Taylor Financial Group's Monthly Planning Letter

Budgeting Month

January is Budgeting Month at Taylor Financial Group

As we have just turned the page to a New Year, there is no better time to review your spending, prepare a budget, and set savings and investing goals. We have prepared this short newsletter to provide you with some budgeting and savings tips. We hope that you find this newsletter both informative and helpful. We encourage you to call our office with any questions, or suggestions for planning topics, that you may have.

We wish you all a peaceful, healthy, and Happy New Year!

Debbie

Monthly Planning

Why Do I Need a Budget?

The dreaded "B" word—budget. Most people perceive a budget to be a financial straight jacket limiting their ability to "splurge" and enjoy themselves. Freedom and budgeting just don't seem synonymous. **However, when you learn that budgeting is not about limiting your spending, but rather about spending money with purpose, you may actually experience more financial freedom than ever before.** In addition, by creating a plan consistent with your personal mission, you will be able to move toward your financial goals and track your progress.

3 Steps to Budgeting

1) Identify how your money is being spent

Tracking your expenses may seem like a daunting task. Software such as Quicken can make this task quite simple. **We have prepared a financial budgeting worksheet which can help you to categorize your monthly spending.** If pulling together twelve months of spending seems daunting, we recommend saving all of your receipts and completing this worksheet (found on the next page) for three months (either looking back or for the next three months). After three months, you can average the spending in each category for a better understanding of your monthly expenses.

2) Review your spending to see if it meets your financial priorities

Did you realize that you were spending $69.99 per month for a gym membership that you only used twice last month? Did you realize that you were spending $1,500 per month eating out? **Even the most cursory review of your monthly expenses will allow you to identify costs that you can eliminate and larger expenses that can be easily reduced.**

3) Set a budget and monitor your ongoing expenses

After you identify areas where you can save, set a budget and check your expenses every few months to make sure your spending is in line with your budgeting goals and your personal mission.

Get a bonus in 2018? A raise for 2019? Invest it!

Did you get a generous year-end bonus? Don't spend it all in one place! Ok, the bonus was an extra and you should reward yourself—but save a substantial portion of that reward. If you have not maximized your IRA contribution for 2018 ($5,500 or $6,500 if age 50 or older), boosting your retirement savings is a great way to allocate these funds. And don't forget about getting a head start on your 2019 IRA contribution, which increased to $6,000 ($7,000 if you're age 50 or older)!

Did you get a raise for 2019? Invest at least half of that raise every month. If you would like to set up an automatic savings plan, contact our office and we can help by having those extra funds direct deposited to your investment account. You won't miss it if you don't see it!

Monthly Expenses: What Goes Out

Taxes	
Federal	$
State	$
Local	$
Total:	**$**

Household (Essential)	
Mortgage/Rent	$
Property Taxes	$
Maintenance	$
Home/Renter's Insurance	$
Electricity	$
Oil/Gas	$
Water/Garbage/Sewer	$
Telephone/Cell Phone	$
Cable/Internet	$
Credit Card Payments	$
Other Debt (student loans, etc.)	$
Other	$
Total:	**$**

Automobile & Transportation (Essential)	
Car Payment	$
Maintenance/Repairs	$
Gasoline	$
License/Registration	$
Insurance	$
Other	$
Total:	**$**

Living Expenses (Essential)	
Food	$
Clothing	$
Beauty/Barber	$
Other	$
Total:	**$**

Medical/Health (Essential)	
Health Insurance	$
Life Insurance	$
Long-Term Care Insurance	$
Disability Insurance	$
Dental Expenses	$
Other	$
Total:	**$**

Family Care (Essential)	
Parent/Child Care	$
Education	$
Clothing	$
Other	$
Total:	**$**

TOTAL ESSENTIAL:	**$**

Discretionary	
Entertainment	$
Dining Out	$
Hobbies	$
Publications	$
Education	$
Traveling/Vacations	$
Charitable Donations	$
Gifts	$
Professional/Social Dues	$
Gym Membership	$
Other	$
TOTAL DISCRETIONARY:	**$**

Expense - Notes

Eliminate the trivial but needless costs

Trivial expenses may seem inconsequential, but they do add up. Cutting them out may seem silly, but the savings will add up too! For example, swearing off that mid-day premium latte can save you $5 a day. What's $5 a day? Well, even if you only have the latte every other day, that is an extra $910 per year saved. **Those trivial costs when seen as real numbers can also help you to kick bad habits.**

Reduce larger expenses

Cut your taxes- Maximizing contributions to IRA's (you can contribute up to $6,000 for 2019, or $7,000 if you are age 50 or older), employer sponsored retirement plans (like 401(k)'s and 403(b)'s) (you can contribute up to $19,000 for 2018, or $25,000 if age 50 or older), and even Health Savings Accounts (if your health insurance plan is eligible, you can contribute up to $3,500 for yourself or $7,000 for a family plan) are all ways that you can potentially reduce your taxable income. **You can also review your expenses with your tax advisor to ensure that you are appropriately maximizing your use of itemized deductions** (this is especially important for 2019 and going forward as the new tax act reduced the availability of many itemized deductions).

Appeal your home assessment- Homeowners can potentially reduce their property taxes by challenging the local tax assessor's assessment of the value of their home. **If recent home sales in your neighborhood lead you to believe that the town's assessment of your home's value is too high, you may be able to reduce your tax bill by challenging their assessment.**

Common and simple to fix money mistakes

Saving what is left over- In other words, after spending what you "need to," you invest the rest. It is important to budget your paychecks and determine a percentage, or amount, that can be invested. That pre-determined amount should go directly into savings and/or investments and you can spend what is left**. By having more money than needed in your checking account, it can lull you into a false feeling of security**, and may cause you to spend more than you should. In short, pay yourself first.

Linking your checking and savings accounts- This can seem like a good idea for overdraft protection and because of how easily you can transfer money from your checking to savings account. However, seeing that savings account balance grow every time you go to the ATM can translate into the feeling that you may have more money available to spend than you do.

Putting all of your savings into one account- It is nice to see your savings grow, but is it best to put it all into one account? You should review the different things that you are saving for and make separate accounts for your emergency fund, vacation, and retirement. **Any funds with a time horizon longer than 24-36 months should be invested rather than put into a savings account earning little to no interest.**

Saving the big chunks- If you only save bonuses, tax refunds, or other large sums of money, then you aren't budgeting properly. You cannot rely on windfalls to fund your long-term needs such as retirement. When you receive a large sum of money, budget it just as you would your paycheck. But you should be saving regularly, no matter how big or small the amount. **Save and invest a percentage of all money that comes your way and use the rest to pay down bills, debt, and other expenses.**

Saving as much cash as possible- It is important to have an emergency fund composed of 1-3 years of net expenses invested in liquid short-term investments. However, remember that if you are saving too much in cash, you may not be taking advantage of potential investment returns. **After establishing an emergency fund, diversify and invest the rest to make your money work for you!**

Want to make a 17% return on your savings?

How would you like to make an investment with a 17% return? In 2018, the average credit card interest rate reached a high of 17.21% (creditcards.com), and the average American household had an estimated $6,929 in credit card debt (NerdWallet, December 2018). **Paying off credit card debt, or any other high interest debt for that matter, can be viewed as an immediate return on investment.**

If you are among the lucky Americans expecting a tax refund this year, it is tempting to use the money on something fun like a vacation or new high-tech gadget, but it is in your best interest (pun intended) to use the refund to pay down your high interest debt. Click here to see Credit Cards' ranking of the lowest interest rate credit cards.

Don't forget to adjust your payroll deductions

In 2019, the maximum contribution to employer sponsored retirement plans is $19,000 ($25,000 if age 50 or older). And, some plans permit after tax contributions to a total of $62,000. **You should visit with your Human Resources Department to learn about your options and adjust your deferral election (and ensure that you are maximizing your annual contribution to your employer sponsored retirement plan).**

Consider a free checking account and a rewards credit card

Do you pay off your credit card balance in full every month? If so, you are the ideal candidate for a rewards program with a credit card company. **Rewards programs pay you back either in the form of cash back or points that you can redeem for merchandise, travel, or even a statement credit.** Why not get paid back just for using your credit card? You may even be able to link your credit card and checking accounts to have cash back automatically deposited every month rather than accumulating points. Click here to see Credit Cards' ranking of the best rewards credit cards.

Review your health insurance coverage

Did you meet the deductible for your health insurance plan in 2018? If you are healthy, and do not go to the doctor often, a high deductible health insurance plan may be right for you. A high deductible health care plan generally has lower monthly premiums in exchange for a higher deductible (the amount of money you must pay out of pocket before the insurance company pays for covered benefits). And, it allows you to contribute up to $7,000 in a Health Savings Account (see below).

Can you afford to save more than your maximum 401(k) and IRA contributions?

If you can afford to contribute more money into tax-deferred retirement accounts once you reach the maximum limit on your IRA and 401(k), then a Health Savings Account (HSA) is a great way to build savings for retirement. An HSA is a tax-advantaged medical savings account available to taxpayers in the US who are enrolled in a "high-deductible" health plan. The funds contributed to an HSA are not subject to federal income tax at the time of deposit, and unlike a flexible spending account, the funds roll over and accumulate from year to year if not spent.

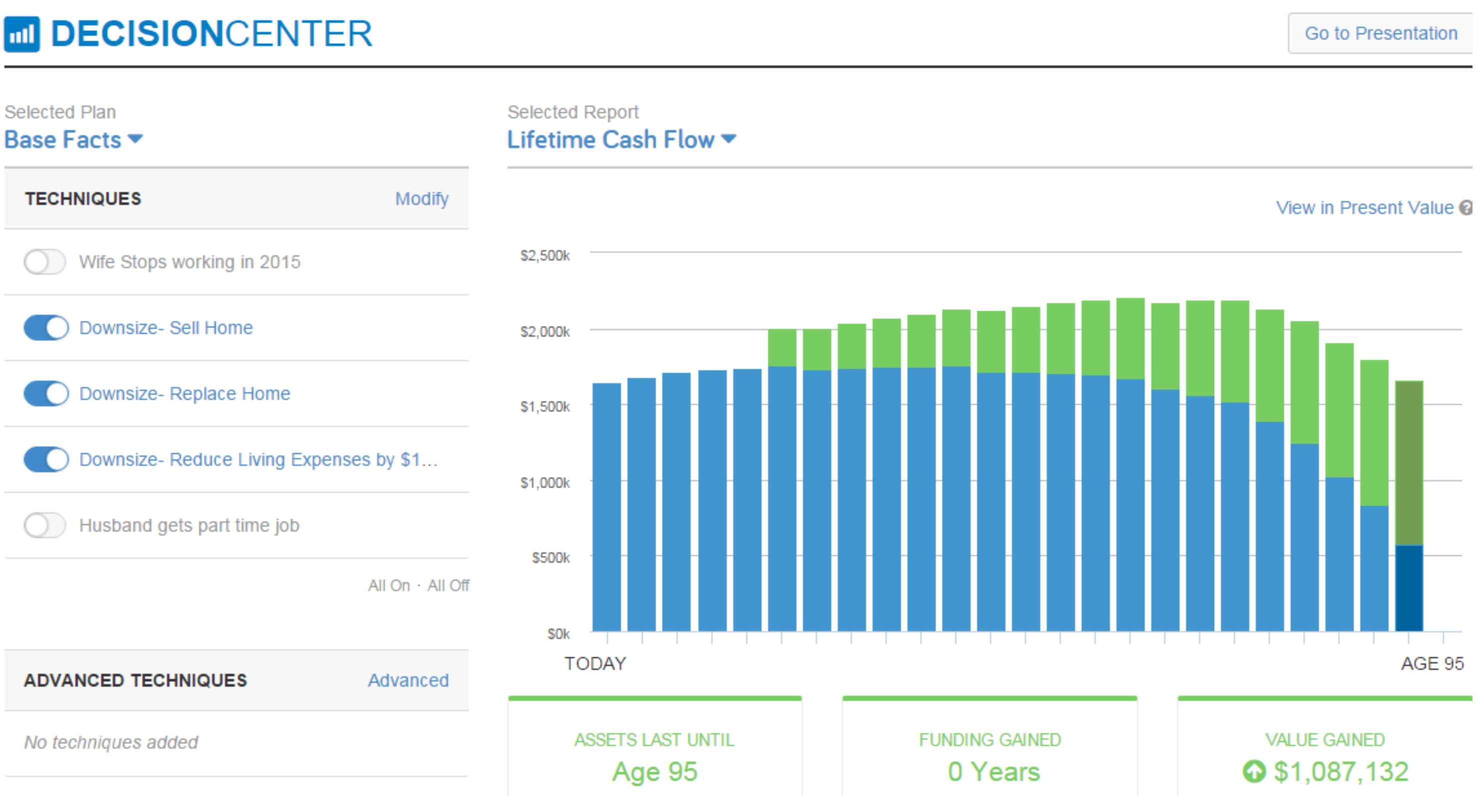
Depending on your health insurance provider, the funds held in an HSA account can be invested in the market and continue to grow in a tax-advantaged account. If you withdraw the funds for qualified medical expenses, the withdrawals (including earnings) are tax-free. However, if you do not withdraw the HSA funds to pay for qualified medical expenses and instead allow the funds to grow, you can take withdrawals from the HSA account for any purpose without penalties at age 65! Therefore, an HSA can not only increase your deductions, but also act as a back door to increasing your annual tax-deferred retirement savings!

You should also ask your Human Resources Department if your 401(k) Plan allows for "additional after-tax contributions." If so, you may be allowed to make additional contributions to your 401(k) Plan using after-tax dollars up to a total of $62,000. The earnings and growth on these investments will continue to grow tax deferred and can be rolled over to an IRA when you retire, or separate from service. In addition, the original principal (after-tax contributions) can be withdrawn tax free, or rolled over to a Roth IRA, when you retire, or separate from service.

Are you saving enough money to retire comfortably? Are you considering a major financial expense such as a vacation home?

WealthMatch is our custom financial planning and modeling software that we use to help our clients make informed financial decisions and plan for their financial future. **Whether you want to understand if your current savings may be able to support your standard of living in retirement, how decisions on collecting Social Security or a pension will affect your retirement, how annual gifting to your children or grandchildren will affect your retirement, or even how the purchase of a vacation home or a downsize will effect your financial future, we can help!** Below is an example of how WealthMatch's Decision Center can help a sample couple see how downsizing their home and thereby saving $10,000 per year in expenses will increase their estate by over $1 million over the next 20 years!

With WealthMatch, the modeling capabilities are endless. We are already using WealthMatch for many families who have found the experience to provide confidence when making important financial decisions such as gifting to their grandchildrens' 529 Plans, buying a vacation home in Florida, and even making the decision to retire ahead of schedule. **Please do not hesitate to contact our office today to review how WealthMatch can help you to make more informed financial decisions to keep on track in working towards achieving financial freedom!**



The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future results. Actual investment results may be more or less than those shown. This does not represent a specific investment.

How did Rob and Debbie save money in 2018? Use these tips and tricks for additional savings!

Rob focused on home improvement, the environment, and saving money this last year. Who says that you can't have it all? One great project that Rob completed over the last year was installing intelligent Nest thermostats in the Taylor family home. These thermostats track weather patterns and when the family enters and leaves the house. Then, the thermostats turn the heating on and off accordingly to ensure a perfectly regulated temperature. This results in both financial and energy savings.

Another great home improvement project that Rob undertook was installing LED light bulbs around the house. LED bulbs are virtually the same cost as Incandescent light bulbs, but they are both economically and energy efficient. Moreover, LED light bulbs can last for 10 years!

Debbie noticed on her last cable bill that she was paying for additional channel packages that the family wasn't using. **So, Debbie decided to go through the credit card bills to see which other online or television subscriptions she was paying for that her family was not using.** By cancelling the optional channels, Debbie saved over $30 per month!

How do you plan to save money this year? Share your saving tips with us!

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