

Can You Afford to Pay for College and Retirement?

Prioritizing multiple financial goals, such as saving for a family member's college education expenses and your own retirement can be challenging. According to a Society of Actuaries study, this has led many families to make difficult choices in recent years, such as delaying their retirement plans. Among those surveyed:¹

- 58% say they were retiring later than planned, and
- 41% say they had withdrawn money from their own retirement funds to pay for a relative's tuition, with the risk of a tax penalty for early withdrawals

Many saving for both college and retirement say their college fund beneficiaries have also had to compromise, with nearly half saying their beneficiaries have experienced an impact on their college plans as a result of the savers' dual financial goals:

- 40% say their college fund beneficiaries will have to choose a public in-state college over a private or out-of-state college
- 35% say they will have to choose a two-year community college over a four-year institution
- 12% report that beneficiaries will need to postpone going to college

In addition to college and retirement, respondents cited other savings goals:

- 92% are setting aside money for an emergency fund
- 87% for travel
- 68% for purchasing a home

6 Ways to help manage competing financial goals

There's no question that managing multiple financial priorities such as retirement savings, education funding, and building emergency reserves can seem daunting. The key is knowing where to start and which tools and strategies will help you stay on track toward these important life goals.

1. Document goals and priorities

Begin by documenting your goals and reviewing them on a regular basis with your financial professional. That helps to ensure that the decisions you make now continue to support your long-term objectives.

2. Follow a budget

Unchecked spending is one of the easiest ways to veer off course along the path to pursuing your financial goals. Regardless of your income level, a budget provides a clear and consistent picture of your cash flow—what's coming in versus what's going out. It can help you to optimize savings and spending and identify important opportunities to grow your wealth. Dozens of free online and mobile apps make budgeting easy and accessible.

3. Strengthen emergency reserves

Adequate emergency savings can prevent you from taking on unnecessary debt when faced with an unanticipated expense. Yet, setting aside the recommended six months or more of emergency cash reserves can be hard to accomplish, especially during challenging economic times. If you can only afford to save a small amount now, set incremental targets until you're able to meet your overall objective. Keep emergency savings in a separate account so you're less likely to tap into it for other expenses.

4. Prioritize retirement savings

While children or grandchildren can borrow money to help pay for their education expenses, you can't borrow money to pay for your retirement. Fortunately, employer sponsored retirement plans, such as 401(k) and 403(b) plans, provide an easy and tax-smart way to save for retirement. If your plan offers employer matching contributions, contribute at least enough to benefit from the full match each year. Otherwise, you're leaving free money on the table. Plan to increase your deferral amount on an annual basis and whenever you get a raise until you're contributing the maximum allowed each year. This includes catch-up contributions if you're age 50 or older.

5. Take control of debt

Managing debt is critical for pursuing your long-term financial goals and increasing your credit score. A strong credit score can help you save more by qualifying for lower interest rates on home, auto, and personal loans. Try to pay off credit card debt on time and in full each month. If you can't, make sure you're paying more than the minimum due each month to help pay down the principal. Check your credit reports at least annually and correct any errors in a timely manner.

6. Stick to a long-term strategy

When it comes to your finances and investments, a comprehensive strategy serves as a compass to help you navigate change and remain on track toward your established goals. It helps to ensure decision-making is aligned with your priorities, allows you to easily track progress, and is flexible enough to accommodate any needed changes or adjustments due to changing market and economic conditions, or changes in your personal circumstances.

If you anticipate significant changes in your life or have questions about how your strategy can help you meet a growing number of financial goals, let's talk. Call the office to schedule a time that's convenient for you.

1) "Society of Actuaries Research Finds That Americans Making Significant Trade-Offs Among Those Saving for Both Retirement and College." Prnewswire.com, 12 JUL 2023, <http://www.prnewswire.com/news-releases/society-of-actuaries-research-finds-that-americans-making-significant-trade-offs-among-those-saving-for-both-retirement-and-college-301875372.html>.

This information was written by KRW Creative Concepts, a non-affiliate of the Broker/Dealer.

This communication is designed to provide accurate and authoritative information on the subjects covered. It is not, however, intended to provide specific legal, tax, or other professional advice. For specific professional assistance, the services of an appropriate professional should be sought.



Scott Holstein

seh@prudentwm.com
(800) 458-9330

Prudent Wealth Management, Inc.
Wealth Manager | Financial Advisor

<http://www.prudentwm.com>



Make a phone appointment

Registered Representative offering securities and advisory services through Cetera Advisor Networks LLC, member FINRA/SIPC, a broker/dealer and Registered Investment Advisor. Certain advisory services and financial planning services offered through Vicus Capital, Inc., a federally registered investment advisor. Cetera is under separate ownership from any other named entity.

Confidential: This email and any files transmitted with it are intended and are intended solely for the use of the individual or entity to whom this email is addressed. If you are not one of the named recipient(s) or otherwise have reason to believe that you have received this message in error, please notify the sender and delete this message immediately from your computer. Any other use, retention, dissemination, forward, printing, or copying of this message is strictly prohibited.

This informational email is an advertisement and you may opt out of receiving future emails. To opt out, please click the "Unsubscribe" link below.

This message was sent by
Prudent Wealth Management, Inc.
(800) 458-9330
301 York Road
Ste 200
Warminster, PA 18974

[Unsubscribe](#)