



5 Important Financial Milestones **TO REACH IN YOUR 40s**

Plan Early, Review Often

Your 20s were a time to explore career and financial investment tradeoffs vs. goals. Your 30s were a time to start planning for your future. Now, you're in your 40s. Perhaps that has left you with a higher income, or, maybe it has left you wondering about an early retirement? No matter the case, your 40s are a time to carefully articulate your financial goals, so that you can achieve financial success well before your retirement. After all, retirement might still be a couple of decades away, but life changes dictate that early planning is the best way to ensure financial success.

#1. Max out those retirement contributions.

When you blow out 40 candles on your birthday cake, suddenly retirement doesn't seem that far away. If you are not already making the maximum contribution to your 401(k) or other retirement fund, then now



is the time to establish this best practice habit. For many individuals, their 40s is the time period when they make the most amount of money on an annual basis. With this in mind, most financial advisors will recommend that clients save three times their pay by age 45 and up to four times their salary by age 50. This rough guideline can help you to determine what you need to save, based on how much you have already saved, as well as the amount of money that you want to retire with.

#2. Plan for your children's education.

Building up a college fund for your children can help to make the cost of higher education more affordable. According to the College Board, the average price for private colleges was \$40,920 during the 2013-2014 educational year. Multiply that number by four and the average undergraduate degree costs \$163,680. Is that number a bit overwhelming? Never fear, here are a few additional ways to build a well-established college fund:

- Start exploring scholarship ideas for your kids.
- Research grants that your kids could apply to.
- Learn about the nuances of financial aid.
- Weigh the pros and cons of asking your child to attend a state university. As a general rule of thumb, an in-state college tuition tends to be significantly less expensive than an out-of-state tuition. For example, the average in-state tuition for the University of Florida

is \$6,310, while out of state tuition is \$28,588, a difference of over \$22 thousand per year!

- Add "college fund" as a line item to your monthly budget. By chipping away a little each month, you can begin to create a sizable college fund for your child or children. SavingForCollege.com is a great online resource, which has an online calculator that can help you to determine how much money you need to save based on the age of your child.

While you might be tempted to contribute to your child's college fund by cutting down on retirement savings, make sure that you resist this urge. You only have a set amount of years to work before it is time to retire. Cutting into your fund can drastically set you back from your retirement goals. To avoid this temptation, you can work with a trusted wealth advisor to determine the best course of action regarding dual contributions to your child's college fund and your retirement fund.

#3. Talk finances with your parents.

By the time you hit 40, your parents might already be in or be close to retirement. Once your parents are retired, you might find that you are burdened with their finances. To avoid discovering that your parents have not adequately saved for retirement, make sure that you take the time to have a detailed discussion about their finances. Possible topics for discussion include:



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- Purchasing long-term health care insurance or reviewing their existing policy to determine coverage.
 - Saving money to pay for at-home care or for a nursing home, if need be.
 - Determining if your parents will eventually move-in with you and your family. If this is a possibility, then you will need to discuss the extra financial burden. For example, the cost of putting on an addition, or the added expenses of needing someone to drive your parents around while you are at work.
 - Learning where they want to retire. Relocating to a less expensive area or even a retirement-friendly state might help your parents stretch their retirement dollars even farther.

Discussing the above topics with your parents in an open and honest fashion can not only help them better prepare for retirement, but it can also provide the motivation that you need to take retirement planning seriously. Remember, successfully planning for retirement means clearly establishing your financial expectations and goals, so that you can meet or surpass these important financial milestones.

#4. Take the time to update your estate plan.

Life changes might have occurred since you last updated your estate plan and will. Make sure that you update these documents to reflect your current financial wishes. If you have children, then you should take the



time needed to name a guardian and put together a plan for what should happen if you pass away. Clear instructions should include:

- Guidelines for medical treatment.
- What type of school your child should attend.
- Trusts to help pass funds down to your children, at the right time and in the right format.

Other factors to consider in your will and estate plan, include:

- Determining who is the beneficiary to what assets.
- What will happen to your home.
- Allocating your savings to the appropriate individuals.

To learn more about estate planning, download our free e-book on the subject here: info.firstcoastadvisors.com/estate-planning

#5. Review life insurance and disability policies.

In your 40s, life insurance is about more than protecting your family. For many business owners, a life insurance policy can also help to protect their business. For example, if a spouse or child inherits a business that is worth more than \$5 Million, then they might have to pay taxes on the business transfer. If the child or spouse doesn't have the cash needed to pay these taxes, then they might be forced to liquidate the business. In the latter situation, a life insurance policy could provide the funds needed



to pay the taxes, while also keeping the business intact. Even if you aren't a business owner, a life insurance policy is a great way to protect both your family and your assets. Whether you work from home or commute to the office each day, a life insurance policy can help your loved ones pay for the mortgage, child care, and other costs after you have passed away.

Disability policies are helpful in the event that you are unable to work, or can work only some of the time, due to a disability. Disability policies are also known as "income replacement policies," and can vary in the amount of monies or benefits that will be received due to your lost ability to work. Generally speaking, your benefit will be based on the percentage of your income that you would have earned by working part-time, as compared to what you used to earn by working full-time. As a result, disability policies are a good protective measure in the event that you find yourself unable to work due to a prolonged injury, long-lasting illness, or other health-related issues.

The Importance Of Achieving These Milestones In Your 40s

Achieving the above financial milestones in your 40s can leave you better prepared for your retirement, allow you to explore alternative career opportunities later in life, and give you the peace of mind that your family will be taken care of should anything happen to you. With these benefits in mind, isn't it time that you had a financial wellness check? To discover if you are on-track to meet the above financial milestones, schedule a financial check-up with the trusted team at First Coast Wealth Advisors.



Our financial planners and wealth advisors have helped countless North Florida residents implement asset management, retirement planning, and wealth preservation strategies. Don't wait; discover a financial partner who is dedicated to helping you prepare for your 40s and beyond when you contact First Coast Wealth Advisors today.

**Call First Coast Wealth Advisors Today at (888) 876-7605
to learn more about our Financial Planning services.**

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