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Wealth Strategies Group | Canandaigua National Bank & Trust

# VESTED INTEREST

NEWSLETTER OF THE WEALTH STRATEGIES GROUP

## Starting a family

**The decision to start a family is one of the most exciting, and daunting, decisions you can face.** As you are swept up in the joy of planning for life with your new child, there are also many financial planning decisions to think about. It is your task as a parent to ensure the proper steps are taken.

### Your Budget

The first step in paving the path toward financial success is to ensure your budget is accommodative of the financial changes that come with the birth of a child. In addition to your living expenses increasing, there also may be a shift in the family income if you decide to work less, or not at all, in order to care for your baby. The major expenses that increase include, child care, groceries, household, medical, and clothing.

As you revise your budget, it is also critical to ensure you have three to six months' worth of living expenses for unexpected cash outlays, such as an illness, a major auto repair or losing your job. The good news is that you will get some financial benefits at tax time to help defray the costs of raising a child.

You should begin saving for your child's education as early as possible, and the good news is there are many ways to do this effectively. You can utilize a savings or money market account, making monthly contributions, or take advantage of various investment vehicles including a tax-advantaged 529 College Savings Plan.

### Your Estate Plan

One of the most overlooked issues I see with new parents is that of estate planning. It is crucial to the welfare of your child that there is a contingency plan for the unlikely (and hard to fathom) event that you die before your child grows up. Therefore, it is time for you to draw up a will or revise it accordingly. Issues include:

1. **Nominating a guardian for your child.** This is often one of the hardest and most critical decisions a parent has to face, but if you don't do it, the court will decide.
2. **Designating how you want your assets to be distributed.** This could include setting up a trust to ensure that your funds are protected for your family.
3. **If there is a trust, you will need to designate a trustee.** The trustee's job is to ensure the funds are paid out according to your wishes.
4. **Naming an executor for your estate.** This can be a very personal role, as the tasks include the disposition of all of your property, including household items, such as jewelry, furniture, letters, etc.

The best way to begin an estate plan is with a good attorney who specializes in this type of work. Keep in mind the initial task is very daunting, but it tends to bring one peace of mind.

### Your Insurance Coverage

The last critical planning element for new parents is a thorough review of health care, life and disability insurance to ensure you're covered in the event of an untimely death of a parent or if you are unable to work for an extended period of time. Many experts recommend that you have life insurance equal to five-to-ten times your annual salary, and disability insurance will likely replace 50-70 percent of your earnings in the event you need it.

Perhaps less obvious, but vitally important, is a review of your health care coverage—ideally before you become pregnant—to understand exactly what is covered. This will prevent surprise expenses, as you will incur a lot more medical costs during your pregnancy.

All of these decisions should be reviewed periodically to ensure everything is still relevant to your situation.

### How CNB Can Help

Starting a family is one of the most fulfilling journeys you will embark on. Having some help navigating the financial decisions involved may make it much easier. Please feel free to contact me if you would like assistance with some of these financial planning concerns. Our team will be happy to help you navigate through and make the process easier. I wish you much happiness and good fortune as you begin this next phase of your life.

*Laurie Haelen is Senior Vice President and Investment Officer with CNB's Wealth Strategies Group. She can be reached at (585) 419-0670, ext. 41970 or by email at LHaelen@cnbank.com.*



**Scott Trumbower**
*SVP, Managing Director, Wealth Strategies Group*

# Is there a right time to retire?

We all seem to have good timing skills; we use them doing simple things like crossing the street, or cooking a big dinner, or showing up at work on time – unless the dog eats the alarm! And, we all work hard in hopes that we can someday retire. But when? What's the timing of that?

Maybe "when" is not the first question. Maybe the timing of retirement is more dependent on the answers to the question "how". How will you afford retirement?

### Let's start easy

Do you have enough retirement income to cover your anticipated expenses? Understanding the expense question may be harder than it looks. Simple living expenses are easy to nail down, but what about healthcare?

If you retire before age 65, you're not eligible for Medicare and will need to factor in the cost of healthcare in the interim. Since some expenses might go away in retirement, like mortgages, are you allowing for fun activities like travel? And the big one – how long do you expect to live? If you live to be 120, you'll be spending a lot more in retirement! Finally, if inflation is 3% per year, your expenses will double in roughly 23 years. You get the idea – the expense side requires some careful thought.

How about your income in retirement? The old rule of thumb says that you can initially take 4% of your savings each year. Considering the recent stock market movements, 4% might be a little high, but let's use it as an estimate and do the math. If you need $50,000 initially from your savings the first few years (4% of your savings), you will need to save $1,250,000.

### Consider other income and taxes

You can also supplement your retirement income with Social Security. The longer you wait to take those benefits, however, the better they are – by far! Add your Social Security to your savings withdrawal, plus any pensions or other income and that brings you to your gross income. Then, you have to back out income taxes to arrive at the money needed to pay your retirement expenses.

### Account for the unexpected

Now that we have a good starting point, let's make it more realistic. Investment returns are not the same every year, darn it. If in the early years of retirement the returns are low, it will affect your ability to withdraw without affecting the overall plan. There could also be unexpected health care issues that cause some out-of-pocket expenses. You get it; there are lots of variables that could affect the best laid plan. If you create a range of income and expenses, it might allow for navigating through some unexpected storms.

### Plan for the post-work environment

So now we have a range and the numbers look about right. Time to retire? Almost – but one more thing: we need to think about life in retirement and what that looks and feels like. For all the planning we've done to get us to this point, we often neglect to plan for not working. After the initial honeymoon of retirement wears off, then what? A purpose in life is so important to our mental and physical health. Developing a plan for what we will actually do in retirement is as important as the financial plan to support it.

### How a Financial Planner can help

Retirement sounds like a decision we should make easily. But alas, it's a life changing decision that requires careful thought and the trusted advice of a very capable financial planner. Life can be complicated; retirement shouldn't be!

*John Richardson is Vice President and Investment Officer with CNB's Wealth Strategies Group. He can be reached at (585) 419-0670 x50604 or by email at JRichardson@cnbank.com.*

## Welcoming Laurie Haelen!

We are pleased to welcome Laurie Haelen as Senior Vice President and Investment Officer. Leveraging over 25 years of experience, Laurie is focused on providing clients with holistic advice for them to make informed investment choices, helping to achieve their financial goals. Prior to joining CNB, Laurie spent the last decade at Tompkins Financial Advisors in Pittsford, NY, where she most recently was Managing Director of WNY, overseeing a team of wealth advisors and ensuring the highest level of service for clients. She also served in a variety of investment roles throughout her career, including Director of Investments for Tompkins Financial Advisors, Sr. Portfolio Manager at JP Morgan Chase and Portfolio Manager for HSBC Bank locally.

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