7 STEPS TO FINANCIAL INDEPENDENCE FOR **MID-CAREER PROFESSIONALS**

HUB

INTRODUCTION

For many people, mid-career is the first time you think about hiring someone to help you sort out your money. You look at your income and bills and realize there's a lot leftover even after saving into your 401(k). It occurs to you that the cost of messing this up could be on the expensive side.

- Are you saving enough?
- Are you investing correctly?
- Have you thought about risk?
- How about estate planning?

Assuming you're covering the bases, how about the big questions:

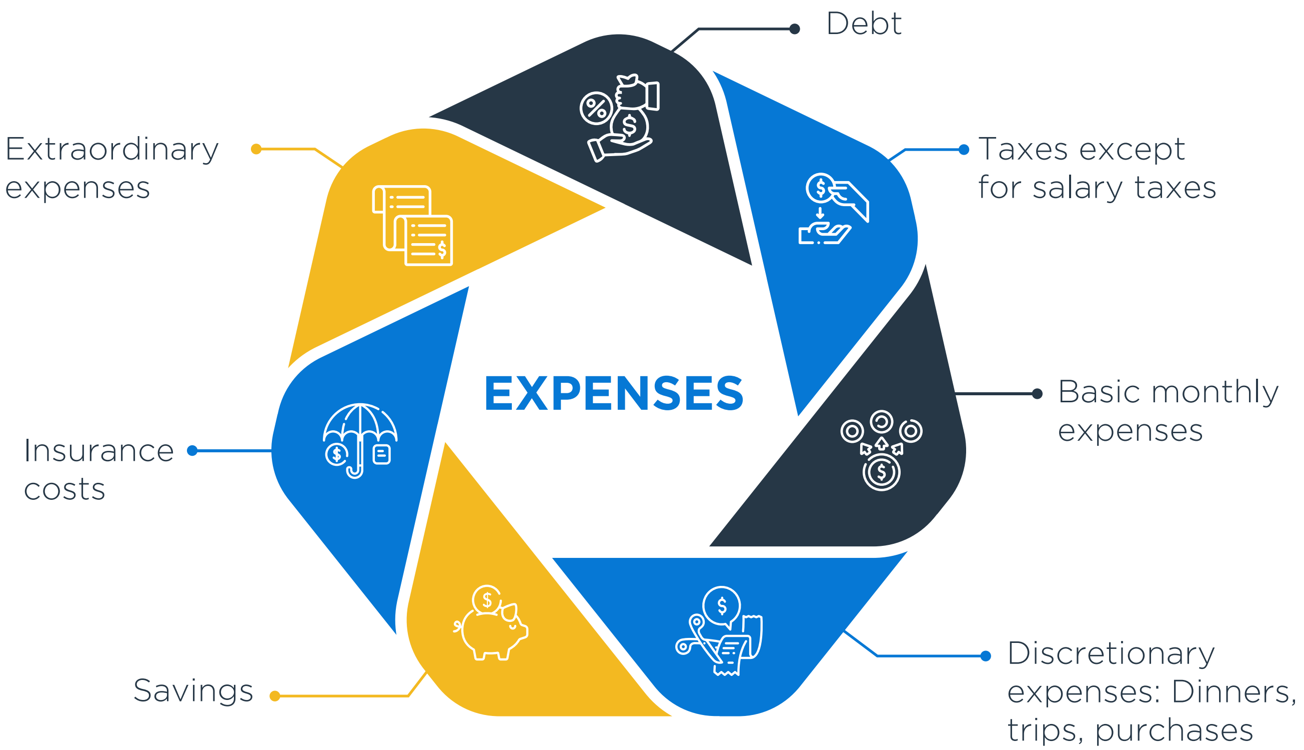
- Is this all there is, or can you create options?
- Can you figure out a way to start your own business or take time off?
- Does your investment plan reflect your values?

We've created a short guide to get you thinking about tactical steps you can take to create flexibility in your financial plan.

01
CASH FLOW PLANNING

Cash flow planning looks at the short-term and the long-term. It is a tool to help you make decisions that will help you achieve future goals. While budgeting is part of cash flow planning, the goals of each are very different. Budgeting is about making choices to keep spending in check, with almost a scarcity mindset. It is about current expenses and works best over a short-term time horizon. Cash flow planning is about creating abundance.

The process helps you identify future income and expenses and plan for big-ticket items. The result becomes part of your financial plan and dictates changes. Understanding and detailing your flows keeps your investments tracking. It ensures you are realistic about return opportunities and gets you thinking big picture, including minimizing taxes and protecting your assets.



01
CASH FLOW PLANNING

DEPLOYING PLANNING STRATEGIES

The planning part links your cash flow to your future expenses, to help you achieve your goals. The process uses the outcome of your cash flow planning to create a road map to get to each goal. Different strategies are devised for each to guide better outcomes. When done correctly it can uncover gaps in your financial plan.

EARLY-STAGE GOALS AND STRATEGIES

GOAL 01
Pay off Student loan debt

STRATEGY 01
Refinance debt or pay more than minimums

GOAL 02
Put more money to work in investments

STRATEGY 02
Minimize taxes through tax advantage savings vehicles

01
CASH FLOW PLANNING

LATER-STAGE GOALS AND STRATEGIES

GOAL 01

Retire early, take a sabbatical or create “work optional”

STRATEGY 01

Ensure you are taking enough risk with investments

GOAL 02

Create more income and cushion against market shocks

STRATEGY 02

Diversify by investing in more tax-efficient assets, such as real estate

02
TAX-DEFERRED INVESTMENTS

Are you contributing the maximum to your 401(k) or IRA? For 2024, you can contribute $23,000 or $7,000, respectively. This lowers your taxable income, so you save on taxes while building wealth. Spreading out those contributions throughout the year can help limit the impact of market volatility[1].

03
EDUCATION SAVINGS

If you have kids under 10, saving into a 529 plan is like hiding a treasure for future you to find. The magic of compounding means that the money you put away now will grow and reduce those college costs. The advantage of tax-free growth adds considerably to the benefit. Depending on what state you live in, you may also have state-tax benefits. If you've gotten a late start, you can still catch up. There's a five-year election that allows you to invest up to $90,000 in one year and still be under the gift-tax exclusion[2].

04
AFTER-TAX INVESTING

A taxable brokerage account for investing additional funds can help you diversify your overall investments and provide access to alternatives or other assets not available in your 401(k). This will potentially subject you to capital gains taxes on your investments, but you will also be able to use tax-loss harvesting techniques to lower your overall tax bill[3].

05
THINKING ABOUT RISK

At this stage of your career, you've probably created significant assets. And with assets comes liability.

Have you thought through your insurance?

Is it time for an umbrella policy?

Is your life insurance keeping up with your income?

Have you acquired anything that needs a rider on your homeowner's insurance?

06
ESTATE PLANNING

If you have minor children, you need an estate plan. You'll need to identify a guardian for your children if something should happen to you and your spouse, and you'll most likely need a trust that specifies when and how children should be given an inheritance.

07
EQUITY COMPENSATION

The further along you get in your career, the more opportunities you have to be compensated in potentially lucrative and tax-efficient ways. From deferred compensation to the various ways to purchase or be awarded company stock, you'll need to understand the restrictions, the benefits, and the tax consequences. You'll also need to think through your portfolio concentration and the risk of having both your income and investments tied to your employer.

SOME QUESTIONS:

01

Should you take advantage of an Employee Stock Purchase Plan?

02

Do you have Restricted Stock Units?

03

Do you have options that are vesting?

04

Can you use the 83(b) election?

Equity compensation can be a great way to build retirement savings and create tax advantaged sources of income. But it gets complicated quickly, and you need to manage vesting schedules, make selling decisions, think about diversification opportunities, and be sure you can pay the taxes.

FIND AN ADVISOR AT

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Sources

1. https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits
2. https://www.irs.gov/taxtopics/tc313
3. https://www.kevinbrownfinancialadvisor.com/blog/time-to-get-serious

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