LEHIGH VALLEY BUSINESS

BECOME FINANCIALLY SECURE IN 2014
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January 13, 2014 · Vol. 25 · No. 2 · $2

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Make financial security a top 2014 resolution

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Of all the resolutions you'll make this January, among the most important is to evaluate your financial security. Often, we are so busy working and focusing on day-to-day living that we neglect to adequately set big picture, long-term goals.

By taking simple precautions, you can greatly improve your personal financial future – as well as that of your family.

Having proper will and estate documents in place ensures that you control what happens to your assets upon your death. Without them, the courts decide everything – from where your assets go to who gets guardianship of your minor children.

Dying intestate (without a will) means that assets often are divided in some percentage to your spouse, children, parents or other lineal descendant, depending on state statute. You know your family and your desires better than the court system, so make sure you determine what happens to your money.

If you already have a will in place, it is important to periodically assess the current accuracy of the document. One thing to consider is whether or not the person designated as your executor is the person you continue to want in that role.

You'll also want to be sure to update your will with the names of new family members – children, grandchildren, children's spouses and others.

SECURING YOUR FINANCIAL FUTURE:

Here are simple measures to take to ensure a more secure personal financial future. These tips should be revisited annually, and the beginning of the year is a great time to review your financial legacy and goals:

- Ensure that your estate documents are comprehensive and up-to-date.
- Double-check the accuracy of beneficiary designations on your retirement accounts and 401k plans.
- Be sure that your long-term disability coverage is adequate.
- Consider tax consequences for your investments.

DESIGNATING BENEFICIARIES

Accurately designating beneficiaries for your retirement accounts and 401k plans also is important since there are tax advantages for doing so. Money can be rolled into a spouse or beneficiary's IRA, and the beneficiary can spread the tax liabilities out over a lifetime.

If no beneficiary is named, the money will go into the estate — which will be subject to probate costs — and must be distributed over a five-year period.

Another piece of the financial security puzzle is ensuring that you have adequate insurance. Long-term disability coverage is more important than life insurance, especially if you are young and healthy, because you are more likely to get disabled early than to die young.

If you are 40, you are three times more likely to become disabled by 65 than to die by 65. Adequate long-term disability coverage is, therefore, a vital part of financial security.

TAX STRATEGIES

And, of course, it is always important to consider the tax consequences for your investments and to implement strategies for reducing taxes. If a taxpayer will be in a higher tax bracket (or over a threshold) in one year but not the next, accelerating deductions and deferring income could reduce the overall tax liability.

You also might consider asset location to reduce or eliminate the impact of surtax on unearned income. For example, holding-income producing investments in a retirement plan instead of a taxable account likely would reduce net investment income.

For high-income taxpayers, there are different threshold levels for personal exemptions and limitations on itemized deductions. Be aware of these thresholds and their implications.

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So as you plan for 2014 and take another look at resolutions you made two weeks ago, remember your financial security. Spending some time addressing the issues outlined here can make a big difference between a solid financial legacy and facing unwanted financial surprises.

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