LET'S TALK MONEY®

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When you first started working, retirement may have seemed way off in the distance. But sooner than you anticipate, it will be right ahead of you. Long before you reach that finish line, you need to ensure you are doing everything you can to help reach your retirement savings goal. Here's what you can do to help prepare for the retirement you want.

Will You Be Ready To Retire?

Boost your balance

Take a look at how much you've already saved for retirement. If you're concerned that your retirement savings might not be on target to pursue your goals, you still have time to save more. Increasing the amount you're contributing can give your savings a boost. If you're age 50 or older, you may be able to make "catch-up" contributions to an employer's retirement plan or to an individual retirement account (IRA).

Adjust your holdings

You'll also want to assess your portfolio's asset allocation. When you still have many years left before you retire, you may want to include stock investments since they have the potential for long-term growth. As you near retirement, you have less time to recover from market downturns. Consider shifting a portion of your portfolio out of stocks and into less volatile investments. You may want to hold on to some of your stock investments since they provide the potential to stay ahead of inflation during retirement.

Decide on distributions

Well before you reach your retirement date, consider your distribution options and their tax implications. If you take a lump-sum payment from a 401(k) retirement plan, you'll owe income taxes in the year you receive the distribution, leaving you with less money to spend or reinvest.* Instead, consider having the distribution directly transferred into an IRA that you can withdraw from over time. Or, if allowed, you may want to keep the funds in your employer's retirement plan and arrange for periodic payments. Either strategy could help you avoid having to pay a large tax bill in just one year.

* Qualified distributions from a designated Roth account are not subject to federal income taxes.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Meaglia Financial Consulting is a full-service comprehensive financial consulting and investment advisory business. For over 35 years, Tom has been helping clients with financial coaching, investing for retirement, and estate planning.

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By the numbers:

NATIONAL AVERAGE WEDDING COSTS

Engagement ring

$5,855

Bride's dress

$1,357

Photographer

$2,556

Florist/décor

$2,141

Wedding cake

$555

Venue (reception hall)

$14,006

Overall wedding (excluding honeymoon)

$31,213

Source: *The Knot 2014 Real Weddings Survey*, XO Group, Inc.

Yours, Mine and Ours

You've had your first dance, cut the cake and enjoyed your honeymoon. Now it's time to get down to the reality of married life. Often, that means figuring out how to deal with your new financial situation. You don't want different money management styles to cause stress in your marriage. Here are some ways to address the money issues you might have.

Communicate clearly

You and your new spouse should start by having a conversation about your finances. Where do you stand right now with assets and debts? What are your spending habits? What are your goals for the future? Discussing these issues can help you discover any major problems and identify differences you have in the way you handle money.

Build a budget

Once you know where you stand and where you're headed, develop a realistic budget. Your budget, or spending plan, should be one you both can live with now and one that will help you prepare for your future goals.

Set up a system

Together, you need to figure out who's going to pay which bills. If you decide that just one of you is going to handle the day-to-day finances, make sure the other person stays informed. It's important that each of you knows what's going on and can find and access all financial documents and accounts.

Review retirement plan investments

If you both have retirement plans through your employers, you could be duplicating investments. Combined, your investment portfolio could be more aggressive or conservative than you want. Compare your retirement plan investments and make sure the mix of investments you've chosen fits your risk tolerance, investing time frame and goals.

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Check It Over

Automatic bill payment is a convenient way to pay your bills. However, it isn't something you should just "set and forget." Here are some tips to help keep the payment process — and your finances — on track.

Automate bills with set charges. Automatic transfers from your bank account to a creditor may be appropriate for recurring bills, such as mortgage payments, that generally stay the same each month.

Use caution with variable bills. If you use the automatic payment method for bills that typically have a varying amount due each month, such as utility bills, pay close attention to your monthly charges.

Receive payment notifications. If available, choose the option to be notified by text or e-mail before an automatic payment goes through. Then you'll have time to check that your balance is sufficient to cover the payment.

Receive balance notifications. Also see if you can sign up for balance notifications if your bank balance drops below a certain level.

Review your statements. Double-check that all automatic payments are for the right amounts and that all your bills have been paid.

Autopay with a credit card. You also can have automatic payments charged to a credit card. This method gives you more time to dispute charges. Just make sure you alert billing departments if your credit card number or account changes.

Rainy Day Rescue

Stuff happens. The roof leaks, the car needs a new transmission, you have a medical emergency. How do you handle an unexpected, large expense? If you don't have the money, you might charge the amount to a high interest rate credit card. A better alternative would be to use your emergency fund to cover the cost. Don't have one yet? Here's how to build your fund.

Start small

Your goal should be to set aside three to six months' worth of living expenses. While it might take a while, you *can* do it. Deposit a specific amount from each paycheck into your emergency fund. Put any bonus, tax refund or other windfall into your fund instead of spending it. If you get a raise, increase the amount you're contributing.

Keep it separate

Your emergency fund should be in a separate account that you can access quickly and easily. You don't want to have to sell investments at an inopportune time or have to pay penalties or fees for taking your money out.

Let it be

You should tap into your emergency fund for only true emergencies. If you do need emergency relief, replenish the fund as soon as possible.

Learn the LINGO

Life insurance vocabulary can be confusing. Here are explanations for some terms you may encounter.

Term life insurance — a policy that provides coverage for a set amount of time. Time periods generally range from five to 30 years. Once the term ends, you will need to renew the policy to continue your coverage, typically at a higher premium.

Whole life insurance — a policy that is designed to provide coverage throughout your lifetime. This type of policy generally has fixed premiums and the potential to accumulate cash value over time.

Cash value — the value that builds up in a whole life policy. You may be able to access this money by taking a policy loan.

Death benefit — the amount the policy pays to the beneficiary upon the death of the insured individual. Generally, the more financial obligations you have, the greater the death benefit you will need.

Premiums — payments made for insurance coverage.

Beneficiary — the individual who receives the policy death benefit. You can name a family member, a friend, a trust or even a charity as your beneficiary.

Riders — benefits added to the policy for an additional premium.

LET'S TALK RETIREMENT

Q. I'm investing for retirement in my employer's 401(k) retirement plan. But I want to help my kids pay for their college tuition. Should I stop contributing to my retirement plan account and direct that money toward my kids' higher education since they will go to college before I stop working?

A. Although college costs a lot of money, you're going to need a lot of money to fund your retirement, too. If you put off saving for retirement to help your kids with college, you may not have enough money to live on in the future. Remember, your children have other potential college funding sources, including scholarships, grants, student loans and part-time work. You, however, may have limited sources of retirement income. So, you should make saving for retirement a priority and continue contributing to your retirement plan. Then, if you have room in your budget, you can set money aside for college expenses.

Q. We have a costly, unexpected home repair we have to take care of. A friend suggested that I take a loan from my 401(k) retirement plan account to pay for the repair. Is this a good idea?

A. There are a number of disadvantages to borrowing from a tax-deferred retirement plan account. Since the money you borrow is no longer invested in your original investment choices, you may miss out on potential earnings that money might have otherwise generated. And, if you leave your employer, you'll typically have to repay the loan in full. If you're unable to repay the loan within the allotted time, the loan will be treated as a distribution and you'll owe income taxes and, possibly, an early withdrawal penalty. You might be better off borrowing the money for the home repair from another source.

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