The Retirement Income Store®

NEWS

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Financial Spring Cleaning

Spring is the perfect time to perform a financial clean-up. In this article, we look at a couple of financial areas of your life that may need some sprucing up. Brooms, buckets, and mops are not required!

1. Banking

The banking industry is competitive. If you're not getting any perks from your credit card company or bank, it's time to make a switch.

Credit Cards. Today, credit card companies offer everything from travel rewards to gift cards. Many cards even offer perks without requiring an annual fee. If you pay your credit card balance each month and are only rewarded a good credit score, it may be time to shop around for a new card. Keep in mind that when you apply for a new card, your credit report takes a hit, so take your time researching and don't apply for multiple cards.

Bank Accounts. Are you still paying minimum balance, monthly checking, or savings account fees? How about ATM or overdraft fees? If you want to avoid these, there are many bank options competing for your business that will not require paying multiple fees.

E-Statements and Autopay. Save a tree and lower your risk of identity theft by switching to online statements only. Consider switching to autopay whenever the option is available. By making the switch, payments are deducted automatically when they are due, so it's one less thing to worry about. Be sure to occasionally review your statements to ensure the right amounts are being deducted.

2. Taxes

By this time, you most likely have already filed your taxes. Did you pay or did you get a refund? If the outcome was not what you expected, it's time to review your withholding allowance on your paychecks.

We all want to lower our tax bill. Deductions can help, but unless you pay to work closely with an accountant, how do you know what qualifies as a deduction?

Some common tax deductions include:

- Dependent child credits
- Mortgage interest and real estate taxes
- Health insurance premiums
- Student loan interest

3. Budget

When was the last time you sat down and wrote out a monthly budget? Do you know your debt-to-income ratio? Generally, you want to aim to keep that ratio below 35%.

Going through memberships and subscriptions you currently pay for is a great way to quickly lower your debt-to-income ratio. Also, review a couple of months of your credit card and bank account statements, going line-by-line to figure out a way you can save money. You may be shocked at how much you spend within a certain category. It's easy

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to rely on plastic, but actually seeing how much you spend can be a much-needed wake-up call.

4. Retirement

Whether you're 30 or 50, you need to plan ahead for retirement. Obviously, the older you are, the more crucial retirement savings becomes.

If your employer offers a 401(k), take advantage of it. This is the easiest way to save for retirement, not to mention it lowers your taxable income. If they offer to match a certain percentage, even better! Aim to increase your contributions each time you get a pay raise or as you get closer to retirement age.

If you have more than one 401(k) or IRA, you should consider consolidating.

Consolidating your retirement accounts that share the same tax treatment can be beneficial for two reasons:

- Keeping all your money in one place makes it easier to manage, and
- Having only one account reduces the amount of fees you're paying

Finally, financial spring cleaning is an excellent time to look at your retirement accounts and rebalance your investment portfolios if needed. Typically, the younger you are, the more risk you can handle in your investments

because you have more time to make up for any losses. The closer you get to retirement age, the more conservative you should be. We strongly recommend that you rebalance your portfolio twice a year, but check up on it frequently to make sure you're in line with your target.

5. Legacy Planning

While Spring is about rebirth, we shouldn't avoid the subject of death. There are three important aspects of legacy planning that should be dealt with sooner than later: Wills, Power of Attorneys, and Life Insurance.

Wills. If you don't want the state to decide where your assets go when you die, then you must draw up a Will. More importantly, you should draw up a Will to decide who will be in charge of your children and funds owed to them after you pass away.

Power of Attorney. There are two kinds of power of attorney: financial and medical. A financial power of attorney is a document that states a person or organization to act on your behalf in regard to handling financial and business transactions. A medical power of attorney is a document that states a person who has the authority to make medical decisions for you if you're unable to do so.

Life Insurance. While many Americans admit life insurance is important, many households are underinsured. If you have a young family, life insurance is a must. If you're at or in retirement, having insurance should be based on your unique needs.

Although many of these financial spring cleaning tasks may take some time to complete, you will feel accomplished, with a better mental mindset about your financial situation.

DAVE'S CORNER

Identifying Your Retirement Goals

By David Scranton, Founder, The Retirement Income Store

Without goals we lack focus, and without focus we're much less likely to succeed. That's certainly true when it comes to planning for retirement.

The idea of identifying your retirement goals can seem daunting, and it's often why many people fail to do it. Regardless of how daunting it may seem, setting goals is an important first step toward achieving retirement success.

A good place to start is to identify when you plan to retire. For many, 65 is a realistic retirement age. That's when Medicare benefits start, and you can also begin to collect Social Security. However, it would be at a slightly reduced rate compared to waiting until full retirement age, which is somewhere between 66 and 67 for most people.

Once you've determined when you want to retire, you'll be ready to identify your specific retirement goals. For example, do you plan to stay where you are or move? If you're considering several places, try to narrow it down – especially if the cost of living would differ greatly in one choice compared to another.

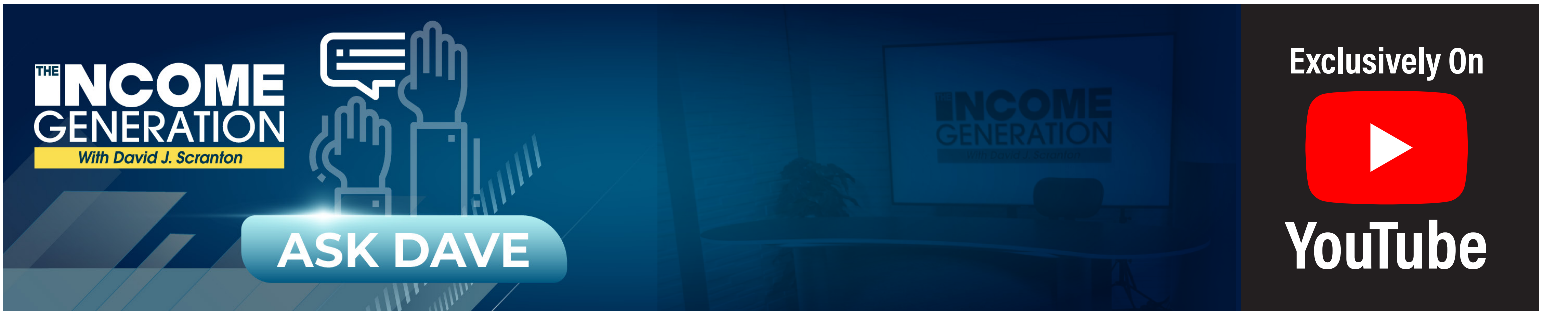
Next, take the time to visualize what your day-to-day life will be like in retirement. What specific activities will make you happy and fulfilled? Playing golf, fishing, going out to dinner several times a week?

Do your goals include traveling? If so, where to, and how often? Don't worry too much about how feasible it might be. If it's something you really want to do, make it a goal and write it down.

Finally, consider if you'll want to make a major purchase when you retire, like a vacation home or a yacht. If so, include it as one of your goals.

Now congratulate yourself, because you have specific retirement goals! The next step is to work on identifying a financial strategy that can help you achieve those goals.

If you are like most, it will likely be a strategy focused on generating steady streams of income that can cover all those fun activities you have planned for retirement.



Each week on my show *The Income Generation*, we cover topics that are important to those who are retired or nearing retirement. Often, viewers have questions. That's why The Retirement Income Store's social media pages include an Ask Dave forum – which I'm happy to be able to share with you.

Today's question is: *"Dave, I would like to know more about less-risky income-producing investments for the future. What are my options?"*

The answer here depends on how you define the term 'less-risky.' Some people will have a higher risk tolerance than others based on their financial situation, goals, and personality. If you don't want to take any risk at all, you're basically limited to Bank CDs, government bonds, or some form of fixed annuity. It's important to understand that with each of these your return will be limited to a certain degree.

Now, if by 'less risky' you mean less-risky than traditional growth-based stock market investments, you've now opened up your options to things like investment-grade corporate bonds and preferred stock.

Risk is obviously an important consideration when it comes to investing, since no investment is 100% risk-free. However, it's important to understand that there are different types of risk. With certain income-based investments, you might be willing to risk fluctuations in the value of your principal as long as your rate of income doesn't change. You also might be willing to risk changes to your income in exchange for the potential of additional growth.

In my experience, most advisors don't really understand the nuances involved in these various types of risk or how to mitigate them. But why would they? Most advisors focus on aggressive growth-based strategies where the notion of risk is much simpler: if the stock market shrinks by 50% or more, as it has twice in the last 20 years, so does your retirement savings.

This isn't to say you can't stay invested in the stock market game after you've switched your strategic focus from growth to income. After age 50, an actively-managed portfolio of high dividend-paying value stocks can be a more practical approach than your traditional growth-based stock market investments.

If you are interested in learning if high-dividend value stocks might be right for you, make sure to download our free report: Investing for Income in the Stock Market.