RESET YOUR FINANCES

ADJUST YOUR SPENDING, SAVING AND PLANNING TO THRIVE IN TODAY’S ECONOMY

Based on reporting by Lynn Asinof, Daniel Bortz, Kimberly Lankford and Robert Powell

Photography by Greg Reid
If ever there was a time in recent history to stop and assess the state of your finances, this is it.

For many older Americans, as well as for their families, friends and neighbors, the pandemic-related shocks to the financial system this year have been sudden and immense. In one month, the unemployment rate for people 55 and older quadrupled, hitting a rate nearly double that of the Great Recession. The jump in mortgage delinquencies was the steepest since those numbers were first tracked. The drop in consumer spending was the sharpest in modern times, too, as Americans shut their wallets—either as a precautionary measure or because they had no choice.

Whether or not this financial tsunami has hit you personally, now is an excellent time to study and fine-tune the various elements of your personal and household finances. After nine months of coronavirus-related adjustments, is your emerging “money normal” acceptable? Or would you be better off taking new action to strengthen your financial security? Maybe the sharp reversal in the economy—or in your own fortunes—has you doubting the assumptions you’ve made about your financial future. All of this is worth revisiting.

To get you started on a reset, we’ve divided your financial life into four key areas: cash flow, housing, retirement and priorities. Ask yourself the questions we’ve posed in each of those sections. Then, based on your answers, you’ll find the help you need to shore up your finances in these unsteady times.
“How do I know I’m in financial trouble?”

Sometimes it’s hard to face up to the precarious state of one’s finances. Here are five signs that it’s time to seek help and take action. Answering yes to any suggests you need to make changes.

► You’ve started using one credit card to pay off another card or are making only the minimum monthly payments.
► Your rainy day fund is shrinking and your savings account balance is dropping.
► You’ve started getting collection notices and past-due bills.
► You’re putting off needed home maintenance, health care appointments or car repairs.
► You dread getting the mail, and you’re refusing to pick up calls you suspect are from creditors.
“If I want to cut spending, where do I start?”

The 10-Minute Approach:
Pull out your banking and credit card statements from April, advises Anthea Perkinson, a financial planner in Pelham, New York. That’s the month when the lockdown hit much of the country and people stopped traveling, eating out and socializing. (If the lockdown didn’t hit your area until later, use May or June statements instead.) Then compare that month’s spending to August, when things started to open up. “Look at the difference,” Perkinson says. “All that extra stuff in the August statements—you can probably live without it.”

In addition, look at your recurring charges. Shut down the memberships, subscriptions and services you aren’t using now but haven’t yet canceled. Maybe you don’t want to re-up at the gym, she says. Given the bare-bones pandemic sports schedule, perhaps you don’t need that premium cable sports channel anymore. And if you aren’t going anywhere, maybe you can negotiate a discount on your car insurance.

Think hard about all those pandemic services you started using—ordering takeout instead of cooking, for example, or using grocery delivery—and opt for cheaper alternatives.
The Long-Run Solution:
“You can’t cut back on what you don’t know you are spending,” says Velma Kyser, program manager at the Financial Empowerment Center in Lansing, Michigan. That’s why a basic spending log is a critical tool going forward. Identify the necessities: housing, utilities, food, transportation and health care. Remember to make adjustments for spending that has changed during the pandemic, such as the cost of commuting to work. Then earmark anything left for the things you want but don’t necessarily need. One way to enforce discipline is to set up a separate bank account for recurring and necessary bills, such as rent, utilities, car payments and insurance premiums, Kyser says.

“My obligations are overwhelming. What do I do?”
►Speak up. If you haven’t already, pick up the phone and call your internet provider, gas company, electric company and credit card companies and tell them you need help, says Kristin Pugh, a senior wealth adviser with TrueWealth in Atlanta. Although much of the hardship assistance offered after the onset of the pandemic is being phased out, some might still be available.

►Get low-cost (or free) financial counseling. The National Foundation for Credit Counseling (nfcc.org) and the Financial Counseling Association of America (fcaa.org) can assist with budgeting, debt negotiation and loan consolidation. Financial Empowerment Centers, located in a growing number of cities, offer free credit counseling and financial planning. Almost 100 members of the Financial Planning Association are offering free help. (Go to financialplanningassociation.org/lead/pro-bono, then scroll down to COVID-19 Pro Bono Program.) So, too, are profes-
Tranfer a card. If your credit card balance is growing—the average interest rate on cards is currently 16 percent—and you still have a decent credit rating, see if you can get a balance transfer offer that will forgo interest, perhaps for 12 or 18 months. You’ll have to pay up eventually, but the temporary zero percent rate can give you some breathing room.

Transfer to something personal. Depending on your credit rating, you may also be able to pay off your credit card debt by taking a personal loan at a much lower rate than your credit cards are charging. Lori Ford, program manager for the Greenville Financial Empowerment Center in South Carolina, suggests talking to credit unions, which often offer attractive rates.

“What are some ways I can bring in extra money?”

Don’t just think in terms of a traditional job. One option is to register on Upwork, Fiverr or other websites that connect freelancers to gig-economy jobs. Teachable helps people create and sell online courses. Etsy caters to those selling handmade goods, art and collectibles. You can also offer yourself up for neighborly services, like house-sitting or dog-walking. “If you have a car,” says TrueWealth’s Pugh, “you might be able to pick up a few extra dollars doing some food delivery.”

AARP has several free resources, including a job board (jobs.aarp.org/search), a résumé review for members (aarp.org/work/resume-advisor) and workshops and coaching sessions (backtowork50.aarpfoundation.org/workshop-signup).
If you enjoy selling items, you can try Amazon Marketplace, eBay or Craigslist to clear out unneeded home goods, tools, sports equipment or kitchen gear.

“I’m really hurting. What free resources are available?”

► **Food.** Apply for SNAP (Supplemental Nutrition Assistance Program) benefits (fns.usda.gov/snap). If you qualify, even a $15 voucher can often be translated into a $50 or $60 box of groceries at food programs run by community agencies, Ford says. Food banks have expanded their operations; Meals on Wheels may be available to seniors (mealsonwheelsamerica.org/find-meals).

► **Other social services.** In many states, dialing 211 will connect you to a community resource specialist in your area who can put you in touch with local organizations that provide critical services, such as housing assistance. Or you can call your town or county offices, asking for a referral for the services you need. Many local government websites can point you to information to assist you in filing for unemployment and other issues. And AARP has links to local mutual aid societies at aarpcommunityconnections.org. “There is help out there,” Ford says. “I just hope people reach out for it.”

“I’ve cut back my spending since March, and my income has been steady. What do I do with the money I have building up?”

Take a bucket approach to your savings, says financial planner Dana Levit of Paragon Financial Advisors in Newton, Massachusetts. That means prioritizing: filling one bucket, for the most part, before moving on to the next.
Start with a big cash cushion. “I always fill the cash bucket first,” Levit says, recommending that people tuck away, if they can, a full year of living expenses in cash. Make sure to include any onetime expenses you see on the horizon, such as a new car. A bank account that can carry you for a year is a bigger emergency fund than you might have had in the past, but appropriate in today’s uncertain economy, she says.

Don’t ignore debt. If you’ve got credit card debt, tackle that after you’ve built up a three-month emergency fund. Then go back to stockpiling cash, Levit says. Long-term debt such as a mortgage, student loans and car loans typically comes with lower interest rates; build those ongoing payments into your regular budget.

Retirement comes next. If you’re still working and you’re over 50, you can contribute up to $7,000 to a Roth IRA. Your contribution can’t be larger than your earned income, and your ability to contribute phases out if your income is over certain amounts: In 2020, that’s $196,000 if you’re married and filing jointly, and $124,000 for solo filers. Levit prefers the Roth IRA to other retirement plan options because of its flexibility: For example, you can withdraw contributions tax-free at any time if you need to.

Invest what’s left. If you’ve got less than $100,000 to invest, use a low-cost target-date mutual fund, Levit says. These diversified funds automatically rebalance over time, shifting to more conservative investments as you age.
PART 2:.RESET YOUR HOUSING

“What are the signs that I can no longer afford my mortgage?”

If you’re jobless or your income has dropped, you may have gotten by, thanks to mortgage forbearance or a housing relief program. Now that several months have passed, weigh these factors to determine whether you can sustain your current housing situation:
Your mortgage payment.
Housing counselors generally want your monthly payment not to exceed 28 percent of your gross monthly household income (your income before taxes and other deductions), says Sara Carter, a former counselor at the Greenville County Financial Empowerment Center in South Carolina.

All your obligations. Lenders generally look for a debt-to-income ratio—your projected mortgage bill plus other monthly payments, divided by your monthly gross income—of no more than 43 percent (36 percent for riskier borrowers). That’s a good rule of thumb.

Predictable additional costs. Do you have enough money to cover utilities and homeowner association fees? What about property taxes and homeowners insurance?

Unexpected costs. Can you afford emergency repairs? Do you have enough savings to pay your mortgage for a few months? For help with the answers, you can turn to a Department of Housing and Urban Development–approved counselor, who can provide free foreclosure avoidance counseling. (Go to hud.gov or call 888-995-4673.)

“Would now be a good time to downsize?”
For many people, it is. “I’ve seen people keep afloat by selling their homes and purchasing tiny homes for a fraction of the cost,” Carter says.

Now looks like a good time for empty-nest suburban dwellers to sell their homes to younger people. “Probably 80 percent of my business in the last year has been specifically that demographic,” says Deborah Baisden, a Realtor in Hampton Roads, Virginia. “There are multiple offers, and the houses are selling well above what they would have a year ago.” Many of her sellers are in their 60s and moving to condos.
without stairs, where they can age in place.

Tiffiney Graham, a real estate agent in Columbus, Georgia, has also been working with empty nesters who’ve decided to downsize sooner rather than later, based on current market conditions. “Now is the time to get the most from your house and ensure you can move on comfortably to the next stage in your life.”

“You can also lower your cost of living generally by relocating to a lower-cost area,” says Kimberly Blanton of the Center for Retirement Research at Boston College. She cites a Tax Foundation study that calculated each region’s purchasing power, based on what $100 will buy, on average, nationwide. For example, $100 will purchase $75 to $80 worth of goods in New York City, but that same $100 could buy about $115 worth of stuff in New Mexico. To see how far your dollars will go elsewhere, go to taxfoundation.org and search for “metropolitan areas.”

“Is now a good time to refinance my house?”

Probably. Mortgage rates continue to drop, reaching 3.07 percent for the average 30-year fixed-rate mortgage and 2.62 percent for a 15-year fixed-rate mortgage in the week ending Sept. 4. The volume of refinancing is up 60 percent over the same week last year, according to the Mortgage Bankers Association.

“The majority of people we talk to who have pretty clean credit can save tens of thousands of dollars in interest by shortening the maturity and bringing down the payment,” says Mari Adam, a financial planner in Boca Raton, Florida.

Before you refinance, calculate how long you need to stay in the house for the monthly savings to recoup the closing costs, which can range from 2 percent to 6 percent of your loan amount. (Those numbers vary by state, and by lender: On one refinancing, Graham saw closing cost quotes range from $5,000 to $12,000.) You can run the numbers with one of the many refinancing calculators online, such as the one at realtor.com (under the Mortgage heading, click on Refi-
You don’t necessarily want to extend your loan term when refinancing. Doing so can greatly lower your monthly payment, but also has the downside of requiring you to make payments well into retirement. Instead, many of Adam’s clients are refinancing not to lower their monthly payments—the usual goal for people who refinance—but to keep similar payments and instead cut down the number of years it will take to pay off their mortgage.

Refinancing becomes more difficult if you lose your job. “If you have an opportunity to refinance, do it now, because even if you don’t think your job is at risk, it might be down the line,” says Tendayi Kapfidze, chief economist with LendingTree. Retirees who refinance usually need to provide extra income documentation—such as evidence that they can sustainably withdraw sufficient funds from their 401(k) or IRAs. “You don’t need to have income like you’re working, but you just need to have some sources of income,” Adam says.

“Is now a good time to borrow against the value of my house?”

If you’ve built up equity in your home but don’t want to sell, low interest rates make it more affordable to tap that equity. Kapfidze says it’s generally a better deal now not to take out a new home equity loan, but rather to do a cash-out refinancing—that is, take out a new mortgage that’s larger than your current mortgage balance and taking the difference in cash. By doing this, you can benefit from lower interest rates on your whole mortgage, not just the new loan.

Another option to get money out of your home is a reverse mortgage, which allows you to borrow against the equity of your home but doesn’t require repayment until you’re no longer living there.

While the ability to put off repayment is nice, a reverse mortgage comes with specific conditions and risks that don’t
always make it the right choice. Among them: If the borrower moves out for more than a year (say, to a nursing home) and there’s no co-borrower living there, the loan must be repaid, often meaning that the house must be sold and family members are displaced. You need to be 62 or older and must receive reverse mortgage counseling from a government-approved agency, which can help you understand this complex arrangement. You don’t owe monthly payments, but interest and fees are added to the loan balance each month and are usually repaid when the home is sold.

“Should I start sharing housing with family members? Look for a roommate?”

Maybe you are already. The Pew Research Center found that 52 percent of adults ages 18 to 29 were living with their parents in July, passing the previously recorded peak at the end of the Great Depression. “A lot of people have a kid who suddenly appeared,” Adam says. Money may be tight for adult children who have moved in with you, but they can start to help with household expenses as they get their own finances back on track.

Another option is to take in a roommate, or move in with someone else. Linda Green, 77, has been sharing her Denver-area home for a year and a half with a 55-year-old woman who works in the eldercare field.

“I wanted to help other women, and I have the space and my grandkids aren’t playing in the basement anymore,” she says. Her roommate has a bedroom, bath and kitchenette in the basement, and pays $600 per month. That money supplements Green’s Social Security income, and it’s a good deal for her roommate, says Green, since a one-bedroom rental in her neighborhood averages $1,500 monthly.
Green found her roommate through Silvernest, a service that matches homeowners 50 and older with people in search of safe, affordable housing. The firm, which charges homeowners 5 percent of the rent they collect, provides background checks, renters insurance and leases. The non-profit Senior Homeshares provides similar services, as do some regional nonprofits (find a directory at nationalshared-housing.org/program-directory).

Compatibility Quiz

Sample questions to ask a prospective housemate from a questionnaire that Linda Green put together:

- What typical times and days are you at home? What times would each of you be using a common bathroom? Common kitchen? Common living room?
- What friends would be visiting the home? Discuss the number of friends who’d visit regularly, how many times a week or month, and any activity affecting the common areas.
- Do you both have a cellphone and how well does signal reception work in the private and common spaces? If there is a landline, will it be shared?
- Are you more a night owl or a morning person? What sleep and quiet times and days do you need?
- Would you like to share cooking and/or eating meals with your housemate? And/or watching TV/movies or playing cards or games? If so, how often?

Source: blog.silvernest.com/m.e.t.-housemate-guide

Time to Rethink Our Housing

Victor Regnier, a professor of architecture and gerontology at the University of Southern California, has focused his professional life and academic research on the design of housing and community settings for older people. Here are the big-picture changes he sees in the post-pandemic era.
Continued interest in “active adult” housing communities. People have been in their homes for months and they’ve experienced the downside of being isolated. The major benefit of active adult housing—targeted at 60- to 70-year-olds—is social exchange, friendship formation and social interaction. They develop a cohort of friends with whom they can interact. Furthermore, this housing type provides spaces and sometimes the infrastructure for activities of various sorts that they can enjoy together. Many older people really do seek this kind of social exchange and social interaction—whether through their housing choice, community church or group they play cards with. One of its greatest benefits is helping to alleviate loneliness and depression. They see the value.

The first cohort of boomers reaching their 70s could be highly motivated to make a move into active adult housing and to downsize and seek social connectiveness with other people. When next year rolls around and we have a vaccine that is effective, we may experience a surge in the interest in this type of housing.

Making housing for older people more attractive and less risky. You may find some growth in the size of units because people are going to be spending some more time there. Maybe they want a bigger table where they can do activities and take a meal. We’re going to see much more sophisticated ventilation systems, with UV and HEPA filters, especially for shared spaces. Those spaces can be safer by installing better filtering equipment, providing a higher percentage of fresh air or introducing natural ventilation from outside.

There will be a much stronger push for outdoor spaces and for spaces sandwiched between outdoors and indoors. It could be as simple as a covered porch or a balcony that leads to both the inside and the outside, whether for exercising, enjoying a meal or picnic lunch, or creating a space where family members can come together. Being outside is not a super panacea, but it lowers the probability of COVID-19 transmission quite a bit.
“If I’m still working, should I delay my retirement or speed up the timetable? If I’m retired, should I go back to work?” To help decide—whether or not you’re already retired—go down this checklist devised by Steve Vernon, a research scholar at the Stanford Center on Longevity and the author of *Don’t Go Broke in Retirement: A Simple Plan to Build Lifetime Retirement Income.*
Does your work bring you face-to-face with many people? Are those interactions a threat to your health?

Do you have enough retirement income to meet your basic living needs and have some money to enjoy life? If you’re expecting to supplement your retirement income with part-time work, do you have realistic options for employment?

Can you afford health insurance as a retiree, or do you need health insurance from work?

Do you enjoy your work, the stimulation or social engagement?

Are there things you want to do with your life that are pulling you toward retiring?

How healthy are you and your spouse, if you’re married?

But even best-laid plans can go astray. Most pre-retirees expect to work to age 65, but the average age of retirement remains at about 60, according to the Society of Actuaries. “With layoffs sure to be on the rise, don’t assume your position is secure,” says Dana Anspach, a retirement management adviser with Arizona-based Sensible Money. “Start squirreling extra money away, just in case.”

“What should I be doing about Social Security?”

Tom Margenau, a 32-year veteran of the Social Security Administration, has written the syndicated column Social Security and You since 1997. His readers’ number-one question by far this year: Should they rush to collect benefits before COVID-19 forces the program to slash payouts? Here’s his response to that and other common concerns:

**Congress will radically cut benefits.**

Not anytime soon. There is no question that Social Security will need to be addressed—not because of COVID, but rather because of the demographic virus wrought by the aging baby
boomer generation. When inevitable changes come to Social Security that might involve a reduction in future benefits, they will likely be phased in over a long period of time, just like the last major reduction that occurred in 1983. In 1983, for example, Congress raised the retirement age from 65 to 67. And that change won’t be fully implemented until 2027—more than 40 years later.

▶ **Severe side effects of the coronavirus have rendered me unable to work.**
If you are under your full retirement age, think seriously about filing for Social Security disability benefits. There are two huge advantages to collecting: First, a disability benefit pays the same as a full retirement-age benefit. Second, you get Medicare coverage two years after your disability checks start. You can sign up online at socialsecurity.gov. If you are 62 or older, you should file for both retirement and disability benefits. You should start receiving your reduced retirement benefits in a matter of weeks, whereas the disability claim should take about three to five months to process. If your claim is approved, your benefits will be switched to the higher disability rate.

▶ **Because I’ve been laid off, the reduced earnings on my Social Security record will lower my Social Security benefits.**
The problem may be smaller than you think. Your Social Security retirement benefit is figured using a 35-year base of inflation-adjusted earnings. So a few years near the end of your career with lower or even no earnings will have a minimal affect on your eventual retirement benefit. If you’re still concerned, go to socialsecurity.gov and click on the Retirement Estimator link. Simply plug in different earnings patterns for the coming years to find out how various income scenarios affect your retirement benefit.
I know if I wait to collect Social Security, my monthly benefit will be bigger. But I won’t live long enough to enjoy it.

Despite the virus, chances are most of us will live a long healthy life. Even before COVID-19 became an issue, older Americans tended to be overly pessimistic when it comes to their longevity. A recent study showed that people in their 50s through 70s routinely underestimated their chances of living a long life, and that by doing so, they made questionable financial decisions. And that includes starting their Social Security too early. To check out Social Security’s estimate of how many years you have left, go to socialsecurity.gov and type “life expectancy” in the search box.

And think about your spouse’s life expectancy, too. For example, if a husband takes reduced benefits at an early age, that reduction will carry over to the benefits his widow gets when he dies. On the other hand, if he waits until his full retirement age or longer to start his Social Security, his widow will get his full benefits and any delayed retirement credits he earned.

“Should I adjust my health care coverage?”

You should definitely investigate whether to change. If you’re not yet eligible for Medicare, that means looking at the different plans available to you during your employer’s open enrollment period or getting individual coverage, starting at the website healthcare.gov. The deadline is Dec. 15 for enrolling—via the government’s health insurance marketplace—in a plan for 2021. If you have lost coverage through your job or could go on Medicaid, you may be able to enroll in a plan before then. If your health or your finances have changed over the year, the plan that will be right for you in 2021 might not be your 2020 plan.

If you’re already on Medicare, you have until Dec. 7 during this year’s window to switch basic medical and drug cover-
Shop around. Reviewing and adjusting coverage can save you money—especially on medications and if you’re in need of specialists, says Melinda Caughill, cofounder of the Medicare information website 65 Incorporated. A recent Kaiser Family Foundation study found that nearly half of Medicare beneficiaries said they rarely or never review their coverage year-to-year. Another study estimated that Medicare beneficiaries are overspending on Part D premiums and drug costs by an average of $368 per year. “Imagine going five years without reviewing coverage,” Caughill says. “Chances are good that you’re now overpaying by several hundreds if not thousands of dollars.”

Get moving. “Many resources for in-person information and plan selection will not be available or suitable for many Medicare beneficiaries due to COVID-19 concerns,” says Katy Votava, president of health care consulting firm Goodcare and author of Making the Most of Medicare: A Guide for Baby Boomers. Individual telephone support sessions, which you can find via eldercare.acl.gov, “will be in hot demand,” Votava says.

Look beyond premiums. People get overwhelmed—justifiably so—by the number of choices they have in Part D and Medicare Advantage plans, says Caughill, and simply choose the plan they see with the lowest premium. “If your medications are not covered or your physicians are out of network, suddenly that cheap plan could be costing you thousands and thousands of dollars,” she says. Caughill’s advice: Check that your doctors will be in network next year. Check that your medications are covered, and see exactly how much your copays for those drugs are. Check for restrictions, such as prior authorization or step therapy re-
requirements.

“These can make it difficult for you to get the medications or health care services you need,” she says.

**Look beyond the name.** Each year, Part D drug plans and Medicare Advantage plans can essentially be completely different plans but still have the same name, Caughill says. For example, monthly premiums can go from zero dollars per month to $50 or more; medications that were covered in the previous year could not be covered at all in the coming year; plans that had no deductibles could now have them; and the doctors that you’ve always seen and the pharmacies that you’ve always gotten your medications from could now be out of network.

“Just because your plan worked well for you this year does not mean that it will work for you just as well next year,” she says.

**“Is it too late to start saving for retirement?”**

No. Any money you invest can still make a difference, even if your investments don’t have a long time to grow. “For lower balances, the driver of account growth is the contribution rate,” says Keith Whitcomb, director of analytics at Perspective Partners.

But saving can make an impact, even if you’re saving as little as $25 a month—that’s $6.25 a week (see “Every Little Bit Helps,” above). The habit of saving even a little and watching your savings grow is invaluable, as it helps you focus on the long term, says Massi De Santis, a financial planner with Desmo Wealth Advisors. “It can start as a simple goal and has a great reward in the end.”

If you think you can’t afford to save, consider this
motivational tip from Anspach: “Ask yourself, ‘If you were paid $100 a month less, do you think you would get by?’ Probably. So, start saving $100. Start with something.”

**SHOULD I BE CHANGING HOW I HAVE MY RETIREMENT SAVINGS INVESTED?**

BY ALLAN ROTH

Whether you need to change your investments depends on two things: your willingness to take risk and your need to take risk.

First, your willingness to take risks with your investments: The best tool for measuring that isn’t one of those risk-tolerance questionnaires circulated by Wall Street firms. It’s your gut. How did you feel when, at the outset of the COVID-19 pandemic, U.S. stocks fell 35 percent in little more than a month? Did your stomach drop right along with the market, and did you sell stocks? Or did you grit your teeth and do nothing? Or did you even take the opportunity to buy more stocks, or stock funds, while prices were down?

If you did nothing or bought more stocks, then your portfolio allocation—the amount of stocks and stock funds in your portfolio compared with the amount of bonds and bond funds—fits with your willingness to take risk. If you sold, however, you had been taking on more risk than you were actually willing to take.

Second, your need to take risk: If you are fortunate enough to have sufficient money to fund your desired lifestyle for the rest of your life, that need is low. My method for seeing if you’re in that position is simple. Take your net worth (let’s keep it simple: investments plus your home less your debt) and divide it by how much money you need each year, beyond your Social Security benefits, to fund your lifestyle. This gives you an estimate of the number of years of financial freedom you have. If it funds most of your life expectancy,
your need-to-take risk is low and you should consider a conservative portfolio. That might mean only 30 percent of your retirement portfolio in stocks—which tend to have higher returns than bonds, but also higher risk—and the rest in high-quality bonds.

If you don’t have enough to fund your lifestyle then you have a higher need to take risk. A more aggressive portfolio may make sense, though only if your willingness to take risk is also high. That might mean a portfolio of up to 60 percent stocks.

I’m a big believer in automating your investing. Thus, for example, a low-cost target-date retirement fund might be an appropriate choice for you. These funds own stocks and bonds and automatically get more conservative as you get older. But the real brilliance of these funds is that they will automatically rebalance for you. When stocks tanked, they had to sell some of the bond holdings and buy more stocks. And they had to sell when stocks recovered. The investor didn’t have to do anything other than not panic.

One final word: Stocks are risky, and there is no assurance that stocks will recover quickly during the next plunge. Stock prices in Japan are still lower than they were in 1989; that absolutely could happen here in the U.S. Though bonds aren’t yielding much, think of high-quality bond funds as the stable part of your portfolio designed to act as a shock absorber when an up-and-down stock market makes the road bumpy.
PART 4: RESET YOUR PRIORITIES

“The time seems right to find more meaningful uses for my money. Where do I begin??”

Ask yourself these questions devised by George Kinder, a financial planner who has spent decades training thousands of financial advisers to help clients zero in on their life’s priorities. “The whole purpose of money is to support our best life,”
Kinder says. “I designed the Three Questions exercise to get at the most important issues we face as human beings.” (Learn more about Kinder and his work at kinderinstitute.com.)

**Question 1**
Imagine that you are financially secure, that you have enough money to take care of your needs, now and in the future. How would you live your life? Would you change anything? Let yourself go. Describe a life that is complete, that is richly yours.

**Question 2**
Your doctor tells you that you have only five to 10 years left to live. The good part is that you won’t ever feel sick. The bad news is that you will have no notice of the moment of your death. What will you do in the time you have remaining to live? Will you change your life and how will you do it?

**Question 3**
This time your doctor shocks you with the news that you have only one day left to live. Notice what feelings arise as you confront your very real mortality. Ask yourself: What did I miss? Who did I not get to be? What did I not get to do?

“How do I prepare for the next crisis?”
Part of the answer is simply having cash on hand. “We don’t know when the next rainy days are coming, or how hard it will rain, but having a cushion that will financially and mentally protect you gives you something to fall back on,” says Bonnie Sewell, a financial planner in Leesburg, Virginia. “And if this last crisis has been painful, why put yourself through that again?”

▷ **Regain a sense of control** Coping emotionally with a financial setback, such as a layoff, can be hard. But finding
the motivation to bounce back and start saving money is a crucial first step. “You need to adopt the mindset of, ‘OK, I’m not going to let that happen again,’” says Carolyn McClanahan, a Jacksonville, Florida-based financial adviser who specializes in life-planning issues. Here are three tactics to help get you back on your feet:

➤ **Set a “fresh start” date.** On that day, commit to putting all the financial strife that you’ve experienced this year behind you and start focusing on the present—and what you can do now. Research from the Wharton School of the University of Pennsylvania found that doing so can help people relegate past challenges or mistakes to a previous period in their lives and start working toward achieving new goals.

➤ **Start small.** “If you’re feeling intimidated, start off with something easy, such as turning down your thermostat a few degrees in the winter to lower your heating bills,” Steve Vernon, author of *Don’t Go Broke in Retirement*. “That can help you build up toward bigger steps for saving money.”

➤ **Pick a “savings buddy.”** Appoint someone you trust—a close friend, for instance—someone to whom you can report your savings progress and who can give you positive feedback on your successes. One Harvard Business School study found that, among low-income workers, weekly check-ins with peers about savings activity ended up with those workers saving double the amount saved by others who made no such public reports.

➤ **Set the right savings goal.** Although many financial planners recommend having an emergency fund large enough to cover three to six months of essential expenses, that amount can vary significantly depending on how secure your income is. Any Social Security benefits you’re receiving
might hold steady, but your wages are always at greater risk. A better approach, Sewell says, is to visualize how your savings would hold up during certain emergencies. “If you lose your job, would you have to move because you can’t pay rent? If your water heater broke, could you afford to get it fixed or replaced?” Running through those scenarios and calculating how much it would cost to weather the harshest storm will enable you to set a savings goal that fits your individual needs.

**Tackle high-interest debt first** No investment strategy pays off as well as paying off high-interest debt, McClanahan says. “Credit card debt is just so expensive that you want to get rid of that before you start saving for a rainy day,” she says. Plus, there’s a psychological benefit to paying off credit card debt, Vernon says: “It just feels good to see your credit card balance go down.”

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HAS THE PANDEMIC CHANGED WHAT I OWE MY KIDS, OR OTHER PEOPLE WHO COULD USE MY MONEY?

BY JEAN CHATZKY

To say that passing money to the next generation is tricky business is a statement that—as an old boss of mine used to say—has a Ph.D. in the obvious. But COVID-19 is causing new angst when it comes to figuring out how much to help your heirs now versus later, and trying to balance that with how much you need to preserve for your own likely longevity. In part, this is because, on average, the financial impact of the pandemic has been worse for our millennial and Generation Z children than for parents in older generations. In late spring, researchers from the Edward Jones financial services firm and Age Wave think tank surveyed 9,000 people and
found that nearly one-third of respondents ages 18 to 39 had experienced an extreme or very negative impact on their financial security, compared with just 16 percent of boomers and 6 percent of the silent generation (born between 1928 and 1945).

Even before the pandemic, we were helping adult children more than ever. A 2018 Merrill Lynch study estimated that parents spend $500 billion helping adult children annually—twice the $250 billion they put away for retirement. “This didn’t include wedding or other big expenses,” says Surya Kolluri, head of retirement thought leadership at Merrill Lynch’s parent company, Bank of America; it was everyday bills. Americans have also undergone a significant shift in our feelings about when to help our kids, going from later to sooner. Of the 6 in 10 Americans who plan to leave an inheritance—primarily, Bank of America’s research shows, because they feel it’s “the right thing to do”—65 percent say they will give some of that money, and 8 percent say they’ll give all of it, while they’re alive. Only 27 percent plan to wait until their death for the money to be passed along.

Estate planning attorney Martin Shenkman suggests a two-step process to figure out, one, whether you want to start giving your children money now, and two, how much you can afford to give. Shenkman, based in the New York City area, and his wife recently went through this exercise themselves because they felt their money would be more beneficial to their five sons now—chiefly to help them put down-payments on their first homes. Note: Shenkman’s analysis can be applied not only to children but also to charities and other causes you believe to be important. “I think as people look at the incredible climate issues, racial and religious and societal challenges—how can you look at that and not reassess what’s really important?” he asks.

►**Determine your real goals.** “COVID has helped people see, for the first time in a long time, what is important
in life,” Shenkman says. “A lot of the things we thought we needed were really wants, and we don’t even want them that much.” Shenkman’s goal was to help his children get a leg up on their adult lives yet still maintain confidence that he would have enough money to take care of himself and his wife, who has multiple sclerosis.

▶ **Decide how much you can live without.** Shenkman’s financial goal was to have an 80 percent likelihood of not running out of money by age 95. So he asked himself how much he could set aside annually for the kids and still adhere to that. “As long as we monitor it, we can help them on an ongoing basis,” he says.