InSight Investment Planning, Inc.

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"Good Advice Does Not Come in a Box"

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Yes, Young Growing Families Can Save & Invest

It may seem like a tall order, but it can be accomplished.

Provided by Kimberlee D. Sipe

Plan to put yourself steps ahead of your peers. If you have a young, growing family, no doubt your to-do list is pretty long on any given day. Beyond today, you are probably working on another kind of to-do list for the long term. Where does "saving and investing" rank on that list?

For some families, it never quite ranks high enough – and it never becomes the priority it should become. Assorted financial pressures, sudden shifts in household needs, bad luck – they can all move "saving and investing" down the list. Even so, young families have planned to build wealth in the face of such stresses. You can follow their example. It is less an option than a necessity.

First step: put it into numbers. Most people have invested a little by the time they reach 30 or 35, and some have invested avidly. A plan is not always in place, however. The mission is simply to "make money" or "build wealth" for "the future."

This is good, but also vague. How much money will you need to save by 65 to promote enough retirement income and to live comfortably? Are you on pace to build a retirement nest egg that large? How much risk do you feel comfortable tolerating as you invest? What kind of impact are investment fees and taxes having on your efforts?

A financial professional can help you arrive at answers to these questions, and others. He or she can help you define long-range retirement savings goals and project the amount of savings and income you may need to sustain your lifestyle as retirees. At that point, "the future" will seem more tangible and your wealth-building effort even more purposeful.

Second step: start today & never stop. If you have already started, congratulations! In getting an early start, you have taken advantage of a young investor's greatest financial asset: time.

If you haven't started saving and investing, you can do so now. It doesn't take a huge lump sum to begin. Even if you defer $100 worth of salary into a retirement plan a month, you are putting a foot forward. See if you can allocate much more.

If you begin when you are young and keep at it, you will witness the awesome power of compounding as you build your retirement savings and net worth through the years.

Just how awesome is it? An example: let's say you save $100 per month in an investment account for 20 years and the account returns a (hypothetical) 5% for you over those two decades. In 20 years under such conditions, your $100-a-month nest egg will not amount to $24,000 – it will work out to $41,011, which is 71% more! If you put in $200 a month, you wind up with a projected $82,022 off of the $24,000 in contributions! We aren't factoring in account fees or market fluctuations,

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of course – but you get the picture. Stretched out to 30 years, a consistent $100-per-month contribution and a consistent 5% return project to $82,302; raise the monthly contribution to $200 and you get $164,604. These numbers factor in annual compounding; use daily compounding as the variable, and they grow a bit larger. So even if you set aside and invest a few twenties each month, you may still end up with appreciable retirement savings – and these are numbers for one retirement saver, there are two of you.[1]

What's that? You say you can't retire on $164,000 or less? You're absolutely right. You have to devote more than that to your effort. You may need a million or two – and if you plan ahead, you may very well generate it. Ownership of equity investments, real property, business or professional success – this can all help to position you and your family for a comfortable future, provided you keep good financial habits along the way and pay attention to taxes.

How do you find the balance? This is worth addressing – how do you balance saving and investing with attending to your family's immediate financial needs?

Bottom line, you have to find money to save and invest for your family's near-term and long-term goals. If it isn't on hand, you may find it by reducing certain household costs. Are you spending a lot of money on goods and services you want rather than need? Cut back on that kind of spending. Is credit card debt siphoning away dollars you should assign to saving and investing? Fix that financial leak and avoid paying with plastic whenever you can. Other young families are doing it, and yours can as well.

Vow to keep "paying yourself first" – maintain the consistency of your saving and investing effort. What is more important, saving for your child's college education or buying those season tickets? Who comes first in your life, your family or your gardener? You know the answer.

It has been done; it should be done. Stories abound of families that have built wealth out of comparative poverty. There are people who came to this country with little more than the clothes on their backs who have found prosperity; there are families (including single-parent households) who have been dealt a bad hand yet overcame long financial odds to gain affluence.

It all starts with belief – the belief that you can do it. Complement that belief with a plan and regular saving and investing, and you may find yourself much better off much sooner than you think.

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Continue to find out more about how to prepare for tax season….

Getting a Jump on Tax Season

What should you bring to your preparer?

Provided by Kimberlee D. Sipe

You can file your federal tax return starting January 20. IRS filing season will start right on time in 2015, and there is wisdom in filing your 1040 well before April 15. You can get it out of the way earlier, and if you e-file, you can put yourself in position for an earlier refund.[1]

What should you gather up for your CPA? If you want to save time and possibly money along with it, come to your preparer's office ready with the appropriate paperwork. If you own a business, that list includes all W-2s and 1099-MISC forms you get from clients, any 1099-INT and K-1 forms displaying interest income, your Schedule C and P&L reports, and any and all paperwork you can round up detailing your expenses – your personal expenses too, not only business costs but also any tuition, medical and miscellaneous ones. If you have made charitable contributions worth itemizing, that paperwork needs to reach your preparer. The same goes for documents detailing mortgage interest, other forms of interest paid, and any tax already paid.[2]

If you have receipt management software, your CPA will love you for using it (beats getting a manila envelope, file folder or shoebox full of receipts to sort through). If a calamity or an accident destroyed a bunch of your business records, remember that the IRS may give you a break – but your CPA needs solid proof of the misfortune to try and make a case to the IRS and get you some leniency.

What are some things people too often *forget* to bring? Social Security numbers for new babies (and taxpayer-ID numbers and contact information for the nannies of those babies). Logs of unreimbursed mileage. Real estate stuff, too: closing letters related to a refi, receipts for real estate taxes (assuming they haven't been paid through escrow).[3]

If you received any health insurance subsidies, you may want to wait until February. Did you pay for your own health insurance in 2014? Do you remember how you had to estimate your 2014 income when you applied for coverage? If you got a subsidy, it was based on that estimate, and an estimate is by definition inexact. Some taxpayers ended up earning more than the incomes they estimated to the exchanges, some less. That could mean one of two things: a big 2014 tax refund, or owing thousands more in taxes.[4]

If you pay for your own health coverage, the exchange at which you bought it should send you Form 1095-A by January 31. Form 1095-A will list how your household self-insures: who pays premiums, and the amount of any monthly subsidies. Your CPA can plug these details into Form 8962, which explains the breakdown on insurance, subsidies and income for your household to the IRS. If you were only self-insured for part of 2014, your CPA must note any subsidy payments by the month.[4]

Should you jump to a new CPA? If he or she is aloof, sloppy, or seems more like a file clerk than someone interested in minimizing your tax burden, maybe you should switch. There are some tax preparers who outsource their work to people overseas, and you probably don't want that to happen to your return. We are early in 2015, and if you really have the itch to switch, consider taking your 2013 return to 2-3 candidates – not only to get a tax prep quote, but to see if they have insight on your situation that your current preparer lacks.[5]

In getting a jump on tax season, you can get that bothersome item off your to-do list sooner and focus on the more exciting parts of your career, business or life.

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