GOOD *to* GROW

Ready to revamp your financial plan? Check out our experts' top tips for managing and growing your wealth in 2014 and beyond.

BY SABRA MORRIS

Many of us revisit our financial plans in January. It's the New Year, after all. But in recent times, we've set to this task with a considerable amount of trepidation. Markets have changed dramatically in the past five years, and we've just recently begun to recover from the financial crisis that reverberated through our portfolios and pocketbooks in 2008.

But there's some good news. With discipline, consistency, vigilance and a heavy dose of patience, it's still possible to reach financial goals, even in the midst of an unsteady economy. So approach your financial plan with less fear this year, armed with these top tips for managing your portfolio today and building wealth for tomorrow.

Managing Wealth Today

Saving and Spending

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Define your means first. Then, live within them.
"You have to live on 60 to 70 percent of your earnings if you want to build any wealth," says Helen Modly, CFP, ChFC, CPWA, executive vice president of Focus Wealth Management in Middleburg.

It's ideal to be able to save 30 to 40 percent of your gross income for retirement savings and investments. Your 'means' are what's left, and should fund everything else in life, from everyday expenses to unexpected costs.

Review your cash flow and make adjustments.
"If there's a raise at the beginning of the year, or at any other time of year, capture that raise before it disappears into increased life expenses," says Daniel Joss, CFP, RLP, MBA chief operating officer of FJY Financial in Reston. Joss suggests diverting those salary increases to savings or investment accounts that can grow over time. "You can advance yourself financially, even in little ways, without having to really feel it," he says.

Grow your emergency stash.
"In the past, we may have recommended three to six months of emergency savings," says Adam Morgan, CFP, CDFA, MBA, wealth manager at United Capital Private Wealth Counseling in Great Falls. "In today's world, it's usually more prudent to keep 6-12 months in a rainy day fund."

Treat savings like savings.
"Five years ago, the idea of putting money in a CD or a money market fund, perhaps even buying a bond or two, seemed like a really reasonable thing to do," says Modly. After all, there was almost no risk involved, and people were likely to see a small return over time. "But now, I think we're about ready to see bonds lose value," she continues. "You get no return out of a money market fund. And to get any yield out of a bond, you have to risk your principal and that doesn't make sense either."

The result? "You have people that don't want to buy any so-called 'safe savings' because there's no return," says Modly. So they end up either investing money that should be in savings or they don't save at all."

Avoid the temptation

to invest your savings elsewhere. Sock away your emergency cash in a plain-vanilla savings account with your bank. "Or, you can go on the Internet and look around for good CD rates, as long as they're FDIC insured. The point is, for that cash reserve, you want absolutely no risk," Modly says.

Smart Investing

Diversify.

Your investment portfolio should be diverse and balanced according to your needs and stage in life. "Make sure that you are broadly diversified across a wide range of asset classes," says Morgan. For most people, a broad-based, low-cost fund, not an a la carte stock selection, is the way to go. "We don't believe that there's any advantage to saying, 'I like Pepsi better than Coke,' says Modly. "You own all of them. Own the market and then what you're trying to capture is that upward slope of the markets over time."

It's also important to think internationally, according to Joss. "We believe an appropriate portfolio would have both stocks and bonds and not just U.S. stocks, but international stocks, emerging market stocks, commodities and managed futures. When clients come to us, they usually have a little bit of international equity and we just want them to have a little bit more. There are hundreds of companies making profits in other countries, and we can benefit from that, too."

Think long term.

"Our firm believes that it's your long-term exposure that's going to dictate your returns, not necessarily the fact that you've been picking and choosing your stocks," says Modly. Don't opt for short-term gain. Allow your funds to weather the ups and downs of the market over a long period (10 years or more, if possible) to take advantage of market growth over time.

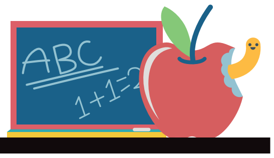
Don't get cold feet.

When financial times get tough, resist the urge to cash in your investments. If your portfolio is adequately balanced, you'll be able to weather the downturn.

"We've heard a lot of so-called experts declare at the height of the financial crisis that diversification doesn't work," says Morgan. "But a 50/50 portfolio over the last 15 years would have done quite well."

"You have to have the confidence to keep it there when it looks really bad," adds Modly. "That's what happened in 2008. Some long-term investors lost their nerve, pulled their money and they've missed out on the bull market we've had since."

Securing Your Children's Future



The Early Years

Don't neglect your own savings.

It will cost parents an estimated $241,080 to raise a child born last year in a middle-income family for 18 years, according to a study published by the U.S. Department of Agriculture earlier this year. And that does not include the cost of college tuition and other college-related expenses. With that kind of added expense, the prospect of continuing to save may seem impossible.

Keep your savings, retirement funds and investments going and look for clever strategies, such as taking advantage of annual bonuses or built-in wage increases, for growing your savings without much lifestyle impact.

Teach your children about money now.

Avoid long-term financial issues by teaching your children how to be responsible with money at an early age. "I think it's important that kids learn to save, but even more importantly, you have to teach kids how to spend," says Modly, who recommends giving children an allowance and helping them manage it.

Choose the right savings plan. (Hint: It may be out-of-state.)

All 50 states and the District of Columbia offer 529 college savings plans. In addition, many private and public universities offer prepaid tuition plans. While prepaid tuition plans allow you to lock in current tuition prices and are guaranteed or backed by the state, they carry residency and school-choice limitations. 529 plans don't lock in current costs, but allow for

LEOSAPIENS/SHUTTERSTOCK.COM (SMART INVESTING ICONS); NOTKOO/SHUTTERSTOCK.COM (EARLY YEARS ICONS); ANDRESR/SHUTTERSTOCK.COM (FAMILY) much more flexibility. "Some states have very expensive [529] plans and some states have very good plans," says Modly, who advises parents to shop around for the best deal. "The actual state tax deduction you get from your contribution shouldn't drive which state's plans you use. You should really be looking at the underlying cost of these investment plans and what the options are."

Don't save for college at the expense of your own retirement.

With historic rise in education costs and no imminent end in sight to the increase, you might think it makes sense to start saving for college before the children are even born. Not so, advises Morgan. "Your children will have options to finance their college education through loans, work/study, etc. Those same options will not be available to parents who have underfunded their retirement accounts in favor of fully funding their children's education."

Enlist the family.

Instead of, or in addition to, giving presents at birth and at birthdays and holidays, consider asking family members to contribute a portion of that cash to your child's education plan. "It's very inexpensive to open an account within a month to a year after birth and start funding it," says Joss. "And then it's very inexpensive to let that grow."

At College Age

Choose a school wisely.

Even if your child earns admission, the most expensive school on her list might not be the best choice. "It's great if you can afford it and your child wants to go to a $60,000/year Ivy League school," says Modly. "But wouldn't you rather send them to a [less expensive] school and then fund their advanced or master's degrees from that school?" Find out what really matters to your child. Does she need the big-name recognition of Ivy League, or would her job prospects improve with an additional degree at a lower cost? Would she have a better experience at a large state school than at a small, private institution? Selecting a school is an intensely personal choice, but one that should have financial concerns factored in.

Get the children involved.

If you can afford tuition, room and board for your undergrad, you're providing your child with a tremendous gift. Consider requiring them to contribute by covering their gas, clothing and lifestyle expenses. "I think it's reasonable that their summer work should go to their lifestyle," says Modly. "I know as a parent of three college graduates, mine did very well by having a little skin in the game."

Consider relocating.

Sure, it's a bold choice. But moving to a different state could have real financial rewards if more in-state schools with lower tuition options are available elsewhere. "One thing that we normally do is encourage Maryland residents to move to Virginia," says Modly. "There are a lot of schools in Virginia that you can go to for $20,000/year and get a respectable degree."

Prepare for a comeback.

"The economy has definitely made it difficult for children to start their own lives," says Morgan. "It's contributing to the so-called 'sandwich generation,' in which you have adults taking care of elderly parents as well as children. It goes back to having an emergency cash reserve in place to deal with the unexpected."

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TECH WORTH TALKING ABOUT

Looking for great tools for managing your money on the go? Here are a few new favorites from Lisa Gerstner, Associate Editor of Kiplinger's Personal Finance magazine.

1. **Mint.com:** View all of your accounts, take advantage of the online budgeting tool, get automatic alerts when bills come due, and more.
2. **LearnVest (learnvest.com):** LearnVest offers financial planning services starting at $19/month, and one-on-one counseling with a Certified Financial Planner (CFP).
3. **Manilla (manilla.com):** View all your bills, store documents and subscriptions and even track rewards programs.
4. **Credit Karma (creditkarma.com)** and **Credit Sesame (creditsesame.com):** View your credit score and monitor your credit to ward off identity theft or other unusual occurrences.

1. **Walla.by (walla.by):** Keeps track of your credit card offers and rules and helps you decide which card to use accordingly for specific purchases.
2. **ATM Hunter by MasterCard (itunes.com):** ATM Hunter tells you where the nearest ATMs are using GPS navigation. Great for avoiding unnecessary fees.
3. **ImpulseSave (impulsesave.com):** ImpulseSave automatically transfers money from your checking account into a savings account according to the savings goals you set.

Retiring in Comfort

Planning Ahead

Maximize your retirement savings plan.

The classic rule of thumb remains in effect: Saving a little for retirement consistently and starting as early as possible earns you more over time than opening a retirement fund with a boat load of cash when you're 45. Once you open an IRA or 401(k), max it out each year, if you can. If you have a 401(k) and are not able to make the maximum allowed contribution each year, be sure to contribute enough to take advantage of your company match, at least. Modly advises partners in dual-income situations, where each partner has a 401(k), to funnel combined contributions into the 401(k) with the better match if maxing out both plans isn't an option. If there's any money left over, aim to fund the second retirement plan until you qualify for the match.

Revisit and rebalance.

Make sure your portfolio is tailored to your needs at each life stage, and that includes balancing riskier investments with safer ones. Although conventional investment wisdom dictates that portfolios should be more risk-heavy earlier in life and include a higher ratio of less risky investments later in life, your unique lifestyle and future plans will determine your actual risk-to-safety ratio at any given time. And remember to reevaluate often. "It's much easier to make small adjustments each year rather than larger and potentially more painful adjustments every five years," says Morgan.

Pre-Retirement

Explore your Social Security scenarios.

"People really need to sit down and run the numbers on Social Security instead of just taking it as soon as they're eligible," says Modly. "There are many different scenarios and claiming strategies that can make a difference long-term." For example, filing too early can result in a smaller payout while deferring benefits for a few years could result in larger payouts. Spouses with different income levels may also benefit from filing several years apart. Apply your current income and lifestyle to the options available before taking any benefits.

Be zip-code flexible.

Cost of living varies drastically from state to state. If you're hoping to maintain your current lifestyle but are facing a drop in income upon retirement, consider moving to an area where daily life costs less. "Some states tax retirement income and some states don't," says Modly. "Some states have a state tax and some states don't. So I think those decisions should be made consciously."

Factor in medical costs.

The financial crisis we're emerging from, coupled with the dawn of the Affordable Care Act contribute to one basic certainty: The future of health care in the U.S. is anything but certain. "We advise clients particularly concerned about the future of health care expenses to view this as an annual expenditure as part of their overall retirement spending plan," says Morgan, who takes age, family history and current health status into account from day one. "We will evaluate their current employer benefits, how much that will contribute and if/when those plans will terminate. We then model out an inflation rate that is higher than normal to account for increasing costs."

Morgan also recommends exploring long-term care insurance. "Odds are that at some point, we are all going to need some form of care in our older years. That care is expensive. A good long-term care policy will create a pool of money and protect a bucket of assets that could be put to productive use in other areas."

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