Time to Review Your Financial Plan:

Here's what to think about

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The most effective financial plans are those written in pencil, as life has a way of constantly throwing changes at us. In this article, Senior Wealth Strategist Glen Goland, JD, CFP®, offers some of the items to consider as you review your financial plan.

The last few years have been no exception to the rule of constant change. The pandemic, interest rate changes, and inflation have led to substantial change in many areas of our lives. A number of our clients are revisiting their financial planning this summer to take stock of how some of these changes have impacted their long-term plans. Here are a few of the items that have come up that are worth consideration as you revisit and review your financial plan.

Inflation

Every family in America has likely felt inflation at the grocery store. Beyond food, inflation's impact on our clients has varied dramatically based on their lifestyle, but for many, inflation has had a material impact on cash flow.

Several of our clients regularly traverse the country in RVs and have seen cost increases as fuel has gotten more expensive. Some of our clients have seen similar increases in their travel budgets, with those who travel to their own vacation property seeing dramatically lower cost increases than those who are staying in hotels and dining in restaurants. Things like cruises, hotel rooms, and airline flights have become more costly, but great deals can still be had for those looking hard enough. Changes in expenses often have a greater impact on a financial plan than any other factors, making this a great time to review cash flow and budgets.

Interest Rates

Interest rates are impacting the millennial children of our clients. Most of the families with whom we work are in stable financial situations where they have little to no credit card debt and a good deal of real estate equity, and are therefore not directly impacted by rising interest rates. The same cannot be said for their children, however, many of whom are carrying credit card balances and/or mortgages. The rates on these liabilities have gone up dramatically over the last two years, leaving many of our clients looking for ways to help their children out of these high-interest accounts.

If you have loaned money to your children, made gifts to them, paid off their liabilities, and/or supplemented their income in any way, these may all be good reasons to review your financial plan.

Volatility

Asset values have fluctuated more than normal over the last few years; stock markets around the world have been on a roller coaster. The initial shock of the

pandemic led markets to sell off by as much as 30% in a few months, and then the subsequent rebound in prices was among the most dramatic swings we've ever seen. This boom was followed by one of the worst years on record for the stock and bond markets (2022) and a subsequent recovery in 2023. These wide valuation swings mean that your financial plan has likely had some wide variability too. Revisiting your plan now is a good way to make sure you are still on track given all of the market movements.

Tax Changes

Tax changes are getting closer by the day; the individual income tax breaks from the Tax Cuts and Jobs Act of 2017 are set to expire at the end of 2025. This means that every individual's estate tax exemption may be cut from $13m to $5-6m, and most wealthy households will likely be paying higher income taxes as we revert to the 2017 rates and the standard deduction is cut in half.

Taxpayers have a few years left under the current rules to convert Roth dollars at lower rates, give away their estate exemption, and otherwise take advantage of the lower rates while they last.

Difficult Conversations

COVID shined a bright light on disability and mortality. One silver lining to the pandemic is that it opened the door to having some difficult but important conversations about death and disability. Some of these conversations have helped our clients establish details around the sort of care their loved ones want to receive and on the sort of legacy they want to leave.

These conversations inform the financial planning process, providing a sense of what a family's wealth looks like and how it is structured. Our team regularly updates financial plans ahead of estate planning revisions, in order to better inform the clients, attorneys, and accountants on account structure and projected asset values.

Job Changes

Many of our clients have changed jobs as the rise of remote work has led many of our clients to pursue new work opportunities. Changing jobs is a good time to review financial planning for a few reasons: first, salary and bonus information is often different from last time the plan was looked at. Next, executive compensation may add new wrinkles, especially when options are involved. Finally, changing jobs usually comes with new retirement and insurance benefits, which ought to be folded into your financial plan.

Cost-of-Living Adjustments

Cost-of-living adjustments have been substantial; many financial plans are seeing a bump on the "retirement income" ledger as Social Security and other inflation-adjusted pensions have seen nice increases over the last year. These increases ought to be factored into your cash flow plan.

Changes to Required Distributions

Congress has modified the required minimum distribution rules for IRAs several times since 2020. Retirees used to circle 70½ on their calendars as the age at which they'd need to begin IRA withdrawals. That number has now been moved to 73 for most taxpayers. A good financial plan will show you how to take advantage of the added time prior to the start of your required withdrawals.

If you would like to review your financial plan or have any questions about your existing financial plan, please feel free to reach out to your Arnerich Massena advisor.