Money Matters

for

All Ages

A Guide To Taking Control Of Your Finances From Birth To Retirement.

Money Matters For All Ages - Introduction

This e-book is the culmination of sixteen different personal finance bloggers who got together and decided to write a financial guidebook that spans an entire lifetime. From the innocent little infant to the older retiree, all the different stages of life are covered here. Whether you are in your 20's or 30's or any other age – you can benefit from reading this book.

Who Was Involved?

- My Dollar Plan
- I've Paid for This Twice Already
- Being Frugal
- Gather Little by Little
- DebtFREE-Revolution
- Mrs. Micah
- Remodeling This Life
- Cash Money Life
- Moolanomy
- My Two Dollars
- Credit Withdrawal
- Millionaire Money Habits
- Credit Withdrawal
- Chance Favors
- Plonkee Money
- Quest For Four Pillars

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The Money Matters for All Ages Series:

Financial Strategies for Infants and Young Children

*This is the first post in a series about **Money Matters for All Ages**. Stay tuned over the next couple weeks as a group of personal finance writers address financial issues from babies to retirement and everything in between.*

Photography: Six clones (clowns?) v3 by Spigoo

Our oldest son just turned 2 and our youngest son is now 4 months. Here's a summary of the financial strategies that I've been working on for them.

Get a Social Security Number. Do this right away and it will make all of the other strategies easier.

Open a High Yield Savings Account. Children often receive cash gifts for birthdays, holidays, etc. I'm in the process of setting up an ING DIRECT account for my youngest. I sent a referral from the 2-year-old's account to the baby, so they will both earn bonus money. Open a savings account in under five minutes with no fees, no minimums and FDIC insurance for yourself or your kids at ING. Once you have one account open, refer other family members to earn the bonus money! Affinity Bank also offers a 10% savings account up to $500 for children in California.

Organize Savings Bonds. The kids have received numerous savings bonds from family members. I am converting them to electronic version to make it easier to track. Any paper bonds will be placed in our safe deposit box.

Contribute to a 529 Plan. Open a 529 account if you plan on saving money to help pay for college for your children. I calculated how much we want to save for college for our baby and I am adding it to the accounts we have already established. If you haven't set up an account yet, here's how.

Help relatives set up 529 plans. If grandparents (aunts, uncles, etc.) are interested in contributing to your kids' college funds help them set up an account of their own naming your child as the beneficiary. They can then take a state tax deduction if they live in a state that offers it.

Plan your investments. While the kids' money has a similar asset allocation to our own, I plan to add some child friendly companies that our kids will recognize when they are older.

Claim Your Tax Savings. Claim the child tax credit on your taxes. As long as your baby was born on or before December 31, you are eligible for the entire tax credit.

Change your withholding. If the child tax credit above will result in a $1,000 refund for you, change your W-4 to have less money withheld in your paycheck.

Enroll in dependent care flexible spending. If you plan on using day care or a babysitter you can set aside $5,000 per year to pay for childcare pre-tax. You can change the amount mid-year if your childcare provider changes or the rates change.

Maximize zero tax for children. But beware of the Kiddie tax. Children owe no tax on the first $850 of earnings, which creates a great opportunity to maximize income shifting. Earnings between $851 - $1,700 are taxed at the child's rate and above that it will be taxed at the parent's tax rate.

Modify wills and trusts. In the event that both my husband and I pass away, we created a will naming our children as beneficiaries. The will creates trust funds for our children that allow them access at age 25. This is an area that I don't know whole lot about, so I am planning to spend some time in the next few years educating myself on this topic. I'll be sure to share what I learn as I go.

Update beneficiaries. Change beneficiaries on life insurance policies or any accounts that are not included in the will. We live in a community property state, so my husband and I are listed as primaries on each other's accounts. The children are listed as secondary beneficiaries. In addition, our children are listed as beneficiaries on other family member's accounts.

Buy life insurance on yourself. Determine how much you need to support your children in the event that something happens to you or your spouse.

Don't buy life insurance on your kids. It's a waste of money. Instead use that money towards one of the previous strategies.

Get a piggy bank. Pick one that is fun to put money in and the pig should fill up quicker!

Update your budget. Diapers, formula and daycare are the big ones for us. Don't forget other areas of your budget that were impacted by adding a baby to the family.

Sign up for mailing lists. Contact the manufacturers of the products you use most (diapers, formula, baby food) and retail companies (Toys R Us, Gymboree) to get on mailing lists. Coupons will start showing up in your mailbox.

Use cashback programs. Use the cashback programs to help fund the college plans. Upromise and Little Grad are both geared towards saving for college.

Action Plan

It's never too early to start saving and investing for your children. While we are building their accounts we have also established **specific purposes for the money**; we do not intend for them to be able to spend the money freely at this point.

What are you doing for your children financially?

Teaching Preschoolers About Money

I have a preschooler (he's 3) and an all-too-soon-to-be preschooler (she's 1) so **I think a great deal about how I can teach them from the start to be financially intelligent and to make smart choices about money**. Even though it may seem early to start helping a three year old understand money concepts, they're more aware of everything already than you might think. For us and our family, we have three main areas of understanding we're working to help our preschooler grasp:

The concept of what money is, as far as the value of coins and bills.

My son can count, so I've started explaining different coins to him, and how 5 pennies equal one nickel, four quarters equal a dollar, and other ideas like that. I'm working on him understanding that not all money is equal, and sometimes one of something is more valuable than 5 of something else. I really like the way Rocket Finance has been using coins with his preschoolers as well.

Money can be exchanged for things we want.

My son is old enough now that he's started to want things he sees. He sees a toy in a brochure and he wants it. He sees an ad on TV and he wants it. We talk about what money is and that we can use money to buy these things. But I don't just give him endless amounts of money. I do however let him make some choices with a finite amount of money, such as when we were at the zoo and he got to choose between french fries or ice cream with his $2. Lynnae at BeingFrugal.net uses a behavior chart to help her son earn money that he can spend or save up for bigger things. I'm also starting the concept of a piggy bank with him, and teaching him about saving up for bigger items versus spending on small items.

Money is also a way to earn time.

My spouse goes to work at an 8-5 job every weekday, and my son is old enough to grasp the concept that Daddy is at work. So we talk about work and why Daddy goes there - to make money for our family so we can do things, but also to make money so he can spend Saturdays and Sundays at home with us. The concept that making money now can give us free time later is my first step in getting my children to understand that saving for later is a good thing. Eventually I will add explaining about saving for college to this.

Basically, **I want my children to understand at a young age that money is something we need to take care of and use wisely, and that it isn't the best idea to spend everything as soon as we get it**. I also talk to my son about giving money away to those who need it more than us, and I will add more of that in the future (that is a concept he just doesn't grasp quite yet). What would you (or do you) teach preschoolers about money? Leave a comment with your ideas!

Personal Finance for Children and Pre-Teens

When I graduated from high school, I didn't know anything about personal finance, except how to balance a checkbook. I've learned a lot through the school of hard knocks, and I'm grateful for what I've learned, but I wish I would have known more before I headed out to college on my own. **One of my goals as a parent is to make sure my children are financially prepared to survive in the real world.**

Madison at My Dollar Plan and PaidTwice at I've Paid For This Twice Already have covered the pre-grade school years, and today **I'm going to cover ages 6-12.** I'm going to break this post into two parts, because I change the way I do things with my children at age 10. My technique for teaching my children how to manage their money is taken largely from Debt-Proof Your Kids by Mary Hunt.

Age 6-9

By the time children hit first grade, they are generally starting to learn about money in school. They begin to learn that a quarter is more than two dimes, and that dollars are worth even more. **They are also old enough to grasp the concepts of savings and giving.**

When our children are between 5 and 6 years old, we move from the responsibility chart I told you about recently to a regular allowance. To make it easy and fair, **we give 50 cents for each year of age.** Right now our 9 year old is receiving $4.50 a week and our 5 year old will be receiving $2.50 a week when he starts getting an allowance next month.

There are two schools of thought when it comes to tying allowances to chores. The first is that children are paid for their chores, and if the chores aren't done, the child doesn't get his allowance. The second idea is that children are part of the family, and because they're part of the family they do chores, and they also receive the benefit of an allowance just for being part of the family.

I don't really feel strongly either way, but **we've chosen to not tie allowances to the chores.** Our primary reason is that our daughter is not at all motivated by money, and she'd just as soon skip the chores and not get paid. The second reason is that I believe in easy systems, and keeping track of what chores are done and how much money to dock a child is just too complicated for me.

In the grade school years, our **children are required to tithe 10%** of their allowance. They split the remainder in thirds. **One-third goes to long-term savings** (for college or a car), **one third goes to short-term savings** (for a toy they might want), **and one third is blow money**. This system works pretty well for my daughter, who usually ends up saving everything, and I think it will work well for my son, who would probably spend everything right away if we didn't make him save some.

Teaching children the importance of giving and saving at a young age is really important. I don't want my children to get into the habit of spending everything they bring in. That's a really hard habit to break. I know, because it's a habit I had to break!

Age 10-12

When our daughter turns 10 next months, **my husband and I are planning on moving her from an allowance to a salary.** Liz's salary will be loosely tied to chores, and she will be responsible for budgeting (with lots of help) for certain expenses. **She will be paid once a month**, so she can begin to get a feel for what it's like to have to make a "paycheck" stretch for a longer period of time.

We're going to start her out slow and have her be responsible for birthday and Christmas gifts for friends and family, toys she wants to buy, and extra activities, like movies with a friend or other activities that don't involve the family. My husband and I will sit down in the next couple of weeks and figure out how much we spend on these things for her over the course of a year, divide that by 12, and that will be her salary.

We'll help her look at the coming year and make note of birthdays and other events she knows she'll need money for. **We'll also encourage her to save some extra money for last minute invitations to activities.** But in the end, she'll be responsible for deciding what to do. If she spends her whole salary in the first week, and then gets invited to a birthday party, she'll have to decide whether she wants to make a gift out of things she has or skip the party. **As a mom, I'm sure the mistakes will be hard for me to watch, but I'd rather have her make mistakes now when I can guide her, than later when the stakes are higher.**

As far as chores go, **she will still have her responsibilities, and she can choose to do them, or she can hire someone else to do them for her.** Her room will have to stay clean, but if she doesn't want to clean it, she can pay me or her younger brother to clean it for her. I'm sure it won't take her long to figure out that cleaning her own room is better than having to dish out money to her younger brother.

As each year passes, we will increase our daughter's salary and responsibilities, so that **by the time she graduates from high school, she will be used to budgeting for almost all of her expenses, and will be well versed in giving and saving part of her "paycheck" and living on less than she earns.**

For learning more about this system, I highly recommend Mary Hunt's Debt-Proof Your Kids. This book focuses mostly on teaching finances to children ages 10-18, but it does have good tips for the younger crowd as well.

What's your system for teaching financial matters to children? Do you have a plan? Are you winging it? Please share your tips in the comments.

Teach your teen the basics of money management

Photo Credit: stock.xchng

I recently became the father of a teenage boy. I never thought it would happen. I kept telling myself the teen years were a long way away, yet he continued to grow, continued to mature, and then suddenly he was 13. This event of course made me begin to think of things I had pushed back into the corner of my mind. Things like driving, high school, a job, and girls. It also dawned on me, that while we've taught him about money, taught him the value of saving, tithing and keeping track of his money, I had not yet taught all of the basics of adult money management. Talking to other parents and friends of ours, I started realizing this was a trend and it wasn't just me. I was fortunate enough to have a fifth grade teacher who taught us all about money, the banking system, interest, loans, etc. My son hasn't had the same opportunity. In thinking through this some, I thought I would share with you a few of the more basic, but critical items we need to teach our teenagers about finances:

Set up a checking and savings account

Most likely, your teenager probably already has a savings account. If not, you should set one up. I have one for each of my children at ING Direct*. We'll be setting up a checking account for our teenage son soon. While his only source of income at this point is allowance, various odd jobs he does for us and our neighbors, and gifts, I feel it will be valuable for him to start learning the basics of a checking account. This includes the use of checks, how to properly fill them out along with how to use a debit card. He has enough money now where placing his money in a free checking account (instead of the jar) would be safer anyway.

After creating the checking account, spend some time with your teenager doing the following:

- Show them how to properly fill out a check and record the amount in the register.
- Tell them how a debit card works and how to use it at the ATM to pull cash when needed.
- Explain that if they use an ATM from another bank there may be a fee.

- Help them sign-up for online banking and show them how to use it. *Make sure they know to keep their credentials private and to use good passwords!*
- Stress the importance of saving, and show them how to set-up automatic transfers from their checking to savings accounts and make their saving automatic

These are all things we as adults take for granted, but your teen may not know. Make yourself available to answer questions and walk them through anything they may not understand and have questions about. If you don't know the answer, it's a great time to introduce them to the bank's customer service number. Call and get the answer together or visit a branch together.

Help them set-up a budget

Setting up and managing a budget is probably something that won't be fully necessary until they begin receiving a steady stream of income from a job. But even before they have a job, you can set up a mini-budget. Help them determine a % of their money they will save, a % they will tithe or give to charity, and a % they can spend. This will start good habits early.

Once they have a job and a steady stream of income, help them set-up a monthly budget. I would suggest doing something simple on paper until they grasp the concept, then moving over to something more sophisticated like a spreadsheet, You Need A Budget, Mvelopes Personal 3.5, or Quicken. Are these tools overkill? Maybe, but getting your teen familiar and in the habit of using these types tools certainly won't hurt. Plus teens like using the computer and technology.

Managing a budget will be a key tool for not only teaching them how to control and track their spending, but it will be an insightful tool in teaching them the true cost of things. For example, before I got my first car, I thought all you had to do was buy it and drive it. I quickly learned that there were other costs such as: gas, insurance, registration, inspections, oil changes, repairs, routine maintenance, etc. The point here is budgeting will help them think through all of the costs associated with the things they want or have. Things often cost more than they seem at first.

Help find them a job

I started working when I was 15 and have worked ever since. I think it is extremely valuable for teenagers to have jobs as soon as they can begin working. It teaches so many valuable lessons and keeps them busy and out of trouble. *Idle hands are the devil's tools* - I see far too many idle hands in teenagers these days. Having a job early has the following benefits:

- Generates their first source of consistent income
- Teaches them how to work with others and for others
- The basics of income, taxes, social security, etc.
- Teaches them time management - With school, friends, and a job they will need to manage their time. This is something that will be a valuable tool for their future.
- Teaches responsibility and accountability

I worked weekends initially. When I turned 16 started working 3-4 hours in the evenings after school. When I started college, I moved up to working 30 hours or so until I graduated. While it was tough sometimes, I wouldn't go back and change it. It built character, responsibility and established critical social skills I don't think I would have gotten any other way.

Who's paying for what?

Now that the accounts are set-up, the basic budget is in place, and they are making money, it's time to start talking about who is going to pay for what. Things to consider:

- Who is paying their car insurance? *By the way, put them on your policy, it's far less expensive than creating a policy of their own*
- Who is paying for gas, oil changes, car maintenance issues?
- Are you getting them a car? If so, is it a gift or do they have to pay you back?
- Who is paying for college? Depending on your answer here, should have significant impact on how much of their income they should be saving
- Will you continue to buy their clothes?

These are just a few things you will need to consider and discuss with your teen. On one hand, you certainly don't want to overwhelm them with all the various costs of life, especially if their salary isn't much. On the other hand they need to begin learning the cost of things. There is no right or wrong answer here, but these are things you should think through and tackle.

Final Thoughts

These are just a few of the more critical financial related things you need to talk to your teenager about. Teen years are critical for preparing your child to become an adult and to be able to live on his or her own. It's time to start breaking down that insulation you've had around them for so long and begin exposing them to the realities of life. Make it a gradual process, removing the insulation a little at a time as they get older. While they may not like it, they will thank you for it later.

Teen years are also a critical time for instilling good financial habits. If you instill good habits in them now, they will continue these habits into their adult lives. Don't miss this critically important time. Teach them what you know, discuss the mistakes you've made and the negative impact they've had on your life so they can learn.

Proverbs 22:6 - *"Train a child in the way he should go, and when he is old he will not turn from it."*

What are your thoughts? What things do you think are critical to teach teens about finances? Do you have teens? If so, how are you handling this topic?

Money Advice to My Teenage Son

My son is a teenager, and thinks his life will be so good no matter what he does. This includes money. Here is the advice I give him, and fervently hope he listens to and takes to heart:

- **Do not finance a vehicle**! Please, you are young…don't sign your life away to impress the girls and other boys at school by trying to drive something that you can't pay cash for. If you finance a vehicle at age 16, by the time you get to college it won't be impressive enough to catch the eye of that sorority sister who is in your English comp class, but the payments will still be there and you will probably still be upside-down in it.
- Do everything you can to get **scholarships, grants, work-study, and pay cash for your college tuition and textbooks**. Your grandma, my mother, had student loans from pharmacy school for FIFTEEN YEARS…that's longer than you've been alive so far! Student loan payoff terms are getting longer and longer, and it's just not worth it. Slow down, go part-time and work while in college if you can't get enough free money. I am doing it, and it is so much better than going into debt.
- **Stay far FAR away from the credit card tables at school**. Thankfully, the high schools haven't started letting those financial predators on premises yet, but I see them every single semester on the college campus. You are very good at math, so do the numbers to prove to yourself that credit cards are a really bad deal for the consumer if you don't want to take my word for it.
- You have seen me **do a budget** for over a year now, and I have let you watch in the hopes that you will do this for yourself. I also hope you noticed how much we have been paying to get out of debt! If you do a budget your entire life, and LIVE WITHIN YOUR MEANS, you won't fall into debt like I did. Learn from your mom's mistakes here, kiddo!
- **Start saving for an emergency fund**. You have seen me handle car problems and fix the heat in the dead of winter because I had an emergency fund. It doesn't need to earn much interest…just have it.
- **Start saving for retirement as soon as you have some extra money**. Even just $50 per month at your age will grow into an amazing amount by the time you get old enough to be concerned about it (once you figure out that you might possibly live past the age of 30). You're starting to work with compound interest problems in math, so you can probably now figure how starting early will make you literally millions of dollars.

I learned bad money management techniques from my parents, and from my son's father. I can only hope the experience of my son being involved in our climb to get out of debt - when he is old enough to understand it - will leave a lasting impression on him for the rest of his life. Every parent wants his or her child to have a better life and be more successful, and I am no different. I won't be able to "bless" my son with actual money. But I do hope I can lift the money "curse" by teaching him a better way than what I learned at his age!

College Money Matters

I just ~~escaped~~ graduated from college with no debt and a little savings account. So for the Money Matters series, I volunteered to talk a bit about my experiences, my friends' experiences, and give some recommendations. Everyone's situation is different, but I hope that what I have to say can apply in some useful ways to yours.

First—Scholarships, Scholarships, Scholarships

It's hard for me to stress how much my scholarships helped me stay out of debt. They didn't cover everything (thanks Mom, Dad, and grandfather!) but they covered over 75% of my expenses.

Not getting into debt is worth working hard for good grades.

Get creative with your scholarship search. Talk to your potential schools' financial aid offices and see what they have to offer. Talk to your parents employers about any programs they might have. Talk to future employers about scholarships. Look for scholarships from your state–which may or may not require you to go to school in that state. Look for scholarships for your field.

If you don't have great test scores, try to focus on ones that are looking to reward people who've been involved in community service and the like.

And remember that some scholarships can be used for all kinds of stuff–as long as it's school-related. This laptop, for instance, was paid for with my scholarship. Or my books, or my meal-plan…

Don't Stop Looking for Scholarships

Once you're in college, you can still get scholarships. There aren't as many open, but they're there. Talk to your financial aid office. Ours had a well-kept secret that people who weren't already on institutional scholarships could get ones if they had really high grades and in the top X number of students without institutional scholarships.

The Meal Plan is a Rip-Off (So is the C-Store)

There you have it. Your meal plan is almost definitely a rip-off. And buying food on campus is basically asking to be overcharged. Meal plans can still be useful in the first few years when you don't have a kitchen of your own. Or your school may allow you to "charge" your card with money, which you can either spend on food or get back.

Try to find workarounds. But if you have more money on your card than you can use (because some schools require you to buy a $1500 flex dollar plan) or an unlimited meal plan, take advantage of it. Spend every last dollar or eat almost all your meals in the cafeteria.

Once you have your own place, look into cooking in bulk. Be sure to talk to your space-mates about who buys the food, who cooks the food, and whatnot. Food is almost equal to money in the amount of stress it can cause. Learn recipes, which make rice fun–or just use rice to stretch normal ones. But don't be afraid to make cookies sometimes.

Pay Back Your Student Loan Leftovers

If you have money left over from your student loans, pay it back if at all possible. By paying it back, it's as though you're automatically earning yourself the money you won't have to pay back later (including interest).

But if there's a choice between buying necessities with credit cards or student loan money, use the loan money. Almost always the better choice.

Get an On-Campus Job

For starters, look for jobs on-campus or nearby. This will reduce your need for a car (see below). It's easiest not to work the first semester, but you may have to. Working can really help reduce the amount of money you need to borrow. But I'd also say not to spend it all on educational stuff–use some for yourself, too. You'll need sanity breaks and money helps.

Later on, you might want to branch out with paid internships (or unpaid ones). But for starters I'd recommend working on campus. The commute is free and the work can be rewarding. I've had great jobs as a research assistant and a bathroom cleaner. At the same time, actually.

Find Ways to Save Money on Clothes

One thing I was shocked to learn in college is that clothing swaps and second hand stores like Salvation Army are actually fairly popular. Great for me, since those have been my primary sources of clothes for a while. It can be really fun taking a trip there with friends to look for gold amid all the duds from the 80's.

David at My Two Dollars just brought another place to my attention. It's an online clothing swap called Swango and everything there is $0.99 plus clothing credits.

Consider even making some money by finding a consignment shop to take your lightly-used better quality clothes.

Of course, there's the normal caveat–don't buy what you don't need, even if it's on sale. But seize on these trips as a fun way to hang out with your friends and improve your wardrobe.

For a free way to get clothes, arrange a clothing swap party with your friends or floormates.

Don't Buy a Car

Some places, you might…but other times you really don't need a car. The disadvantage of this is that it may hurt your chances of getting internships. In that case, consider not getting one until your Junior year at least.

Cars are a huge money drain and many campuses are located in towns which make them unnecessary.

If you borrow your friends' cars, be sure to put in some gas.

Take a Personal Finance Class

Your college probably offers one somewhere. I think I've learned more from the blogs, but it helped me master the basics like the difference between a Roth IRA and an IRA. We also did practice budget spreadsheets, which we then had to follow. Good experience. Plus mine was a fairly easy A.

Don't Get Too Stressed About Money

If possible. College is a place where we learn, and learning from our mistakes is a big part of that. Relax, find ways to make frugality fun (or rather just do fun free stuff, don't even think of it as frugal), hang out with your friends, and learn.

How did you save money during college?

I have so many thoughts on money and college that it's hard to collect them all. This post could really be a series of posts—4 years leaves me with a lot of to talk about. So I'm sorry if it seems about disjointed.

Money Tips for the Twenty Something Crowd

The twenties are an exciting time in one's life. I know, I'm still living my 20's - although on the tail end. For those in your 20's, now is a great time to set the financial pace for the rest of your life. While you may not think it matters much now, setting a strong financial foundation now will pay dividends later in life.

Set your Financial Foundations

Your 20's is the decade that will set the pace for the rest of your adult life. You are on your own financially, and **no one will take care of you and your financial future; it is up to you!** Now is the time to learn how to make a budget, spend less than you earn, create good spending habits, and invest - all while trying to live a normal life and not deprive yourself. Don't worry, it is possible to be financially secure in your 20's and still enjoy life!

Get out of debt

Debt will drag you down and prevent you from achieving not only financial freedom, but the freedom to enjoy your life. Unfortunately, when you are just starting out, it is very likely you incurred some debt along the way. Student loans, a car payment, furnishing your first apartment, buying your first professional wardrobe, etc. The important thing is to **stop adding new debt, and reduce the debt you currently have**.

A great way to quickly eliminate your debt is to snowball your debt payments by paying your minimums plus adding whatever extra money you can find to the principal. Here are more debt reduction principles.

Build an emergency fund

An emergency fund gives you a buffer to help keep you from going into debt, or further into debt if you are already there. Everyone needs a different amount in their emergency fund based on their family and career situation. A good rule of thumb is to have 3-6 months of salary easily accessible in an interest bearing savings account. You never know when an emergency will strike, so be prepared.

Invest in yourself and your career

Your career and your ability to create income is your greatest asset. During your twenties, you should be more concerned with taking the job that offers you the most professional opportunity - not necessarily the highest salary. Professional opportunity is the currency that will define your options as your career progresses and lead you to more satisfying and higher paying positions.

Your twenties is a great time to add to your resume by earning a master's degree, taking professional certifications or training courses, or working in several different positions to broaden your professional horizons.

Invest for your retirement

While you are in your twenties, you may not earn the largest salary of your life. But in my opinion, the money you invest in your twenties is more important than the larger amounts you may be able to invest when you are in your 40's. Why? **Time**. The longer you have your money invested, the longer your money will compound and grow. Time is the greatest advantage to any investment, and in your 20's, time is the thing you have the most of.

Prepare for life changes

Your twenties will prove to have many major life changes. Graduating college, major changes in employment, getting married, children, buying a home, backpacking through Europe for 6 months and spending your life savings… Who knows what will happen? As part of preparing for life changes, you should also take great care to protect your financial interests, including earning money from alternate sources and buying disability and life insurance.

Take calculated risks

You will never succeed unless you put yourself out there. Your 20's is the decade you have the best opportunity to take a chance and make something big happen. Start your own company, travel the world, write a novel, or take a job simply for opportunity or pure enjoyment rather than strictly based on pay. There is little reward that comes without risk. Do your research, weigh the odds, and do something amazing.

Live your life and enjoy it

Life is not measured in dollar$ and ¢ents. Your 20's is perhaps the most exciting decade in terms of pure excitement and change. Most people in their early 20's have fewer obligations preventing them from going out and doing something spontaneous. Use this time to your advantage. Have fun. Live your life. Find yourself. Now is the best time to do it.

Financial Advice For Your Twenties

I am careening out of my twenties quickly. It's been a wild ride financially. I've been in debt up to my eyeballs in my early 20's. I've (with hubby of course) made some nice amounts of money on real estate. I'm the first to admit my 20's haven't been typical. By 20, I owned property. By 28, bought and sold 3 properties and had 2 kids, while living in 3 different states. I've been a working mom while hubby was a stay-at-home dad. I'm currently a stay-at-home mom while he works and we renovate our 60's cottage. I've jumped into stock market investing. I've made some huge mistakes and I think I've also made some very sound financial decisions throughout my twenties. Here is a list of things that I either wish I'd known sooner or learned and used to help me navigate my way through my twenties financially. Essentially, a list of things I want to teach my children when they arrive at this exciting decade.

The number one thing I wish I'd known then that I know now is how horrific being in credit card debt is. If there is ANYTHING that I teach my kids and I hope they listen to it is **stay out of credit card debt.** Early twenties is a tough time. You're young, not making much money usually and still need to survive. And with all the stuff out there that looks so wonderful to have, it's hard to say no and to live within your means. This is **the best age to be frugal** because living frugally early on is the foundation for the rest of your life and will give you the opportunity to live well while also living below your means.

It seems to me that today there are so many people that want the American Dream at age 25. Big house, nice cars, cute fence. I agree that it's enticing. But a generation ago, people didn't have all of that in their 20's. They worked a lifetime to have that by retirement. And somewhere along the line that got lost. People started taking on more than they needed just to keep up. And I hope to teach my children that a lifetime of hard work and savings will get them to that dream but they don't have to pretend to have it early on when they can't really afford it. And it will be that much more fulfilling to live that dream when they can afford it.

Some other tips and lessons I hope to pass along related to this concept are

- Understand and love compounding. Everything you do to sacrifice to save and invest for the future will be fun and satisfying once you love compounding. What you think you need now probably isn't worth what you can have later if you use restraint.
- Start an IRA if you haven't yet and contribute the maximum annually.
- Learn to budget.
- Love living below your means. When you do, it will be fun investing and watching compounding work for you.
- Borrow only for the absolute necessities of life and be sure to use those borrowed funds to buy your home or whatever, at low enough a price to have **a margin of safety**.
- Borrowers have compounding working against them. Lenders (investors) have compounding working for them. **It is like the difference between swimming with an anchor on your back (borrowing) or a float cushion under you (lending/investing)**.

Some tips for investing in the stock market

- When you **start** investing in stocks and bonds use no-load index mutual funds.
- Invest when everyone agrees an asset or asset class is doomed and sell when everyone agrees it can only go up.
- Stick to your guns. If you decided it was a good investment and you waited and bought it right then give it plenty of time. **Do not be looking to jump in and out of investments!**

Above all else though, don't forget to have fun. You're only young once!

Money Matters for All Ages - The Chaotic Thirties

I think the thirties is a chaotic decade for many of us. There are so many life events and important decisions packed into those 10 years. This is the decade where many of us buy our first home, get married, have our first child (or second, or third…), start saving for kids' education, try to build retirement savings for ourselves, worry about our parents who are nearing or already in their retirement and work hard to advance our careers. There are so many important events in this decade that it could be dizzying, or worse, overwhelming.

First Home

"40 percent of all home buyers in 2002 were first-time buyers. Their average age was 32"

Source: AZCentral.com, data (2003) from National Association of Realtors®

A lot of us don't buy our first home until we are in our thirties. First-time home buying is a big financial decision. I was lucky enough to have bought my first home when I was 25. Lucky because I was able to get in while the price was low enough for it to be affordable with my income. In the past 10 years, we have seen explosive growth in the housing market and home sales value. This was fueled partly by easily obtained mortgage loans which subsequently blew up during the sub-prime meltdown of 2007. This problem is still going strong in 2008.

Buying a home early also has its disadvantages:

- **I felt rooted ever since I bought the house.** I came across several attractive job opportunities outside of a reasonable commuting range over the past 10 years. Each time, I would think about the house and let the opportunity pass. It wouldn't be so bad if I were the only one living at the house, but I have my parents with me — so moving to get the job was out of the question.
- **I was less inclined to take risks.** Paying the mortgage each month is a big financial obligation. This prevented me from taking risks that I would otherwise. For example, I always wanted to start my own consulting business; however, I felt that I didn't have enough financial flexibility to take the risk.
- **It's not our home.** When I bought the house, it was just my parents and I. I got married in 2005 and my wife moved in with me. Although she's content, I know she still has that "it is not our home" feeling.
- **Conduciveness to children** - When I bought the house the main considerations were proximity to work, amenities in the area, safety, and price. Other qualities that are now more important, such as school and outdoor space, weren't considered back then.

Marriage

Marriage is an important life event. Most people get married in their late 20's and early 30's. I was 31 and my wife was 25 when we got married. All things considered, marriage is probably the most important financial decision in our lifetime — and I am not talking about how much we spend for the wedding.

I believe that couples with compatible financial philosophies often have long and happy marriages. A supportive spouse not only makes you happy, but also greatly contributes to your success — financially or otherwise. On the other hand, did you know that money is the most cited reason for divorce? In general, divorce makes bad financial situations worse. I know a few guys who went through a divorce, and they are still paying for it to this day.

Children and Family

Our son was born last December. This was a life-changing event for us — by far, the highlight of this decade. Now we have something more important than anything else in life, including our lives. For me, everything becomes a great balancing act to give my family everything they deserve while I am still trying to do things like saving money for his education, saving money for our retirement, and keeping my career moving forward.

Also we now have more questions than ever:

- Should we move to a different neighborhood with a better school, friendlier neighbors, and more outdoor space?
- How can we raise him to become a good and responsible adult?
- Should one of us stay home to take care of the baby? Currently my wife is staying at home with the baby, but we are still debating on the best arrangement for us.
- And for increasing number of inter-racial and faith couples, how should the children be raised with respect to religion and culture? Although this doesn't affect me directly, it affects many people that I know and love.

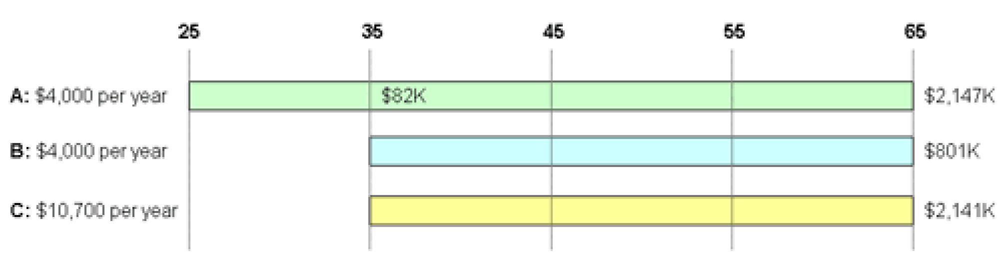
Saving Money for College

The birth of our son comes with a new financial concern about saving money for his education expenses. College is becoming more expensive every year. To get a head start, we started a 529 college savings fund for our son last October and we are planning to save about $250,000 in total. We believe this amount is enough to comfortably put him through 4 years of college at a good public school.

Of course, we will teach him to be financially responsible — i.e., live frugally, work while he's in school, learn the time value of money, investing, etc. The nice thing about a 529 account is that if he manages to spend less than what we saved for him, he could use it for his graduate school, or we could transfer it to his children.

Saving Money for Retirement

When it comes to saving money for retirement, it's good to start saving and investing early. If you don't believe me, look at the difference a decade makes when it comes to investing for retirement. I am fortunate I started my retirement savings and investing program in my early 20's. However, it's not too late to start for people in their thirties — there are still about 30 years left to go. Whatever you do, don't delay it any longer!



People who are new to the retirement savings game may wonder where to put their money. Here's the general rule of thumb that I use:

- Contribute to 401k, at least enough to capture all of the company matching contribution
- Max out IRA. We use Roth IRA, and the limit this year is $5,000 per person. So saving $10,000 will not be easy. I recommend Larry Swedroe's article to learn more about the difference between Roth IRA and Traditional IRA. Also, beware of the Roth IRA and Traditional IRA phase-out limits.
- Contribute up to the maximum limit for 401k. In 2008, 401k maximum contribution limit is $15,500, plus $5,000 catch-up contribution if you are 50 or older.

Regarding the issue of saving money for retirement versus saving money for college, I believe saving for college is secondary to saving for retirement. I won't discuss it here, because I think this is also worth an article on its own.

Parents

My parents are nearing retirement age. In fact, they are old enough to start collecting their Social Security if they choose to. Parents of my friends and brother-in-law (my sister's husband) are already in their retirement. So on top of everything else, many people in their thirties are also worrying about their parents. Personally, these are the concerns that I have:

- Will they have enough money for their retirement?
- When should they stop working and start collecting the Social Security payments?
- Should they get long-term care insurance?
- How should they handle medical coverage once they stop working and no longer have health insurance?

For other people, they may be concerned about:

- Their parents' estate
- Living arrangement for elderly parents

Career

Last but not least is our career. I think this is the decade that makes or breaks my career. Right now, I am a first-level manager inside a large corporation. I believe that if I can't work my way to middle-level management by the time I get to my late 30's, my career would simply stall.

Although the thought of not making it into the middle-level management rank saddens me, it wouldn't upset me as much as it would have a couple of years ago. My priorities have changed over the past years. Do I still want to advance my career and do the best I could? Definitely the answer is yes, but there are other factors that I now consider more important. For instance, instead of investing all of my energy into my career, I would rather be…

- Spending time with my family
- Building, diversifying, and shifting my alternative income streams

Finally…

I hope you can see why the thirties are so chaotic, yet one of the most rewarding and important decades.

Personal Finance Advice For Your 30's

© My Two Dollars

Your 30's - the first time you start feeling mortal and like a grown-up at the same time…at least that's when I did. And although I still think I look younger than I really do, the fact is that I am 35 years old and not getting any younger. Life starts moving faster and faster the older you get; just ask my 96 years old grandmother how fast it went by and she says "like lightning". Enough said, right? So what are you doing to prepare for the rest of your life, as you start your families, buy your first house, move to a one-income family or start to really try to pay off your student loans? People used to do all this stuff in their 20's, but nowadays it is not uncommon for us to start "living" in our 30's, and it is important that you start off on the right foot! Here is some advice I can give to those of you entering or already living in your 30's.

If you are already married and you don't have children yet, the one huge piece of advice I can give you is to save your money. And save a lot of it. Although I don't have kids myself yet, this is the one thing I hear from our friends who have had kids already - Save. Your. Money. It's much easier to get ahead when you don't have a couple of little ones eating away at your wallet. Before kids, both you and your spouse are probably working so with two incomes it should be much easier to save money. After kids, one of you might stay home - and cut the family income in half. So when you are making the money, put as much of it as possible away. You won't regret it later. However, if you are still carrying debt…

I would also make sure you get all that credit card debt paid off. There is nothing worse than owing money on that stereo you bought back in college! As you might be interested in buying a house soon or replacing your convertible with a minivan, you want to get rid of that credit card debt as soon as possible so you can free up your money to put towards more important endeavors.

Are you still carrying around student loan debt? Unless you went to medical or law school, where your debt runs in the hundreds of thousands of dollars, I would do everything I could to get rid of that as well. And I would pay the debt before I start saving my money for anything other than a small emergency fund. As you get older, expenses will keep piling up - the house needs a new roof, the kids want to go to summer camp, grandma needs to go into a home - and you don't want to have to balance those new responsibilities with old debt.

Have you started saving for retirement? If not, why? The earlier you start, the less you have to put away to be comfortable as you get older. The difference between starting at 25 versus starting at 35 is huge, so the earlier the better. Take it from me - I did not start as early as I should have and now I am playing catch up. And you don't want to do that. Even if you start small, start today - $50 a month into a Roth IRA or into the 401K at your work is better than nothing, if it is all that you can afford. But the key is to start ASAP. Retirement age comes at you fast and furious…be ready.

How are you for health insurance and life insurance? My wife and I decided not to carry life insurance until we have children because A. we have enough money to cover the death of one of us and B. both of us are fully capable of taking care of ourselves on our own. But health insurance is a huge priority, and I recently wrote about my personal experience with needing and using it - and saving myself thousands of dollars in medical care. Even if all you can afford is catastrophe or a policy with a high deductible, get health insurance today. There is no messing around with this stuff. And the older you get, the more apt you are to have something go wrong with your body, never mind get in an accident. Trust me on this one…

Your thirties are a great time - you have the ability to still do anything you want in life, you are young enough for any kind of adventure, you still have your full mobility, and you can still figure out how to play a video game. Now is the time to really consider where you are going, where you want to be, and where you want to end up. My thirties have been an adventure - I got married, I made sacrifices to live where I wanted to live, and I quit my good-paying corporate job to start out on my own working from home. And so far, everything has worked out quite well. Next in line is kids, and because my wife is younger than me and we have been working on being financially savvy, we will be OK and we are looking forward to the next adventure. Life goes by so fast - don't blow it wasting time and money!

The Forty Year Olds' Wakeup Call

So, the 40th birthday has come and gone, and you're closer to retirement than ever. If you're anything like the majority of Americans, you've been putting off serious retirement saving until '**later**'.

Wakeup Call!! Later is NOW!!

If you've been putting off thinking about retirement, time is of the essence. You only have about 25 years to build up a nest egg that will support you (and possibly your spouse) for the remainder of your life. Not to panic anyone, but this is a SERIOUS consideration starting in your 40's.

Your 40's are not too late to kick it into high gear and get everything in order. Remember, you've got some things working for you now;

- You probably have a well-established career paying significantly more than what you made in your 20's and 30's.
- You have an array of skills and experience that should nearly guarantee you another position should your current position 'go away'. This gives some mental stability, and confidence to start contributing more towards retirement.
- You're not as concerned with 'things' as you might have been earlier in life. The new car isn't as appealing, the huge house, not a priority. More important things, like college funds and IRA's start to hit your radar.

From DINK to SITCOM

As time marches on, life changes affect you and your family. You go from the **D**ual **I**ncome **N**o **K**ids yuppie power couple, pulling down huge amounts of money, to the **S**ingle **I**ncome, **T**wo **C**hildren, **O**ppressive **M**ortgage, family with 2.5 kids, a dog and a mortgage. How did this happen!!! (aside from the obvious).

> "Tired of lying in the sunshine
> Staying home to watch the rain
> And you are young and life is long
> And there is time to kill today
> And then one day you find
> Ten years have got behind you
> No one told you when to run
> You missed the starting gun"
>
> **From Pink Floyd - Time**

So, what can the 40 years old start doing to catch up?

Start with the Basics

Planning on retirement while in your forties has to take into account whether you have been saving, or have put it off until now.

For The Tortoises (Early Savers) - You should already have nest-eggs in the making, the only thing to keep in mind now is to watch and maintain. Risk in your investments needs to be managed a little more towards the conservative side starting in the 40's, but not so much that you stall your investments. You have a long timeline still until retirement, so build with *some* aggressiveness, while starting to think about what you can do to protect the nest-egg you have.

For the Hares (Late Savers) - There is no time like the present to get started. You're at a disadvantage against the Tortoises. That means that you're going to have to concentrate a larger percentage of your income (up to 40% or more) towards your retirement, to reach a similar retirement number. 40% is a BIG number for those not used to putting hardly anything away. It's time to modify the lifestyle.

Trim Expenses - By simplifying your lifestyle and trimming unneeded expenses (do you REALLY need that corvette or new coat?) you do two things immediately.

1. **Simplify your life** In preparation for being able to enjoy the lifestyle you can afford at retirement. Get used to it now, and it won't be such a shock at retirement age
2. **Clean up your finances** This gets rid of unnecessary debt you have to support and frees up more money to put towards retirement. Also, if you enter retirement with tons of debt, it's going to be no fun trying to support all that debt with a severe decrease in revenue.

Plan for Life Expenses - Again, a Hare/Tortoise comparison. Upcoming life events need to be planned for if not already done.

1. **College Expenses** If you have kids, and you want them to go to college, you should have thought out how to help them accomplish that. It shouldn't be to the detriment of your retirement however! The kids have many more options on HOW to go to college than you have on HOW to retire. If it really comes down to which to fund, err on the side of retirement. The kids will have to just accept the fact that it's either that or pays for college AND takes care of their parents in retirement. Talk early, and get everyone on the same page about the topic.
2. **Disposition of Property** Many retirees don't need the huge house they brought the family up with, so what to do with it should be discussed and considered. The parents may want to leave it to the kids, but the KIDS MIGHT NOT WANT THE RESPONSIBILITY. Again, talk about it. You've got years to go before the decision needs to be made, but that doesn't mean you can't get everyone's opinion on the matter.
3. **Retired Life** With health care getting better and better each year, it's not inconceivable that you might be in retirement longer than you expect. Start making your "Life List" of things to do, and keep adding to it until you get to retirement. The worst thing that can happen is you get to the end of that list and say "Now What?" A happy retirement is an active retirement. If you stop doing anything, you start doing nothing.
4. **Leaving it Behind** At some point, you'll be gone. It's not a pleasant thought, but a necessary one. Get things in order and make sure it'll happen how you want it to. Wills, insurance policies, financial records, etc. make sure your dependents know what to do and where they are. Let them remember you for the good times you had together, not that you died and left them in the lurch.

Looking Back

With all the preparation and the discussion about what happens after you are gone, don't forget the most important part;

> Life is to be lived! We shouldn't strive to leave behind a good looking corpse, we should instead slide into our grave on a motorcycle, body worn and used with activity, all the while saying; "Man! That was a GREAT ride!"

Plan for the future, but don't forget to live life in the process.

You're in Your 50's - Wake Up and Start Saving

© Millionaire Money Habits

You're in your 50's and all of your friends are starting to talk about their plans to take an early retirement and moving to the beach house in Florida they always dreamed about. You do the math and choke when you realize that if you want to retire at 65, you will need $1 million to produce a $40,000 income for the 25 years.

You're not alone. According to The Motley Fool:

- 74% of baby boomers say they're somewhat or very prepared financially for retirement. But just 8% have completed 10 basic steps for retirement preparation.
- Among older Americans, 90% are planning to rely primarily on Social Security for their retirement income, but Social Security supplied just 39% of retirement income for people 65 or older in 2001.
- About 90% of Americans say it's somewhat or very likely that they'll meet their retirement goals, but 60% were surprised to learn that $1 million in savings will safely provide only about $40,000 in annual retirement income.

What Can You Do?

The obvious choice is to delay retirement and work as long as you can. After that, you can still work part-time to supplement your income to reduce the amount of money you need to withdraw from your retirement accounts. That will keep as much money as possible in investments, which will continue to compound over your 20 to 30 years of retirement.

The federal government is well aware of the under-preparedness of Americans and offers people 50 and over the option to contribute more money to their retirement plans.

- **401k:** In 2008, $25,500 pre-tax dollars can be contributed to your 401k a year if you are 50 or over, versus the standard $15,500 maximum 401k contribution.
- **IRA:** In 2008, $6,000 can be contributed to your Traditional or Roth IRA if you are 50 or over, versus the standard $5,000 maximum IRA contribution.

You can't withdraw funds from your retirement plan without a major tax penalty until you are 59 ½ years old, and you might plan to work a few extra years longer beyond that age to keep your investments working to the max. Therefore, you're safe to go heavy on a diversified stock portfolio.

This may seem contradictory to what most personal finance advisors advise, which typically instruct those nearing retirement to go heavier on fixed-income investments that are less risky. Typically the recommendation is to subtract your age from 110, and that will give you the amount you should devote to stocks. 110 – 50 = 50% allocation to stocks.

But the fact is if you have 10 years of investing ahead of you, stocks will safely give you the best returns. The Motley Fool's rules for asset allocation are as follows:

1. Any money you need in the next year should be in cash. In other words, an interest-bearing money market or savings account.
2. Any money you need in the next two to five years should be in a safe fixed-income investment, such as certificates of deposit or bonds.
3. Any money you don't need in the next five to 10 years is a candidate for the stock market, which has produced 10% annual returns over the last 80 years.

Lastly, you may also want to consider downsizing and reducing your expenses as much as possible. This will mean less money needed at retirement and more money you can contribute now towards your tax sheltered retirement plans.

Millionaire Money Habit: Funding your retirement for 25 or more years can be very costly and requires a sound plan. While $1 million will produce $40,000 in annual income for 25 years, that's in today's dollars. A 35-year-old today would need $3.25 million for the same relative income when inflation is taken into consideration. If you want to enjoy a comfortable retirement, don't put retirement planning off another day.

Retirement Objectives in your 50's

You've made it into your 50's, survived all of your turbulent 20's and 30's and calmed down a bit in your 40's. Now is the time to start thinking about post-job activities.

The Financial Picture

You should be hitting the retirement funds with as much as possible to max them out. You also get to start putting away a little more now that you weren't able to while in your 40's. Don't forget to take advantage of that too. The idea is to squirrel away enough to let you live how you want, after you tell your boss 'goodbye'.

If you're turning 50 this year that means that Social Security will *probably* be around for you, in some form or another. If you can afford it though, it might not be a bad idea to exclude it from your financial picture for now. There's still a lot of time between retirement and now that something could change. If you don't add it into the picture, you won't be as adversely affected if it's gone/reduced. If not, you've got a windfall of extra money.

It's also time to simplify the life even further. The kids should be getting ready to get out of the house, and you may be left with a huge living space that no longer appeals to you (no laughter of kids, too much space to clean, live in a too cold/too hot/not nice area, etc). It's ok to objectively think about where you might want to live.

Alternatives to Staying Put

A good friend of mine that is retiring soon has decided to 'see the countryside'. They have sold their house, and used the proceeds to buy a BIG motor home (the reconditioned bus kind). They are planning on touring the country on a continuous basis, while still working a little on the side doing jobs that don't have location specific requirements. The money isn't the primary motivator, but a little 'extra' to carry them along.

In the meantime, they get to go and live where their fancy takes them, in fairly substantial luxury.

The Family Picture

Unless you started your family particularly late in life, your nest should be emptying out soon. Kids move on to college/a job/life and you can sit back and bask in the glow of successfully raising another adult.

Or can you?? If you have some kids that don't show any indications of leaving the nest anytime soon, it's time to start kicking a little butt. There are many societies where the extended family is accepted and welcomed. It's not a bad thing to have multiple generations under one roof. But everyone needs to have the time and opportunity to make their own way in life. They need to see more of the world than just their bedrooms.

If your kids are having problems money-wise, they aren't going to get any better until they confront and overcome them, otherwise they just ferment in your house, not getting the 'hard knocks' education they need to successfully confront life's problems. Shielding your children from problems isn't doing them a favor, and someday you won't be here to do that. They should be able to fend for themselves in that circumstance.

That doesn't mean you kick them out the door and slam it after them. Work with them on a strategy to get them up and going. Don't re-enact "Failure to Launch" if you can help it.

Most Importantly, Your Picture

Keep in mind, this is your life and your retirement, you've worked hard for it and you should enjoy it. Find things you want to do, and DO THEM. There's no time like the present to find new and interesting things to see and do. Do something you NEVER THOUGHT YOU'D DO. Go someplace you NEVER THOUGHT YOU'D GO TO. This is the time to explore those new vistas and activities you've always read about.

You're only as young as you let yourself be, so get out there and **BE YOUNG**.

In your 60's? Use your financial freedom wisely

© Rocket Finance

Here are a couple of thoughts on retirement:

- Don't just retire because you can, retire because you want to.
- Retirement is an opportunity to serve - family, humanity, God, and more.
- Happy retirees still have goals in life. What are yours?
- Frugal retirees have the opportunity to be philanthropic with their time.
- Look for opportunities to give advice (especially financial) to loved ones in your life.
- Remember your church in your estate plan.
- Write down your thoughts about life - keep a journal.

As those of you in your 60's look toward retirement, you may enjoy What's your retirement story? a guest post at My Dollar Plan and be sure to check for great retirement advice from Ciaran at Chance Favors the Prepared Mind.

Easing into the Golden Years- the 60's and Beyond

© Chance Favors

I think there's a misconception that once you hit 60 (and beyond) it's time to kick back, put your feet up, grab a beer and relax. That's not always the case.

For most people, their 60's are a time where they experience a tremendous amount of change which takes some getting used to.

At this point in their lives, most Americans are nearing full retirement age after having worked the majority of their adult lives. Many of the daily routines that they've grown accustomed to are about to change, **big time**.

Out with the old, in with the new

Their kids are probably all grown up and out of the house, the mortgage is paid off (or nearly paid off) and pretty soon you won't have to crawl out of bed, slap the alarm clock and head off to work any longer.

Yes my friend, it's time to start preparing to cross over and make the leap from pre-retirement to bona fide retiree. If you've planned for retirement most of your working life, then transitioning into retirement starting in your 60's should be relatively smooth.

Ideally, you have accumulated enough capital through a combination of employee benefits plans and personal investments to produce enough income to live comfortably. Hopefully, over the years, you've also developed a few hobbies and other interests to challenge yourself during this exciting new phase of your life.

But before easing into the golden years, I'd like to make a few suggestions:

- Always take time to stop and smell the flowers.
- Give yourself the gift of a full financial checkup. You need to take stock of what you have, prioritize what's important and take the necessary measures to achieve those goals.

Your Retirement Plan is as unique as your fingerprint

From my perspective, people (that are not clients) always ask me questions about what **EXACTLY** they should be doing in retirement or in preparation for retirement. My answer is I don't know what makes you tick, so I wouldn't know **EXACTLY** what you should be doing. Please notice the emphasis on the word **EXACTLY**.

What I mean by this is: although there are some general guidelines, (which I will share a little further down the page) what's important to you in retirement, may mean very little to someone else.

Some people want to make sure their children are well taken care of, others want to 'blow it all'. (i.e Leona Helmsley cut two of her grandchildren out of her $4 billion dollar fortune but left 12 million to her dog Trouble.) Retirement goals come in many different shapes, sizes and colors.

A To Do List for Sexagenarians (those in their 60's)

Later on I'm going to provide a list of things I'd recommend most sexagenarians focus on as they ease into retirement, but before I do that, I'd like to offer up one piece of advice for anyone in their sixties:

Go and have a formal financial plan done, if you haven't done so already! That way both you, your loved ones and a trusted advisor (not mandatory) know **EXACTLY** what you should be doing.

Let's take a closer look at a few of the things you might find on a sexagenarians 'TO DO' list:

Determine your net worth- you can calculate your net worth by adding up the total value of everything you own (assets) and then subtracting the amount of debt(s) you owe (liabilities). Your assets would include your home, cars, IRA's, bank accounts, income producing real estate, etc. Liabilities include mortgages, car loans, credit card debt, etc.

Knowing your net worth is an essential part of the retirement process and is a way to "take stock of what you have." Almost every goal you have is tied into your net worth.

1 - Review your existing investment allocation- consider if individual investments within each asset class conform to your overall objectives now that your crossing over into the retirement zone.

2 - Create a record keeping system- maintain records of acquisition dates and prices for your property. Be sure to keep a list of the following (in no particular order):

- Family financial counselors, including financial advisors, attorneys, accountants, insurance agents, etc.
- Bank and brokerage accounts, insurance policies, birth certificates, property deeds and registration.
- Safe deposit boxes.

It's important that someone knows where all this information is kept. A nice ancillary benefit of completing a financial plan is that it forces you to gather all this information, bring it up to date and create a central record of it all.

Over the years, it's happened to me twice where a client has died and the spouse later commented how nice it was to have all the necessary information at his (or her) fingertips, instead of having to go on a time consuming scavenger hunt.

3 - Make sure you have prepared a will and updated your beneficiaries- this will help expedite the transfer of assets to your heirs.

4 - Analyze your cash flow- contact the social security administration and the HR department of your employer(s) to obtain estimates of your retirement benefits. You need to know exactly how much monthly income will be flowing into your life.

5 - Consider authorizing a power of attorney or creating a living will- In a living will, an individual can declare his or her wishes for medical treatment and procedures in the event he or she becomes unconscious or incompetent.

6 - Review your Medicare coverage and consider the potential benefits of a Medigap policy- Medicare is made up of 2 parts: Part A is for hospitalization, Part B is for doctors' services. Anyone over the age of 65 who is eligible for Social Security benefits will be covered by Part A at no charge.

Medicare has deductibles and co-insurance amounts for both Part A and B (much like other insurance plans) and you may want to look into purchasing additional coverage through Medigap insurance.

7 - Consider purchasing Long Term Care insurance to provide appropriate coverage in case of periods of prolonged illness. This really is something you should have done in your 50's, but if you haven't and can afford it, then look into it.

Almost 40% of those over the age of 65 will be confined to a nursing home for some period of time, from my experiences this is the single biggest threat to reducing the value of the estate.

8 - Look to reduce your estate shrinkage- if you're married, consider utilizing a credit shelter trust in your will. This is a simple way of siphoning off a portion of your assets into a trust that won't pass to your spouse. By doing this, you're keeping those assets out of his (or her) future estate, reducing their future estate taxes and padding the inheritance of your beneficiaries.

If you do this, make sure that the credit shelter provisions adequately provide for the survivors' needs. In plain English that means leaving the surviving spouse with a stream of income (from the trust) that's enough to maintain the lifestyle that they've grown accustomed to.

And why don't I end on a familiar note. Even in your 60's and beyond, look into the feasibility of converting regular IRA's and employer sponsored plans into a Roth IRA.

Not for the same reasons I recommend it to GenXer's all throughout this blog, for sexagenarians it's all about the estate planning.

Without getting in too deep here, if you're looking for ways to reduce the value of your estate, the conversion taxes you will owe alone, will knock down your estate.

It's a wrap

I've heard my parents say many times over the years "time just flies by so quickly, one day you'll wake up and you're 60 years old."

Well when that time comes I want to make sure I've covered all the bases and I'm prepared for whatever life throws at me.

A big part of what should make this time in your life so enjoyable, is knowing that you've taken care of many of the aforementioned issues, so no single event can punch a whole in your financial universe.

After you've done all that, it's time to sit back, relax and enjoy your golden years with nary a care in the world…

Retirement in the UK

If you're anything like me, no matter how much you love your job, you don't want to keep working there until you drop dead. Retirement then, is the destination of choice for a lot of us. But, what might we expect to happen financially at retirement?

State pension

If you've been paying National Insurance contributions for most of your working life, you will have built up entitlement to a state pension. There are two sets of rules, one set for those claiming state pensions before 6th April 2010, and one for those claiming on or after that date - this handy calculator can tell you your state retirement age. For more information, visit The Pension Service website and for detailed free advice, contact the Citizens Advice Bureau.

Retiring before 2010

You need to have worked and paid NI for between 39 and 44 years - depending on your age, and gender - to receive a full state pension, which is currently £87.30 a week. To receive any you need to have paid NI for 10 or 11 years. You may also be entitled to additional state pension (which used to be known as SERPS) and graduated retirement benefit. You can get a state pension forecast to find out what you are likely to receive.

Retiring after 2010

You need to have worked and paid NI for 30 years to receive a full state pension. If you have worked for at least 1 year, you will receive something. Similarly to those retiring earlier, you may also be entitled to additional state pension.

NI credits and using a partner's record

Each autumn, HMRC notifies people who have a shortfall in their NI contributions, there are a few different ways of making these up.

If you haven't paid NI for enough years, you may be able to claim home responsibilities protection or credits for years when you were caring for a child or disabled person, claiming certain benefits, on an approved training course, or doing jury service.

In addition if it's within the last 6 years that you didn't pay NI you can make voluntary contributions at a rate of £7.80 (in 2007-08) for each week you want to make up - so for a whole year that's £405.60 to buy an additional years credit.

Finally, if you still don't have enough contributions, you may be able to make a claim using your partner's contribution record. If successful you would currently get a pension of £52.30 if married, or £87. 30 if you were the surviving partner.

Minimum income guarantee

If you have a low income and you are over the age of 60, this can be supplemented by the pension credit, which you can claim if:

- you're single and your weekly income is below £119.05
- you have a partner or civil partner and your joint weekly income is below £181.70

This will top up your income to those levels. It also means that if you are currently projected to have an income in retirement below these levels, it *may* not be worthwhile contributing to pension schemes (ISAs may be a different matter). If this is your situation you can get advice from the Citizens Advice Bureau.

Final salary pensions

Final salary pensions are employer based schemes which give you an income in retirement based on your salary when you retire, and the number of years you have worked for the company.

The exact rules vary from company to company, and you should contact your pension trustees for the details of your scheme - at least one third of the trustees must be members of the scheme. If asked, the trustees must send you an **annual benefits statement** telling you how much you are likely to receive, the **transfer value** of the fund to see what you could transfer elsewhere, and the **annual report** and triennial **actuarial valuation**. Trustees have 2-3 months to provide this information.

In a typical scheme, for each year you work for the company, you will gain a retirement income of 1/60th of your average final salary. There are usually limits on when you may retire, and some provision for early retirement with reduced payments. For more information, contact the Pensions Advisory Service.

Private pensions and money purchase pensions

Private pensions and money purchase pensions are treated exactly the same way on retirement (The pre-1988 Retirement Annuity Contracts are also treated the same way). For each scheme that you are in you may take up to 25% of the value tax-free and either buy an annuity with the remainder, or put it into income drawdown.

Buying an annuity

An annuity is a contract with an insurance fund, whereby you give them a lump sum and they provide you with an income for life.

For each pension fund that you have, the process of buying an annuity - called benefits crystallization - **is an irrevocable decision**, and so should not be taken lightly.

You do not have to buy an annuity from your pension provider, you can use your Open Market Option instead. For this reason, it may well be worth using the services of an Independent Financial Advisor to search the best annuity rates. Some plans have guaranteed annuity rates and these are often much higher than the market rates - the House of Lords ruling against Equitable Life mean that these rates must be maintained.

Annuity rates will depend upon the market, your age and health, and whether or not you want any survivor income. It is possible to buy either a level annuity or one with an annual increase. You should consider the effects of inflation on a level annuity, what you can buy with £30k at the age of 60 would need £60k at the age of 84, assuming a low 3% inflation rate.

Income drawdown

This means that you take income from your fund and leave the remainder invested. The maximum annual income you may take is 120% of the pension that could have been purchased with an annuity, calculated using the Government Actuary rates. You can only use this option whilst you are between 50 and 75. Once you reach 75 you have to either buy an annuity (which you may do at any time) or use an Alternatively Secured Pension - which is similar to income drawdown but with stricter income limits.

This option is only open to pension funds in a Self Invested Personal Pension (SIPPs), an Executive Pension Plan or a Small Self Administered Pension Scheme. Fortunately, most SIPPs allow you to transfer funds from other sorts of pension. The standard rule of thumb is that this is only worth doing if you have a pension fund of £100k or more - note that £100k would give you an income of something like £4k a year.

4% Withdrawal Rule for Retirement

Yesterday I posted part one of this topic Why Retirees Should Have Equities In Their Portfolio.

One of the biggest concerns for retirees is the fear of running out of money. If you are retired and living off a pension which is indexed for inflation then you don't have much to worry about since the pension should keep going until you expire. What happens if you have no pension or only a little bit of pension income from a source like a government pension plan? Then you need to live off income from your investments.

How much can I withdraw without running out of money?

Simple - use the 4% rule. This will give you a great chance of not running out of your money and it's valid for 25+ year periods. If you are at an advanced life stage where 25 years is a dream then the 4% can be adjusted upwards.

The way the 4% rule works is that you start by taking 4% out of your portfolio in the first year - this includes dividends, interest, withdrawals. The next year you take out the same figure you took out the first year plus inflation. So if you start by taking $40,000 out and then inflation is 3% then the second year you take out $40,000 + 3% ($1200) = $41,200. Every year after that you adjust the previous year's withdrawal amount by the inflation rate.

Keep in mind that this amount only covers the withdrawals from your investments. Any other income you have, such as pensions, will be in addition to the withdrawals. If you find the 4% rule doesn't give you enough income then you can either cut back your spending or increase the withdrawal amount (which will increase the chance you will run out of money later on).

The 4% rule is really a guideline rather than a hard and fast rule - If your equities perform better than expected then you can spend a bit more than the 4% rule amount however the opposite is also true, if you encounter a bear market and the value of your portfolio drops then you should be prepared to cut back on the withdrawals.

Money Matters for All Ages: The Complete Guide

Personal finance writers put together an outstanding guide of finance material that spans a lifetime. Here are the highlights:

Infants

Financial Strategies for Infants and Young Children @ My Dollar Plan

An informative list of all the financial topics to explore with a new baby in the house:

- Open a savings account and 529 plans.
- Get a piggy bank and organize savings bonds.
- Tax savings including the child tax credit, dependent care flexible spending, child tax rates and adjusting your W-4.
- Wills, trusts, beneficiaries and life insurance.
- Updating your budget.

Preschoolers

Teaching Preschoolers About Money @ Paid Twice

Jaimie is working on teaching her 3 year old 3 financial concepts:

- The concept of what money is, as far as values of coins and bills.
- Money can be exchanged for things we want.
- Money is also a way to earn time.

Jaimie sums it up: "Basically, I want my children to understand at a young age that money is something we need to take care of and use wisely, and that it isn't the best idea to spend everything as soon as we get it."

Children

Personal Finance for Children and Pre-Teens @ Being Frugal

Lynnae wants to make sure her children are financially prepared to survive in the real world. She has implemented the following plan:

- At age 6-9 the kids receive an allowance of 50 cents for each year of age, which is not tied to chores. The children are required to tithe 10% of their allowance. They split the remainder in thirds: long term savings (for college or a car), short term savings (for a toy they might want), and spending money.
- At age 10-12 the kids are moved from an allowance to a monthly salary, loosely tied to chores. The kids are responsible for budgeting.

Lynnae states, "As a mom, I'm sure the mistakes will be hard for me to watch, but I'd rather have her make mistakes now when I can guide her, than later when the stakes are higher."

Teenagers

Money Advice to My Teenage Son @ Debt Free Revolution

Ana advised her teenager to not finance a vehicle, and work hard for college scholarships, grants, and work-study programs. She reminds him to pay cash for college tuition and textbooks and stay far away from the credit card tables at school. In addition:

- Start saving for an emergency fund.
- Start saving for retirement as soon as you have some extra money.

Ana states, "Every parent wants his or her child to have a better life and be more successful, and I am no different. I won't be able to "bless" my son with actual money. But I do hope I can lift the money 'curse' by teaching him a better way than what I learned at his age!"

Teach your teen the basics of money management @ Gather Little By Little

Glblguy has a new teenager in the house. Here's what they did to get prepared:

- Set up a checking and savings account
- Help them set-up a budget
- Help find them a job
- Determine who's paying for what?

Glblguy leaves us with these thoughts: "Teen years are also a critical time for instilling good financial habits. If you instill good habits in them now, they will continue these habits into their adult lives. Don't miss this critically important time. Teach them what you know, discuss the mistakes you've made and the negative impact they've had on your life so they can learn."

College Kids

College Money Matters @ Mrs. Micah

Mrs. Micah just finished college where scholarships covered 75% of her expenses. She shares the best financial moves to make while you are there:

- Don't Stop Looking for Scholarships once in college.
- The Meal Plan and convenience store are a Rip-Off
- Pay Back Your Student Loan Leftovers
- Get an On-Campus Job
- Find Ways to Save Money on Clothes
- Some places, you might…but other times you really don't need a car.
- Take a Personal Finance Class

Finally, Mrs. Micah reminds us not to get too stressed about money, if possible. "College is a place where we learn, and learning from our mistakes is a big part of that. Relax, find ways to make frugality fun (or rather just do fun free stuff, don't even think of it as frugal), hang out with your friends, and learn."

The Twenties

Financial Advice for Your Twenties @ Remodeling This Life

By 20 Emily owned property. By 28, she bought and sold 3 properties and had 2 kids, while living in 3 different states. Here's what she wished she had known sooner or learned in her twenties:

- Stay out of credit card debt.
- This is the best age to be frugal.
- Understand and love compounding.
- Start an IRA if you haven't yet and contribute the maximum annually.
- Learn to budget.
- Love living below your means.
- Borrow only for the absolute necessities.
- When you start investing in stocks and bonds use no-load index mutual funds.
- Do not be looking to jump in and out of investments!

Emily reminds us, "Above all else though, don't forget to have fun. You're only young once!"

Money Tips for the Twenty Something Crowd @ Cash Money Life

Patrick says the twenties are for learning how to make a budget, spend less than you earn, create good spending habits, and invest. Here's his list of hot-topics for the twenties:

- Get out of debt
- Build an emergency fund
- Invest in yourself and your career
- Invest for your retirement
- Prepare for life changes
- Take calculated risks
- Live your life and enjoy it

Patrick says, "Life is not measured in dollar$ and ¢ents. Your 20's is perhaps the most exciting decade in terms of pure excitement and change. Most people in the young 20's have fewer obligations preventing them from going out and doing something spontaneous. Use this time to your advantage. Have fun. Live your life. Find yourself. Now is the best time to do it."

The Thirties

The Chaotic Thirties @ Moolanomy

Pinyo navigates through a busy decade "where many of us buy our first home, get married, have our first child (or second, or third…), start savings for kids' education, try to build retirement savings for ourselves, worry about our parents who are nearing or already in their retirement, and work hard to advance our careers." He expands on the following topics:

- First Home
- Marriage
- Children and Family
- Saving Money for Retirement
- Saving Money for College
- Parents
- Career

Pinyo closes, "I hope you can see why the thirties are so chaotic, yet one of the most rewarding and important decades."

Personal Finance Advice for Your 30's @ My Two Dollars

David cuts right to the chase. "If you are already married and you don't have children yet, the one huge piece of advice I can give you is to save your money. And save a lot of it." He also adds some other tips and questions for the thirties:

- I would also make sure you get all that credit card debt paid off.
- Are you still carrying around student loan debt?
- Have you started saving for retirement?
- How are you for health insurance and life insurance?

He leaves us with the following thoughts: "Your thirties are a great time - you have the ability to still do anything you want in life, you are young enough for any kind of adventure, you still have your full mobility, and you can still figure out how to play a video game."

The Forties

The Forty Year Olds' Wakeup Call @ Credit Withdrawal

Randall reminds us that once "the 40th birthday has come and gone, and you're closer to retirement than ever. If you're anything like the majority of Americans, you've been putting off serious retirement saving until 'later'." He categories the next steps accordingly:

- For The Tortoises (Early Savers)
- For the Hares (Late Savers): Trim Expenses

- Plan for Life Expenses: College Expenses, Disposition of Property, Retired Life, and Leaving it Behind

And finally he states, "Plan for the future, but don't forget to live life in the process."

The Fifties

You're in Your 50's - Wake Up and Start Saving @ Millionaire Money Habits

Ryan paints the following scenario, "You're in your 50's and all of your friends are starting to talk about their plans to take an early retirement and moving to the beach house in Florida they always dreamed about. You do the math and choke when you realize that if you want to retire at 65, you will need $1 million to produce a $40,000 income for the 25 years." He goes over what you can do in your fifties if you realize you are short on money:

- People 50 and over have the option to contribute more money to their retirement plans.
- Delay retirement and work as long as you can. After that, you can still work part-time to supplement your income to reduce the amount of money you need to withdraw from your retirement accounts.
- Go heavy on a diversified stock portfolio.
- Consider downsizing and reducing your expenses.

He leaves us with his signature Millionaire Money Habit: "Funding your retirement for 25 or more years can be very costly and requires a sound plan. While $1 million will produce $40,000 in annual income for 25 years, that's in today's dollars. A 35-year-old today would need $3.25 million for the same relative income when inflation is taken into consideration. If you want to enjoy a comfortable retirement, don't put retirement planning off another day."

Retirement Objectives in your 50's @ Credit Withdrawal

We returned to Randall for some additional thoughts about the fifties:

- If you're turning 50 this year that also means that Social Security will probably be around for you, in some form or another.
- It's also time to simplify life even further.
- It's ok to objectively think about where you might want to live.
- If you have some kids that don't show any indications of leaving the nest anytime soon, it's time "to start kicking a little butt."

He reminds us: "There's no time like the present to find new and interesting things to see and do. Do something you NEVER THOUGHT YOU'D DO. Go someplace you NEVER THOUGHT YOU'D GO TO. This is the time to explore those new vistas and activities you've always read about."

The Sixties

In your 60's? Use your financial freedom wisely @ Rocket Finance

Rocket wants us to take a closer look at our lifestyle in our sixties:

- Don't just retire because you can, retire because you want to.
- Retirement is an opportunity to serve - family, humanity, God, and more.
- Happy retirees still have goals in life. What are yours?
- Frugal retirees have the opportunity to be philanthropic with their time.
- Look for opportunities to give advice (especially financial) to loved ones in your life.
- Remember your church in your estate plan.

He reminds us to: "Write down your thoughts about life - keep a journal."

Easing into the Golden Years- the 60's and Beyond @ Chance Favors

Ciaran says it's time to "give yourself the gift of a full financial checkup. You need to take stock of what you have, prioritize what's important and take the necessary measures to achieve those goals." In addition he created a to do list for sexagenarians:

- Go and have a formal financial plan done, if you haven't done so already!
- Determine your net worth
- Review your existing investment allocation
- Create a record keeping system
- Make sure you have prepared a will and updated your beneficiaries
- Analyze your cash flow
- Consider authorizing a power of attorney or creating a living will
- Review your Medicare coverage and consider the potential benefits of a Medigap policy
- Consider purchasing Long Term Care insurance
- Look to reduce your estate shrinkage

He concludes with: "After you've done all that, it's time to sit back, relax and enjoy your golden years with nary a care in the world…"

Retirement

4% Withdrawal Rule for Retirement @ Quest For Four Pillars

Four Pillars answers the following retirement question: "How much can I withdraw without running out of money?" Simple - use the 4% rule. He adds some additional clarification:

- The 4% rule is really a guideline rather than a hard and fast rule.
- If your equities perform better than expected then you can spend a bit more than the 4% rule amount.
- If you encounter a bear market and the value of your portfolio drops then you should be prepared to cut back on the withdrawals.

He also included bonus material in a previous article: Why Retirees Need Equity In Their Portfolios.

Retirement in the UK@ Plonkee

Plonkee covers the state pension plan including 2 sets of rules depending on whether or not you retire before 2010. Plonkee goes on to cover:

- How to make up a shortfall
- NI credits and using a partner's record
- Minimum income guarantee
- Final salary pensions (employer based)
- Buying an annuity
- Income drawdown

Plonkee explains in detail the UK retirement system. It's an interesting read even if you aren't from the UK to see how it's done there!

Whew! We did it. Thanks to all the personal finance writers who participated. The final result is a great guide for everyone to use at any stage of life.