

8-Steps For “Fiscal Fitness”



Autumn is the period of transition from summer to winter; a time of harvest. Use the season to breathe fresh perspective into your finances and prepare for a prosperous 2018.

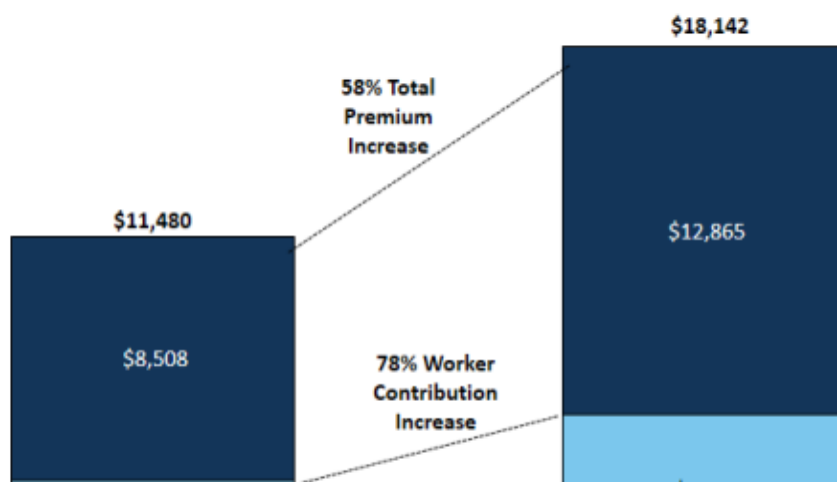
8-Steps To Get "Fiscally Fit"

#1: A thorough portfolio review with an objective financial partner is timely. Most likely your long-term asset allocation or the mix of stocks, bonds and cash you maintain or add to on a regular basis, has been ignored. With most of the major stock indices higher by double-digits year-to-date through October 2, 2017, it's possible your personal allocation to stocks has grown disconnected from your tolerance for risk. Consider complacency the emotional foible du jour. After all, it appears easy to ride out an aggressive allocation at present since every market dip appears to be an opportunity to buy. With volatility in September as measured by the VIX, at the lowest it's ever been historically, investors are growing increasingly overconfident in future market gains. A financial professional, preferably a fiduciary, can help make sense of how the risk profile of your portfolio has changed, provide input on how to rebalance or sell back to targets, and ground your allocation for what could be a different 2018. *Read: [4 Warnings for the Bull Market](#).* **#2: Sell your weak links (losers), trim winners.** Tax harvesting where stock losses are realized (you may

always purchase the position back in 31 days,) and taking profits taken from winners is the ultimate cool fall-harvest portfolio moves. Going against the grain when the herd is chasing performance takes intestinal fortitude and an investment acumen with a more appetizing scent than pumpkin spice! Candidly, tax-harvesting isn't such a benefit if you examine its effects on overall portfolio performance. However, the action of disposing of dead weight is emotionally empowering and if gains from trimming winners can offset them, then even better. Per financial planning thought-leader Michael Kitces in a thorough analysis, the economic benefit of tax-loss harvesting is best through tax-bracket arbitrage with the most favorable scenario being harvesting a short-term loss and offsetting with a short-term gain (which would usually be taxed at ordinary income rates). **#3: Fire your stodgy brick & mortar bank.** Let's face it: Brick & mortar banks are financial dinosaurs. Consider how many occasions you've seen the interior of a bank branch. Unfortunately, banks are not in a hurry to increase rates on conservative vehicles like certificates of deposit, savings accounts and money market funds even though the Federal Reserve appears anxious to step up their rate-hike agenda. Virtual banks like www.synchrobank.com, provide FDIC insurance, don't charge service fees and offer savings rates well above the national average. Accounts are easy to establish online and electronically link to your existing saving or checking accounts. **#4: Get an insurance checkup.** It's possible that weakness exists in your insurance coverage and gaps can mean unwelcomed surprises and consequences for you and the financial health of loved ones. Risk mitigation and transferring risk through insurance is a crucial element to reduce what I call "financial fragility," where a life-changing event not properly prepared for creates an overall failure of households to survive financially. As I regularly review comprehensive financial plans, I discover common insurance pitfalls which include not enough life insurance, especially for stay-at-home parents who provide invaluable service raising children, underinsurance of income in the event of long-term disability, overpaying for home and auto coverage and for high-net worth individuals, a lack of or deficient umbrella liability coverage to help protect against major claims and lawsuits. Renter's insurance appears to be a second thought if it all however, it must be considered to protect possessions. You can download an [insurance checkup document](#) from www.consumer-action.org. It's a valuable overview and comprehensive education of types of insurance coverage. Set a meeting this quarter with your insurance professional or a Certified Financial Planner who has extensive knowledge of how insurance fits into your holistic financial situation. **#5: Don't overlook the value of your employer's open enrollment period.** Usually in November, you have an opportunity to adjust or add to benefits and insurance coverage provided or subsidized by your employer. The biggest change (shock, surprise), may pertain to future healthcare insurance benefits. The number of employers moving to high-deductible health care plans for their employees increases every year. In addition, overall, individuals and families are shouldering a greater portion of health care costs, including premiums every year.

Exhibit D:

Average Annual Health Insurance Premiums and Worker Contributions for Family Coverage, 2006-2016



According to a survey of 600 U.S. companies by [Willis Towers Watsons](#), a major benefits consultant, by 2018 nearly half of employers will implement high-deductible health plans coupled with Health Savings Accounts. Health Savings Accounts allow individuals and families to make (and employers to match) tax-deductible contributions up to \$3,450 and \$6,900, respectively for 2018. Those 55 and older are allowed an additional \$1,000 in "catch-up" contributions. Money invested in a HSA appreciates tax free and is free of taxation if withdrawn and used for qualified medical expenses. Like a company retirement account, a HSA should have several investment options in the form of mutual funds from stock to bond. Although Health Savings Accounts provide tax advantages, as an employee you're now responsible for a larger portion of out-of-pocket costs including meeting much higher insurance deductibles. If you think about it, your comprehensive healthcare benefit has morphed into catastrophic coverage. No longer can employees afford to visit the doctor for any ailment or it's going to take a bite out of a household's cash flow at least until the mountain of a deductible is met. **#6: Check beneficiary designations on all retirement accounts and insurance policies.** It's a common mishap to forget to add or change primary and contingent beneficiaries. It's an easily avoidable mistake. Several states like Texas have formal Family Codes which prevent former spouses from receiving proceeds of life insurance policies post-divorce (just in case beneficiaries were not changed), with few exceptions. Proper beneficiary designations allow non-probate assets to easily transfer to intended parties. Not naming a beneficiary or lack of updating may derail an estate plan as wishes outlined in wills and trusts may be superseded by designations. **#7: Shop for a credit card that better suits your needs.** Listen, it's perfectly acceptable to utilize credit cards to gain travel points or cash back as long as balances are paid in full every month; so why not find the card that best suits your spending habits and lifestyle? For example, at www.nerdwallet.com, you can check out the best cash-back credit cards. For those who carry credit card balances and unfortunately, it's all too common, consider contacting your credit card issuer to negotiate a lower, perhaps a balance transfer rate or threaten to take your business (and your balance), elsewhere. Keep in mind, on average an American family maintains more than \$8,300 in credit card debt and the national average annual percentage rate is 15.07%. **#8: Prepare for an increase to your contribution rate to retirement accounts and emergency cash reserves.** Start 2018 on the right financial foot by increasing payroll deferrals to your company retirement accounts and bolstering emergency cash reserves. Consider a formidable step, an overall 5% boost and prepare your 2018 household budget now to handle the increase. You can't do it? Think again. As the seasons change so can your habits.

You're Not Saving Enough

Financial media laments pervasively how you aren't saving enough. Tell us something we don't already know. From my experience, this message is usually not productive; it fosters a defeatist attitude. People become frustrated, some decide to throw in the towel. They figure the situation is overwhelming and hopeless. Don't listen! Well, it's ok to listen but don't beat yourself up. Saving money is personal. Meet with an objective financial adviser and don't give much relevance to broad-based messages you hear about saving; it's not one size fits all. Create a personalized savings and budgeting plan with the end result in mind and remain flexible in your approach. Just the fact you're saving is important. The action itself is the greatest hurdle. Strive to save an additional 1% each year; it can make a difference. I know I'm asking you to go further. Dig deeper. How? Start with tough questions and honest answers to uncover truth about your past and current saving behavior. You can go through the grind of daily life and still not comprehend your motivations behind anything, especially money decisions. Ostensibly, it comes down to an inner peace over your current situation, an objective review of resources (financial and otherwise), identification of those factors that prevent you from saving more and creating a plan to improve at a pace that agrees with who you are. A strategy that fits your life and attitude. The questions you ask yourself should be simple and thought-provoking. **Why aren't you saving enough?** Perhaps you just don't find joy in saving because you don't see a purpose or a clear direction for the action.

Long-term change begins with a vision for every dollar you set aside. Whether it's for a daughter's wedding or a child's education, saving money is a mental re-adjustment based on a strong desire to meet a personal financial benchmark. **What's the end game?** It's not saving forever with no end in sight, right? Perceive saving as a way to move closer to accomplishing a milestone, something that will bring you and others happiness or relieve financial stress in case of emergencies. A reason, a goal, a purpose for the dollars. Eventually savings are to be spent or invested. Last year I read a story in a financial newspaper about a retired janitor who lived like a pauper yet it was discovered upon his death, that he possessed millions. What's the joy in that? Did this gentleman have an end game? I couldn't determine from the article whether this hoarding of wealth was a good or bad thing. I believe it's unhealthy. **Living frugally and dying wealthy doesn't seem to be a thought-out process or at the least an enjoyable one.** The messages drummed in your head from financial services are designed to stress you out; they're based on generating fear and doubt. And fear is a horrible reason to save, joy isn't. Form an honest and simple philosophy that outlines specific reasons why you need to save or increase savings. Approach it positively, three sentences max to describe your current perspective, why you're willing to improve (focus on the benefits, the end game) then allow your mind to think freely about how you will fulfill your goals. Don't listen to others who believe they found a better system. Find your own groove and work it on a regular basis. The fall is a time to shed the old and prepare for the new. When it comes to money, we can all learn from the power, beauty and resiliency of Mother Nature. Use the season to gain a fresh perspective and improve your financial health.