

# ...Now What?

A GUIDE TO FINANCIALLY AND EMOTIONALLY HANDLING LIFE EVENTS

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## HAVING KIDS

You are planning to have a child. This can be a very big life event. I have seen clients, friends, and family make some of the biggest changes in their lives once a child is born or on the way. Some of the changes were behavioral, and some were financial. I'm going to focus on the financial aspect.

The first step is to get your financial house in order before you start your family. When you fly, they tell you to put on your oxygen mask first, then assist your child. This philosophy holds true here too. Children are expensive and if you're not ready financially, it could be a disaster.

If you're in debt (outside of your mortgage) you will most likely want to pay off those debts. This is also a perfect time to run a budget. If you are currently spending every penny of your paycheck that hits your bank account, you'll want to review this to see if you can cut anything out of your spending.

I have seen studies that show it can cost \$200k-\$300k to raise a child from birth to age 18. That's about \$1,200 a month! That seems like a lot, and it is, however, there are likely plenty of things you can remove from your monthly spending that will help. For example, this cost includes housing. You may be thinking "We already have a place to live." Well, there might be a scenario where the one bedroom, 900 square foot apartment isn't big enough for a family.

Lastly, the gut-punch is that this amount does NOT include higher education. I'm not going to go into all the ways to save for college, as those ideas can fill an entire book itself. At Trilogy, we have experts that can discuss how to save for college - from opening a college savings account such as a 529 plan to filling out a FAFSA application.



## GETTING A PROMOTION

**Before you jump for joy and yell “Now we can afford that child,” lets slow down and see how to best utilize those extra dollars that typically come with a promotion.** What I instruct my clients to do is set up their work 401k as a percentage of their gross pay, not a fixed dollar amount. This way, when you get a raise, your 401k also gets a raise.

Getting a promotion is a great time to review your budget. For example, use those extra dollars to pay down your debt. It’s amazing how just a few hundred dollars a month towards your mortgage improves your long-term plan. It’s also a great opportunity to build your emergency fund if you don’t have a large enough safety net. If the increase is large enough and your plan is already in good shape, increase your spending on you - you deserve it!

**THESE TIPS CAN ALSO BE USED FOR GETTING AN UEXPECTED WINDFALL FROM WORK, LIKE A LARGE BONUS OR BIG COMMISSION CHECK FOR THOSE OF YOU IN COMMISSION-BASED CAREERS.**

## BUYING A HOME

**Buying your first home or a bigger home is a VERY big step in life.** I remember when we bought our first home in 1991 - it was an exciting but also a very scary transaction. This is where working with an advisor really helps. They can help you “run the numbers” to see how much of a home you can afford. Keep in mind, a mortgage broker is there to sell you a mortgage, a planner is there to make sure your plan is sound not just for today, but for the longterm.

A mortgage is often a 30 year commitment. There are also a lot of home ownership costs that you didn’t have as a renter, such as property taxes and maintenance. The last thing you want to have happen is for you to move into your new home and find out you have overextended yourself and you have to cut back on other parts of your plan, such as college for your children or your own retirement.

# SELLING REAL ESTATE

**Selling real estate can be a very complicated transaction.** It is important to be aware of the capital gains tax rules which vary depending on how long you've held the home, whether you are married or single, and if it's your primary residence or an investment property.

I hear people all the time saying, "If I just buy a new home with the proceeds, I won't pay capital gains right?" What a surprise it could potentially be when its time to file their taxes the following April. With home values sky high - and not appearing to come down any time soon - we are seeing lots of people cashing in their highly appreciated real estate assets only to find Uncle Sam taking a good chunk of their gains. **Trilogy advisors can help you with ways to defer the taxes on a gain via tools such as 1031 exchanges.**

# EXTENDED BEAR OR BULL MARKET

It seems today that we are seeing a month's worth of positive or negative movement in the market in one day. First off, the best advice, don't let your emotions take over! Don't panic during a bear and don't call your broker with "buy, buy, buy!" when the market is rocketing up.

If you're working with an advisor, they likely have created portfolios that are designed to be "all weather," meaning they're built for the long term to withstand the gyrations of the stock market.

At Trilogy, our advisors are going to review your portfolios and your risk tolerance at least once a year to make sure they match and if there needs to be any adjustments such as rebalancing. I have a saying,

**"Financial planning is not what the markets do, it's what my clients do with my guidance."**

## BEAR VS. BULL MARKET

**Bear Market:** Prolonged drop in investment prices, generally falling by 20% or more from its most recent high.

**Bull Market:** Major market index has risen by 20% or more over a







## NEEDING ASSISTED LIVING

**Assisted living is a major concern for many Americans, especially for Baby Boomers who will start turning 80 in 2026!** This is something that you really need to plan for you and your spouse.

This is another great reason to work with an advisor. The process we have at Trilogy is to give you a ballpark figure of what an assisted living scenario would cost. Once we have that determined, we sketch out how we are going to pay for it. Are we going to carve out an asset such as a portion of your retirement accounts or a piece of property to be liquidated should the need arise - essentially “self-insure?” Or do we purchase an insurance product that can provide the liquidity to pay for the care?

Both options can be complicated but again, this is where an advisor well-versed in Long Term Care costs and funding can be worth their weight in gold, because God forbid you end up relying on your family or end up in a Medicaid facility not of your choosing.

## TAXES ARE CHANGING

**Many of us see the writing on the wall. The US government has spent itself into a very big hole and it's getting deeper.** The only way to dig our way out is to cut government spending, raise taxes, or a combination of the two.

We should not wait for the government to cut spending, so we need to prepare for the inevitable increase of taxes. We have seen it already with SECURE ACT and SECURE ACT 2.0 regarding inherited IRAs. That's another topic that can fill a book.

**How can a Trilogy advisor help?** We can run tax proformas with higher tax rates to see how that will affect your cash flow and if there is anything we can do today to reduce your tax burden down the road. The tax code is very complicated, but working with an advisor who is knowledgeable of the ever-changing tax code can save you tens if not hundreds of thousands of dollars over your lifetime.





