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5 Steps To Protect The Digital Assets You Own

We're living in a digital world. Nowadays, those important papers that you used to stash in a file cabinet or a safe deposit box often are created and stored electronically. That can remove some of the clutter of having lots of paper around, and it also may be good for the environment. Plus, it gives you easier access to information you need. But advanced technology also may result in problems you may not have considered.

Your heirs could face particularly thorny issues. What will happen to all of your electronic documents and files when you die? Who will have access to them? How will family members be able to find your user names and passwords? What about your photos and music? Will your social media accounts live on forever or will someone take them down? What about bills and insurance premiums you've been paying online? How about information that you want to remain confidential? Those and many other similar questions need to be addressed.

There also could be problems in other situations. Suppose you're severely incapacitated and your oldest child starts to handle your financial affairs online. As far as the financial institutions are concerned, you're still the person logging onto the account and making the transactions. Is it legal for your child to step in if a financial institution doesn't have a durable power of attorney on file? Are there any other restrictions?

State laws are continuing to evolve in this area, so there are no definitive answers, and you could be subject to rules that you agreed to when you signed up for various internet accounts—even if you paid scant attention to the fine print.

Nevertheless, it makes sense to do what you can to safeguard your digital assets while you're in good health. Putting aside the legal technicalities for the moment, here are five steps that could provide some measure of protection:

1. Make a list of passwords and accounts. The first thing to do is to make sure your loved ones have access to your user names and passwords, or that

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Is Social Security Enough To Retire On?

If you're in your 20s, 30s, or even 40s, here's a consideration: How much do you count on Social Security benefits to sustain you comfortably through retirement? Do you rely on Social Security at all?

Consider the aging population. According to the latest data, the average age of Americans is currently 36.7, and that average is edging up 0.2 years each year. With the population growing older, and birth rates falling, the number of people receiving Social Security retirement benefits will continue to increase at a time that fewer young workers will be available to fund the system with payroll deductions.

Whatever steps are taken to address that imbalance, the reality is that future benefits could decrease—and Social Security never was intended to be anyone's only source of retirement income. With increasing pressure on that system, saving on your own is more important than ever. And the earlier you begin, the better off you're likely to be.

If you have a 401(k) plan or another kind of retirement plan at work, that's usually a good place to start, especially if your employer offers matching contributions. Contact your benefits department to get the ball rolling. You also might consider setting up a Roth IRA on your own. If we can help you prepare for retirement, please don't hesitate to call.

Jim Joseph, CFP®
Vice President

Reminders On Your Beneficiary Choices

Quick: Who are the beneficiaries of your retirement plan, life insurance policies, and investment accounts? Many people don't remember whom they named as a beneficiary or are uncertain. But it's important to know, especially if your circumstances have changed since you completed the original paperwork.

You probably carefully considered whom to designate as beneficiaries of your financial accounts and life policies when you initially established them. But you may have shoved the documents into a drawer and forgotten all about them.

Suppose your family situation has changed. Maybe you have remarried and you have children from an earlier union. Do you still want your former spouse to inherit anything? Should your new spouse be named as a beneficiary? Aging, death, divorce, and other life-events, including the birth of a child or a job-switch, make it wise to periodically review beneficiary choices and ensure your assets go to the people you want to benefit most.

One reason it's so important to get beneficiary designations right is that when you name a beneficiary on your retirement accounts and life insurance policies, those assets will be transferred without going through probate or facing other complications. Moreover, the designations for financial accounts and insurance policies trump whatever it may say in your will. So, even if you change your will to cut out an estranged relative, that person still could benefit unless the beneficiary designations also are changed. And if there are discrepancies, the matter could end up in court—probably the last thing you would want.

Furthermore, getting the beneficiaries right may affect estate taxes. For instance, if you name your spouse as the beneficiary of your 401(k) and IRAs, those accounts won't be included in your taxable estate (although the assets eventually could be subject to estate tax when your spouse dies).

Another money-saving idea that might surface from reviewing your beneficiaries: If you have more than one child and intend to divide your IRA proceeds evenly, you may be able to reduce taxes owed by splitting your account. For example, if you have three children, you can split an IRA into three individual IRAs, naming one child as beneficiary of each new IRA. As a result, your children can take distributions from their inherited IRAs based on their longer individual life expectancies, not yours.

Finally, if you name a charity as an account beneficiary, the asset will pass to the charity tax-free. In addition, your estate will be entitled to a charitable deduction, which may reduce or eliminate tax liability.

For these and other reasons, it's crucial to get beneficiary designations right, and to revise them when necessary as your circumstances change. Going to the trouble of regularly reviewing your designations could be time well spent. ●

What To Do When You're Suddenly Widowed

If your spouse should suddenly pass away, you could find yourself overwhelmed—not just emotionally, but also by a host of financial decisions. Your financial situation is probably about the last thing you'd want to be thinking about, and many things could wait, at least for a little while. Indeed, after such a dramatic event in life, it's probably best not to rush into anything. However, time isn't always on your side, and some decisions may be required immediately—especially if you have not planned properly. And sooner or later, you'll need to address certain financial issues. Here are some practical suggestions that may be helpful:

Deadlines. After losing a loved one, it can be easy to neglect deadlines. You'll generally need to file an estate tax return for your spouse within nine months of death, for example, and you still must file a federal income tax return for the year of death by April 15. Don't let letters from places like the IRS and financial institutions fall to the bottom of a pile. Missing deadlines can cost you dearly.

Retirement Accounts. Review benefit options for 401(k)s, pensions, and other retirement accounts. You'll likely need to decide between taking a lump sum or periodic distributions, rolling the funds into an IRA, or leaving the plan assets where they are. Each option has pros and cons.

Cash-Flow. Estimate your expenses for the next five to 10 years. Will you be paying for one or more children to attend college? When do you expect to retire, and what sort of lifestyle do you envision? This requires a thorough analysis of your finances and also might entail adjusting your investment strategy.

Insurance. Don't ignore insurance concerns. Typically, a surviving spouse inherits most, if not all, of the other spouse's assets and will be the primary

How To Dig Your Way Out Of A Mountain Of Debt

If you owe a lot of money to multiple creditors, it's easy to feel your situation is hopeless. Yet while digging out of a mountain of debt is never easy, taking a systematic approach may help you make progress. These seven steps could be part of an effective action plan:

1. Conduct a personal inventory. Figuring out how and why you fell into debt can help you work your way out of it. But that requires a thorough examination of your personal spending and saving habits. In addition, you'll need to determine the amount of funds you have at your disposal, including cash or cash-equivalent assets on hand and other investments that you might liquidate. Doing a complete accounting of your finances could help you build a solid foundation for a plan to reduce what you owe.

2. Cut back on credit card spending. It's so simple to use a credit card—and all too easy to inflate account balances with a splurge at the mall or too many online purchases. If you can resist the impulse to buy the latest cool gadget or this season's pricey outfits, you'll keep your financial situation from getting worse and free up cash to start retiring your debts. That doesn't mean you never can take advantage of a credit card's convenience, but it does mean training yourself to buy only what you can afford.

3. Warn your creditors if a payment will be late. If you know you won't be able to make a credit card payment on time, be proactive and call the creditor. You may be surprised to find that many banks and retailers will be willing to work with you to resolve issues in a reasonable manner, perhaps waiving late fees or even giving you a break on interest rates if you show them you intend to pay what you owe. It's much better to be honest about what you're able to do than to try to dodge bill collectors.

4. Prioritize your payments. It's natural to pay the bills you can afford to cover and leave others until later. But you may be better off if you look at the big picture and focus first on reducing credit card or loan balances that carry the highest interest rates. You might set a goal to pay down a specified amount of high-interest debt each month, making only minimum payments on other accounts. Once you've retired the most costly debts, you can pick up the pace in reducing other liabilities. That approach could save you a lot of money in interest charges and leave you with more cash to apply to other bills.

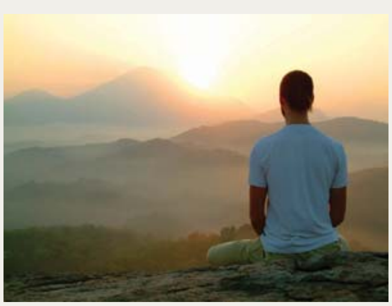
5. Try to pay your bills before the last possible day. When you don't have much cash on hand, you're not likely to write a check for a particular bill until you have to. But waiting until the last minute can bring its own problems. A payment you mail may not get there in time, and then you'll owe a late charge, or a creditor may be able to increase the interest rate you have to pay. Being late also can damage your credit score, making it tough to get additional loans at reasonable rates. So do what you can to make sure your payment is received and credited before the due date. Paying online or by phone may speed up the process, but make sure your creditors don't charge for that convenience.

6. Consider bankruptcy only as a last resort. If your best efforts to get out from under a mountain of debt don't seem to be doing the trick, you may consider declaring bankruptcy. Yet while that could provide some relief, it may not do as much as you had hoped, and the long-term financial effects can be profound. Your reputation will suffer, and borrowing money in the future could be difficult, if not impossible. Consult with an attorney and make sure you understand all of the repercussions of bankruptcy before taking this drastic step.

7. Watch out for scam artists. When you're struggling to pay off debts you may find yourself especially vulnerable to pitches from people or companies promising quick fixes to your problems. But most seeming shortcuts will do little to help. Avoid services that require up-front fees or voluntary contributions. Also be wary if someone tells you to stop communicating with creditors or asks for your confidential information before doing anything to help you.

Of course, that's not to say that every debt management service is out to rob you blind or sell your private information to the highest bidder. There are plenty of reputable companies that may be able to provide valuable assistance, but it pays to be careful in choosing help in this area. Please don't hesitate to contact our firm for advice. ●

or sole beneficiary of life insurance death benefits. This is a time to consider what you can do to protect your children's future. Meanwhile, in light of your changed situation, review all of your insurance policies. Be sure your health, disability, long-term care, umbrella and other polices still meet your needs.



Retirement. After losing a spouse, your retirement goals may change. You may want to consider retiring earlier or later. How much in Social Security benefits will you receive based on earnings history? Social Security is complicated, and you'll need to gather all of the facts to make good decisions.

Investments. Pull together all of the relevant records for your spouse's investments and any assets you held jointly. Once you know where you stand, be sure you understand all of the investments you own and are comfortable with the risk they entail. Set a long-term course for the future, but realize that adjustments may be needed now.

We're available to provide any assistance you need. ●

6 Bad Money Habits For You To Avoid

Take the time to give an honest answer to this question: "Are you mismanaging your money?"

Though your first reaction may be to say "no," upon more reflection you might have to reply "yes," especially if your spending continues to outpace your earnings.

To avoid making the same mistakes over and over, try to identify your bad money habits and eliminate or at least curtail them. Consider these six common problems:

1. You let emotions rule. Do you shop to relieve stress, escape boredom, or entertain yourself? Do you experience anxiety, guilt, or remorse after shopping? You could be an emotional shopper, genetically programmed to spend excessively. The trick is to keep emotions from getting in the way so that you buy only what you need. One option is to give yourself a cooling off period of a couple of days before making a major purchase to determine whether it's really worthwhile.

2. You feel entitled. Maybe you feel you deserve more than you have regardless of how much you earn or what you own. Why should you be deprived of a top-of-the-line car or your dream house? But smart money-managers train themselves to shy away from such notions and buy only what they can afford.

3. You crave instant gratification. If you need to get things right away—the latest electronic gadget or designer clothes—you may pay a premium, plus interest on any amount you need to borrow. That's a sure-fire way to sink deeper into debt. If you resolve to pay cash for all your purchases you may be able to hold back and consider the big picture.

4. Your self-worth is defined by possessions. Advertising pitches are designed to make you believe you'll be happier if you buy particular products. But you're much more than what you own, and if you can remind yourself of that, you may be able to look at prospective purchases in terms of whether they answer actual needs.

5. You've become complacent. Many people have the tendency to accept the status quo, even if that means continuing to pile up debts. Complacency is a dangerous emotional state because it lets you disassociate the pleasure you get from buying from the pain you'll feel when the credit card bill arrives. Realizing that you need to change is the first step toward making it happen.

6. You don't have a plan. Those with bad money habits tend to look at what they earn, spend, and save as separate things rather than acknowledging that they're all tied together. Creating a budget and a retirement savings plan, and sticking to it, are essential. Otherwise, mounting debt becomes a self-fulfilling prophecy.

One way to teach yourself better money habits is to try to run your personal affairs like a business. Set aside reserves for emergencies and allot funds for retirement saving on a monthly basis. Make a few important changes and you'll see the difference very soon. ●

Protect Your Digital Assets

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they know where to find that information if it's needed. And try to remember to update your list when you are prompted to change a password for security purposes. It won't do much good to give someone a list of expired passwords.

2. Use a password manager. Along the same lines, it can be difficult managing all of your electronic accounts, even under the best circumstances. A simple solution is to use an online password manager service. Once you enroll with the service, a single password grants access to all of your accounts.

3. Provide authority under your will and durable power of attorney. Don't forget to coordinate the management of your digital assets with your overall estate plan. This may require some additions or modifications to your existing will and durable power of attorney. If you don't have a power of attorney in place, now is a good time to create this document. It enables a designated party to act on your behalf in a multitude of situations.

4. Review vendor contracts. Check the terms of agreements you've signed with social media sites and other online entities. In some cases, matters will be taken out of your own hands. If you're not satisfied with the terms, you might opt to close the account or shift to a different provider. At the very least, develop a good understanding about how things will work in the event of your incapacitation or death.

5. Consider storage with an online company. Undoubtedly, your electronic files contain sensitive information you need to protect, such as your Social Security number and account numbers for securities and IRAs. If that information falls into the wrong hands, it could lead to a financial and logistical nightmare. That could be avoided if you use an online storage company to secure your data.

Technology can simplify our lives, but it also may result in unexpected complications. That's why it's important to do whatever is necessary to give family members the access they will need to handle your financial matters. ●