Senior Focus

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Skloff Financial Group Question of the Month

By Aaron Skloff

Q: What are the key considerations we should understand about our finances and retirement?

A: The Problem – Couples Not on the Same Page about Their Finances
The 2013 Fidelity Investments Couples Retirement Study revealed that 92% of couples agree they communicate well about finances and 81% describe themselves as one financial entity. Only 45% of couples agree that day-to-day financial decisions are jointly made. Only 43% jointly make investment retirement decisions.

Only 28% of couples are completely confident that either partner is prepared to assume responsibility of their joint retirement finances, if necessary. Unfortunately, only 24% of women are taking primary responsibility for day-to-day financial decisions and only 19% of women are taking primary responsibility for long-term retirement decisions.

The Solution — Couples Getting on the Same Page about Their Finances
Even if one person does the majority of the work, each person should be aware of their joint finances and each other's individual finances. Even if finances are not your forte, you should gain at least a basic understanding of your finances. As most women survive their spouses, women need to take a more active role in their finances. Below are some key considerations and steps you can take.

Budget
Create a budget that accounts for your required expenses, discretionary expenses, retirement savings and non-retirement savings.

Creating a budget can bring to light unnecessary expenditures as well as necessary expenditures you may not be thinking about, but can creep up on you and cause financial havoc.

Whether you build the budget on your own or with a Registered Investment Adviser (RIA) that is legally obligated to place your interests before any other party, you should both agree on your budget and follow it.

Balance Sheet
Create a balance sheet that lists of all your assets and liabilities. Include account numbers, telephone numbers and website logins and passwords. While obvious assets may include homes, vacation properties and 401(k) accounts, less obvious assets may include: cars, jewelry, artwork, savings accounts, IRAs, brokerage accounts and 529 accounts. While obvious liabilities may include mortgages, less obvious liabilities may include credit card debt and 401(k) loans. Creating a balance sheet can bring to light undocumented assets and debt reduction or consolidation opportunities.

Estate Planning
Work closely with an estate planning attorney and a RIA to develop an estate plan. Agree on guardians for your minor children and cognitively or physically impaired parents. Create wills, living wills and/or trusts that clearly outline your joint wishes. Determine if a durable (effective even if you're incapacitated) power of attorney for one another and special power of attorney for others is/are appropriate. Your best wishes will be ignored unless they are clearly documented.

Regularly review and update beneficiary designations on retirement accounts, such as 403(b)s, 401(k)s, 403(b)s, 457(b)s and IRAs. Beneficiary designations on these types of accounts generally supersede wills. If your goal is to have your current spouse receive the assets in your IRA when you pass, verify your current spouse is listed as a beneficiary (instead of possibly an ex-spouse).

If your goal is to have your children receive the assets in your IRA when you pass, verify your children are listed as beneficiaries (instead of possibly an ex-spouse).

Action Step: Dive Into Your Finances - They Won't Bite You
Get involved in your finances.

Whether you do it on your own or you do it with your RIA and attorney, jointly dive into your finances.

All too often, delaying until 'next year' or when you 'come back from vacation' leads to indefinite delays. Unfortunately, delays can be emotionally and financially costly. When it comes to your finances, ignorance is not bliss.

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