



# As Life Changes, So Should Your Budget

Life changing events such as planning a wedding or a graduation can be exciting, but they can also have major implications on your finances. While it is fun to focus on the cosmetic details of the event — sampling wedding cakes or selecting graduation invitations — it is also important to take some basic steps to prepare yourself financially. Here are some suggestions to keep in mind as you may encounter these life changes and others.



## Family Status Changes

Getting married? Having a baby? Retiring next year? When life changes, you need a plan for your finances. Here are some items to keep in mind.

### Set goals for Savings

First, identify what your long-term financial goals are and your timeframe for accomplishing it. Are you planning to buy a house or a new car? Then, figure out how much money you need to set aside each month to reach your goal. At the same time, don't forget to factor in saving for retirement and the tax-advantaged tools you have to save for it, which include IRAs and company retirement plans.

In addition to saving for these long-term financial goals, you should set aside some funds that can be used in case of an unexpected financial emergency. We generally recommend people keep 6 to 12 months of salary on hand.

Finally, get started! Even if you need to start small, it is helpful to establish the habit and make forward progress.

### Develop and stick to a budget

Take a look at your current income and expenses and consider how they may change with the pending changes. Think about what type of new costs you will encounter. Consider your "real" needs and what might be more of a "want." If your anticipated expenses exceed your current income, consider how you will address this deficiency. Also think about how to handle unexpected bills and expenses. Most importantly, remember to pay yourself first, by setting aside funds for your savings.

### Develop a communication plan

Whether you are a newlywed or a child departing for college, it's important to discuss the ground rules and expectations associated with finances. Topics for discussion include, but shouldn't be limited to, the following: If you are getting married make sure you



## Financial Planning

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and your spouse have a shared understanding of how the money will be handled. Who will be in charge of paying the bills, monitoring the budget and gauging your progress towards your savings goals? Also establish times when you will meet to discuss these items. If you are sending a child off to college, discuss with them the importance of a budget and work with them to set one up. Also, make sure that they understand what your expectations are for spending money while they are away at school. It is important to remember to stay flexible. Everyone has differences when it comes to their approach to finances, but by keeping the lines of communication open, you should be able to work out problems as they occur.

### **Plan ahead for expected status changes**

If you have children or grandchildren, chances are good they will be attending some kind of college or advanced education. Savings for college can be achieved in a variety of ways. Choosing an education savings strategy and starting early are important steps you can take to ease the burden of meeting college costs. You can begin saving as soon as the child is born. There are several key factors to consider before deciding which education savings plan is the best for you and your family.

- How much do you want to save?
- How long do you have until the child attends college?
- Do you want the savings to be used only for college education expenses?
- Are there any tax benefits to the type of account you choose?

Also, don't forget to meet with your financial advisor before these events occur he/she can help you evaluate the issues at hand and address them as needed. In addition, you may want to request the following two reports — Comparing Education Savings Vehicles and Education Dreams Can Come True with Proper Planning. Both are good resources for you when saving for education. ■

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