

# Perspectives

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## 5 Financial Goals to Help You Grow

By Shelley Yates, Communications, Senior Advisor for 1st Global

How long did your New Year's resolutions last? If you've already abandoned yours, you're not alone: only 8 percent stick with their resolutions past the first six weeks.<sup>1</sup> Whether or not you set — or stuck to — your New Year's resolutions, don't overlook the opportunity spring provides to start fresh. Just as plants reawaken from the fridity of winter to blossom into something better than they were before, you too can turn over a new leaf, set realistic financial goals and put a plan in place to achieve them. Consider setting the following goals for yourself this spring:



**1. Create a budget.** When was the last time you reviewed your spending or created a plan to control it in the future? Stop wondering where your money went and start planning where it should go. You may realize there are areas you could easily reduce or reallocate spending, such as switching electric utility providers or reducing how many times you stop at Starbucks each week. A popular budgeting method is the 50/30/20 rule — 50 percent goes to your essential needs (mortgage, utilities, insurance, etc.), 20 percent towards your personal financial goals (saving for retirement, paying off debt, etc.) and the remaining 30 percent covers expenses that vary month to month (dining out, new clothes, gas, hobbies, etc.). Downloading a budgeting app like Mint can take the guesswork out of creating and sticking to a budget.



**2. Pay down debt.** Young, high earners are often carrying a large amount of debt, generally as a result of large expenses like student loans, that delays or prevents them from focusing on their financial goals. A good practice is to make a list of all of your debts and each balance's interest rate. Focus on paying the highest interest debt first or, in the case of multiple credit cards with debt, it may make sense to consolidate debt onto the card with the lowest interest rate.



**3. Maximize tax advantages.** The term "tax-advantaged" refers to any type of investment or account that is either tax exempt, tax deferred or offers other types of tax benefits. Traditional Individual Retirement Accounts (IRAs) and 401(k)s defer taxes until distributions, or age 70 1/2 when required minimum distributions (RMDs) must be taken. Distributions from Roth IRAs are tax-free, including earnings, if held for five years and the investor has attained the age of 59 1/2. (Withdrawals of taxable amounts will be subject to ordinary income tax, and if made prior to age 59 1/2, may be subject to a 10 percent IRS tax penalty.) Health Savings Accounts (HSA) grow tax deferred, and withdrawals from these accounts are tax free if used to pay for qualified health care expenses. Leveraging tax advantages can put more money in your pocket — now and later.



**4. Automate your savings.** By creating a budget and paying down debt, you create more opportunity to save for what matters to you. Unexpected expenses can happen at any time, which is why it's so important to set aside money for emergencies. Saving for emergencies provides excellent practice for increasing your savings as a whole, particularly for personal financial goals like travel, starting a business, children's education and retirement. Saving and investing are made infinitely easier if you commit to making systematic, ongoing payments. Set up automatic, recurring transfers from your checking account to savings and investment accounts.



**5. Increase your knowledge.** Whether it's reading a personal finance book or learning a new skill outside of work, investing in your own knowledge and financial education can help you in a myriad of ways. Take a continuing education course at a local college; sign up for a masterclass on a subject that interests you; attend a seminar offered by your advisor. Knowledge-increasing endeavors like this make you more equipped to increase your savings and advance your career. Knowledge is power — and can enable financial freedom.

Not sure where to start on your financial goals? Call your financial advisor, who can look at your entire financial picture and create a custom plan to help you reach them. Whether your goals include saving for children's education, making an estate plan, taking a trip abroad or simply saving more money, your financial advisor is your best resource to help you nip bad financial habits in the bud and sow the seeds to financial success.

<sup>1</sup>Norcross, John & J. Vangarelli, Dominic. *The resolution solution: Longitudinal examination of New Year's change attempts.*



# Why Having a Financial Plan is Important for You

By Brittany Russell, Financial Planner, John Hancock Advice

There are common misconceptions that prevent people from realizing just how important financial planning really is. For example, it's commonly perceived that financial planning is only for the extremely wealthy, not necessary for people in simple situations, or only applicable for major life events such as getting married or having a baby. These statements are not always true.

If something has been holding you back from building a plan, consider these reasons why financial planning is so important for you:

**It looks at the big picture.** Creating a financial plan allows you to see the big picture of your finances. We often base how we're doing financially on our checking or savings account balances, but this only provides a limited view into what our finances look like. Seeing your true net-worth statement is a more meaningful measure, and something a financial planner will help you analyze. For example, you may have paid down your student loans, increased your retirement savings or followed your budget, which is something to be celebrated.

**It gets you organized.** Do you know where your previous employer 401(k) plans are located now? Do you know where that copy of your will went? Getting your finances organized is half of the battle. While it may be daunting and require some upfront work, financial planning will get you organized and is well worth it.

**You can set and measure goals.** Setting your goals is an important part of the financial planning process. A financial planner can help you establish your short and long-term goals and prioritize them so you know what path to take to achieve them, which in turn makes following your plan easier. With each goal that is completed, you build up your confidence and start to feel better about your finances.

**You'll avoid making bad decisions.** It can be difficult to make informed, rational decisions when a situation arrives that requires finding a quick solution. If you were to lose your job, for example, or have an unplanned large expense, it's helpful to have an emergency plan in place for you to follow rather than rushing to a solution and potentially making a decision that does not optimize your finances. Additionally, when you don't know your current situation and aren't working towards any goals, it's all too easy to splurge on something you may not need and in the process, sacrifice your financial security. With a financial plan, you'll know your budget, which will help prevent you from making impulse decisions like buying new clothes you don't need or booking a trip you can't afford.

**You can get custom solutions.** Financial planning is far from one-size-fits-all. Each individual or couple's situation is different than the next, and financial plans can be tailored to meet your unique needs or target a specific area of need if you have a main topic of concern (i.e., education planning, insurance needs, budgeting, etc.).

**It's professional, unbiased guidance you can rely on.** Money and finances can be an emotional topic, especially for couples where there may be differing opinions on the subject. As an unbiased third party, a financial planner can act as a mediator in these tough discussions. Plus, you can feel confident

about your plan because you know it was done by a licensed professional. That's the kind of reassurance everyone wants and needs.

Keep in mind that financial health, just like physical health, does not happen overnight. It also may not be the easiest journey, but regardless of your financial situation, change is possible, and it's never too late to start a plan.

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