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Laura Shin Women@Forbes

I cover Bitcoin, blockchain, fintech, personal finance and career

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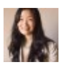
Your Financial Checklist For Every Stage of Life

 Laura Shin , Women@Forbes

A good friend of mine messaged me recently. She was facing the big 4-0, and, as people are wont to do around significant ages, she got to thinking about some big questions.

Because life and money are inextricably linked whether we like it or not, her transition into a new decade also made her wonder how one's financial priorities should change as the years pass.

Your financial goals should, in fact, shift along with your situation to serve your biggest needs. Some of your concerns will be long-term — for instance, saving for retirement takes place across decades — but that doesn't make shorter goals, such as saving for a down payment on a home, any less challenging. Knowing what financial milestones to hit when will help you ensure that you don't have to scramble for any of them.

"Most people when they're getting into the workforce or out of college don't look at their overall financial picture. You've got to look long term and short term as well. The earlier you look at the short-term milestones, the easier it will be to secure your retirement in your future years, so getting situated in your 20s makes it easier to plan in your 40s, 50s and 60s," says Andrew Rafal, partner and cofounder of Phoenix-based Strategy Financial Group.

family portrait | פורטרט משפחתי (Photo credit: Yoni Lerner)

Here's a cheat sheet on what financial tasks you should take on when. Keeping in mind that people hit different milestones at different times — for instance, some marry and become parents in their 20s and others in their 40s — these money to-dos are tied to life landmarks rather than ages.

New Grad, Entering The Workforce

1. Make a budget.

Know what your income is and learn not to spend more than that. That's how you'll start to build your wealth. Here's a primer on how to create a budget.

2. Track your expenses.

Plenty of online aggregators, such as Mint or EMoney, will hook up to all your financial accounts so you can get an easy snapshot of where your money is going, how your investments are doing and other trends in your finances, like your net worth. That information will help you make smart choices and reach some of the more challenging goals. "Having the visual of your income and expenses is the first step to building that retirement plan," says Rafal.

3. Pay down your debt.

If you have credit card debt, that is higher priority than your student loan debt. "Most credit card loans debt will be three to five times higher in interest than the student loans, so we'd want to focus on paying those down first, and pay the minimum to student debt," says Rafal. Once you pay off the cards, then you can pay more than the minimum on your student loans.

4. Start saving for retirement.

If your employer offers a 401(k), 403(b) or similar retirement account and offers a match, do what is required to get it. For instance, if you need to contribute 4% of your salary to get that match, be sure to do so. It's free money from your employer. If you can afford it, also begin contributing to a Roth IRA. Use this guide to see how you should set up your financial accounts.

5. Designate beneficiaries on your financial accounts.

When you name a beneficiary on an account, you're designating who should receive the assets in the event of your death. This is a basic financial task you'll have to return to, as your life changes. For now, you'll probably want to name your parents or siblings, presuming you're not married.

6. Start your estate planning.

Get a power of attorney, which designates someone to act on your behalf in business and legal matters should you become incapacitated, and a living will, which outlines in advance what actions you'd like taken regarding your health should you no longer be able to make those decisions yourself. Also, name a health care proxy, which is a power of attorney for your health decisions.

7. Get disability insurance.

If your employer doesn't offer it and you can afford it, this insurance will provide you an income stream should you become unable to work. "It's critical, whether you're in your 20s, 30s, 40s, 50s or 60s," says Rafal.

Advancing In Your Career

1. When you switch jobs, be sure to negotiate.

The earlier you start earning more, the more you'll earn over your lifetime, as those increases compound on each other. Learn here how to negotiate your salary.

2. Also, take your retirement money with you.

Especially since people nowadays tend to stay at companies for shorter periods than prior generations, make sure to take your 401(k) or 403(b) money with you when you go. You can either roll it over to your account with your new employer or move it into an IRA you control at a brokerage firm of your choosing.

3. Start working with a fee-based financial planner with an eye on retirement.

Find a planner who will work with you for a couple of hours for a flat fee. He or she can give you a high-level overview of what you should be focusing on money-wise and how you can save for the marathon financial goal of saving for retirement.

"They can show you saving a certain amount every month at a certain rate of return — this is how much you'll have in the future. In the 20s or 30s, that's something we don't really think about the future. We focus on the short-term. But having someone explain that to you and map it out, that's critical for success," says Rafal. Find out here the 10 questions you should ask a potential financial advisor.

Getting Married

1. Create (or update) your will, and update your beneficiaries, power of attorney, health care proxy, etc.

Most people will want to update these to name their spouse. (Learn more about how newlyweds should handle their finances.)

2. Look into getting life insurance and re-evaluate other insurance policies.

Some couples will opt to get life insurance right away and others might wait until they have children. It depends on your situation and predilection. Some couples in which each partner earns roughly the same amount may opt not to, but others in the same situation might buy life insurance simply to lessen the blow of the loss of that income during an already difficult time. "With both [people] earning and the fact that term insurance is cheap, it's one of those things we hope we never need to utilize, but it's just part of that asset protection. If somebody does pass away early and you're grieving, it's just another piece of covering the what-if scenario," says Rafal.

Look into getting group term insurance, which will cover you for a period of time, through your employer, or if you feel you need extra coverage, buy your own individual term insurance.

Also, if, through marriage, two health insurance policies become available to you, compare them to see if it makes the most sense for both of you to be on one. Re-evaluate if your disability insurance coverage would be adequate, and add your spouse to your auto insurance coverage.

Buying A Home

1. Buy a house that won't put too much stress on your assets.

"Don't overextend," says Rafal. "Work with an investment advisor and a mortgage broker to make sure when you purchase that home that you're comfortable with your income and debts."

2. If you're married and haven't bought life insurance yet, look into it now, and update your disability insurance.

Now that you're taking on a big debt together, it may make sense to get life insurance so that if something happens to one of you, the survivor can still pay the mortgage. Make sure your disability insurance policy would cover the cost of your home.

Having Children

1. Review your estate plan.

Draw up a will if you haven't yet. "Work with a licensed attorney to make sure not only the assets are protected and but that you're protecting against incapacity and that if anything does happen, your children will go to the right guardian," says Rafal.

Establish a trust if you have substantial assets and would want to leave your assets to your children in a way not immediately payable to them upon your death.

2. Start saving for their college education.

Open a 529 account for them, and get in the habit of saving every month with automatic transfers, but if you have to choose, make saving for retirement a higher priority. Your children can always take out student loans, but there are no loans for retirement , and if you save for their college over your retirement, they may end up having to support you later on.

3. Relay financial lessons to your children.

Instill good habits in your children starting from a young age. Learn the five most important money lessons to teach kids here.

Established In Your Career

1. Max out your retirement contributions.

At this time, you're probably earning the most you'll earn in your life, so you want to make sure to save as much as you can in both your employer-sponsored retirement account as well as in your own Roth IRA or traditional IRA.

2. Be proactive in your tax planning.

Meet with a licensed CPA to maximize your deductions, since this is also the time when you are likely to be paying the highest taxes. You may also want to set up a Health Savings Account, which will allow you to save on health expenses with pretax money, while also potentially using that money as an investment vehicle.

Also analyze your investment choices according to your tax liabilities. Rafal suggests taking more risk in your after-tax accounts such as a Roth IRA or Roth 401(k) where you won't pay any tax on the earnings of those investments. Learn here how to outperform most investors.

3. If you find yourself taking care of your parents, consider their needs in the context of all your financial priorities.

Home health care and assisted living facilities are expensive and those costs need to be weighed against saving for your own retirement and your children's college educations. Talk with your siblings to come up with a solution that takes into account all your other needs.

4. Consider your own long-term care plans.

"This is also a good milestone to look at, 'What can I do, so I'm not a burden on my family?'" says Rafal. Investigate traditional long-term care insurance, which would provide nursing-home care, home-health care or other types of personal care for people over 65 who need supervision.

Because many people find long-term care insurance expensive and they are mostly considering buying it right when they are also facing the financial challenge of retirement (usually in the 50s), many opt not to buy an expensive type of insurance that they are not certain they will use. One new option that helps alleviate those fears of not using the insurance is hybrid policies that offer life insurance with a long-term care option attached.

However, they require a large upfront investment and offer meager returns, so they are not for everyone. For many, they are more of an estate-planning tool.

5. Begin planning your retirement income.

"Most people work their lives, they build assets and accumulate but don't have a plan on the way down," says Rafal. To turn from this accumulation mindset to the decumulation mindset, talk with your financial planner about how best to turn your savings — your 401(k), IRA, Social Security, pensions, etc. — into income. Consider buying an annuity, in which you use a chunk of your retirement savings to buy yourself a guaranteed source of income for a certain time period.

Learn how the age at which you take Social Security will affect the amount you receive, about required retirement income distributions, how to pull money from different retirement accounts without getting hit with a big tax bill, etc.

This would be a good time to talk to a new type of financial planner called a Retirement Income Certified Professional (RICP), who specializes in helping people turn their retirement assets into income. An RICP can look at important financial factors such as whether you might outlive your nest egg considering inflation and best- and worst-case scenarios when it comes to your investments, health expenses and more.

6. If need be, catch up on retirement contributions.

If you're behind on building your nest egg, at age 50, you can start contributing higher amounts to your 401(k) (an extra $5,500 annually in 2014) and IRA (an extra $1,000 in 2014).

Retirement

1. Know your budget.

Even before you retire, know what your income and expenses will be. With your planner, review your plan for turning your assets into steady income in the most tax-efficient way possible. Also discuss when the best time is for you to start taking Social Security. Make sure you're familiar with the biggest money mistakes retirees make so you can avoid them.

2. Review your investments.

Look at your risk tolerance to maintain the nest egg you built and not suffer a big loss right at the beginning of your retirement. Find out more on optimal ways to invest your retirement nest egg to ensure you don't outlive it.

3. Downsize.

A smaller home could help reduce your property taxes, utilities and other expenses. Moving to a new community could also have social benefits.

4. Look at how to fund potential long-term care costs.

If you didn't opt to buy a policy before, look at how you could self-fund, sign up for a long-term care or hybrid policy now, or work out a plan with your family.

Survivor

1. Don't make any immediate changes.

Work with a trusted advisor to make sure your retirement plan is still on track. If there are life insurance proceeds, invest based on your current goals.

2. Review your estate plan.

"You may have developed an estate plan years ago that hasn't been updated. Work with an attorney so if you're incapacitated, loved ones can step in and make both medical and financial decisions for you. Also, make sure the assets can pass to family in way you intended at this point in your life," says Rafal.

3. Downsize, and consider moving to a full retirement community.

These types of homes have a range of activities and can accommodate independent living as well as offer some assistance and even full-time care.

13 Common Money Mistakes -- And Their Solutions

Laura Shin hosts the Unchained podcast (Google Play, iTunes, Stitcher, TuneIn) and wrote The Millennial Game Plan*.*
Disclosure: I own some bitcoin and ether.