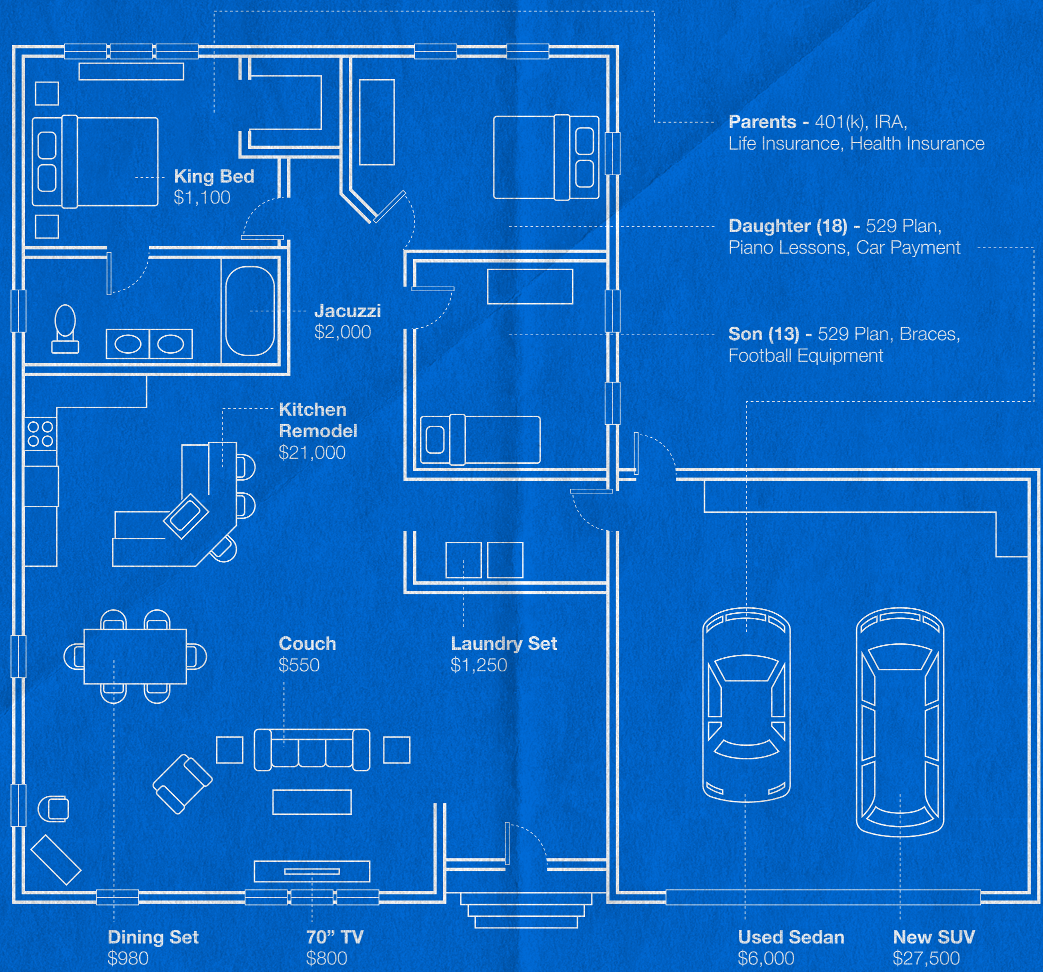


THE FAMILY BUDGET

FINANCIAL EMPOWERMENT AT YOUR FINGERTIPS

CARSON PARTNERS

THE FAMILY BUDGET

FINANCIAL EMPOWERMENT AT YOUR FINGERTIPS

Managing family finances has become more complex than ever as the economy, job market and family structures have all undergone dramatic changes in recent years.

American families continue to evolve at a rapid pace, resulting in new and complex financial concerns and challenges. In fact, the most recent Census Bureau data on American households indicates that families no longer fit the "old mold" comprised of mom, dad and their 2.2 kids.[1] Today, millions of families find themselves following a different pattern that calls for new strategies and more creative solutions.

A NEW SPIN ON THE TIES THAT BIND

Over the past few decades, significant social and demographic shifts have reshaped the American family to include blended households, married LGBT couples, single parents and unmarried partners living together. Today, 15% of children in the U.S. live with a divorced parent who has remarried, and 32% live with a single parent.[2] This has created a new set of financial challenges in regard to shared child rearing and education costs, as well as legacy planning considerations for blended families. However, certain basic financial management concepts and practices continue to hold true. Regardless of the make-up of the household, every family should take steps to maintain the following:

BUDGET
or spending plan to track income and expenses

EMERGENCY SAVINGS
equal to at least three to six months of living expenses

RETIREMENT SAVINGS
ideally in a 401(k) or IRA

LIFE & HEALTH INSURANCE
to help protect against the unexpected

GAINING CONTROL AND CONFIDENCE

There's a difference between living within your means and living from paycheck-to- paycheck. Living within your means is a balanced approach to pursuing important savings goals, like building an emergency fund, saving for retirement and investing for the future, all while meeting your regular monthly expenses. On the other hand, people who live paycheck-to-paycheck have little to no savings to tide them over when faced with an unexpected expense or event, and often carry significant debt. Living within your means is empowering, while living paycheck-to-paycheck can lead to serious consequences beyond your finances.

Financial empowerment, which is a direct result of feeling confident and in control of your finances, is critical to maintaining a sense of well-being across all areas of your life, regardless of age. It not only enables you to better meet basic needs and desires for you and your family— like food, housing, healthcare and education—but paves the way to pursue important lifestyle goals and aspirations. A sense of financial control helps decrease stress while increasing feelings of security and optimism. However, when your lifestyle and finances are not properly aligned, the opposite happens: stress and anxiety increase which can take a toll on your health, career, family and relationships—which is why financial discord remains a leading causes of divorce in the U.S.[3]

GETTING STARTED

All you need is a pencil and paper to put one of the most powerful tools for creating and maintaining financial balance to work for you. Sound oldschool? There are literally thousands of free budgeting tools and spreadsheets available online and via mobile apps, many of which can be integrated with your financial accounts to automatically track, categorize, download and update income and expenses based on your specifications.

Security is important so make sure the site or application you select employs bank-level security protocols and is verified by TRUSTe or VeriSign. Check your bank or financial institution's website or visit one of the sites below offering budgeting tools and templates:

- Mint.com
- Office.microsoft.com/templates
- BudgetTracker.com
- BudgetPulse.com

Managing cash flow is the first step toward creating financial alignment and is a primary concern for:

- **Millennials** in their 20s who are just getting started working and living on their own
- **Gen Xers** in their 30s and 40s, juggling competing financial goals and priorities
- **Baby Boomers and Retirees** over age 50, seeking to meet their income needs for a potential 25+ years in retirement

Getting a handle on cash flow at any age begins with understanding the relationship between your income and spending habits. It's best achieved through a tool that tracks both inflows and outflows: a monthly budget. A monthly budget can help you:

1. Track and identify spending patterns
2. Categorize and view essential vs. discretionary spending
3. Identify areas to cut back if you're spending too much
4. Find ways to increase emergency and retirement savings
5. Better manage credit and debt
6. Gain the control and confidence you seek over your finances

PLANNING FOR THE LIFE YOU DESIRE

HOUSING CONSIDERATIONS

For most people, home-related costs account for the single largest portion of their monthly budgets. Whether you're considering renting, buying, upgrading or downsizing your current home, it's important that all related costs are reflected in your budget (including any moving costs). While many people tend to focus on mortgage, insurance and taxes in determining housing costs, the cost of carrying a home goes well beyond those and may include:

- Monthly utility bills
- Home owner's association dues
- Home furnishings
- Major appliances
- Yard and garden equipment
- Lawn care and landscaping
- Ongoing maintenance and repairs
- Unanticipated expenses (leaky roof, burst water pipe)

IS IT BETTER TO BUY OR RENT?

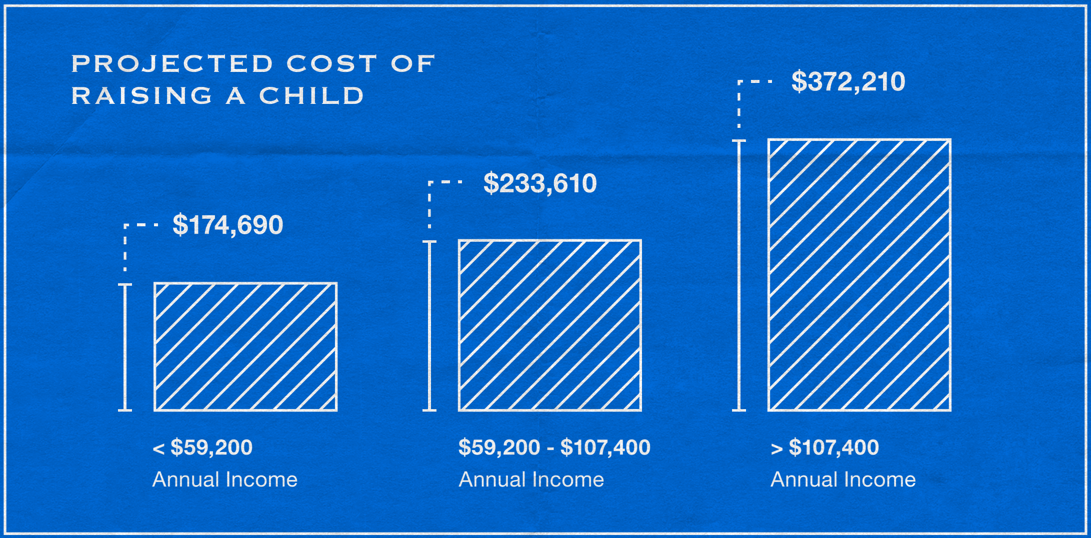
Ten years ago, on the cusp of the housing bubble, lax lending policies, low credit standards and mortgage loan products requiring little money down made it possible for just about anyone with a photo I.D. to buy a home. Steadily rising housing prices led many to believe that investing in real estate was a norisk, no-lose bet. However, many buyers suffered dire consequences when the bubble burst and home prices fell, finding themselves underwater, owing more than their homes were worth. The resulting recession drove unemployment and subsequently home foreclosures to record levels.

A key lesson learned is that while housing is a basic human need, owning a home is not. For many people, depending on age, employment status, and other circumstances, renting may be a more viable option, allowing you to build credit and savings for a down payment.

CHILDREN ARE PRICELESS...AND EXPENSIVE

While it's impossible to put a price tag on your own bundle of joy, the U.S. Department of Agriculture (USDA) is more than happy to do it for you. The 2017 USDA annual report on childrearing costs indicates that a middle-income family with a child born in 2015 can expect to spend about $233,610, and families with higher incomes are expected to spend $372,210 for food, housing, childcare, education and other child-rearing expenses up to age 18.[3]

Where does your money go? Housing (29%), childcare and education (16%) and food (18%) are the three largest expenditures associated with raising children.[4] And keep in mind that the USDA's cost projections stop at age 18, so they don't include higher education costs or expenses incurred if adult children move back home after college.



Source: U.S. Department of Agriculture (USDA), Expenditures on Children by Families (annual report), March 2017. A family's actual annual costs will vary based on factors including region/location, the number of children, family income, education costs, healthcare needs and more.

A family earning less than $59,200 per year can expect to spend a total of $174,600 (in 2015 dollars) on a child from birth through age 18. Parents with an income between $59,200 and $107,400 can expect to spend $233,610; and a family earning more than $107,400 can expect to spend $372,210.

CHEAPER BY THE DOZEN?

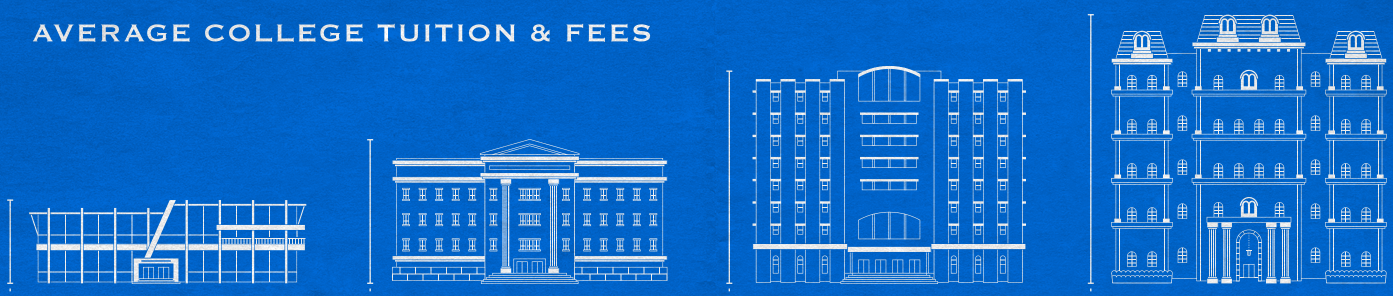
The USDA reports that expenses per child decrease as a family has more children. Families with three or more children spend 24% less per child than families with two children. According to the USDA, as families have more children, economies of scale are achieved. They can share bedrooms. Clothing and toys can be handed down to younger children. Food can be purchased in larger and more economical quantities, and private schools or child care centers may offer sibling discounts. However, if you're planning to foot the bill for the entire brood to attend college, you may want pay close attention to the next section.

FUNDING HIGHER EDUCATION COSTS

Median weekly earnings for those with college degrees averaged $907 more than those with only a high school diploma.[5] This can add up to a lot over a lifetime, of course, which calls the modern myth of the value-less college degree into question.

But that future pay-off can be dificult to reach. In 2019, tutition and fees at a state college will run you around $10,000 a year, and $32,000 at a private school.[6] Room, board, books and transportation aren't even accounted for here, and they can add up to $10,000 a year.

AVERAGE COLLEGE TUITION & FEES



$24,300 In-State Community College

$85,178 In-State Public College

$149,359 Out-of-State Public College

$192,542 Private College

THE 529 PLAN ADVANTAGE

Many parents and grandparents embrace the tax-advantages offered by 529 education savings plans to help fund education expenses. Through an automatic investment plan, most 529 plans allow you to begin investing with as little as $25 a month, making education savings affordable at any income level. The 529 gift tax exclusion also offers an excellent way for grandparents to contribute to a grandchild's education and avoid estate taxes. In general, taxpayers can gift up to $14,000 per year to any individual without paying a federal gift tax. But when it comes to 529 plans, there's even more flexibility: Individuals can contribute up to $70,000 at the outset by "front-loading" the plan for five years. However, you can't contribute more for another four years.

BALANCING SAVINGS & DEBT

How much should you be saving each month? Numerous factors impact savings rates from your age and number of years until retirement, to income level, debt, current savings and your lifestyle goals and circumstances. As a general rule of thumb:

- **In your 20s** – try to save 10% to 20% of your income, split between an emergency fund and retirement savings. If you're eligible to participate in your employer's 401(k) plan, contribute up to the match level to take advantage of the full benefit if employer contributions.
- **In your 30s** – increase savings by directing all or a portion of any salary increases to your 401(k) plan or an IRA. Continue building emergency savings. As your income and expenses rise, your emergency fund needs to increase proportionately. If you have children, begin contributing to a 529 plan to take advantage of the long-term benefits of tax-deferred compounding.
- **In your 40s and 50s** – if you got a late start saving for retirement, you may need to increase retirement savings during your peak earning years to 30% or 40% of income. You should also have 3 to 6 months of living expenses set aside for an emergency. If you still have additional cash on hand, work with an independent financial planner to help ensure you're income needs will be met in retirement and you're taking advantage of the tax-efficient investment opportunities available to you.

Unexpected expenses – from medical emergencies to burned-out transmissions – are part of life. Yet **23%** of Americans say they have no emergency savings, and only 29% said they had enough to cover over six months of expenses.[7]

Competing financial goals are a leading reason many people put off setting money aside for emergencies. But you don't have to choose one goal to the detriment of others. There are realistic ways to save for retirement, pay down debt and increase emergency savings.

- **Pay yourself first.** Even if it's only $10 or $25 per pay period, automatically deposit money into a savings or credit union account each time you get paid. Most employers allow you to set up automatic deposits into multiple accounts, including your 401(k). You can also set it up yourself through your bank. As you pay off credit card balances or other debt, continue making the same "monthly payments," but this time to your savings account.

- **Evaluate your discretionary spending to find "hidden" savings.** Cutting back on a few non-essential expenses per month like eating out can add up quickly. Are you paying less for gas than you were a year ago? Contribute the difference to a savings account. Using a bank mobile app, you can even transfer the money into your savings account right there at the pump. Technology makes it easier than ever to establish a no-excuses, disciplined approach to saving more.

MAINTAINING YOUR GOOD NATURE

Keeping your credit clean and your score as high as possible can save you thousands of dollars over time by helping you qualify for better rates when applying for mortgages, auto loans, credit cards and personal or business loans. That frees up money for other important financial goals like emergency and retirement savings. Good credit can also play a critical role from a career perspective. An increasing number of companies now consider a candidate's credit score among other important hiring criteria.

PROTECTING WHAT MATTERS MOST

Protecting your health, home and those who depend on the income you generate to support their lifestyle needs is a critical component of prudent financial management at every stage of life. The right types of insurance coverage help protect your family and property from unexpected or catastrophic events that could otherwise wipe out a lifetime of savings. A licensed wealth advisor or insurance agent can help you determine the type of insurance and amount of coverage appropriate for your family and situation.

Employees may have coverage through their employer, but often times it is insufficient for their needs. Many people fail to take the next step to analyze their coverage relative to their situation.

LIFE INSURANCE

Life insurance products offer a spectrum of death benefit protection, spousal coverage and cash-value accumulation features for a variety of needs. Life insurance is also used as an important estate planning tool, helping to ensure your beneficiaries and heirs aren't saddled with an undue estate tax burden.

DISABILITY INSURANCE

The ability to work and generate income is one of your most valuable assets, and protecting it is paramount to achieving your short- and long-term financial goals. Disability insurance helps guard your income and lifestyle from unexpected interruptions during your working years. Adequate disability coverage can ease the burden of lost income or wages while you recover from an accident or illness. It can also help prevent the depletion of savings, or being forced to sell investments at an inopportune time to raise cash for living expenses.

HEALTHCARE/MEDICAL INSURANCE

Group healthcare plans, available through your employer or an association you're affiliated with have traditionally offered the most affordable rates for medical and dental insurance coverage. Individuals and families who are not covered by an employer plan, including self-employed business owners, can purchase policies through private insurers or a government-sponsored program.

Top 5 Most Expensive States for Nursing Home Care:[8]

Alaska	Connecticut	Hawaii	Massachusetts	New York
$330,876	$164,798	$163,885	$153,300	$146,274

HEALTHCARE IN RETIREMENT

Healthcare is expected to be one of the largest expenses for retirees as the cost of care continues to rise faster than the rate of inflation. Individuals age 65 and over are eligible for Medicare which covers approximately 80% of qualified medical expenses. It's important for retirees to budget for the remaining 20% of medical expenses which must be paid out of current income and savings, or through purchasing a Medicare supplement insurance plan.

When planning for long-term healthcare needs, it's important to keep in mind that Medicare is not nursing home insurance and does not cover long-term care. Likewise, private medical insurance and Medicare supplement plans do not cover home-based or maintenance care. These costs should figure prominently in your retirement income and spending plans.

LONG-TERM CARE INSURANCE

Long-term care insurance can help manage healthcare costs and reduce the impact of inflation, while ensuring that your healthcare needs, and those of your loved ones, are covered well into the future. The earlier you purchase long-term care insurance, the lower the premiums. Long-term care insurance can help:

- Pay for the care you need when you can no longer care for yourself
- Preserve your independence and dignity
- Allow you to remain in your home while receiving the quality and level of care you require
- Protect your family's financial future and your legacy

PROPERTY & CASUALTY INSURANCE

Property and casualty insurance helps protect against financial losses as a result of damage or theft of property, or being held legally liable for an accident that causes injury or damage to another person or their belongings. It may help you pay for injuries or any legal costs you incur as a result of someone being hurt on your property due to your negligence. This kind of insurance includes auto, boat, homeowners and renters insurance.

YOU HAVE QUESTIONS. WE HAVE ANSWERS.

No matter what age or stage of life you find yourself now, if you have income and expenses, you need a plan in place to manage them. A budget is a great (and necessary) place to start. The next step is to engage in the financial planning process to obtain answers to the questions a budget alone can't anticipate or resolve, including:

- How much should I save for emergencies, retirement and other goals?
- What if I (or my spouse) lose my job?
- What if we get divorced?
- How much will I need for retirement?
- Can I reduce debt while building savings?
- Do I have enough insurance?
- What's the most tax-efficient way to save for college?
- How do I put a price tag on potential healthcare costs in retirement?
- How do I ensure I don't outlive my income?
- Can I afford a vacation home, boat or new car?
- How will remarriage impact my estate planning goals?
- How should I invest money received through a divorce settlement or inheritance?

Our planning process begins with a conversation to get to know you and understand what's most important to you and your family. Your Wealth Advisor will provide you with a list of financial documents, account statements and other information we will need to conduct an in-depth analysis of your existing financial situation and investment portfolio. Our disciplined planning process is designed to help identify any gaps, challenges or vulnerabilities in your current approach, provide unbiased recommendations aligned with your financial and lifestyle goals and help you maintain financial well-being throughout your life.

[1] U.S. Census Bureau, America's Families and Living Arrangements: 2018
[2] PEW Research Center, About one-third of U.S. children are living with an unmarried parent, April 2018.
[3] Business Wire, Money Ruining Marriages in America, February 2018
[4] U.S. Department of Agriculture (USDA), 2015 Expenditures on Children by Families (annual report), January 2017.
[5] U.S. Bureau of Labor Statistics, Measuring the value of education, April 2018
[6] College Board, College Costs: FAQs
[7] Bankrate.com, Most Americans have inadequate savings, but they aren't sweating it, June 2018
[8] Genworth 2018 Cost of Care Survey

MANY PEOPLE LEAVE THEIR FINANCIAL ADVISOR CONFUSED ABOUT WHAT'S HAPPENING WITH THEIR MONEY.

Our advisors are just as good at explaining investments as they are at making them. Our clients fully understand what's happening with their money at every stage of their financial journey.

HOW WE MAKE THE COMPLEX SIMPLE:

- Straightforward Fees
- Effective Game Plan
- Advice in Common Language

Our goal is to make your life easier. We exist to serve as your guide for life's big tradeoff decisions and by working with us, we want you to be confident you made the right decisions.

Wealth Designed.
Life Defined.®

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