



Life's major events and their financial implications

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In the beginning

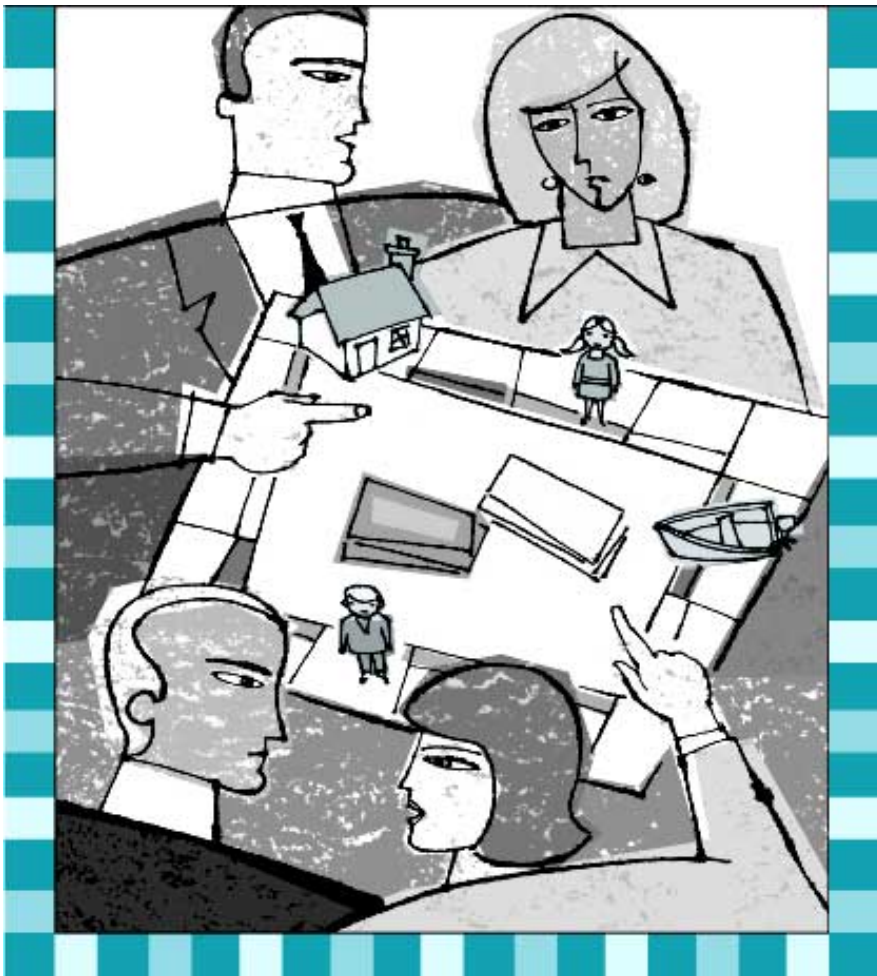
You've graduated from college and you're ready to start earning and saving money. Retirement may seem a lifetime away, but now is the time to start thinking about saving for retirement. "When starting out in your first real job, saving for retirement is something you should be thinking about," says David Borden, director of investments at Leading Edge accounting firm CCR Group in Worcester, Mass. Most businesses today have some kind of retirement plan, such as 401(k) or 403(b), that allows saving for retirement to be fairly painless.

"Even if you're only saving a small amount when you're young, it will be well worth it," he says.

But maybe after working a few years, you meet the person of your dreams, and now you're planning to marry. "Get it all out on the table," advises Borden—student loans, revolving debt, child support. "Be realistic about your income and work with a financial adviser who can help come up with a good savings schedule. Working with a professional helps take emotion out of the planning," he says.

Realize that you no longer have his-and-hers debts. "You now have joint assets and joint liabilities. Pay the debt off as it comes in. If you start saving now, rest assured that you will retire someday. People who look at retirement in their 20s and 30s will be much better off when retirement arrives," says Borden.

Have a frank and honest discussion about lifestyle. There's a tradeoff to everything. "You have to decide



Life cycle events of a business

If you own your own business, that business has different lifecycle events and financial ebbs and flows. You'll have peak times when you're expanding and down times when you need to be fiscally conservative. As a business owner, you'll need to take different financial steps for security versus someone who works in middle management for a large corporation.

Many closely held business owners suffer from what Peri Aptaker, director of financial planning at Leading Edge accounting firm Kahn, Litwin, Renza & Co. in Providence, R.I., calls "tomorrowitis." These people:

- A. Don't think they are ever going to die.
- B. Think they always can make enough money.
- C. Believe that their business is worth 10 times more than its actual worth.

D. Think they can deal with planning issues later.

"You need to find the right button and put the fear of God in them to get them to understand just how important planning is," says Aptaker.

Here are some questions to ask yourself today to prevent "tomorrowitis".

- Do I have the right insurance?
- Have I implemented the appropriate exit strategy?
- What is my exit strategy? Sell, transition or leave it to the kids?
- What's the true value of my business?
- What's my business truly worth?

Talk to someone in your industry about how to obtain a true value, keeping in mind that a business may be worth more on paper than its eventual price tag will show. "So many people make that mistake. In today's lower interest rate environment and very pro-business economy, it's often more advantageous to pay for something new than to pay for something that's already there," says David Borden, director of investments at Leading Edge accounting firm CCR Group in Worcester, Mass.

For example, the medical profession has been particularly hard hit due to HMO reforms. Today, it's not worth the hassles to take over a practice from a retiring physician. It's much simpler to start your own, even if the business has been passed on to family members, says Borden.

To make that transition successful, Borden recommends that you communicate and be open and honest, work with an unbiased professional who can review your financial plan and goals, and follow through with the plan. "About 30 percent of people who pay for a plan and go through the first two steps don't see it through implementation. All the planning in the world won't help unless you follow the plan," he says. e

what's important to you as a couple. Is it the big house? I know many couples that are home poor. Is that how you want to be? Remember that there's always room to improve down the road. Sometimes you're better off going below what you can afford. The housing market appreciates at every level," Borden says.

"You don't want to avoid saving for retirement and your children's education because all of your income is going into a mortgage," he says.

And once you have children, you must have a will and an estate plan that includes all your children, according to Peri Ann Aptaker, director of financial planning at Leading Edge accounting firm Kahn, Litwin, Renza & Co. in Providence, R.I. This means reviewing your plan after the birth of every child. "You could inadvertently disinherit them. And if you lose a child and he or she has assets in their name, you need to take care of that, too."

All states deal with the deaths of people without wills differently. "If you don't have a plan, you may have inadvertently adopted an heir called the IRS, and Uncle Sam goes to a lot of family reunions," says Aptaker.

Planning for the unthinkable

Unfortunately, one of life's biggest financial events also is the end of a marriage. Divorce puts a big strain on the financial future of divorcees.

"If you do get remarried, you can end up supporting two families. For a spouse paying alimony, there's not a lot of incentive to get remarried. For those who do, they often wind up with double the monthly expenses and double the burden of college costs," Aptaker says.

When you or your spouse files for divorce, you should visit your

accountant, as well as your attorney. "Understand what you may end up with and your ability to live within those means. Both parties need to be aware of what assets they possess. If there's a disparity, you may want to consider a prenuptial agreement for any future marriages. If you're in a second marriage and there are kids from both previous marriages, you'll need to adjust your estate plan to make sure the right money goes to the right kid," says Aptaker.

Any change in your health that might affect your insurability (life, health, long-term care) also needs to be considered.

When a spouse dies, there is money going out and money coming in. If the spouse who died handled all the money, there's a real education to go through for the surviving spouse.

Many people look at their estate plan every three to five years, but so much changes during that time, especially laws regulating estate plans, says Borden. "The cost of not being prepared far outweighs the cost of keeping the plan current," he says.

The cost of a checkup (about \$500) is well worth the money.

Pre-retirement and retirement

People today are planning more, but not necessarily doing it correctly. "There are all kinds of tools on the Internet that are helpful, but not accurate and detailed enough to provide a clear picture for your future," says Borden, adding that these tools give people a false sense of security with regard to planning.

Pre-retirement, those years before actual retirement, are critical.

"Too many people put their children's education before their own retirement. When they deplete their

retirement funds, it's almost impossible to save in that short period of time they have left to work," says Borden.

Aptaker agrees. "So many people try to pay for college and retirement at the same time. That's impossible, and not necessary."

With the deferred status of student loans, families are much better off taking out loans and letting their children pay them off.

"In today's environment, it's good debt, low interest and deferred," says Borden. "People don't realize how much money you need to retire. A million dollars is not what it used to be. There is no magic number. It's how you want to live in retirement that matters."

Early on, it's better to set more realistic expectations for investment returns. "Returns of 6 percent to 7 percent are more realistic than the standard 10 percent. It's better to be pleasantly surprised than disappointed," says Borden.

Planning should not be considered a fruitless exercise. Sometimes it's your own reassurance that you've made the right decisions. And as you near retirement, that's reassurance that many seek.

"People are so scared to fully retire. Once you let go and retire, there's no turning back and no earning that level of income any more," says Borden.

The good news is that it's never too late.

Some people are more diligent about planning, but others need to be pushed. "If you're nearing retirement age, sit down with your financial adviser to see what changes you need to make to preserve your assets.

Your adviser will help you plug the dike first and then work on the bigger issues," says Aptaker. e