5 tips for 30s-40s

LIFE EVENTS EBOOK SERIES FOR FINANCIAL WELLNESS

Catholic Financial Life

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Advancing your career, starting a family, saving for retirement and emergencies, saving for your child's education, insurance basics.

TIP # 1

CASH OUT OR ROLL OVER?

When changing jobs, is it better to cash out your retirement plan or roll it over into an IRA?

- When you leave your current job, you don't have to start saving all over again. You can keep your savings growing tax-deferred by rolling the vested amount into your new employer's plan or an Individual Retirement Account (IRA). Some even offer you the option of leaving the money in your current pan.
- Roll it over? When you roll your funds into an IRA, you'll continue to benefit from the tax deferral. Plus, you may have more investment options to choose from than your current plan offers, and if you already have an IRA, (or another employer-sponsored plan) your rollover IRA allows you to consolidate and streamline your retirement assets into a single easy-to-manage account.

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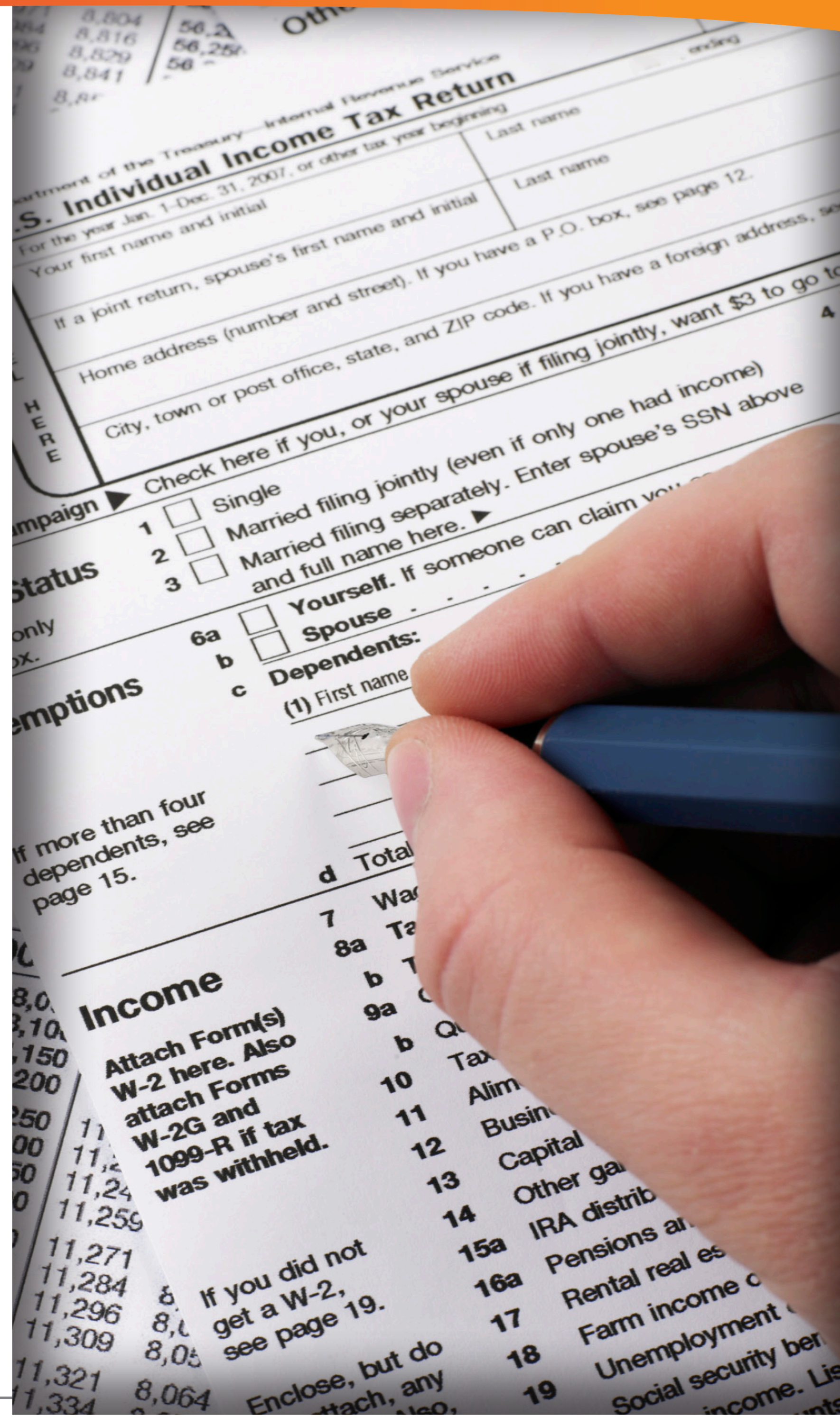
Continued... TIP # 1 CASH OUT OR ROLL OVER?

- Keep in mind: when you roll over, you postpone income taxes on the money in your account. This means you'll have more money in your account available for investment and you'll continue to benefit from the potential tax-deferred growth. You only pay income taxes when you withdraw funds from your IRA.
- If you choose to take money out of your retirement account, the amount is taxable at your normal income-tax rate. Therefore, your plan's administrator is required to withhold 20% of the distribution as a "down payment" for federal income taxes. Keep in mind that there may be an early withdrawal penalty, as well—in some cases 10%.*

Check with your plan's administrator to see what options are available to you, and **consider consulting with an advisor or tax professional.**



*Source: newkirk.com

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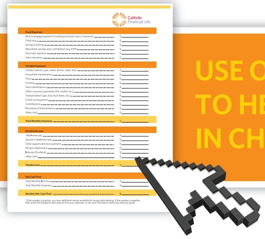
TIP # 2

FAMILY FIRST

Congratulations! You had a baby! Perhaps your baby is a newborn or maybe he's five years old already - regardless, there's probably one item on your to-do list that you may not have had time to think about, and should consider: **What would happen to your family if suddenly you were to die tomorrow?** How will the bills get paid, the mortgage, or your new baby's college education? You probably have an insurance policy that protects your car and your home, but do you have an insurance policy that protects your family? Tragedy can strike at a time when you least expect it and are the least prepared. But thinking about such a scenario doesn't have to be daunting or depressing. Here are a few tips to help you prepare in the event something happens to you or your loved ones:

- **Budgeting.** Today it typically costs an average of $250,000 or more to raise a child through age 17—not including college! Now is a great time to look at your budget. Be sure to estimate child care costs, extra food and clothing for baby and added health care coverage (if any). You'll want to know ahead of time if your insurance plan doesn't include well-baby care, maternity expenses, etc.



USE OUR **BUDGET WORKSHEET** TO HELP KEEP YOUR FINANCES IN CHECK.

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Continued... TIP # 2 FAMILY FIRST

- **Get a will.** If you die and don't have a will, your state will decide how your assets will be distributed—and the state will probably not distribute them the way you intended. If both parents pass away, who will care for the kids? The state. The importance of a will is more than just financial. With the help of a lawyer who specializes in estate planning, you can draft a simple will that ensures your assets will be distributed the way you intend them to be in the unfortunate event that you and or your spouse passes away.
- **Check your Taxes.** When your new "dependant" arrives, you'll want to take a closer look at your taxes. Be sure to review the number of allowances you claim for income tax withholding and remember to look into claiming the child tax credit on your return.
- **Life insurance:** it's the simplest investment you can make to protect your family if you die unexpectedly. Once you have a family, a significant other, one child, or many children, life insurance can offer your family peace of mind in the event tragedy strikes.

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TIP # 3

INSURANCE BASICS

Life insurance is not a one-size-fits-everyone package. So how do you know which policy is best for you? Speak with a Catholic Financial Life advisor in your area to help answer some of your specific questions. Meanwhile, here are some of the common life insurance products Catholic Financial Life offers:

A **permanent life insurance plan** provides coverage throughout your lifetime. Your ongoing premiums help to build the policy's cash value and death benefit. This extra cash can be paid to your beneficiaries when you die, or you may choose to use it while you live. Catholic Financial Life offers interest sensitive, universal, and whole life plans.

- **Universal life insurance** offers lifelong protection, premium flexibility, adjustable coverage and cash value growth potential at a competitive credited rate, as long as you pay the premium. Universal life also offers you the flexibility to adjust your premium payments or death benefit according to your changing insurance needs.

Continued... TIP # 3 INSURANCE BASICS

- **Whole life insurance** provides dependable, lifelong insurance coverage that may allow your family to continue their lifestyle after your death, help your children pay for college if you're not there, assist your spouse in making the mortgage payment when you're gone and pay off funeral expenses. If guarantees are important, whole life insurance may be right for you. While whole life insurance is more expensive than term insurance and less flexible than universal life, whole life insurance does offer:
    - guaranteed amount of death benefit
    - guaranteed cash values
    - level premium that is guaranteed to never increase for life
    - opportunity to earn dividends

- **Term insurance** offers a low-cost way to fulfill your short-term life insurance needs, providing coverage at a level cost for a specified period. Term insurance has a guaranteed death benefit but no cash value, and is sometimes compared to renting a house. You get full and immediate use of the house when you rent, but once your lease expires (or you stop paying rent) you have to leave. Even if you leased the home for 10 or 20 years, when your lease expires and you leave, there is no "value" (equity) that belongs to you. The same is true of term insurance.

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TIP # 4

SAVING FOR COLLEGE

With college costs rising each year, setting up a college savings plan for your child can help you manage the cost of a college education for your children. All states offer some form of a 529 plan—a qualified tuition program. 529 plans are categorized as either prepaid or savings plans.

- **A savings plan** works much like a 401K or IRA. Contributions are invested and the plan offers several investment options for you to choose. Like your 401K, the value of your account fluctuates with market performance.

- **A prepaid plan** lets you pre-pay all or a portion of the cost of an in-state public college, and plans may be converted for use at private or out-of-state colleges.

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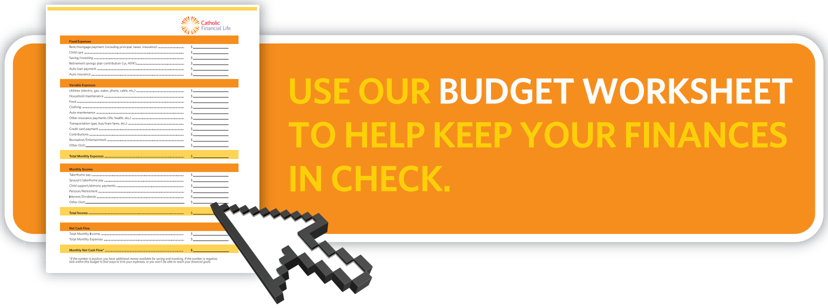
TIP # 5

SAVING FOR RETIREMENT & EMERGENCIES

It's never too late to start saving for retirement. By now, you're more established in your career, you may have a family, a home, and a few assets. It's also a time to think about setting up an emergency savings fund and set aside money for the unexpected. Here are a few tips to get you started:

- **Time is on your side.** You know the phrase, "a slow and steady pace wins the race." The phrase also holds true when it comes to saving for retirement. A runner who sprints the first half of a marathon is likely to run out of speed by the time the race is finished. The endurance runner who keeps a steady pace throughout the race is likely to catch the sprinter and steadily beat him to the finish line. Retirement investors who keep the steady pace philosophy of an endurance runner and remain invested in a diversified portfolio for many years, have time on their side.

- **Set up an emergency fund.** You never know what the future holds. A job loss or unexpected illness for you or your spouse could mean financial ruin for your family. It's a good idea to have at least six months of living expenses in reserve so you can prepare for the unexpected. A Catholic Financial Life advisor can help you come up with an income replacement plan.



Continued... TIP # 5 SAVING FOR RETIREMENT AND EMERGENCIES

- **Start saving and investing as soon as possible.** The longer your money is invested, the more return you'll likely see in your retirement years. Even if you may not have saved a lot for retirement in your early twenties, it's never too late to start in your 30s-40s.
- **Increase your contribution.** Stretching your paycheck further, when you already have bills to pay, a mortgage, children to feed, clothe and entertain, may seem like an impossible task. Use our monthly budget worksheet to help you find any savings that you could earmark to investing. Be sure to put as much as you can afford into your employer's tax-deferred plan, and contribute at least the minimum to receive the company match.

USE OUR BUDGET WORKSHEET TO HELP KEEP YOUR FINANCES IN CHECK.

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About Catholic Financial Life

Catholic Financial Life, a faith-based membership organization, puts Catholic values in action by serving God through serving others, providing financial security, and by enhancing quality of life for our member families and their communities. For more than 140 years, Catholic Financial Life has helped members take control of their future by providing real solutions to everyday challenges. Catholic Financial Life is the second largest Catholic fraternal in the United States.

For more information visit catholicfinanciallife.org

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