

Get Your Financial House in Order

A *Money* magazine survey indicates that 37% of the Americans polled will make financial resolutions for 2007. If you are of that mindset, here are some ways to start tidying up your financial matters. Compared to losing 20 pounds by May, these are pretty easy!

RETIREMENT

You say you need about \$100,000 per year to enjoy the standard of living that you want? Then it is going to take a pool of about \$2,000,000 to



support that kind of an annual withdrawal rate. Now, you might already have that in your home value, but liquidity is key here; you can't sell a portion of your home to pay your Gelson's bill, and the option of getting a reverse mortgage on your home is usually one of the last resorts. Most of us want our investments to become the generators of our retirement income. So, are you there yet?

This year, 401(k) contribution limits have increased to \$15,500 (from \$15,000); for those 50 and older, it's \$20,500.

Adjust your contributions and max them out. Self-employed folks should decide how much they can afford to put into a retirement plan and then select the type of plan that cost-effectively allows that amount. The typical choices would include Simple-IRA's, SEP-IRA's, Solo 401(k)'s, Profit Sharing and Defined Benefit plans.

Do you have multiple IRA accounts and/or old 401(k) accounts at your old employers? Consider consolidating them into one IRA Rollover account. This will probably lower your fees and make it more cost-effective and efficient to manage.

Rebalance. Thanks to a good year in the stock

market, your 60% in equities, 40% in bonds allocation has probably morphed into a 70%/30% mix. That's more risk than you used to have or might want.

Here's a twist to take advantage of: If you are 70 or older, you can gift up to \$100,000 from your IRA to a charity, have it count toward your Minimum Required Distribution and not have to pay tax on the withdrawal.

ESTATE PLANS

Most people procrastinate about getting their estates in order. Really, it's like going to the dentist: once you make the appointment, you just do it. Some things to consider are: getting a will (otherwise the state will decide for you); durable powers of attorney, so you can pick the person who makes health and financial decisions; and the use of trusts to take care of your kids, avoid probate and reduce the amount of estate taxes your heirs will pay.

COLLEGE

The rise in the cost of attending college has far exceeded general inflation. According to the College Board, the average cost of a four-year private college jumped to \$30,367 this school year. USC is about \$44,000, UCLA is \$22,000 and CSUF is \$16,000. A great way to save for this expense is 529 plans. They allow the earnings to grow without being taxed and, upon withdrawal for college, there is no tax due. These rules were recently made permanent. This is a great option for parents or grandparents to shift some money out of their estates (reducing potential estate taxes) and put it to good use.

INSURANCE

Review your insurance coverage. Term Life Insurance prices have fallen, so get a quote. Make sure your homeowner's policy covers the full Replacement Cost of your home, including bringing it up to today's tougher codes.

Do you own a significant amount of jewelry, artwork, vehicles, or collectibles? If so, you probably need additional riders, schedules or stand alone coverage. For substantial amounts or special items, consult a specialist who represents the appropriate carriers.☺

Mark Arblaster, CFP, and Victoria Collins, CFP, are wealth managers with The Keller Group Investment Management, Inc., a full-service financial planning firm in Irvine, and can be contacted at www.kellerinvest.com or (949) 476-0300.