



# Wealth Matters Newsletter

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## Tips for Protecting Your Financial Life as a Caregiver

Few tasks in life can be as rewarding and challenging as being a primary caregiver for your loved ones. And caregiving comes in a variety of forms, from looking after ailing relatives to raising children as a stay-at-home parent. Whether you purposefully chose the role or life's circumstances required you to fill it, you face myriad responsibilities that can distract you from managing your own financial life. To feel secure in your future and the future of those you care for, you need to make sure you safeguard your finances.

### **Financial Tips When Caring for Children**

A thirty-year-old woman making \$50,000 a year can lose over \$654,000 of total income—including wage growth and retirement benefits—by taking five years off work.

Having one parent stay home with the children is the right choice for many families. In fact, after declining for decades, the percentage of mothers who don't work outside the home has increased to 29%. And men now make up 16% of stay-at-home parents too. For this option to work well, however, families not only need to plan how to live on one income but also address future financial responsibilities.

#### 1. Plan for Your Retirement

Stay-at-home parents need to plan for their retirements as much as their peers who work outside the home. Without income to contribute to your Social Security and workplace provided retirement benefits, though, you need to look outside the most obvious solutions.

In addition to contributing to the wage-earning spouse's 401(k), a family with a parent who stays home should also consider a spousal IRA. For married couples filing their taxes jointly, you can currently contribute \$5,500 annually for the spouse who stays home if he or she is under fifty years old—and \$6,500 if he or she is over fifty.

#### 2. Stick to a College Savings Plan

The average cost for room, board, tuition, and fees is currently over \$45,000 a year at a four-year private college and \$20,090 for an in-state student at a public institution. With college costs continuing to rise, this number might be much higher by the time your children are in school.

You can get ahead by opening and continually funding a college savings plan as soon as possible—ideally right after your child is born. The earlier you start, and the more regularly you contribute, the better you will be able to take advantage of compounding interest and be a more effective saver.

### 3. Evaluate Your Insurance Coverage

When one spouse works, his or her income is absolutely critical to the family's financial wellbeing. So protecting that income must be a major priority. Naturally, sufficient life insurance is a necessity, but you should also look to limit any risk to that income. From disability to illness to job loss, evaluate the life events that could threaten the wage-earning spouse's income—and work with your adviser to create a strategy for preserving your family's finances should the unfortunate occur.

## **Financial Tips When Caring for Adults**

34.2 million Americans have provided unpaid care to an adult age fifty or older in the past twelve months.

As the population ages, more and more people are becoming responsible for their loved ones' health and care—a job that few are trained to hold. So, it's understandable that 84% of caregivers say they need more information or help with relevant topics.

Knowing which financial strategies are right for you is key when you are a caregiver. As you move forward in this role, the following guidance can help you preserve your financial health.

### 1. Determine Whether You Can Get Paid for Your Care

Depending on your loved one's and your circumstances, you might be able to receive compensation for supporting him or her. You will have to research the opportunities that fit your scenario, but begin by exploring the following avenues:

- Long-term care insurance: if your loved one has this coverage, it might be able to pay you for the care you provide.
- Veterans' benefits: if your loved one served in a war, you might be able to access financial support. Call 1-877-222-VETS to learn more.
- State opportunities: your state might offer financial support for caregivers, and you can learn more by contacting your Medicaid office or the National Resource Center for Participant-Directed Services.

### 2. Seek Help from Loved Ones

Caregivers spend an average of 24.4 hours per week supporting their loved ones. And 23% provide more than forty hours of care each week. That level of commitment is exhausting—regardless of whether or not you have another job. Chances are, though, you don't have to go it alone.

Talk to everyone who has a real stake in your loved one's care and health, and find ways others can help contribute. Create a plan that shows who will give financially and who will give time, and have each person pledge to uphold the responsibilities he or she has agreed to. Often, people might not understand how much work you're putting in or not know where you need help. So, writing out a specific care strategy can help them get involved, improve the care your loved one receives, and reduce the time and money you spend.

### 3. Explore Tax Deductions

Unpaid caregivers provided \$470 billion of economic value in 2013—more than the value of paid home care and Medicaid spending in the same year. The work you provide has significant financial value, and you might

also be spending more money on caregiving than you realize. Caregivers average over \$5,500 in out-of-pocket costs in their roles each year. The time and money you spend can quickly add up and work against your other financial goals, so exploring tax deductions is critical.

You can work with your tax adviser to determine expenses you might be able to write off and whether you can claim the person you're caring for as a dependent. By finding every opportunity to reduce your personal tax burden, you'll be better able to use those funds to preserve your financial health for the future. No matter if you became a caregiver out of necessity or choice—or if it was early in adulthood or later in life—taking care of your own financial needs is essential.

By protecting your assets and future, you'll be better able to focus on your loved one while managing your own happiness and comfort in the process.

Sources Available Upon Request

### **Considering Buying a Second Property?**

*Whether you're interested in buying a condo in your favorite vacation spot or are interested in rental income, it's critical that you consider how the purchase fits into your lifestyle and financial picture. Owning a second home can seem glamorous and potentially offer you another source of income, but it can also be a time and money pit. Whatever your reasons for considering another property, here are some factors to consider before taking the plunge.*

#### **What is the purpose of the property?**

If you're primarily interested in a vacation home, make sure that it's in an area that you visit regularly and know well. Make sure that you and your family will still be interested in using the property five, ten, or even fifteen years down the road. If you're not committed to spending a significant part of each year at your vacation home, renting might be a simpler and savvier option.

Though many owners rent out their vacation homes to defray the costs of ownership, peak rental season often coincides with the best time of year to visit. If you're not willing to plan your vacations around renters and forego some use, the income potential of the property will be limited.

#### **What is the hassle factor of managing the property?**

Don't underestimate the work involved in buying, renting, selling, and maintaining a property. The hassle will be even greater if you live far away since you'll need to find someone to keep tabs on the home when you're not there. Though property management firms can help you find renters and maintain a property, it may be unwise to rely on them for everything.

Remember that the life of a landlord isn't always romantic. If you're not able to handle routine maintenance or take midnight plumbing calls, you'll have to budget for professional help. Many holiday home owners spend a significant part of their "vacations" on routine upkeep and chores.

If you've never dealt with a rental home or vacation property, ask around for advice. Friends and acquaintances who maintain properties can be a gold mine of knowledge. Asking them about their experiences can help you refine your plans and avoid expensive mistakes.

#### **What are the nitty-gritty details?**

With real estate, it's vital that you completely understand the fine print. You'll need to keep a close eye on the total cost of ownership, including purchase price, financing costs, maintenance, fees, property taxes, insurance, utilities, and the cost of furnishings. Add some "fudge factor" into your calculations for unanticipated expenses.

If you're planning to rent the house, be very conservative in your income estimates to make sure that you can cover the overhead if the property remains vacant for a lengthy period. Speaking with other property owners and checking rental listings can help you get a better idea of what the rental prices and occupancy trends in the area might be.

### **What are the risks involved with the property?**

As with any purchase or potential investment, you need to carefully consider all the potential risks. By committing a significant portion of your savings to another property, you'll be giving up other purchase or investment opportunities. You may also end up foregoing annual trips abroad or other lifestyle choices to maintain the property.

The major drawback of real estate is its lack of liquidity. Unlike stocks and bonds, physical properties cannot be easily sold, potentially leaving you stuck with the asset (and its costs) longer than you anticipate. Your decision making process should factor in worst-case scenarios like higher annual costs, lower rental income, bad tenant expenses, and falling real estate prices to make sure that you can afford to keep the property.

There is also no guarantee that your property will appreciate in value while you own it. As many homeowners learned during the mortgage crisis, properties can lose value rapidly and become difficult to sell in a down market. Rental income can offset some of the carrying costs of a property, but it's wise to consider many possible scenarios when evaluating the purchase.

Ultimately, the decision about whether to buy a vacation or rental home depends on many financial and lifestyle factors. What's most important is that you don't jump into a purchase without carefully running the numbers—ideally with the help of a professional who can take a look at your entire financial situation. Though real estate can offer advantages, it's vital to think about how another property fits into your overall financial and life goals. Call us at 913.814.3800 and we would be happy to help you determine if this avenue is right for you.

## **AROUND THE OFFICE**



### **Continual Improvement**

Our executive team recently traveled to San Diego, CA to attend the TD Ameritrade national conference for the financial industry. Advisors attend to learn about the latest industry trends and business solutions, network and collaborate to find industry best practices and gain exposure to new technology. Each year, the conference provides a dedicated time for our team to think differently, discover innovative ideas, and come up with new solutions to the issues that our clients face.



### **Engagement Announcements**

John asked his girlfriend, Ellen, of three years, to marry him over the holidays. They got engaged on December 27th at the St. Regis Hotel in Atlanta, Georgia, where Ellen grew up. They plan to get married in Atlanta in the Spring of 2018.



Marc proposed to his girlfriend, Bridgette, in San Diego, CA at the Torrey Pines State Beach on February 3rd.

### **Internships Available**

We are looking for interns to join our team for the summer and fall semesters. If you know a student interested in the financial industry, please share our internship opportunity with them. A position description and how to apply can be found on our website.



*"To accomplish great things, we must not only act, but also dream; not only plan, but also believe." -Anatole France*

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