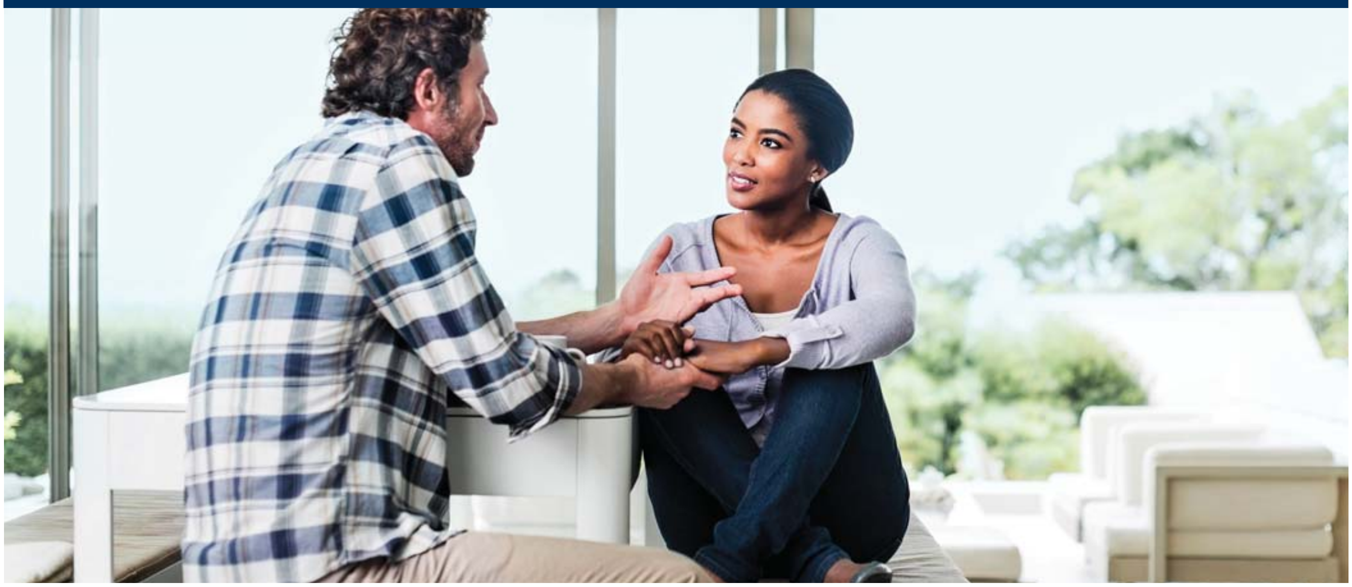
FINANCIALJOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE



Talk about debt

Don't let debt be the elephant in your relationship

Most of us have had to deal with debt at some point in our lives, yet it still seems to be one of those taboo subjects no one wants to talk about – whether with friends, family or romantic partners. All the while, it may be more common for couples today to enter into relationships with debt, from student loans, credit cards or loans for large purchases like cars or homes. Whatever each party's situation may be, being up front early on can help you avoid unnecessary financial and personal conflict down the road.

DEBT IS A FOUR-LETTER WORD

Financial stress and disagreements have long been cited as leading causes of tension in relationships. Wealth is a highly personal matter touching all facets of our lives, so it's not hard to understand why differences could hurt a relationship. Establishing an open line of communication when it comes to managing wealth is important – not only for your financial well-being – but for your relationship, too.

THE AIRING OF (FINANCIAL) GRIEVANCES

Especially with a spouse or romantic partner, being open with each other about your financial histories and debt – including past mistakes – is crucial to your combined

(continued on next page)

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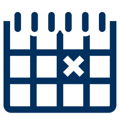
Talk about debt (cont.)

long-term success and a comfortable retirement. Not doing so could lead to a variety of complications down the road including bad credit, trouble getting a loan or a less-than-ideal retirement.

Beyond being forthcoming about your financial standing, it's also worth noting that most of us have different ideas of what is normal or acceptable in terms of how we manage our finances and debt, or have different outlooks on what the future should hold. For example, while one partner may be comfortable renting an apartment for several years, another may be eager to become a homeowner. If one of you is carrying a lot of credit card or other debt, it could be more difficult to get a loan for such a purchase.



Get in the habit of checking in on your finances and goals with regular money "dates." (Consider ordering from your favorite pizza place to make it more fun.)

That being said, don't forget that not all debt is necessarily "bad" debt. While credit card debt typically comes with a high interest rate and should be paid off as soon as possible, other loans including student, car or home may have lower interest rates and can even improve your credit score as long as you make regular payments. In those cases – rather than trying to pay them off as soon as possible – it may make more sense to take more time to ensure you're able to keep investing and reaping returns. Taking a coordinated approach to your finances while in a relationship truly relies on having an accurate understanding of what your entire financial picture looks like – debt and all.

As women tend to live longer than men, there's a good chance they will be managing finances on their own at some point – giving you both more reason to coordinate efforts now.

SHARING YOUR WEALTH (OF KNOWLEDGE)

As a role model for your children, you're looked to for guidance on many things – money included. Talk to your children about debt, sharing your own experiences and history. Remind them that carrying too much can affect their chances of getting a loan, perhaps for their first home.

BETTER TOGETHER

The good thing about having a partner who is on the same page financially is that you benefit from a support system and accountability partner. Just as many people have a gym buddy to help encourage them to stick with an exercise regimen, having someone who understands your financial goals – and weaknesses – can help you stay on your path toward a bright financial future. ■

NEXT STEPS

- Schedule regular money dates.
- Together, review your comprehensive financial situation including assets and liabilities.
- Reach out to your financial advisor to see how they can help you pursue your goals.

Sources: Psychology Today, Northwestern Mutual, Two Kids and a Budget

To be or not to be – in debt

Weigh these factors first when considering when to borrow

Life's long and winding road generally includes plenty of side trips on the way to a comfortable retirement. There may be homes to buy, children to raise and educate, careers to pursue, a vacation here and there.

When done strategically, borrowing can help you address those needs – like purchasing a home – without derailing long-term goals, such as a comfortable retirement. The key is to consider how the loan will work within your overall financial picture, taking into account each factor including the interest, duration and regular payments.

For example, while you may be itching to pay off a low-interest loan you have on your home, doing so could mean using investments that are likely to appreciate over time, if left untouched. Given that returns on investments may be higher than the interest on a loan, keeping your assets invested may give you a bigger head start on a comfortable retirement down the road. Conversely, high-interest debt such as credit card debt should be paid off as soon as possible.

As you make your decisions, think about:

- How much debt you're willing to take on
- Whether you prefer to sell assets or borrow
- The anticipated rate of return on your investments
- The anticipated cost of borrowing
- If it makes sense to borrow in the name of a trust or business
- What loan structure makes the most sense: traditional, adjustable-rate or collateral-based loan, among others
- Whether you prefer to use securities, your home or some other asset as collateral
- Tapping into the equity in your house, especially if rates are attractive
- The tax ramifications of a loan compared to selling investments
- How quickly you need the money
- How long you'll need the loan, particularly a mortgage
- How you'll pay off a loan and when

Call on your financial advisor for guidance as you weigh your options and to help you to map out a plan to strategically manage your debt while pursuing your long-term goals. ■

NEXT STEPS

- Consider how your short- and long-term goals could be affected by debt.
- Weigh your goals against each of these factors.
- Work with your advisor to determine if debt can be a useful tool to address your needs.

Sources: Barron's; longtermcarelink.com; transamerica.com; MIT AgeLab

Debunking Social Security myths

Shine some light on these common misconceptions to help get the most from your hard-earned benefits

BUSTED

Myth #1

SOCIAL SECURITY WON'T BE AROUND

FACT – Social Security is replenished by working Americans, interest on its bonds and taxes on some retiree benefits. Should the existing surplus be depleted, future retirees may be paid a portion of the benefits promised, but not zero.

Myth #2

SOCIAL SECURITY IS ALL YOU NEED

FACT – While benefits are adjusted for cost of living increases, they're intended to supplement, not replace, retirement savings. That's why it's important to maximize your retirement savings for as long as possible.

Myth #3

ALWAYS FILE AS EARLY AS POSSIBLE

FACT – Filing before your full retirement age (FRA) will begin benefits sooner but reduce their amount, which may not be optimal. Higher-earning spouses often delay benefits to ensure a higher payout for their widow or widower, who would be eligible for 100% of their benefit.

Myth #4

ALWAYS FILE AS LATE AS POSSIBLE

FACT – Waiting past FRA to file often makes the most sense financially. But some conditions warrant filing early, particularly if you need the extra income, have health concerns, or want the payments during your younger years.

Myth #5

NO WORK EXPERIENCE, NO BENEFITS

FACT – Those without 40 quarters of work history can receive half of what a spouse or ex-spouse would receive (if you were married for over 10 years and haven't remarried). Surviving spouses and exes may also be eligible for full benefits on their spouse's record.

Myth #6

NEVER WORK AFTER FILING

FACT – If you file early and continue to work, your benefits will be reduced based on your earnings. But those benefits are simply delayed; at FRA, you'll receive increased payments to make up the difference.

Myth #7

RELY SOLELY ON ADVICE FROM FRIENDS AND FAMILY

FACT – Advice from nonprofessionals may not maximize benefits. Speak with your financial advisor and accountant to help determine your best strategy.

Sources: ssa.gov; investopedia.com; forbes.com; thefiscaltimes.com; marketwatch.com; cnnmoney.com