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CORNER POST
FINANCIAL PLANNING

Meeting your New Year's financial resolutions

By John R. Berry

Many clients are now thinking about how they'd like 2017 to be better than 2016.

Often hopes for the New Year concern improved finances. Let's briefly cover some common New Year's goals, with suggestions for how to work toward them.

Save more / Spend less

Do you want a larger emergency fund? Is your retirement account balance too small?

Automation is by far the easiest way to reach savings goals. If your goal is a bigger emergency fund, have your employer divert part of each paycheck to a savings account. If that's not an option, treat it like a bill and pay your savings account monthly.

The same goes for retirement accounts. If you have a 401(k) or other retirement account such as an IRA, increase your biweekly or monthly contribution. I recommend saving at least 10 percent of your income for retirement. If you aren't there yet, up your contributions each year a percentage or two.

Savings goals almost always involve spending less. Comb through your bank statements for habits you can change—like too much eating out—or recurring expenses you can axe, then divert that money toward savings.

Pay down debt

Debt, particularly consumer debt acquired through excessive spending, can be a huge stressor. It's also a barrier to savings. Thus getting rid of debt (stress) is a common New Year's resolution.

You pay down debt by shelling out more than the minimum payment. Period. Decide how much you can contribute to extra debt payments each month, then make those payments like clockwork.

Resolve now

My most successful clients understand that the time to spend less, save more, and pay off debt is now, not when you make more money, or after you have everything you want.

Resolve now to achieve a great financial goal in 2017. What a great Christmas present to yourself and your family for next year!

GROWTH MODE

Watson joins advisor team

John Berry is very pleased to announce the addition of Beth Henary Watson as a financial advisor with the firm.

"Beth has been assisting in the financial planning process for clients for quite some time, so this is a natural and fitting transition," Berry said.

Beth has been the firm's marketing director since 2013 and in July opened our office in the Bank of Mineral Wells (a division of Comanche National Bank). The bank is located at 701 E. Hubbard St.

She is a University of Texas alumna.

Who needs estate planning?

Why estate planning is so important, and not just for the rich.

You have an estate. It doesn't matter how limited (or unlimited) your means may be, and it doesn't matter if you own a mansion or a motor home.

Rich or poor, when you die, you leave behind an estate. For some, this can mean real property, cash, an investment portfolio and more. For others, it could be as straightforward as the $10 bill in their wallet and the clothes on their back. Either way, what you leave behind when you die is considered to be your "estate."

"But, I don't need estate planning … do I?" Let's think about that. If the estate is small, should you still plan? Well, even if you're just leaving behind the $10 bill in your wallet, who will inherit it? Do you have a spouse? Children? Is it theirs? Should it go to just one of them, or be split between them? If you don't decide, you could potentially be leaving behind a legacy of legal headaches to your survivors. *This, quite simply, is what estate planning is all about – deciding how what you have now (money and*

assets) will be distributed after your lifetime.

Do you HAVE to create an estate plan? While it is absolutely *possible* to die without planning your estate, I wouldn't say that it is *advisable*. If you don't leave behind an estate plan, your family could face major legal issues and (possibly) bitter disputes. So in my opinion, everyone should do some form of estate planning. Your estate plan could include wills and trusts, life insurance, disability insurance, a living will, a pre- or post-nuptial agreement, long-term care insurance, power of attorney and more.

Why not just a will? Did you know that your heirs could encounter legal hassles … even if you have a will? Basically, a will tells the world what you'd like to have happen, but proper estate planning is what provides the tools to make those things happen. While your will may state who your beneficiaries are, those beneficiaries may still have to seek a court order to have assets transfer from your name to theirs, and in such a case, those assets won't lawfully belong to them until the court procedure (known as probate) concludes. Estate planning can include items like properly prepared and funded trusts, which could help your heirs to avoid probate.

Where do you begin? I recommend that you speak with a qualified legal or financial professional—one with experience in estate planning. A qualified financial professional may be able to refer you to a good estate planning attorney and a qualified tax professional, and lead a team effort to assist you in drafting your legal documents.

Provided by John R. Berry

What expenses could change when you retire?

Some costs could rise, fall or even disappear.

Your retirement may seem near at hand or far away, but one thing is certain: your future will differ from your present.

Financially, that fact is worth remembering. Some of the costs you have paid regularly all these years may suddenly decrease or fade away. Others may increase.

Will your insurance costs rise with age? Maybe not. You may find that your overall insurance expenses decline. Yes, health insurance becomes more expensive the older you get—but those premiums are merely part of the bigger insurance coverage picture. If you stop working in retirement, you have no need for disability insurance. You might have little need for life insurance, for that matter. You may have paid off your home and other major debts, and rather than drawing income from work, you will be drawing it from investments and Social Security.

You can expect your medical expenses to increase. By how much, exactly? That will vary per household, but perhaps you have read some of the latest estimates. This summer, Fidelity Investments said that a 65-year-old couple retiring today will need around $260,000 to cover future health care costs. This estimate assumes they live 20-22 years after they retire. Long-term care coverage was not included in that projection; Fidelity projects that a policy providing three years of care at $8,000 a month would cost the same couple an extra $130,000.[1]

How about your income taxes? If you live on 70-80 percent of your end salary in retirement—which is not unusual—then you may find yourself in a lower income tax bracket. Yes, your Social Security income may be taxed—but, even in the worst-case scenario, no more than 85 percent of it will be.[2]

If you have invested using a Roth IRA, you will be looking at some tax-free retirement income—provided, of course, you have owned the IRA for at least five years and are older than 59½ when you start making withdrawals. While a Roth account held in a workplace retirement plan requires withdrawals beginning at age 70½, the withdrawals will still be tax-free if you follow IRS rules.[3]

Will your housing costs fall? Over the long term, they may. Some retirees own their homes free and clear and others nearly do. Homeowner association fees and property taxes must still be paid, so, while that mortgage balance may be gone or nearly gone, other recurring costs will remain.

Homes inevitably need repairs, so, in some random year, you may find your housing costs jumping. Downsizing and moving into a smaller home can also mean a short-term rise in your housing expenses. If you do downsize and move, you will hopefully relocate to an area where housing costs are lower.

Will you face education costs? You may have retired your own college debt, but if you have children forty or fifty years younger than you are, you could risk retiring with some of their student loan debt on your hands. That expense could linger into your retirement—a valid reason to reject assuming it in the first place.

One "cost" may disappear, leaving you with a little more money each month. Once retired, your constant per-paycheck need to save for retirement vanishes. So if you are assigning 10 percent or 20 percent of your paychecks to your retirement accounts, you may be pleasantly surprised to find that money back in your wallet (so to speak) after you transition into your "second act."

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Citations.

1 - chicagotribune.com/business/columnists/ct-marksjarvis-retiree-health-costs-0821-biz-20160819-column.html [8/19/16]
2 - ssa.gov/planners/taxes.html [9/22/16]
3 - investors.com/etfs-and-funds/retirement/comparing-a-roth-401k-and-roth-ira/ [1/6/16]

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"If you would be wealthy, think of saving as well as getting."
~~ Benjamin Franklin

Quality of Life

John R. Berry gives Leadership Mineral Wells participants pointers on working toward "Financial Quality of Life" based on his experience working with individuals, families, and businesses.

Corner Post Community

♦ Happy Birthday to **Beulah "Bootsie" Bean** of Comanche, who turned 99 recently. She was born November 1, 1917.

♦ **Jim and Janette Holub** recently celebrated their 60th wedding anniversary with a cruise through the Panama Canal.

♦ This fall Mineral Wells High School named 60-year season ticket holder **Bill Graham** honorary captain for a night.