Assurance Tax & Accounting Group (ATAG)

Ensuring Lifestyle

Lifestyle is about the things you want to do and how you want to live today and in the future. Build a savings and investment plan for what's important.

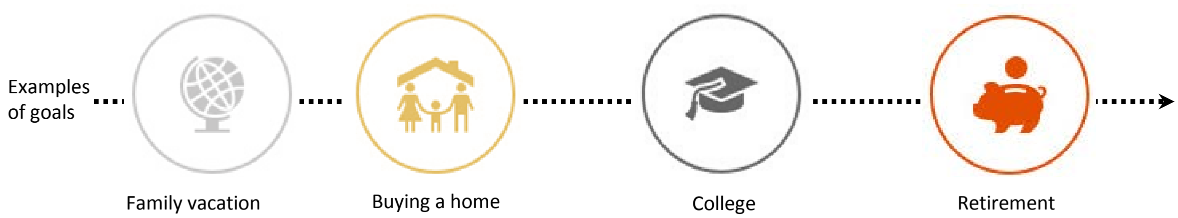
While covering essential expenses for today and tomorrow is an important first step, most people have goals that go beyond the basics, such as college for their children, a kitchen remodel, travel plans and more.

Lifestyle is about the dreams people have for their lives – now and in the future. Building a savings and investment strategy to achieve these lifestyle goals is the second step of the Confident Retirement approach.

MATCH SAVINGS AND ASSETS TO GOALS

Different goals require various timeframes and different types of solutions that may have different tax impacts. For goals with a short time horizon, such as a teenager's college education, a more conservative investment approach may be more appropriate given that tuition payments may begin soon. With decades until retirement, investments in retirement accounts can be positioned to take more investment risk in efforts to generate higher returns. Generally, the farther away the goal is the more one can afford to invest savings in investments that have the potential for better returns, but also may be subject to more near-term fluctuation.

Examples of your short, medium, and long-term financial goals.



Short-term goals	Med/long-term goals	Education goals	Retirement goals
Focus on investments offering stability of principal and maintaining liquidity.	Put money to work in less volatile, highly liquid investments that have potential for modest growth, but offers access to the money if needed.	When children are younger, most of the dollars saved may be allocated to growth investments. When the start of college is within a few years, money should be shifted to more conservative investments to help protect principal.	When retirement is decades away, a larger percentage of money can be invested in growth investments, particularly stocks (equities), that offer the potential for higher, long-term returns. When retirement is 5-10 years away, a greater portion of a nest egg should be positioned in investments focused on income and preservation of capital. However, due to the longevity of retirement, it still makes sense to keep some assets invested in equities even in retirement.

Implement Effective Investment Strategies

A key to accumulating wealth to achieve lifestyle goals is to develop and follow a well-thought-out investing plan. While everyone's needs are unique, and custom plans can be developed with the help of an advisor, they should incorporate four key concepts:

Systematic Investing

A systematic or automatic investing arrangement results in a regular amount of money being periodically set aside from a paycheck or a savings account into an investment account. Those who defer income from their paycheck into a workplace retirement plan already pursue a systematic investment strategy. This is a proven way to accumulate wealth for three reasons:

- It makes investing for future goals a priority by implementing a strategy referred to as "pay yourself first".
- Regular contributions are built-in to a monthly budget, making it less likely the money will be spent.
- It allows investors to benefit from the power of dollar-cost averaging.

Dollar-Cost Averaging

Dollar cost averaging is a method of accumulating assets by purchasing a fixed dollar amount of securities, at regularly scheduled intervals, over a period of time. When the price of the securities is high, a fixed dollar amount will buy fewer securities, but when the price of the securities is low, a fixed dollar amount will buy more. For example, when the share price is $25, $100 will purchase four shares, but if the price drops to $20 it would buy five shares. This allows investors to take advantage of fluctuations in the market. Dollar-cost averaging a fixed dollar amount each month can result in a lower average investment cost over time.

Diversification

Diversifying an investment portfolio is one of the key ways to handle market volatility. Because asset classes often perform differently under different market conditions, spreading investments across a variety of different asset classes such as stocks, bonds, and cash vehicles (e.g., money market accounts and other short-term instruments), has the potential to help manage overall risk. Ideally, a decline in one type of asset will be balanced out by a gain in another, though diversification can't guarantee a profit or eliminate the possibility of market loss.

A disciplined way to diversify a portfolio is through asset allocation. Asset allocation involves identifying the asset classes that are appropriate for the investor and allocating a certain percentage of his/her investment dollars to each class (e.g., 70 percent to stocks, 20 percent to bonds, 10 percent to cash vehicles).

Tax Awareness

Specific investments and investment vehicles within a portfolio can generate income and earnings that will be taxed in different ways. Some investment earnings may be tax exempt, some may be tax deferred and others tax-free. Some earnings may be classified as ordinary income and taxed at ordinary income tax rates while other earnings may be taxed at the more favorable long-term capital gains tax rates. Investment tax planning takes the tax ramifications into consideration so investors can reallocate assets, if appropriate.

By ensuring tax diversification in how one invests – tax deferred, tax-free and taxable – investors find they can maintain more control over how and when their assets are taxed when they reach the goal, e.g., college or retirement.