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Financial PLANNING

2020

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How finances change when starting a family

Financial changes are a fact of life. Changes occur at every turn, including when students leave home for the first time, people get married and when families purchase their first home. One of the biggest financial changes occurs when starting a family.

Starting a family can come with a measure of sticker shock, particularly for young couples without much financial history. Since the 1960s, the costs associated with raising a family have risen exponentially, says the financial resource MarketWatch. Between 2000 and 2010, costs rose by 40 percent. Data from Money.com indicates that, as of 2015, American parents spent, on average, more than $230,000 on child costs from birth until the age of 17. The U.S. Department of Agriculture says that today that number is closer to $245,000 per child, which does not include the cost of college. BabyCenter.com offers a cost comparison tool to help prospective parents get started on creating family budgets.

When mulling the cost of starting a family, prospective parents can ask themselves the following questions to get a handle on their finances.

• **Can I afford big-ticket baby items related to safety and comfort?** Items may include a new vehicle with high crash-test ratings, or renovations to a home to provide a safe nursery. If renovations are unlikely, then would-be parents may need to consider the costs of moving.

• **Have I considered daily child expenses?** Diapers, formula, laundry detergent, clothing for each stage of growth, and various other items are necessary when raising a child. Make a list of such items and their potential costs.

• **Do I have adequate health insurance?** Pew Research states that expenses for a delivery can range from $3,000 to upward of $37,000 per child for a normal vaginal delivery, and from $8,000 to $70,000 if a C-section or special care is needed. Consider how much your health insurance will cover and how much adding a child to a policy will increase your rates.

• **Will I need daycare?** In order to afford added expenses, both parents may have to work. BabyCenter.com states that a family's average childcare costs are roughly $755 per month.

• **Can I afford life insurance?** Once you begin a family it is important for both parents to have a life insurance policy in place to provide for surviving family members in the event of an untimely death.

Couples who want to start a family can make the transition go smoothly by figuring out their finances before welcoming a baby into the family.

Avoid financial peril after a job loss

Losing a job can be devastating. Even in a strong market, companies can go out of business or reduce payroll. Being let go can initially tug at one's pride, and after a layoff sets in, it may cause individuals to start worrying for their financial futures.

While many people can survive and may even enjoy a few weeks of rest and relaxation after a job loss, financial concerns may surface soon thereafter. A 2017 GOBankingRates survey found that more than half of American adults have less than $1,000 in their savings accounts. Financial planners typically advise people to have at least three month's worth of earnings socked away for emergency situations, like a medical issue or a job loss. Even though the survey also found more than a quarter (27 percent) of respondents have $10,000 or more saved, that might not be enough to survive a job loss for six months or more.

These strategies can help professionals who recently found themselves out of work avoid financial difficulties.

• **Get references.** Leave on amicable terms and ask your former employer for a reference. You should not burn any bridges, as a good reference can be invaluable as you look for your next opportunity.

• **Live off of cash reserves first.** Before cashing in investments or retirement accounts, tap your emergency fund first. If you have any tangible assets, like an unused car or a boat sitting idle, sell these items for cash to tide you over.

• **Contact your credit card company.** Many companies have programs designed to help customers facing financial hardships. Reach out promptly to let them know you may be anticipating missed payments. It is better if you initiate contact rather than going into default. The same tactic

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POTENTIAL PASSIVE INCOME STREAMS

Passive income streams require upfront time and financial investments, but tend to produce steady streams of revenue over time.

Jobs may be how many people earn their money, but there are other ways to generate income that may not require the level of effort of a nine-to-five gig.

Passive income streams can be a great way to earn substantial amounts of money. Passive income can be earned through investing in stocks, money market funds, real estate, livestock, or savings bonds. Lending money also can provide passive income. Though such income streams are described as "passive," they require an investment of time and/or money to get started.

Passive income streams enable the average person to make some extra money without taking on a full-time job. Unlike active income, where the more you work the more you earn, passive income often generates a flat level of return over time without the same level of commitment.

Passive revenue streams are continually evolving. Modern passive investments are varied, and can include the following ideas.

Home-rental service

Popular sites like Vacation Rental By Owner (Vrbo®) and Airbnb put interested parties in touch with potential landlords. Vacation property owners or people who do not spend a lot of time at a primary residence may find this is a lucrative way to earn some extra money. Properties located in popular tourist areas may garner considerable income.

Digital products

Digital items, such as expert advice guides, books, informational articles, digital photography, digital artwork, and more can be sold online. The product only needs to be created once, and then it can be sold infinite more times to generate an ongoing revenue stream.

Peer-to-peer lending

According to the financial wellness site MyMoneyWizard.com, peer-to-peer lending (P2P) is the practice of lending money to borrowers who may not qualify for traditional loans. P2P is a growing market that removes large financial institutions from the lending process. Lenders serve as the "bank," and the consumer pays interest on the principal. The loans can be handled through an intermediary like The Lending Club, which is regulated by the Securities and Exchange Commission.

Real estate investment trusts

Real estate investment trusts, or REITs, offer the benefits of being a landlord without the hassle of dealing with fixing broken pipes or handling rowdy tenants. REITs are like stocks in real estate market. You purchase a share in a company that owns, manages or invests in various real estate properties. The higher the dividend rates the higher the risk, so investors must weigh REIT considerations carefully.

Passive income streams are another way to earn extra money and can be lucrative for those who take time to invest.

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How to get out of debt... *and stay that way*

Debt can quickly sneak up on a person. However, it can take much longer — sometimes decades — to get out of debt. And that's a big concern when considering just how much debt the average person has incurred.

Northwestern Mutual's 2018 Planning & Progress Study says the average American has about $38,000 in personal debt, excluding home mortgages. A survey from the insolvency firm MNP Ltd. found that 31 percent of Canadians do not make enough to cover their bills and 46 percent are a mere $200 or less away from failing to pay debts at month's end.

Researchers in the United Kingdom analyzed data from 1.4 million credit card holders and found that people typically choose ineffective methods to paying off debt. These tips can make it easier to get rid of debt.

Stop the flood

Avoid new debt at all costs. Stop using credit cards, cease taking loans, do not buy any big-ticket items, and scale back on general purchases.

Learn about avalanches and snowballs

The avalanche method is a way to pay off debt. According to NerdWallet, a popular online financial resource, the debt avalanche approach encourages debtors to pay off debts with the highest interest rates first. That seems like an effective way to get out of debt quickly. However, in a 2016 investigation for the Harvard Business Review, researchers found that the snowball method, which prioritizes paying off the smallest debt balance first and then moving on as debt amounts increase, is the most effective strategy. It tends to have the most powerful effect on people's sense of progress because they gain momentum by watching debts disappear.

Cut back temporarily

Cut back nonessential spending, such as cable subscriptions or gym memberships for the time being. Repurpose that extra money to pay off existing debt.

Get a lower interest rate

Customers can call customer service centers to see if they can lower debt by negotiating a better interest rate, says Credit.com. Since much of a credit card payment goes toward monthly interest charges and not toward the actual balance, this can be a way to get a handle on debt. Some people prefer to use a balance transfer to get a lower rate on another card and try to pay off the balance before the promotional rate expires.

Consolidate or settle

When debt is so substantial that debtors cannot see the light at the end of the tunnel, they might ask a creditor to accept a one-time, lump sum payment to satisfy the debt. Debt consolidation companies also can help by negotiating with creditors and streamlining debt into one payment per month instead of many.

With an effective plan in place, people in debt often can dig themselves out of financial peril.

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How financial planners can help you *every day*

Financial planning and retirement go hand in hand. Without effective planning, many people would never be able to retire, while others might have to work much longer than they hope to. While financial planning is essential to achieve long-term goals, planning also can make it easier for people to meet their everyday financial needs.

Managing money is a big responsibility, and it's one that many people may need help with. A recent survey from Pew Charitable Trusts found that 55 percent of Americans spend as much or more than they earn. That's not only compromising their financial futures, but also making daily life more stressful, as the American Psychological Association's annual "Stress in America" survey routinely finds that money is a top cause of stress among millions of Americans.

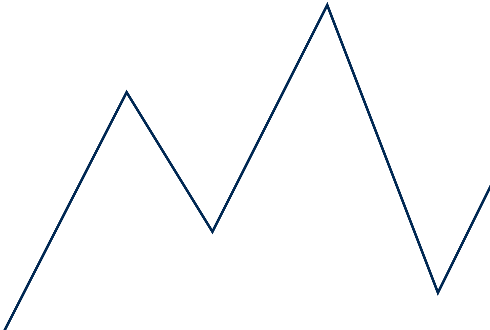
Adults who are finding it difficult to manage their money on a day-to-day basis may benefit from the services of a financial planner. Financial planners can help people create effective long-term financial plans, and they also can be vital resources for people who need help managing their money every day.

• Planners can look at things from an unbiased perspective. An honest assessment of monthly expenses is essential when creating a monthly budget. However, many people tend to be biased when it comes to their monthly expenses. For example, some may feel that three streaming service subscriptions are something they cannot live without. That can make it difficult to trim some of the fat from their monthly expenditures. A financial planner will begin by examining your monthly expenses and may or may not make unbiased suggestions regarding where you can save.

• Planners have the time. The average household is a hectic place. Adults with commitments at work and home often cite a lack of time as one of the reasons they aren't more on top of their finances. A 2018 survey from Bankrate.com found that 16 percent of respondents aren't saving more money because they haven't gotten to it. Financial planners have the time to help clients save, and over time a planner can be an expense that pays for itself if families are saving more as a result of enlisting the services of a planner.

• Planners have the expertise many people lack. One of the reasons people struggle financially is that it can be hard to navigate the world of investments, insurance and taxes. Planners have the financial literacy necessary to navigate those waters successfully and can help people realize both their short- and long-term financial goals.

Financial planners don't just help people plan for retirement. Many planners are equally effective at helping clients achieve their daily financial goals as well.



Did you know?

According to the U.S. Securities and Exchange Commission, questions can be an investor's best friend, particularly when it comes to fees. Fees might be referenced in the fine print when signing an investment agreement, but they can be anything but small as a portfolio grows and accumulates more assets. The SEC notes that, over a 20-year period in which investors invest $100,000, 1 percent annual fees can reduce the size of a portfolio by as much as $30,000 (based on annual returns of 4 percent). In such a scenario, an investor paying 1 percent annual fees and netting annual return of 4 percent would have a portfolio worth $180,000 after 20 years. However, an investor who pays just 0.25 percent in annual fees and invests the same amount of money while earning the same returns would have a portfolio worth roughly $210,000 after 20 years. When opening an investment account, the SEC advises investors to ask about the total fees to purchase, maintain and sell a given investment. In addition, investors are advised to ask if there are ways to reduce or avoid fees. The SEC also recommends that investors inquire if there are any ongoing maintenance fees related to an account and how much an investment has to increase in value before an investor can break even.

3 INVESTING TIPS
for beginners

Investing is a key component of long-term financial planning. By choosing the right investments, investors can ensure their money outgrows inflation, making it possible for them to realize their retirement goals and live comfortably long after they have stopped working.

Risk is a part of investing, and many veteran investors recognize that. However, the fear or losing their hard-earned money might compel would-be beginners to avoid the markets altogether. That can be a costly mistake, and it's one research suggests millennials are making, choosing to keep their money in savings accounts, which provide very little return in terms of interest, rather than invest in the markets. According to a recent analysis from the online financial resource NerdWallet, a 25-year-old millennial who is not investing today and does not invest until he or she retires at 65 could lose out on more than $3.3 million in retirement savings.

It can be nerve-wracking for novices to begin investing their money, but these three investment strategies can help calm those nerves and pave the way for a bright financial future.

1. Identify your risk tolerance.

Young investors may be told that they're in prime position to choose risky investments because they have fewer responsibilities than older investors and more time in the workforce to make up for losses. While that's true, young investors should only be as risky as they're comfortable being. The financial experts at Principal® advise beginners to identify their risk tolerance before investing. Investments with a high potential for return, which might include emerging markets and limited partnerships, also generally have a higher potential risk for loss, and vice versa. Investors should only accept a level of risk they're comfortable with.

2. Diversify your investments.

Principal® notes that one way to manage risk is choose a mix of investments from various asset classes. For example, stocks and bonds traditionally move in different directions. So when stocks are up, bonds may be down, and vice versa. Investing in different types of assets is known as diversification, which can help investors protect themselves against risk.

3. Make changes as you age.

As investors age, their aversion to risk should grow. The closer you get to retirement the closer you are to needing all the money you have invested and earned over the years. Speak with a financial planner about how to reallocate your investments as retirement draws near.

Investing requires risk, but novice investors should not allow that to keep them on the sidelines.

The various types *of* IRAs

Discussions about retirement planning typically include mention of individual retirement accounts, or IRAs. IRAs are retirement investment vehicles that can be used in place of or in conjunction with 401(k) plans.

Many investors like IRAs because they give them a certain measure of choice in regard to their investments while allowing investors to postpone paying taxes on gains until money is withdrawn during retirement.

One common misconception about IRAs is that there are only two types, when there actually are many more. Depending on which definitions and resources you go by, there are as many as 11 types of IRAs. Financial advisors can help people choose the appropriate IRA based on their needs and goals. Here's a look at just a few of the more popular IRAs.

Traditional IRA

Traditional IRAs are very popular, according to data from the Investment Company Institute. Classic features include a tax break of up to $6,000 initially, and investment earnings are not taxed as long as the money remains in the account. Money Management International says one advantage of a traditional IRA is that contributions can be taken as tax deductions in the tax year they are made. This type of IRA might be good for someone who anticipates being in a lower tax bracket upon retiring, since taxes are paid when funds are withdrawn.

Roth IRA

A Roth IRA is different than a traditional IRA in various ways. Contributions to a Roth IRA are not tax-deductible, but funds will grow tax-free. Also, with a Roth IRA, the taxes are paid upfront, so account holders will not pay taxes when the money is withdrawn. This is beneficial for those who expect their income tax bracket to rise after retirement.

SEP IRA

This type of IRA is a traditional IRA, but one set up and funded for employees by an employer. SEP stands for simplified employee pension. Employers must contribute equally to all employee accounts, and personal contribution limits are much higher for these accounts than on other tax-favored accounts.

Spousal IRA

The financial resource The Motley Fool notes that spousal IRAs are either traditional or Roth IRAs funded by a married taxpayer in the name of his or her spouse who has less than $2,000 in annual compensation. The couple must file a joint tax return in the year of the contribution.

Education IRA (EIRA)

Not all IRAs are strictly for retirement funds. EIRAs help pay for higher education. No tax deductions are allowed, but deposits and earnings may be withdrawn tax-free so long as they are used to pay for higher education.

IRAs are tax-advantaged tools for setting aside funds for retirement and other needs.

401(k)

Why it pays to say 'yes' to 401(k) matches

Employer-sponsored 401(k) plans are great ways to save for retirement, potentially paving the way to worry-free golden years. Such plans are even more attractive when employers offer to "match" contributions. Employers that offer to match employee contributions typically will do so up to a given percentage. For example, some companies may match up to 2 percent. That means that employees who contribute at least 2 percent of their paychecks to an employer-sponsored 401(k) plan will receive an additional 2 percent from their employers.

For those who contribute 2 percent, that match will double their contributions to 4 percent at no cost to the employee.

Despite the benefits of accepting employers' offers to match, recent data from the retirement planning specialists at Financial Engines indicates that many employees are not taking advantage of these offers when given the chance.

A recent survey from Financial Engines found that $24 billion in 401(k) matches goes unclaimed ever year, with the typical employee missing out on more than $1,300 in matches annually. Over time, money left on the matching table could deny retirees tens of thousands of dollars, if not more.

Accepting an employer's offer to match is essentially accepting free money, making it something all investors should do if given the chance.

Tips when choosing your 401(k) investments

Financial planners can help investors choose the right 401(k) investments for them.

Saving for retirement is an essential component of financial planning. Adults can save for retirement in various ways, and one of the simplest, most popular ways to do so is to enroll in an employer-sponsored 401(k) plan.

Enrolling in a 401(k) plan can be a wise decision. According to a recent report from Fidelity Investments, the average 401(k) balance rose 8 percent in the first quarter of 2019. Investors seem to be taking notice of such returns, as Fidelity also noted that the average 401(k) employee contribution reached $2,370 in the first quarter of 2019, marking a 15 a percent increase from the year prior.

When enrolling in a 401(k) plan, professionals may wonder how to choose their investments. Such plans typically include an assortment of funds. There are a host of factors to consider when choosing 401(k) investments, and the following are some strategies that can help investors make decisions they're comfortable with.

• Read the enrollment brochure. Brochures might not be the most exciting reads, but 401(k) brochures, which should be provided when employees enroll in a plan, typically include a detailed rundown of the investment options within a given plan. As valuable as these rundowns can be, a recent survey from Prudential Investments found that 42 percent of investors don't know how their retirement assets are being allocated. Investors who know how their 401(k) contributions are being allocated are in better position to address market fluctuations, giving them more control over their money.

• Involve a financial planner in your 401(k). Financial planners can be an invaluable resource that can help investors in myriad ways. Some investors may be surprised to learn that outside planners can even help them with their employer-sponsored 401(k) plans. Provide a planner with detailed information about your 401(k), including a rundown of the plan's investment options, and share your retirement goals. A financial planner can then help you choose the funds from your plan that best align with your goals and your comfort levels in regard to risk.

• Monitor your investments. While investors need to recognize that markets fluctuate, they still need to keep an eye on how their 401(k) investments are performing. Keep an eye out for funds that consistently lose money or provide little to no return, as they're likely not worthy of your investment dollars. Investors should not overreact and immediately move money around when typically strong funds take a dip, but they also should not accept poorly performing funds as part of the risk of investing. It's a balancing act, and savvy investors know to keep their eyes peeled and to make changes when necessary.

Choosing 401(k) funds is a decision to take seriously, and one that can be made simpler by enlisting the help of a financial planner.

How investors can gauge their RISK tolerance

Some rewards may not be possible without risk. Even novice investors know that the potential rewards of investing one's money cannot be reaped without first accepting the risk that comes with investing.

Successful investors know that recognizing and acknowledging their risk tolerance is an important part of their success.

The U.S. Securities and Exchange Commission notes that all investments involve some degree of risk. While all investors might love to embody the stereotype of the financial maverick who pushes all of his or her chips into the middle of the proverbial table, many investors would admit to having a relatively low risk tolerance.

Learning to gauge your risk tolerance can be an important step to becoming a successful investor.

The following are some strategies prospective investors can employ to determine their risk tolerance.

• **Recognize the differences between investors.** Investors come from all walks of life, and no two investors are the same. The SEC defines aggressive investors as those who are willing to risk losing money in the hopes that their investments will garner extraordinary returns. On the flip side of that coin, conservative investors favor investments that maintain their original investments.

Many investors fall somewhere in the middle between aggressive and conservative, and there are plenty of investments that suit such men and women.

To determine where on the spectrum you fall, ask yourself how comfortable you might be if you lost money on an investment. If the idea of losing money would make you lose sleep at night, then you might be best served investing conservatively.

If a loss would affect you but not make you shy away from investing in the future, then your risk tolerance is likely somewhere in the middle. If a loss would only make you want to invest more the next time, then you might be an aggressive investor.

• **Utilize the tools at your disposal.** Many financial firms, including Vanguard®, offer free questionnaires on their websites to help people determine their risk tolerance.

These tools can be invaluable, particularly for novices who have never before considered their comfort levels in terms of risk.

• **Recognize that investing approaches change.** Just because you're an aggressive investor today does not mean you have to stay that way. In fact, many financial advisors recommend becoming more conservative with age. Doing so protects your assets as you get closer to retirement age.

Investors also can change their approaches with individual investments. For example, investors who are traditionally conservative may believe in a specific fund or investment opportunity so much that they're suddenly willing to take on more risk than they otherwise would be.

That's perfectly alright, but such investors should be comfortable knowing that aggressive investing can sometimes lead to big losses.

Gauging risk tolerance is an important part of becoming a successful investor.

Learn *the best ways* to build a college fund

Parents and guardians should start saving early to help finance children's college educations.

College is the next logical step for many newly minted high school graduates. The National Center for Education Statistics indicated that, in fall 2019, roughly 19.9 million students were slated to attend colleges and universities in the United States. Statistics Canada stated that, for the 2015-16 school year, the most recent for school statistics, just over two million students were enrolled in Canadian universities and colleges.

Families need to begin thinking about how to pay for college as early as possible. According to the Wall Street Journal, the average college graduate's student loan debt is $37,172. And the most recent data from the Federal Reserve Bank of New York indicates the overall student loan debt in America alone is roughly $1.3 trillion. The average expense of sending a child to college has been rising at double the rate of inflation for more than a decade, offers CNBC.

A robust college savings account can help future students avoid considerable debt. The following are some ways to save for college.

• **Open a tax-advantaged 529 college savings plan.** The U.S. Securities and Exchange Commission says a 529 is a savings plan designed to encourage saving for future education costs. The person funding the account pays taxes on the money before it's contributed to the 529 plan. Funds can be used for education expenses.

There are two types of 529 plans: prepaid tuition plans and education savings plans. The prepaid plans allow account holders to purchase units or credits at participating colleges and universities. With education savings plans, account holders open investment accounts to save for qualified future higher education expenses, including room and board.

• **Invest in a Coverdell Education Savings Account.** A Coverdell account is a tax-advantaged method to contribute up to $2,000 per year to a child's account. Individuals need to be under a certain income level to contribute. The funds will grow free of federal taxes.

• **Consider a Uniform Transfer/Gift to Minors account.** This is a custodial account that holds and protects assets for beneficiaries, who are typically donors' children.

The custodian controls the assets until the minor reaches legal age. The money will not grow tax-free, and it can be used for purposes other than school expenses.

The account also may count against the student and parent when applying for financial aid, which is something to keep in mind.

• **Open an IRA.** IRAs are often associated strictly with retirement savings. However, they also can be used for qualified college payments as long as the contributions have been made for at least five years, advises Nationwide Insurance.

• **Use a standard savings account.** Even though it may not grow as quickly as investment accounts, routinely saving money in a savings account can be another means to saving for college.

Starting early can give families ample time to save substantial amounts of money for youngsters' college educations.

Who needs life insurance?

Life insurance is one of many components of estate planning. Statistics from the insurance industry groups Life Happens and LIMRA indicate that 70 percent of Americans consider life insurance a necessity. However, 41 percent of respondents in 2017 did not have any life insurance.

Even though most people deem life insurance important, it is not necessary for everyone.

Determining if you are a good candidate for life insurance involves doing a little research.

These qualities often make life insurance a smart move.

You're married or in a committed relationship

If you are married or in a relationship in which your partner depends on you financially — even if just partially — it is smart to have a life insurance policy. This way your significant other does not have to rely entirely on his or her income to pay off debts or maintain the quality of life you currently enjoy. Many households cannot function without two incomes. Life insurance can ensure financial burdens do not rest entirely on the shoulders of surviving loved ones.

You have children

If you have children who depend on you, life insurance is a must-have. If your spouse and children could not continue their standard of living on one income, then life insurance can fill in the gap or pay for future plans, such as college educations.

Even if you are a stay-at-home parent, your contribution to the household still holds weight. Should you pass away, your spouse will have to pay for tasks that you would normally perform, such as child care, cleaning services, cooking, and transportation.

You're a business owner

Entrepreneurs benefit from life insurance since it can help pay off business debts, advises the online financial resource Nerd Wallet. When business owners pass away, their heirs might be able to use life insurance payouts to pay off estate taxes or fund a buy-sell agreement.

You want to leave an inheritance

If you do not have a vast accumulation of assets, investing in permanent life insurance can provide a small sum of money to heirs upon your death.

A life insurance policy is a wise investment for people whose survivors could benefit from some financial assistance in the wake of their deaths.

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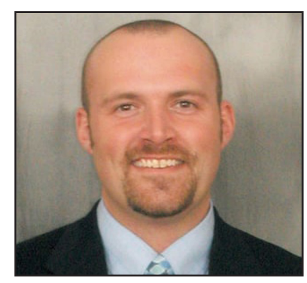

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Explaining WILLS and TRUSTS

It's never too early for adults to think about estate planning. Estate planning is an important part of money management. While it's easy to think of estate planning as just a way to dictate how your assets are allocated after your death, estate planning also can protect people and their money should accidents or injury make them incapable of managing their finances on their own.

Some familiar terms may come up when people begin planning how they hope to transfer their assets. Two more common terms are wills and trusts. Understanding the distinctions between the two can help people as they begin estate planning.

What is a will?

The online financial resource Investopedia notes that wills are legally enforceable documents that dictate how people want their affairs handled and assets allocated in the wake of their deaths.

Wills should include a host of information, including who a person wants to assume guardianship of their minor-aged children should they pass away. This is especially important information to include in a will, as surviving relatives may have to go to court to contest guardianship if parents do not dictate who they want to serve as guardians in their wills.

What is a trust?

A trust is a relationship in which another party is given authority to handle a person's assets for the benefit of that person's beneficiaries. When making a trust, a person will need to designate someone as a trustee, who will be tasked with distributing assets in accordance to the terms dictated in the trust.

There are many types of trusts, and working with an attorney who specializes in estate planning can help men and women determine which type of trust, if any, is best for them.

Is it better to have a will or a trust?

Both wills and trusts can be useful when estate planning. In fact, wills are often used to establish trusts, and many people have both a will and a trust.

Estate planning is an important part of managing one's finances. A qualified attorney who specializes in estate planning can help people write their wills and, if necessary, establish trusts that can help surviving loved ones in the wake of their death.

Caregivers: *How to manage a loved one's money*

The number of retirees is on the rise. Data from the U.S. Census Bureau points out that, by 2030, there will be 81.2 million Americans over age 65, and many of them will need help taking care of themselves.

Caregiving is a big responsibility. One crucial role caregivers may take on involves managing a loved one's finances. AARP states that acting as a money manager becomes especially important if a loved one begins having trouble keeping a checkbook or becomes confused about money. The Family Caregiver Alliance® indicates millions of Americans are managing money or property for a family member or friend who is unable to pay bills or make financial decisions.

Juggling one's own finances and the responsibilities of another person's money can take its toll. Here are several ways to navigate these often tricky waters.

- **Discuss plans in advance.** Have conversations even before an aging loved one needs caregiving. Talking through difficult topics when parents are healthy can simplify decisions later on.
- **Open a joint account.** Joint back accounts make it easier for caregivers to manage loved ones' money if the person becomes physically or mentally incapacitated. When necessary, you can step in as a money manager to pay bills, make deposits and withdrawals and monitor account balances.
- **Make legal fiduciary changes.** AARP suggests drawing up legal documents to manage all financial accounts. A power of attorney is a legal document in which one person assigns another the power to make financial decisions on their behalf. This also

protects family interests, so that another relative like a sibling, who may want his or her share of a loved one's money, will not have access. Documenting fiduciary changes in the letter of the law can serve as a measure of protection against potential problems.
- **Put your priorities first.** You may end up running yourself emotionally and financially ragged catering to a loved one's needs. According to a 2015 study from the National Alliance for Caregiving, an estimated 43.4 million American adults provide unpaid care to an adult or child. Taking repeated time off of work or paying for loved ones' needs out of your own pocket can take its financial toll. Do not take on unmanageable debt.
- **Ask for help.** Speak with a financial advisor and/or elder care attorney about the best ways to manage a loved one's money to ensure an aging parent or child will be provided for. Arranging assets in certain ways can make individuals eligible for certain benefits.

Managing money is just one of the many tasks associated with being a caregiver.

Financing funerals

According to Lincoln Heritage Funeral Advantage, the average funeral costs between $7,000 and $10,000. It can be easy to overlook planning for such a large expense, and many people may think their funeral costs will be covered by their life insurance policies.

However, that isn't always the case and certain complications can arise. The funeral planning information guide Funeral Basics states that sometimes insurance policies become invalid if payments have not been made.

Policies may have liens on them, or some named beneficiaries may no longer be alive. This can stall the process as issues are worked through. In addition, it can sometimes take between six and eight weeks for beneficiaries to receive life insurance policy payouts.

Since many funerals take place within a week of a person's death, it's unlikely that surviving family members will be able to finance funerals with life insurance payouts.

In addition, some policies may not be assignable, which means the benefits cannot be assigned to go to a third party who will file the claim for you (i.e., the funeral home or an assignment company with which the funeral home partners).

It's important to determine if an existing policy is assignable and to take appropriate measures if it is not. Individuals may want to consider burial insurance or preneed funeral insurance.

Another option is to use preplanning services, which allow people to prepay for funeral expenses and make planning decisions regarding the services and burial so that family members will not be tasked with financing and/or planning a funeral during a difficult time in their lives.

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Home repairs *that can* sink budgets fast

A home is the most substantial investment many people will ever make. Once down payments have been made and closing costs have been paid, homeowners may still be staring down sizable expenses as they begin to tackle any repairs that need to be made.

Home maintenance and renovations involve a certain measure of trepidation. Even after vetting contractors and establishing budgets, homeowners may worry that repairs will unearth problems that snowball into expensive fixes. Planning ahead for such projects and learning to recognize issues that tend to be costly can help homeowners weather any storms that may arise.

• **Foundation issues:** A strong foundation is key to any home. If there is a problem with the foundation, it can be unsafe to live in the house. The foundation repair company Foundation Experts advises that foundation fixes can range from $4,000 to upward of $100,000 depending on the scale of the job. Clogged gutters and water pooling around the foundation can contribute to damage, so water issues must be remedied first.

• **Roof damage:** A roof is a key barrier between the indoors and outdoors. Roofs must remain in tip-top shape. The home improvement resource HomeAdvisor says that a roof repair or replacement can cost between $3,000 and $12,000. But homeowners also must budget for the cost of removing the old roofing materials and fixing any damage to the interior of the home. Inspecting the roof and making repairs as you go is key to avoiding a big headache.

• **Siding replacement:** Another costly project can be replacing the siding. Siding may need to be replaced if there is water/wind damage or penetration from insects. Spot repairs may be relatively inexpensive. However, the home improvement resource Modernize says the average siding installation project can cost between $5,500 and $15,000 depending on the materials homeowners choose.

• **HVAC update:** Keeping a home at a comfortable temperature is also a matter of safety. If a system gives out, homeowners may be scrambling for a solution. Yearly inspections and upkeep, which includes changing system filters regularly, can help identify potential problems. Neglect is one of the main contributors to the failure of heating and cooling equipment. Based on national averages, a whole-house HVAC system can cost between $4,000 and $12,000.

These are some of the more costly repairs homeowners can expect. Keeping on top of the home will help mitigate damage and could extend the life of major home components.

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can be used for mortgage or rent payments.

• **Assess your budget carefully.** You naturally will have to make concessions that impact finances, particularly as it pertains to spending. Cut back on non-necessities like dining out, gym memberships, streaming subscriptions, and other luxuries. Avoid adding other new debt.

• **Apply for aid benefits.** There may be government benefits, such as low-cost healthcare or food subsidies, that can help you get through financial difficulties until you get back on your feet.

• **Involve the entire family.** It can be embarrassing to lose a job, but look to family for support. Children may not need to know every detail, but they can have a cursory awareness of family finances and understand they may have to cut back until Mom or Dad is working again.

• **Prioritize saving.** Lightning may not strike twice, but plan ahead for another job loss by prioritizing savings in the future.

A job loss can come as a shock. However, with level-headedness and smart planning, many people can avoid dire financial situations in the wake of a layoff.

How credit scores can affect your finances *for years to come*

Monthly budgets help people make the most of their money. While a person's income will affect how much they can spend on housing, food and clothing each month, another, more abstract factor can have a big impact on monthly budgets as well.

Nearly every adult has a credit score, which can fluctuate daily. Various factors, including a person's age and track record in regard to paying bills, combine to produce a credit score. According to the credit reporting agency ExperianTM, credit scores range from 300 to 850, though most consumers' scores fall somewhere between 600 and 750. The Fair Isaac Corporation create what's known as a FICO® Score, which is used by many lenders to determine prospective borrowers' credit worthiness. FICO® scores are often characterized using five terms:

- **Very poor:** Scores between **300 and 579**
- **Fair:** Scores between **580 and 669**
- **Good:** Scores between **670 and 739**
- **Very good:** Scores between **740 and 799**
- **Exceptional:** Scores between **800 and 850**

Some consumers may feel that these are just numbers on a page. But in certain instances, such as when consumers attempt to buy a home, a credit score can have a dramatic effect on a person's monthly budget.

When borrowing to buy a home, borrowers with desirable credit scores may be eligible for considerably lower interest rates than borrowers whose scores fall into the "Very poor" or "Fair" range. Over the length of a standard, 30-year, fixed-rate mortgage, a low interest rate can save borrowers tens of thousands of dollars in interest fees.

In addition to paying more in interest fees, ExperianTM notes that borrowers with subpar credit scores may have to do even more to earn the trust of lenders. Borrowers whose scores fall into the "Very poor" range may be required to pay a fee or make a deposit when opening a new credit account, and some might not be approved for credit at all. Borrowers whose scores fall into the "Fair" may be classified by lenders as subprime borrowers, making it hard for them to open new credit accounts or secure loans without a cosigner.

Consumers can benefit from knowing their credit scores and how to improve them. Taking measures to improve low or subpar credit scores can put more money in consumers' pockets, both in the immediate and distant future.

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