

What the Less-Involved Spouse Needs to Know About the Financial Plan

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The John C. Bogle

Center for Financial Literacy

Why Have This Talk?

1. This job might land in your lap.
 - (Death, disability, divorce.)
2. Oversight is important!



Why Have This Talk?

1. 50% of the portfolio in a single stock.
2. His partner is unaware.



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Why Have This Talk?

Bogleheads *love* to talk about investing.

Bogleheads need to be reminded that investing is just one part of financial planning.



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Critical Financial Planning Topics

1. Cash flow
2. Risk management (insurance)
3. Investing
4. Retirement planning
5. Estate and charitable planning
6. Education planning
7. Tax planning



Cash Flow Planning

Spending:

- How much do we spend each month?
- How much do we spend each year?
 - It varies from month to month!
- What are we spending *on*?
 - Does that align with our values?
- Have we examined our subscription costs lately?



Cash Flow Planning

- Accumulators: How much are we saving each month?
 - Does that put us on track for our goals?
- Retirees: is the amount we're spending per year sustainable?



Cash Flow Planning

Do we have a sufficient emergency fund?

- 3-6 months expenses often recommended
- It depends on how risky your job is.
- Emergency fund not strictly necessary once portfolio is large enough.



Insurance Planning

- What types of insurance do we have?
- Through which companies?
- Where can I find details?



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Insurance Planning

If we're dependent on earned income, do we have sufficient disability insurance?

Many people have coverage through work, but don't realize that it's only short-term coverage (e.g., paying for 3-6 months).

Definition of disability

- Own occupation
- Any occupation



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Insurance Planning

- Do we have sufficient life insurance?
- Often have coverage through employer. That's usually not enough.
- If one partner has limited/no earned income, life insurance on that person can still be important.



Insurance Planning

- Have we recently checked the coverage limits on our homeowners/renters and auto policies?
- Do we have an umbrella policy?



Insurance Planning

- Near open enrollment season: would a different health insurance plan be a better fit?
- High expected health care costs -> consider plan with higher premium and lower deductible



Investment Planning

- Is our portfolio reasonably diversified?
 - If we own individual stocks, what percent of portfolio is in the largest?
- Is the basic allocation (stocks vs. fixed-income) reasonable for our risk tolerance?
- Are we using funds with low expense ratios?
- Could our portfolio be simplified?



Retirement Planning

- Do we have a plan for when we intend to retire?
- If nearing age 62, do we have a plan for when to claim Social Security?
- Do we know what we plan to retire *to*?



Estate/Charitable Planning

- Have we checked the beneficiaries on our accounts and insurance policies recently?
- Do we have our critical estate planning documents prepared?
 - Will
 - Durable power of attorney for finances
 - Healthcare power of attorney



Estate/Charitable Planning

- When was the last time those documents were updated?
- Where can I find them?



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Estate/Charitable Planning

- Would there be a more tax-efficient way to donate?
 - Deduction bunching
 - Donating appreciated shares (with holding period longer than one year)
 - Qualified charitable distributions (QCDs) from traditional IRA



Education Planning

- Ballpark of costs
 - Have we considered different options?
(Private school, state school, community college for first couple of years)
- When is the next “college night” or “financial aid night” at our child’s school?
- Are we funding a 529 plan?



Education Planning

- Does our child's high school offer Advanced Placement courses?
- Have we researched potential scholarships, including from sources other than the university?
- Would our child study for the PSAT? A study guide might help them qualify for National Merit scholarships.



Tax Planning

- Accumulators: are we maxing out our retirement accounts?
 - Have we looked at the Roth-vs-tax-deferred question lately?
- Retirees: do we have a plan for tax-efficient drawdown of our accounts?



Tax Planning

- Is our portfolio tax-efficient?
 - Assets with highest expected returns should go in Roth.
 - In taxable account, avoid high-yield bonds, high-turnover funds, and REITs.
- Would Roth conversions be useful now or in the near future?



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