GLENMEDE top five

Planning Ideas For the Ages: Your 40s

In your 40s, you should continue saving and planning for retirement, especially as you hit your peak earning years, as well as:

1. Revisit (or establish!) your estate plan.

It's likely that a lot has changed since the first iteration of your Will was drafted—and if this is the first iteration of your Will, well, better late than never…Not only do your family and financial circumstances differ from years ago, but your state of residence and state of mind, many as well. Moreover, recent changes in the tax laws, both Federal and State, provide sufficient reason to review the documents you have or create those you don't.

2. Consider wealth transfer techniques early.

Many of the best tax-saving wealth transfer techniques rely on leveraging the benefit of incremental transfers over time. Your 40s might be the perfect moment to begin to engage in some of these techniques, especially if you're doing well financially. Whether it's making annual exclusion gifts or adding to a child's §529 Savings Plan, the sooner you start, the better your end result.

3. Take stock of your stuff.

It's been a long time since you slept on a futon and considered milk crates a suitable storage system, and more than a few years since you stopped purchasing furniture requiring assembly pursuant to illustrated instructions. If you've begun to amass some nice things in addition to your liquid assets, you should ensure that your P&C policy is up to snuff and your homeowner's coverage is commensurate with the value of your home and belongings.

4. Review your life insurance.

With parents that are getting older (not that you'd ever mention that to them it may have crossed your mind that you, too, are mortal. If you haven't factored the costs of college and wealth replacement at your current income level into the calculations of your life insurance death benefit, then it's time for a re-do. You may even want to add a long term care rider to your life insurance policy, especially if you're exiting your 40s, while your health is great and rates are low.

5. Run some cash flow projections.

By now you have a good idea of what it costs to be you. You've developed saving (and spending habits and a fair number of your expenses—student loans, mortgage, car payments are predictable. Why not have your financial planner run a sufficiency analysis to see if, at your current rate of saving and spending, you'll be prepared for retirement in 20 or 30 years? It can be an eye opening exercise to see the power of compounding, or the bite inflation takes out of your purchasing power. Worst case scenario, you'll be incented to redouble your efforts, and make the most of your long time horizon.

If you have further questions, don't hesitate to contact your Relationship Team or email us at Top5@glenmede.com.