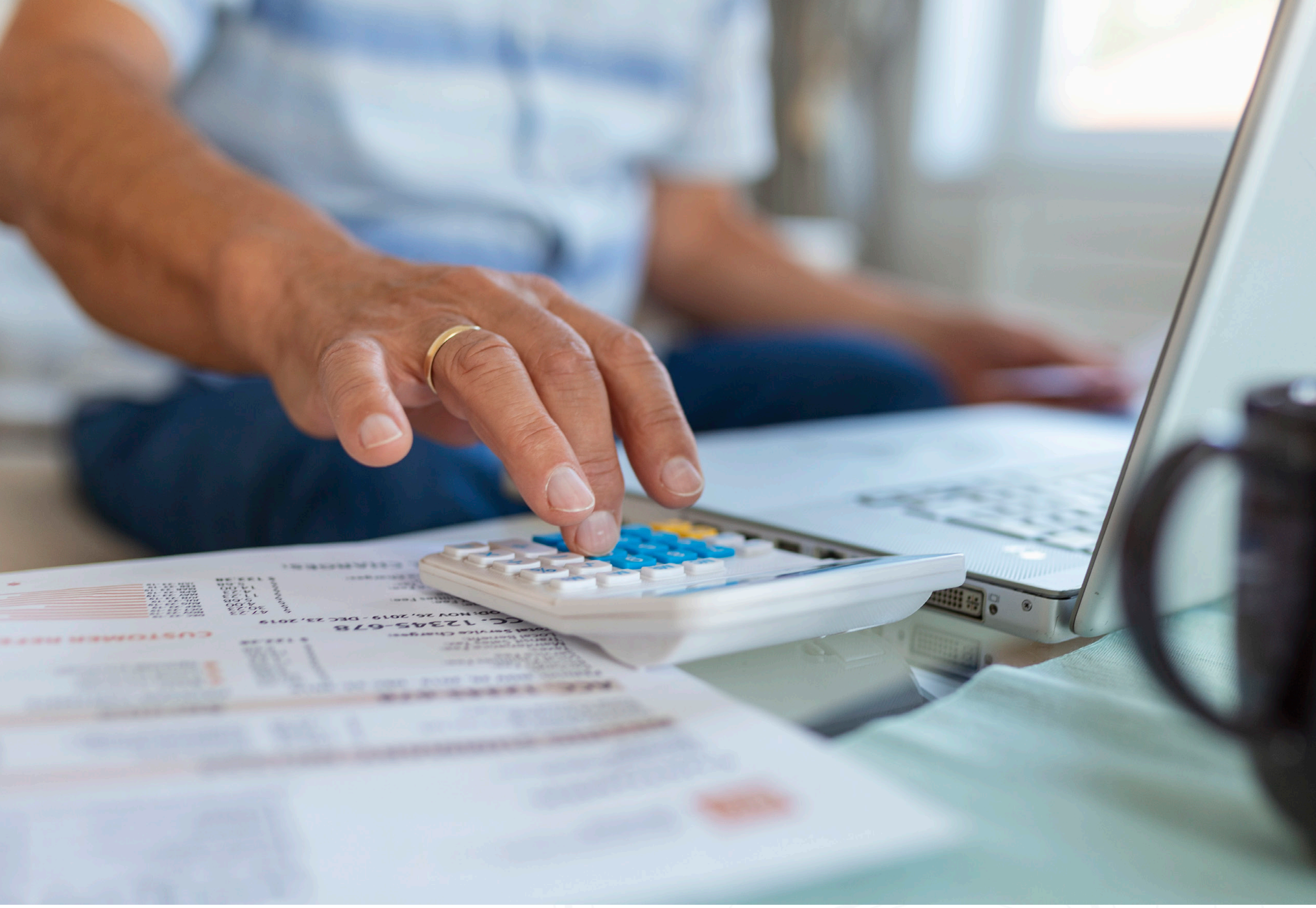
FINGERLAKES
Wealth Management

8 Steps to Feeling More Secure About Your Finances

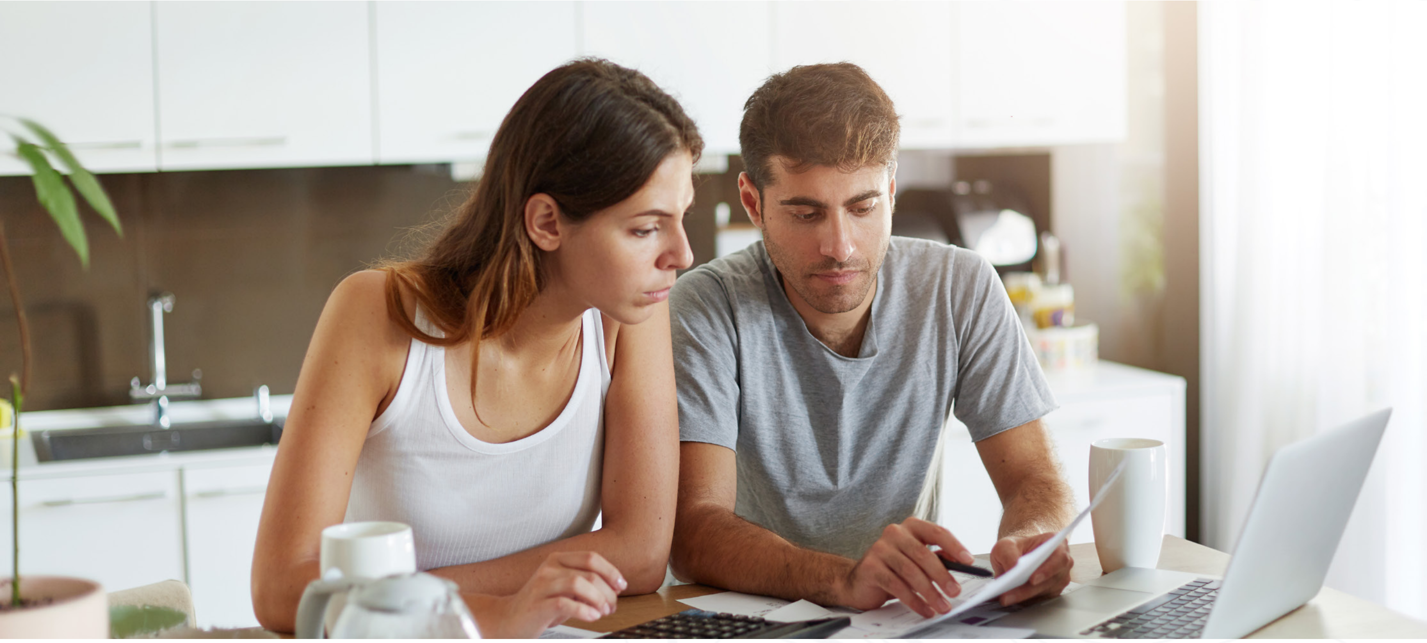


DO YOU FEEL SECURE IN YOUR FINANCES?

Achieving financial security means different things to different people, especially as they work to tackle debt or approach their retirement years. For simplicity's sake, we can think of financial security as having enough assets to handle your living expenses while also having a cushion to manage emergencies and set money aside for retirement without being worried about running out.

And here's the most important thing to keep in mind. No matter where you are in your financial journey, financial security is possible.

Sure, it takes planning and coordination. And the help of a skilled professional can make a huge difference. But here are a few steps you can take to get started on the path to financial security.



1 | GATHER YOUR DOCUMENTS

It's easy for financial records and documents to get tossed in a pile or thrown in a drawer, but having a clear view of your finances can give you a better idea about where you stand—which is why it's important to assess what documents you have and what they mean.

What documents should you keep track of?

→ **Federal Tax Returns:** The IRS recommends keeping these records for three years following your filing date, or two years following the date you paid your taxes; whichever is later.

→ **Proof of Income:** W-2 forms, 1099 forms, and any other records that demonstrate your proof of income. You can keep pay stubs for each year until you receive your W-2 or other tax forms to verify all the information on your tax forms is correct.

→ **Proof for Tax Deductions:** This includes canceled checks, receipts, credit card statements, and anything else that can demonstrate your tax claims and deductions.

→ **End-of-Year Statements:** Retain and collect any end-of-year documentation from financial institutions like banks, investment firms, or other financial services. This also includes savings accounts and IRA statements, if you already have these.

→ **Property Records:** Records for your home as well as any investment properties you own or have sold.

→ **Estate Planning Documents:** If you already have a will or established power of attorney, you'll want to gather this information.

- → **Social Security Cards and Other Important Records:** Your Social Security number is often needed when applying for loans or credit cards and when getting established in a new job. Additionally, collect things like marriage licenses, divorce decrees, adoption papers, and any death certificates, if applicable, as these may all be needed for financial transactions.

- → **Any Loan Documents:** Retain all loan documents and statements until a loan is fully paid off.

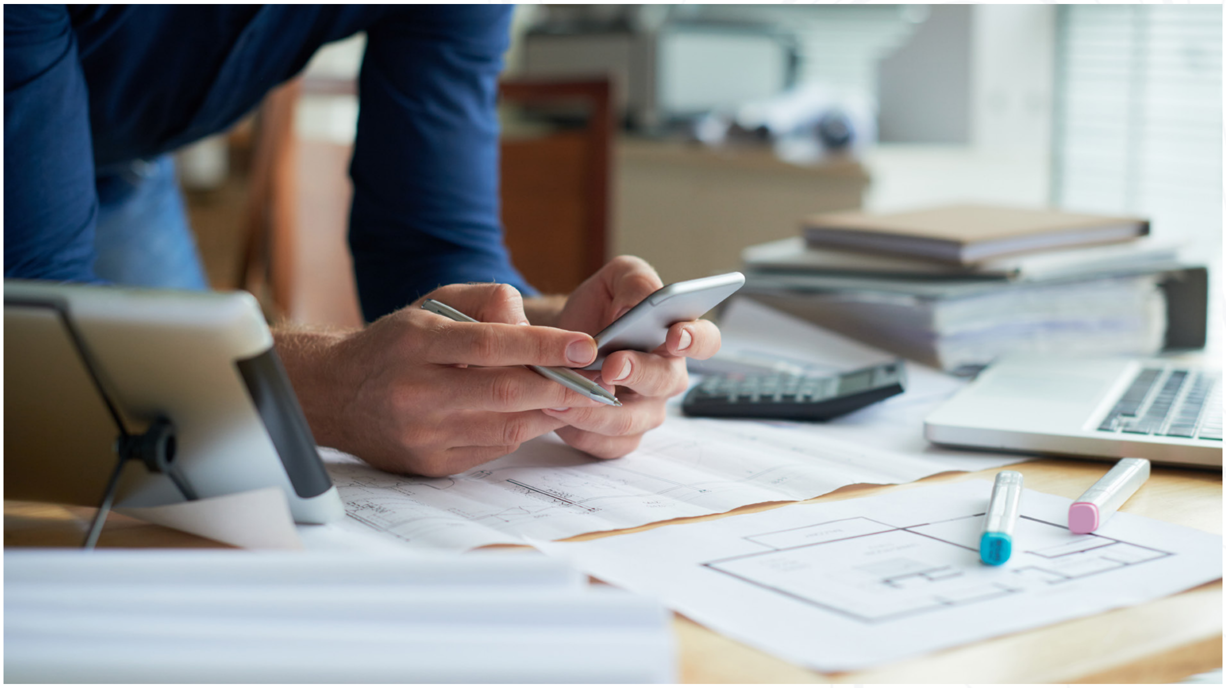
- → **Proof of Property Ownership:** Collect any deeds or proof of paid mortgages, as well as any other property-related documents like tax records and receipts for home purchases and even home improvement projects.

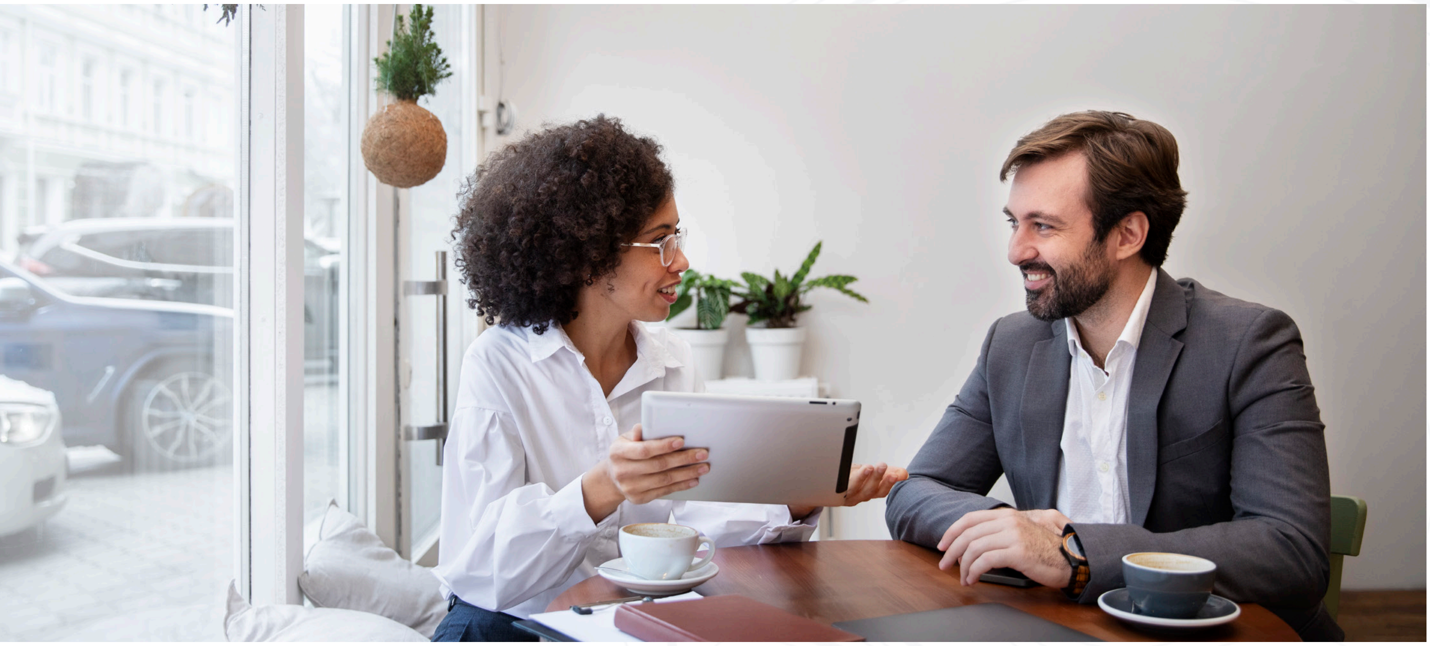
- → **Vehicle Titles:** As long as you are in possession of a vehicle, you should keep the vehicle title.

- → **Insurance Documents:** Collect any insurance policy documentation for things like life insurance, health insurance, homeowner's insurance, Medicare cards, and even things like appraisal documents and receipts for valuable items like rare antiques or fine jewelry.

- → **Any Statements from Financial Accounts:** If you already have an IRA or 401(k) and if you have utility bills, bank or brokerage statements, or credit card statements, collect these documents and retain them as long as you have an open account.

At this point in your financial life, you may have some, all, or just a few of these types of documents depending on your financial situation—and that's okay. But keeping these items all in one place—and having them ready for a financial planner—can help set you down the path toward true financial security.





2 | WORK WITH A PLANNER

There are all kinds of measurable benefits to working with a financial planner or advisor. They can help you do things like establish or diversify an investment portfolio and set up a practical, meaningful retirement plan. But a planner or advisor can also help make the process of finding financial security far less stressful, no matter your current situation.

Whether we care to admit it or not, our finances can carry a lot of emotions. A reliable financial planner will guide you in the right direction and help you steer clear of any rash or emotional decisions. They can also help with things like:

- Tax planning
- Spending plans
- Adjusting for inflation in retirement
- Medical expenses throughout your life

By gathering and sharing all of your documents, a planner will understand your full financial background. Finding financial freedom can be challenging. Investing, planning for retirement, and feeling secure in your financial future takes careful planning. A financial planner is invested in your success. They know you and your family, and they care about your career, your aspirations, and the future you want to create for yourself. And they can be the ones to bring these ideas to life.

Most importantly, a financial planner will give you a comprehensive road map. By breaking down your journey toward financial security into smaller steps, the entire process will be simpler, easier, less stressful, and far more manageable.

3 | UNDERSTAND YOUR CASH FLOW

Are you spending more than you can afford? A key element of achieving financial security is understanding your cash flow.

To avoid spending more than you realize each month, you can create a personal cash flow statement which tracks cash as it flows in and out. This gives you a more complete image of your net cash flow for a specific period.

Your cash inflow is anything that brings in money, and should include things like:

- → Your salary
- → Interest earned from any savings accounts you have
- → Dividends you may earn from your investments
- → Any sort of capital gains earned from selling stocks, bonds, or other financial securities

Occasionally, your cash inflow may also include things like money from the sale of larger assets—like if you sell your car or house, for example.

Your cash outflow involves all of your expenses of all sizes. This includes:

- → Your rent or mortgage payments
- → Utility bills, phone, cable, and internet bills
- → Grocers and other food expenses like dining out
- → Gas and car payments
- → Entertainment costs like books, movie tickets, and sporting events
- → Plus anything else you may spend money on

When you have a better idea of your cash inflows and outflows, you can understand your net cash flow. With a positive cash inflow, you are earning more than you spend, while a negative cash inflow may give you an idea of where you can trim unnecessary expenses or save money.

4 | FIND HIGH YEILD ACCOUNTS

We all aim to save and invest our money, but where you choose to invest your savings can make all the difference. A high-yield savings account, for example, is a lot like a regular savings account, but the major difference is that it offers a far higher return on your money.

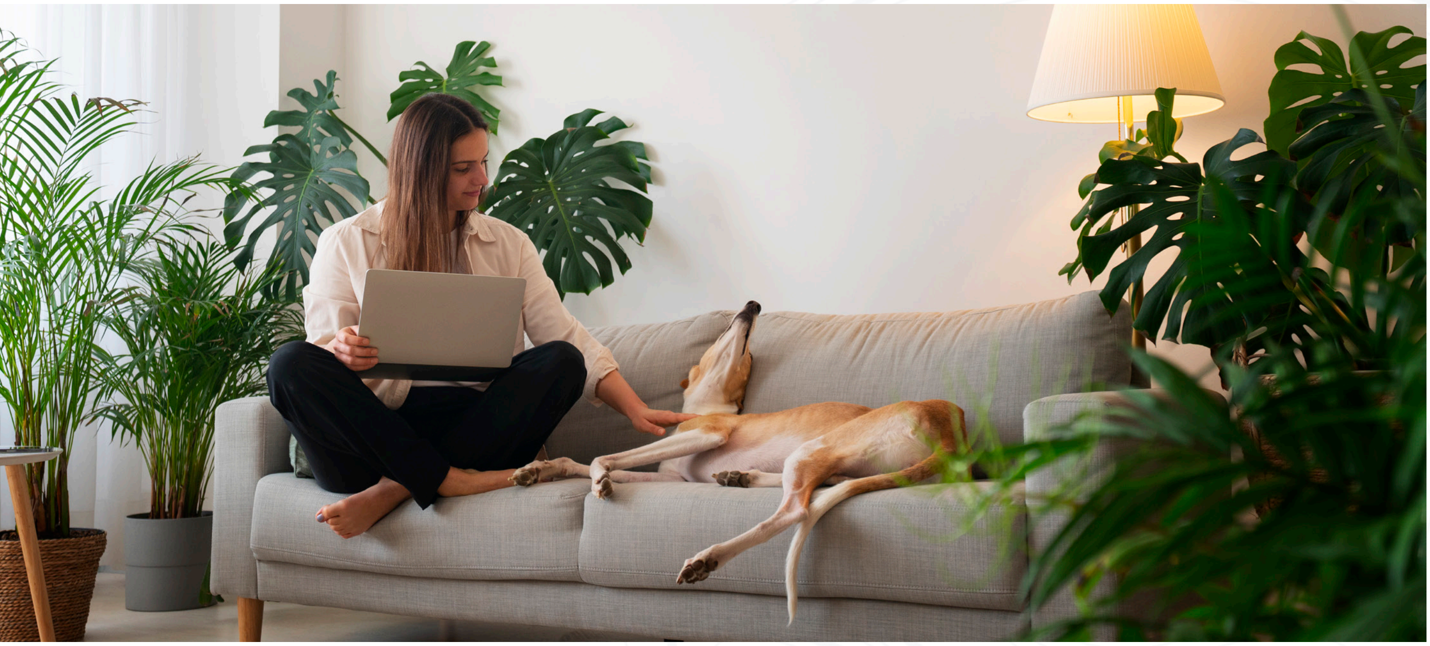
The average yield earnings for a savings account in the US is around 0.23 percent. However, there are high-yield savings accounts that offer far greater rates of return. High-yield savings accounts can pay 4 percent or more, which amounts to almost 20 times the national average.

Having a savings account is a pillar of any secure financial portfolio. It provides you with a cushion when emergencies pop up and helps you accumulate wealth over time. A high-yield savings account can help you build this wealth even faster while still keeping your money safe.

What are some of the benefits of putting money into a high-yield savings account?

- → It can serve as an emergency fund, especially if you make regular payments into this account.
- → It can help you achieve some of your short-term savings goals like saving up for a vacation or car in the next few months.
- → It can serve as a great place to store windfall payments like stimulus checks, annual bonuses, or other gifts so you can grow these savings until you decide how you want to use them.
- → It can help recession-proof your finances to bolster your savings to give you additional security.

And just like any other savings account, a high-yield savings account is protected by the Federal Deposit Insurance Corp (FDIC). This means that you can receive up to $250,000 in protection if your bank can't return the money you've deposited for any reason.



5 | HAVE 3-6 MONTHS OF LIVING EXPENSES

The next step in achieving financial security is building up an emergency fund that can cover your expenses for anywhere from three to six months. This is meant to safeguard you from unforeseen challenges and emergencies both big and small, like:

→ Job loss

→ Unanticipated medical bills

→ Home or car repairs

→ A sick pet

This kind of emergency fund is perfect for worst-case scenario situations. It's meant to help you tackle unexpected problems without wiping out your savings or going into debt. It also means that when you can take on these emergencies without having to rely on credit while building your savings, you can earn interest rather than having to pay interest to a lender.

Understanding your cash flow is a great first step to determining how much you should have in your emergency fund. What do your expenses total each month? You can use this figure to start your calculations, then ask yourself questions like:

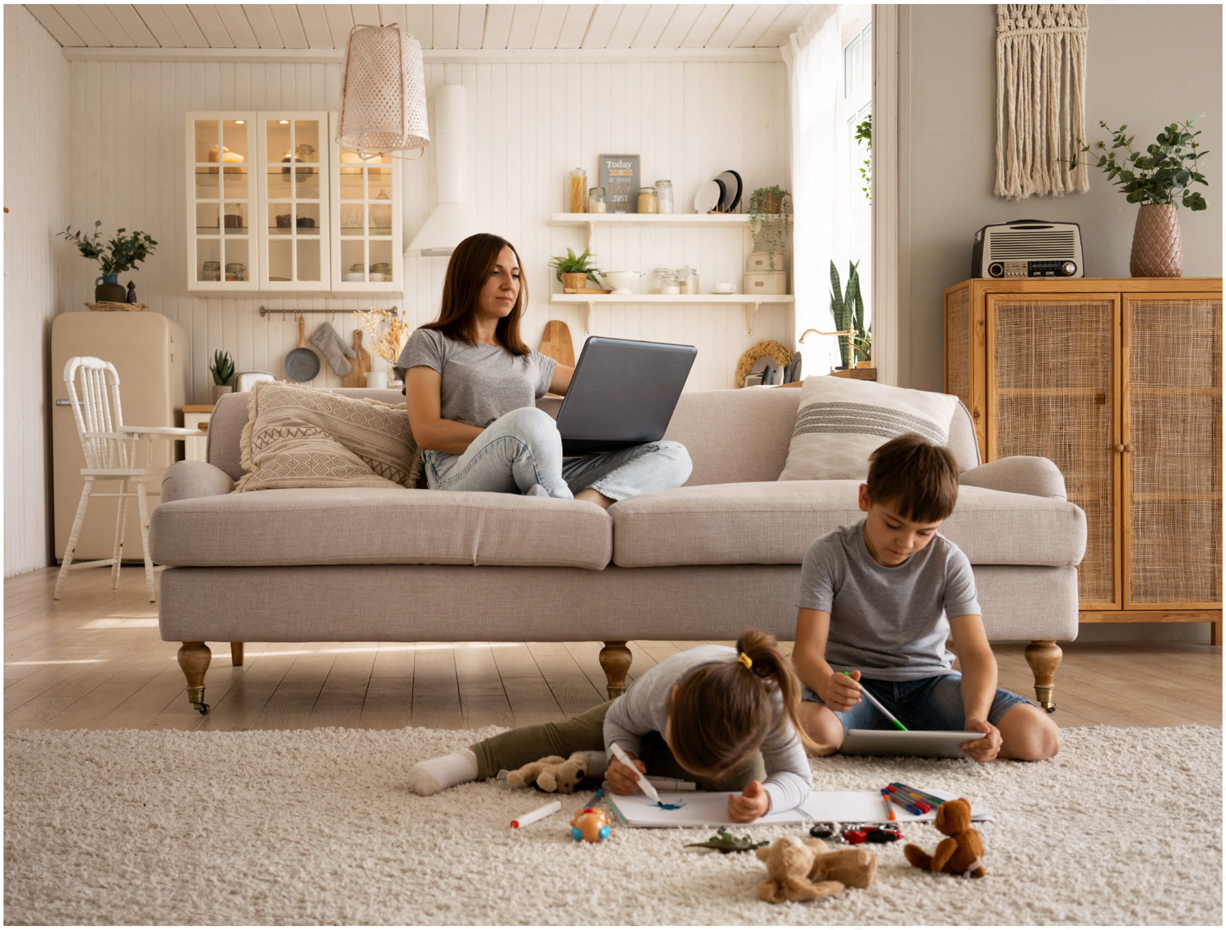
→ Do you have job stability?

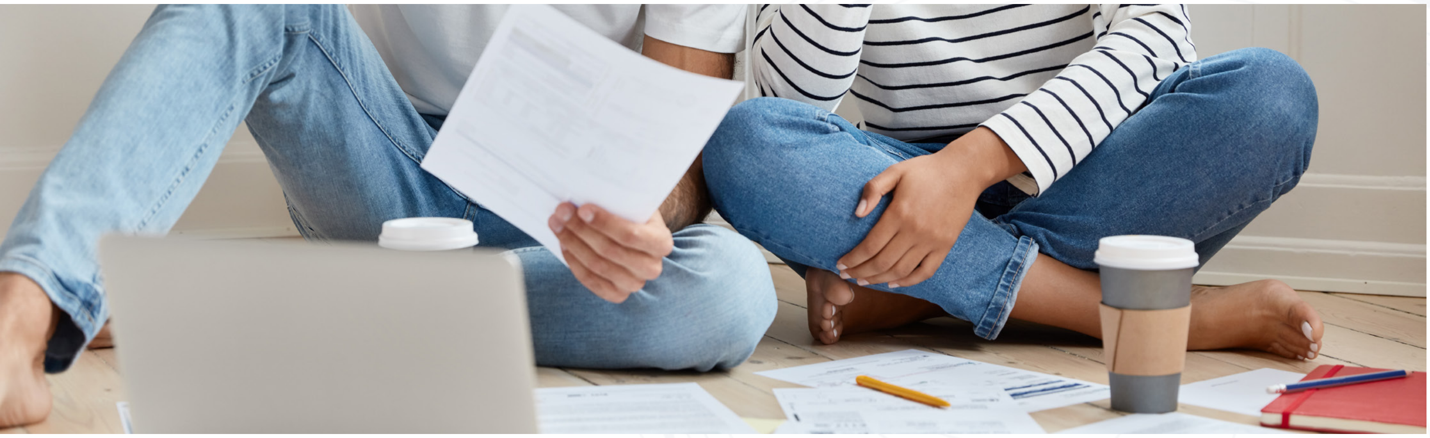
→ Do you live in a high-cost or low-cost area?

- Do you have children, a stay-at-home partner, pets, or other dependents?
- Do you have debt you need to pay off?
- Do you or anyone in your family have a medical condition or other health concerns?
- Do you have a high-earning job, or do you work in a niche field?
- Do you think you may want to retire in a few years?

What if you have debt? Many Americans are working to pay off bills, student loans, car loans, and other payments. But that doesn't mean you should bypass the security of an emergency fund. Some experts recommend that those with debt should still have a "starter" emergency fund of around $1,000 to manage emergencies. Then, after you pay off the debt, those payments can be directed toward an emergency fund.

If paying off debt is likely to take several years rather than just a few months, don't wait to save for your emergency fund. It's always better to be prepared—even if you're just putting a little bit into this account each month.





6 | PAY DOWN DEBT

One of the biggest things you can do to find a sense of financial security is to tackle any debt you may have. There are many strategies and avenues you can take to pay off any debt you may have, and with so many options on the table, it may seem overwhelming at first to know which route is the best fit for you and your financial situation. Your financial planner can advise you on the best strategy to take to fit your goals, lifestyle, and cash flow, as well as your overall debt balance.

The right way to pay off your debt depends largely on how much you owe in comparison to your income. This debt-to-income ratio will not only give you a starting point for paying down your debt, but can also provide a realistic idea about whether you can adopt a DIY strategy or if you might want to think about other debt-relief options.

Strategies for paying down debt include:

→ **Debt Snowball:** Paying your smallest balances first, clearing these smaller debts then adding the amount you had been paying on these debts to larger minimum payments, growing the payments on your larger debts like a snowball growing as it rolls down a hill.

→ **Debt Avalanche:** Paying down the debts with the highest interest rates first and paying minimums on all other debts, saving you money by taking care of the most expensive debts first.

→ **Debt Consolidation:** This method combines all high-interest debt (like credit card debt) into a single balance, packaging it all into one neat, monthly payment. Debt consolidation often requires things like a debt consolidation loan and a good credit score (usually 690 or higher). Through this approach, you may be able to do things like:

  → Secure a lower interest rate.

  → Make monthly payments simpler and easier to manage.

  → Shorten the length of time it takes to pay off your total debt.

7 | MAXIMIZE TAX-DEFERRED CONTRIBUTIONS

For some, tax season can be a stressful time, often because they are worried about what they might owe to the government. Lowering income tax bills is another key way to maintain financial security. With some careful planning, your retirement savings contributions can help lower your taxable income, and therefore lessen your overall tax burden every April.

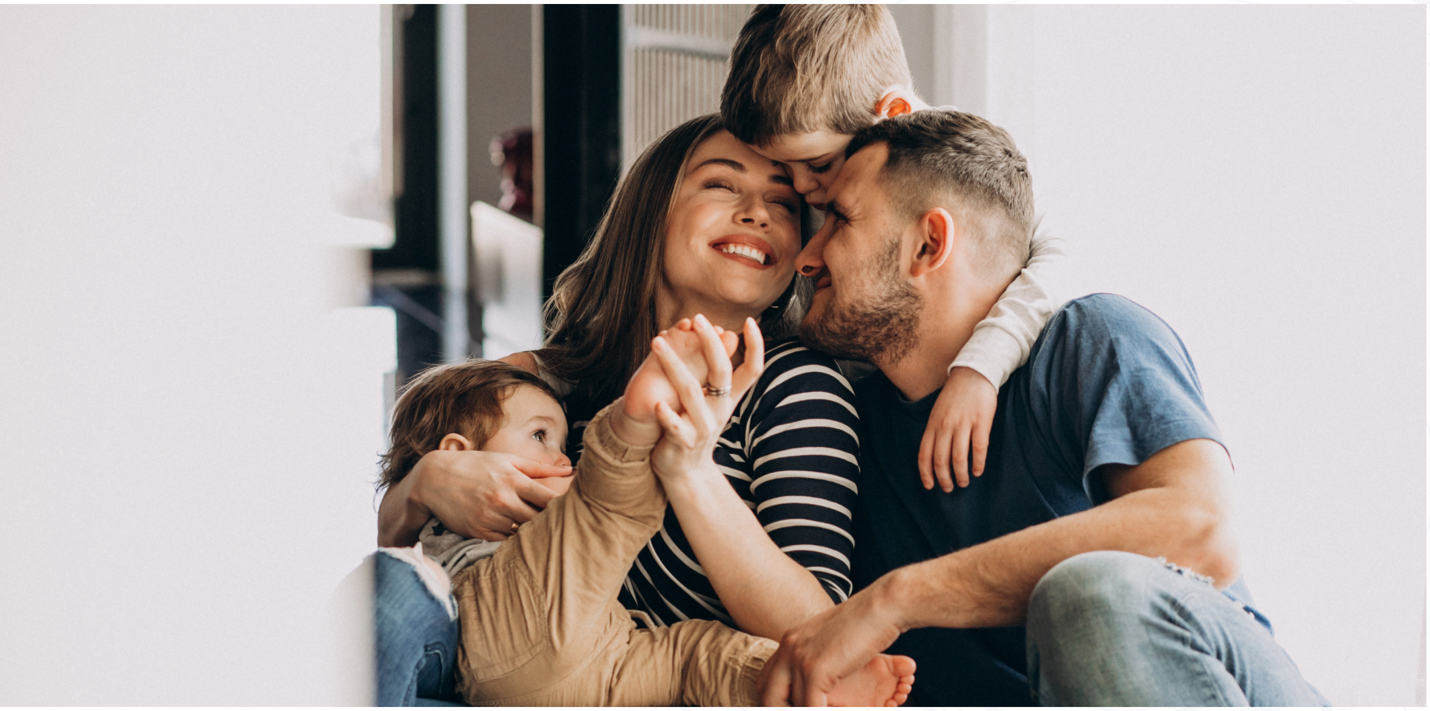
Contribute To Your Retirement Plan

If your employer offers a 401(k) or a 403(b) retirement savings plan, any contributions you add to these accounts are made pretax. They reduce the total income that the IRS taxes for the total year. In many instances, you can have this money automatically taken out of each paycheck so you don't even have to think about making these contributions.

Set Up an IRA

IRAs (Individual Retirement Accounts) are another way to lower your total taxable income. Depending on your annual income, you might be able to deduct your IRA contributions from your tax return—even as late as your April filing date the next year—and this money, like your 401(k) or 403(b) contributions will add to your tax deferred. This means you won't pay income tax on this money until you take it out of your account, most commonly at retirement.

For both your employer's retirement plan and your IRA, a financial planner can provide guidance on how to best plan for your later years while also managing your income tax bills and keeping them at a more comfortable level.



8 | INVEST IN LIFE INSURANCE AND GET AFFAIRS IN ORDER

Nobody wants to think about managing extended illnesses, becoming disabled, or planning for end-of-life care. But making these considerations for the future may end up having a major impact during an emergency or at the end of life.

Taking steps to prepare for these situations, getting your affairs in order, and centralizing all of your important documents can provide peace of mind, see to it that your wishes are honored, and make things simpler and easier for your loved ones.

What sort of considerations should factor into this planning?

- → **Estate Planning:** This is a plan for all of your assets and finances regarding how everything should be handled. These documents include:
  - → A will, which details how your property, finances, and any other assets are managed and distributed after death, as well as care for minor children and adult dependents. It may also include directions for end-of-life care and funeral arrangements.
  - → Power of attorney, which names someone responsible for your financial decisions after death or if you are unable to make decisions.
  - → A living trust establishes a trustee and explains how they should hold and distribute property and funds after death or when you are not able to do so.

- **Future Health Care Plans and Advanced Care Planning:** Many opt to come up with legal documents with clear instructions about medical care in the event they are not able to make these decisions for themselves.
    - A living will explains how a person wishes to receive medical treatment if they cannot speak for themselves in an emergency.
    - Power of attorney for health care, which names a person who can make health care decisions for you if you cannot do so for yourself; someone who can advocate for your wishes and values.

Additionally, a big part of finding financial security is setting up life insurance, and safeguarding continued financial security for your loved ones. The **median cost for a funeral in 2023 is $7,848**, and life insurance not only assures your family isn't left with a steep bill, but also protects their financial interests.

Why should you invest in life insurance as an integral part of your plan to find financial security?

Life insurance protects your partner and children from steep financial losses if something happens to you. They can use these funds to do things like:

- Pay off any remaining debts
- Manage living expenses and replace income
- Pay medical expenses
- Handle final expenses
- Provide guaranteed protection

Life insurance is generally not taxed and is paid in a lump sum, which means your loved ones can use this to make mortgage payments, pay for childcare or healthcare, or cover tuition and education expenses for your children.

In short, it's a smart investment toward continued financial security for those who mean the most to you.

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FINDING FINANCIAL SECURITY: FINGERLAKES WEALTH MANAGEMENT MAKES IT POSSIBLE

At Fingerlakes Wealth Management, we believe in investing in your goals and values—and that means helping you reach your financial goals so you can get back to what matters most to you. Like you, we know that assets, savings plans, and investment portfolios are more than just finances; they're a ticket to where you want to go in life and how you want to provide for your nearest and dearest.

Wherever you are on your journey to financial freedom, let's connect. We're here to help you make the most of your finances and unlock the next, best chapter of your life. **Contact us today to get started**.