Great outcomes. Done well.

BAIRD

Protecting Against Risk at Every Stage of Life

Wealth Management Insights | November 2015

Building wealth often follows a familiar script: Young adults graduate with little money, but after decades of work and (hopefully) prudent financial decisions, they accrue enough wealth to comfortably retire. But this plan assumes a stream of uninterrupted earnings. What if that stream veers off course? November's Wealth Management Insights explores the risks at each stage of life that can threaten your wealth-building plan – and some options to insure against them.

For more on managing financial risks at different stages of life, check out "The Lifecycle of Risk Management" white paper at **rwbaird.com/news-insights**.

What you should know:

1. Many people have varying levels of risk early in their careers – and little recourse if catastrophe strikes.

- Though most new graduates have little wealth at risk at the start of their careers, death or disability could leave them or their families on the hook for medical bills, funeral expenses, and possibly student loan debt.
- Life and disability income insurance policies can safeguard against these potential losses, and are typically inexpensive for younger people.
- As young people progress through their careers, their earnings typically increase, and many decide to start a family. With more at stake, life and disability coverage – adjusted as needed over time – becomes that much more important.

2. Earnings often reach their peak mid-career.

- Your mid-30s to mid-50s is traditionally the most important period for wealth-building, when earnings – and therefore savings – are typically at their highest.
- Be sure to consider the cost of care for aging parents. Absorbing the expenses of facility-based care, or leaving a job to care for them personally, can severely draw down income during one's peak savings years. Establishing planning

options with the entire family ahead of time can mitigate the financial and emotional burden of care for the children and create better care options for the parents.

- This stage of life is a good time to consider your own long-term care needs. If considering long-term care insurance, generally the younger and healthier you are, the less expensive the premium. You may also want to consider hybrid life / long-term care insurance policies.

3. Upon retirement, most people's focus moves from wealth accumulation to wealth distribution, where maximizing income in retirement becomes their priority.

- Re-examine your life insurance policies. Utilizing cash values from permanent policies such as whole-life, universal-life or variable-life can provide additional retirement income.
- When properly structured and accessed, life insurance policy cash values may be received on an income tax-free basis.
- There are many estate planning and insurance vehicles that can transfer assets to heirs and charities with an eye toward tax-efficiency.

What you should do now:

No matter your age and where you are in your career, a sound financial plan to building your personal wealth will strive to mitigate the risks to that wealth along the way. A Baird Financial Advisor can help create a plan to address these lifestyle risks and keep your wealth-building plan on target. ■

Robert W. Baird & Co. does not offer tax or legal advice.
©2015 Robert W. Baird & Co. Member SIPC. MC-45938.