FINANCIAL FITNESS

The Key to Making Your Money Last

To live a long life, you'll need a healthy supply of money to go the distance with you. The risk of outliving your money is called "longevity risk." Begin early and follow the following good financial habits, and you'll increase the likelihood that your money will last as long as you will.

Set clear short-term and long-term goals. And create a financial plan to pursue each goal. The plan needn't be long or formal, just a written plan of action. Try to stick with the plan, even though the market sometimes provides a rocky ride.

Eliminate debt. Maintain a healthy balance sheet and a clean bill of financial health. If you accumulate debt, especially high-interest rate credit card debt, pay it off as soon as you can.

Live within your means. Pay off all monthly bills. Don't overspend. One healthy way is to track all your spending for a month, evaluate which expenses are truly necessary and then cut out needless spending.

Save diligently, invest wisely. Start saving early and keep putting time and the power of compounding on your side as you build long-term financial strength. Understand that longevity risk and inflation risk (having your purchasing power erode over time) are bigger threats to your long-term well-being than short-term market movements.

Pay yourself first. Make it your top priority to save for the future throughout your working years.

Grow your net worth. Over time, as you save more and pay off debt, your net worth—your assets minus your liabilities—will grow. Review your net worth each year and track your progress.

Monitor your asset allocation. Set and maintain an appropriate mix of investments throughout your life. Your needs, goals and risk tolerance may shift gradually as you age, but you may benefit from broad diversification.[1]

Conduct an annual financial check-up. Review your overall financial well-being, with a particular focus on your investments. Evaluate how well they perform compared with similar investments. And review your asset allocation, rebalancing it as needed.

Protect your family in case anything happens to you. This includes life, health and disability insurance, as well as keeping a will up to date.

(continued)

[1] Asset allocation does not ensure a profit or protect against a loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Withdraw prudently. To give your money a good chance of lasting as long as you will, consider limiting annual withdrawals to a reasonable percentage when you retire. Then adjust for the rate of inflation. This may give your nest egg a better chance of lasting 30 years or longer.

Protect against long-term care costs. Being ill for a long period can be a big financial burden. With healthcare costs tending to rise faster than overall inflation, it can be worthwhile to investigate long-term care insurance. It can protect your assets and spare your loved ones from having to be your full-time caregivers.

Annuitize some money. To create a lifetime stream of income, you may wish to consider purchasing a fixed annuity with some of your savings. Calculate your fixed monthly costs. Subtract your Social Security benefits. Then, purchase an annuity to cover the difference. Use the rest of your savings to pay for more discretionary and variable items.[2]

[2] Fixed annuities are long-term investment vehicles designed for retirement purposes. Guarantees are based on the claims paying ability of the issuing company. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Withdrawals made prior to age 59 are subject to a 10% IRS penalty tax and surrender charges may apply.

Source: www.cdc.gov/nchs/data/hus/hus07.pdf#027

Worksite Financial Solutions is a guidance-based, beginning-to-end retirement solution designed to help you create confidence in your financial life.

Wherever your retirement goals take you, we can help you get there.
Get in touch with a retirement specialist today.
(855) 575-4015 | worksitefinancialsolutions.com | retirementresults@lpl.com

WORKSITE
FINANCIAL SOLUTIONS