremely risky and may want to be avoided by the long-term investor working to grow and preserve their wealth over time. To accomplish this you want to pay close attention to how your funds are allocated.

I keep all my money in a checking and savings account

I have a checking and savings account and invest in equities (stocks, bonds, mutual funds) in several retirement accounts including a 401(k), Roth IRA, traditional IRA, or another employer-sponsored plan.

I have a checking and savings account and invest in equities, fixed income, and other investments in several retirement accounts including a 401(k), Roth IRA, traditional IRA, or another employer-sponsored plan.

I have a checking and savings account, an emergency fund, and a diverse collection of investments including in several retirement accounts including a 401(k), Roth IRA, traditional IRA, or another employer-sponsored plan.

HOW OFTEN DO YOU REVIEW YOUR BUDGET AND MAINTAIN IT?

Creating a budget and understanding how much money comes in and how much is going out is critical. Do you know what you spend your money on? Your expenses are generally broken up into fixed expenses and variable expenses. Fixed expenses are those that generally don't change much from month to month such as rent or mortgage payments, water, garbage pick up and utilities, insurance, and debt payments. Variable expenses are just that, they vary in their cost. Here are some you may be able to track and maybe cut back on and several other helpful tips for budgeting:

Tracking and prioritizing spending on basic needs (housing, food, gas, utilities, etc.).

Reviewing and canceling subscriptions.

Eating out less.

Reduce electricity use.

Shopping for only necessities and creating a list before I go to help with impulsive buying.

Consider buying used or store-brand products instead of new or name-brands.

Figure out how much money comes in versus how much goes out.

Discuss spending strategy with your financial professional.

Now consider some of these good budgeting tips. How many can you check off?

Create realistic, attainable goals.

Have a clear picture of your income versus your expenses.

Create a list of your wants versus your needs.

Create a strategy to pay off debt faster like debt snowballing or debt avalanche.

Give the 50-30-20 rule a try. 50% of your money goes toward needs, 30% goes toward wants, and 20% goes toward savings.

Design your budget.

Review your budget with a financial professional.



DO YOU MAX OUT YOUR RETIREMENT ACCOUNTS?

Maxing out your retirement accounts helps you to build up a nice nest egg for retirement, as an emergency fund, or so you can one day share it with your loved ones after you pass on. There are many benefits to accumulating your money. Have you maxed out yours?

401(k), 457(b), and 403(b) plans – The contribution limit is \$23,000, or 100% of the employee's compensation, whichever is less.

If you are 50 or older, you can contribute an additional catch-up contribution of \$7,500.
The combined employee and employer contributions limit is \$69,000.

Traditional IRA – The contribution limit is \$7,000

Roth IRA – To be eligible to contribute to a Roth IRA, your modified adjusted gross income (MAGI) must be under \$161,000 if a single filer, or \$240,000 if you are married and filing jointly.

Pension-linked emergency savings accounts (PLESAs) – As of 2024, specified authorized employers had to add the option of a PLESA to their defined contribution retirement plans. Eligible employees who opt to contribute are allowed to add up to \$2,500 per year (or a lesser amount determined by the employer). These differ from 401(k) and IRAs in that participants can make withdrawals tax and penalty-free before age 59 1/2.

Discuss contribution limits and savings strategies with your financial professional – A financial professional might have insight into a strategy that you weren't aware of or how a decision might impact you far down the road. It is critical to get the help of a professional.

ARE YOU UP TO DATE ON ALL YOUR TAX PLANNING STRATEGIES?

It is never too early to begin planning for tax season. Many of the decisions that we make throughout the year impact your taxes.

Have you gotten divorced or legally separated? This could impact your tax liability.

Are you responsible for alimony?

Do you have any property transfers?

Do you have capital gains or losses? Can you offset your gains with some of the losses?

Have you gotten a salary increase or a large bonus? Did you move up in the tax brackets?

Do you take advantage of income exclusions that may help to reduce taxable income on a dollar-for-dollar basis?

Are you being strategic with the use of your standard deduction?

If your income is too high to contribute to a Roth IRA, have you considered a backdoor Roth IRA, a strategy that permits those people who earn too much to contribute to a traditional IRA, and then convert it to a Roth?

Have you reviewed the opportunities for accelerating or deferring income to keep yourself in a specific tax bracket? This can be a powerful strategy.

Tax planning is extremely complex and getting help from a financial professional may be very beneficial and help you to avoid an unnecessary tax liability.

DO YOU CURRENTLY, OR PLAN TO ALLOCATE FUNDS FOR CHARITY?

Giving to charity is a wonderful practice for a number of reasons, but how you do it can impact your financial strategies and goals. Why do you want to give to charity this year?

I give to charity for tax purposes

I want to give to charity but don't know how much is worthwhile

I want to start giving to charity in retirement without it impacting my retirement savings

I want to give to charity someday through a provision in my will

I plan to discuss my interest and the available options with my financial professional.

I CURRENTLY CONSULT OR HAVE BEEN EXPLORING THE BENEFITS OF CONSULTING A FINANCIAL PROFESSIONAL

If you look through history at the world's top performers, you will notice that the majority of them had mentors who were more knowledgeable and experienced, and who they learned from. Warren Buffett, Peter Lynch, Steve Jobs, James Hill, Leonardo Da Vinci. It doesn't matter the field of study: finance, technology, the railroad, or the arts. To work toward their goals most effectively they faced challenges similarly by seeking out the help they needed to move forward. You can do the same in your life with your personal financial aspirations.

I have estate planning questions

I am interested in taking advantage of and exploring available tax benefits

I want to ensure I am saving enough for retirement

I have significant student loans still. What is the best approach to pay them down without impacting my retirement strategy?

I am looking for professional financial guidance for what I don't know enough to ask about

After analyzing the answers to your checklist hopefully you have learned a little bit about how you are think which is sometimes hard to see in the hustle and bustle of day-to-day life.

Let us know your plan so we can help!



Sources:
High Earners Face Retirement Challenges | CAPTRUST
Nine Charts about Wealth Inequality in America (urban.org)
Backdoor Roth IRA: What it is and how to set it up | Vanguard
Fundamentals of tax planning: Going beyond the basics (vanguard.com)

Important Disclosures:

This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.

A Roth IRA offers tax deferral on any earnings in the account. Qualified withdrawals of earnings from the account are tax-free. Withdrawals of earnings prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Limitations and restrictions may apply.

Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA.

Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax in addition to current income tax.

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