

Back to School Season Reminds Us...



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Having spent several years as a high school economics teacher and being the son of two educators, I know first hand that “back to school” season can bring about a variety of emotions for parents, children, and teachers alike. The anticipation of a new school year is filled with excitement and anxiety as we battle the crowds on hot August days finishing last minute errands in an effort to ensure that everyone is prepared for the ever important first day. Reflecting on the situation from the lens of what, in many ways, equates to a financial teacher, I’ve observed that the overwhelming majority tend to handle their assets and finances similarly.

Twenty-nine million households spent roughly \$510 each, or a grand total of about \$27 billion on back-to-school shopping this year, despite the fact that many of those items will go unused and end up buried in closets, lockers and desks. Day-long shopping trips through seemingly endless aisles of pens, notebooks, calculators, glue and everything else on the lists — there must be an easier and more efficient way!

The rush to prepare for “back to school” in many ways resembles the tone we often encounter in our conversations with clients immediately following a major life event. What they want to see done today is often something that should have been taken care of long ago. Maybe that’s not such a big deal when it comes to an ample supply of No. 2 pencils, but when it relates to IRS filings, Social Security and Medicare elections, or choosing a method of payment for a Required Minimum Distribution from a Beneficiary IRA, the repercussions are significantly more costly than missing a game of four square at recess.

Back-to-school season forces us to adjust our schedules and our lives. Practices, carpools and rehearsals become routine, and we adapt as needed. But what if we approached our finances the same way? What if I waited until the end of the calendar year to determine that I could have contributed up to \$55,000 for retirement in my 401(k)? Am I delaying dealing with inherited assets or an estate issue? Is it being handled in the most efficient way possible to minimize tax consequences? When was the last time I had my life insurance policies reviewed, and is the coverage adequate? Are my important legal and healthcare documents updated? What about beneficiary designations? How will the new tax law impact me and/or my business? How is my portfolio performing, and what’s the appropriate allocation for someone of my age and risk profile? How do I know that my investment, tax, insurance and estate plans are properly aligned? These are all questions we should be able to answer; however they are ones that are easily brushed aside when life gets busy.

During my tenure as an educator, I observed a wide variety of habits and behaviors in students that ultimately yielded quite the range of returns. Despite the fact that I made every effort as an instructor to offer guidance and assistance, there were inherently some students that were not successful. It wasn't a coincidence, and it wasn't due to my lack of dedication as a teacher. Those who planned and prepared and followed a course of action were far more likely to meet their goals and achieve success than those who elected to just react. This observation echoes my experience as an advisor in many ways. There are certain events — very similar to the first day of school — that we know will happen at some point in our lives. What type of student are you?

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