INVESTOR'S EDGES

Readers have questions, we have answers

Some advice on financial planning topics beyond investments.

"Simplify, simplify!" — *Henry David Thoreau*

Jim Burns CFA *Guest columnist*

It's hard to complain about the performance of the stock market so far in 2024. The S&P 500 Index finished the first quarter up over 10% and the Dow Jones Industrial Average up about 6%. Perhaps, most importantly, we have seen a broadening out of market returns in various sectors beyond just the "Magnificent Seven" mega-cap technology stocks.

So, while the road ahead might get bumpier, I believe 2024 is shaping up to be another good year for equities.

Stay invested.

This month, however, I want to shift gears and answer some questions that I have received from readers on financial planning topics that go beyond just investing. When it comes to money, I have always urged Investors' Edge readers to be "brilliant at the basics," as legendary football coach Vince Lombardi would say. These basics include reducing or eliminating debt, protecting family wealth, saving and investing, and risk management.

So let's go.

My mother is starting to get forgetful and may soon need assisted living. What kind of steps should we be taking now to protect her and her finances?

An attorney is best equipped to comprehensively advise here. However, broadly, there are several things you can do to protect your mother and her savings.

First, you should get a durable power of attorney so you have the legal right to make financial decisions and transactions for your mom. Once established, take inventory of your mothers' assets, any remaining debt, and ongoing expenses. Consult with her financial advisor on probable upcoming changes to her living situation and needed expenses.

Similarly, you should get a living will or health care proxy so you can oversee her needed future care and make decisions in the event she is unable to.

Locate and review your mom's estate plan. Is her will updated? Are her beneficiaries on pertinent accounts properly assigned? Does she have a trust set up or need to have one established?

Finally, if your mom still lives alone make sure you take steps to prevent her from being vulnerable to financial fraud and scams. Add your mom's phone number to the National Do Not Call Registry, monitor her credit report monthly, and set up automatic payments for essential bills.

These steps take some effort but will provide you and any siblings reassurance.

I am fortunate enough to have some leftover money in my child's 529 plan. What are my options?

That's great — and you have several options. One is to simply change the beneficiary of the 529 plan funds to another qualifying family member which can be done without tax consequences. If you have a younger child or expect future grandchildren, this is a great way to use leftover 529 funds.

It is important to note that there is no time limit on when you have to spend 529 funds. So, you may simply want to keep the funds as is for now in case your child ever decides to pursue a graduate or professional program.

529 plan funds can also be used to pay down up to $10,000 in student loans, and effective this year, funds can be rolled over into a Roth IRA, up to a lifetime limit of $35,000 for qualifying individuals. Look into this.

My wife and I just had our second child. We are in our early 30s and only I work. Do we need life insurance?

Definitely.

Your spouse and two children rely on your income. If something were to happen to you, life insurance can help financially protect their basic needs. Temporary or "Term" life insurance is probably the appropriate coverage option for families in your circumstance. It is relatively inexpensive and easy to put into place.

The general rule of thumb is to have about 10 times your household income worth of coverage. So, if your income is $100,000, you should have $1 million in life insurance.

Get it now.

Tax season was good to me — I received a refund of $5,000. What do I do with it?

Nice. In my view, that $5,000 should first go towards any high interest debt, namely credit cards, car loans, and in some cases student loans.

If that box is checked, you have more flexibility. You can put some towards home improvements, contribute to your Roth IRA, or beef up your emergency fund. Resist the urge to splurge on material purchases. Remember, this is not a bonus or a lottery you just won, this is simply a return of your money you gave the IRS as an interest free loan.

Use it wisely, my friends.

In my 37 years in the money management field, I have observed that most financially successful families were "brilliant at the basics" of personal finance. While the rules and laws will undoubtedly change, you can stay ahead of the pack by staying focused and reading my column.

Happy Spring!

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com