BELTZ IANNI & ASSOCIATES

Speaking of...

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MAKING YOUR GIFTS GO THE DISTANCE – UNDERSTANDING YOUR MILLENNIAL

Part of your legacy is ensuring that your financial gifts to your children and grandchildren stay intact and grow over the years so that each new generation can enjoy the fruits of your labor. However, many studies show that between the first and second generation transfer, 70% of that wealth is lost. When that wealth is transferred between the second and third generation, 90% of the original wealth is lost. This loss can be avoided only by financial literacy, careful planning, and understanding each generation's fears, goals, and values.

From what we know about the next generation, this is what is important right now:

- **Security:** In order to achieve their goals, millennials must have financial security. While it is important now, financial security will become more important in the future. Saving for retirement, paying off student loans, and pursuing their interests will take more resources as the cost of education and healthcare continue to rise.
- **Values:** Careers are important, but so is a work-life balance, including time for family, volunteering, and activism.
- **Relationships:** Relationships built on trust and respect are a key part of doing business, and today there is no time to waste in partnerships that lack these key components.
- **Goals:** Long-term goals are more than dreams that lay beyond the horizon. The rising generation has integrated goal achievement into their daily schedules, and are forming, contributing to, and assessing their short and long-term goals regularly.
- **Responsibility:** Millennials feel a strong sense of responsibility to their communities. Giving back and contributing to others are considered priorities.
- **Sustainability:** Sustainability is not considered a luxury, but a necessity. The sense of responsibility and community felt by this generation also applies to how the environment is treated. The commitment to sustainability can be found not only in business models internationally, but also in the decision making methods of millennials.
- **Transparency:** Honesty is always the best policy. Millennials demand transparency in all segments, from business to politics, education, and most importantly, finance.

We not only understand your goals and values, but can also help to provide perspective on the rising generation. Our goal is to guide you and your loved ones towards common understanding and future planning.

CLASH OF THE GOALS: SAVE FOR COLLEGE OR RETIREMENT?

Retirement for you or college for your kids? Which financial goal should you focus on the most? Many parents feel conflicted because they want to help their kids get a good college education but know they need to save for their own retirement years. While it may not be easy to pull off, it's important to tackle both goals at once and not put off saving for retirement.

High Stakes Battle

If your kids go to college before you retire, they're going to need the money first. So it might seem like common sense to save for college first and then save for retirement after they're done with school. However, that's a risky approach.

It's no secret that it costs a lot of money to go to college these days. And who knows how much tuitions will increase by the time your kids are ready to enroll. But even so, you're probably going to need a lot more money for your retirement. Your retirement could last well over 20 years, inflation will likely increase your costs during that period, and your retirement health care costs could be significant. If you put saving for college first, you may not have enough time to save for retirement once the tuition bills are paid. Instead, set aside money for both college and retirement.

Your Plan Can Be Your Ally

Your employer's retirement savings plan can help you to save for both goals. Since your plan contributions are deducted from your pay before you receive it, saving for retirement is convenient. You don't owe federal income taxes on your pretax contributions or on any earnings from investing those funds until you withdraw money from the plan.[1] And since you're saving for retirement through your plan, you can focus your saving outside the plan on future college costs.

Set Your Sights on Your Savings Goal

If you save, in 30 years you could accumulate:[2]

- $68.92 a week -- $300,000
- $137.84 a week -- $600,000
- $206.76 a week -- $900,000

Focus on Your Target

Even while you're saving for your kids' college costs, it's important to save as much as possible for retirement. While your kids will have a number of potential sources of college funding, such as scholarships, grants, loans, and part-time employment, you may be on your own with limited resources for retirement. Your Social Security benefits probably won't be enough to live on comfortably, and few employers offer pensions. Your plan account may be a very important source of retirement income.

Contributing more to your retirement plan may help you achieve your goals.

Source/Disclaimer:

[1]Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.

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[2]This is a hypothetical example used for illustrative purposes only and does not represent any specific investment product. It assumes a 6% average annual total return, monthly deposits into the plan, and monthly compounding. Your investment performance will be different. Tax-deferred amounts accumulated in a retirement plan are taxable upon withdrawal, unless they represent qualified Roth distributions.

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WHY YOUR NET WORTH IS IMPORTANT

When you calculate and track your net worth over time, you can determine 1) where you are, and 2) how to get where you want to be. Watching your net worth can give you encouragement when you are heading in the right direction (i.e. reducing debt while increasing assets) and provide a wake-up call if you are not on track. So how do you know what your net worth is?

Your net worth is the difference between what you *own* (your assets, i.e., anything of value that you own that can be converted into cash) and what you *owe (*your liabilities, i.e., your debts such as loans, mortgages, credit card debt, medical bills and student loans). To calculate your net worth, simply add up the value of your assets and subtract the total of your debts: Net Worth = Assets – Liabilities.