

# Building Financial Literacy Across Your Lifetime

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*Financial literacy is all about building the knowledge and skills you need to effectively manage your money. Becoming financially literate is a long-term journey that evolves as life evolves. This month's Wealth Management Insights investigates how you can build financial literacy across your lifetime.*

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For more on this important topic, be sure to check out August 2017's Wealth Strategies webinar, "[Financial Literacy](#)."

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## What you should know:

- 1. If you're just starting out, begin by getting organized.**
  - Manage debt and protect your credit. Make regular credit card and student loan payments, and pay more than the minimum balance to save on interest in the long run. Keep a close eye on your credit score and report, which indicate how responsible you are with debt. A good credit score can mean lower financing rates when you apply for loans in the future.
  - Develop good saving habits. Get in the habit of systematically saving a portion of each paycheck. Build an emergency fund to cover at least three to six months of living expenses. Start saving for retirement as soon as possible – starting now will help you maximize the benefits of compound interest over time.
- 2. During your prime earning years, make plans for your retirement needs and lifestyle.**
  - Plan ahead for big expenses. Do you anticipate a major life event like a wedding, buying your first home or having a child? Plan for these major expenses as much as you can by adjusting your budget and saving accordingly.
  - Catch up on retirement contributions. If you're concerned you'll come up short with retirement savings, investigate the catch-up contribution limits for your retirement plan or ▶

IRA. For example, 2017 IRS rules allow 401(k) participants ages 50 and older to contribute an additional \$6,000 above the \$18,000 limit for all participants. These contributions can help older workers secure their retirements.

- Create your estate plan. A comprehensive estate plan is more than defining how your assets should pass to your heirs. It also involves powers of attorney, healthcare directives and beneficiary designations, things that apply to any size estate.
- Plan now for long-term care. The U.S. Department of Health and Human Services estimates 70% of Americans turning 65 will need this type of care during their lifetimes. Planning now will provide you with options that are often unavailable later in life.

### **3. When you reach your golden years, spend prudently and continue monitoring your finances.**

- Consider waiting to claim Social Security. You can file for Social Security benefits starting at age

62, but filing prior to your full retirement age reduces your monthly payments. Waiting to file can increase the value of your monthly check.

- Preserve your nest egg. Take any steps you can to protect your retirement investment. Remember, you reap the greatest rewards from compound interest when your investment is at its peak.
- Review your portfolio. Diversification is especially important in retirement, as investors may not have the income needed to counter market downturns. The closer you are to retirement, the more difficult it is to recover from that kind of hit. Continue to monitor and rebalance your portfolio throughout retirement.

#### **What you should do now:**

Financial literacy is a lifelong pursuit. Your Baird Financial Advisor can work with you to create a plan to address your financial needs and goals, no matter what stage of life you're in. ■