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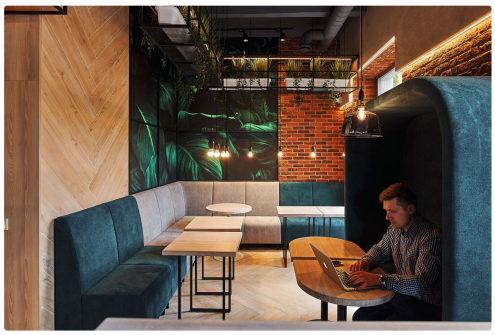
FINANCIAL PLANNING

What Separates the Rich From the Struggling? Diligent Financial Planning, for One.

By Daisy Maxey March 5, 2022 8:00 am ET



People who "go over these nickel-and-dime things" end up better off, says Clark Kendall, CEO of Kendall Capital in Rockville, Md.
Dreamstime

In his 30 years in the wealth- and investment-management business, Clark Kendall has seen fortunes rise and fortunes fall. But the one constant he finds between the wealthy and those who are struggling financially is the diligence they show in making a financial plan.

People who live below their means, who are prudent savers, and who take advantage of things like 401(k)s, employer health insurance, and "529" education-savings plans are those who end up better off, he says. "It's the people who do the due diligence and go over these nickel-and-dime things" who end up with multimillion-dollar accounts, says the CEO of Kendall Capital in Rockville, Md.

Conducting a financial checkup early each year can help you avoid unwelcome surprises, keep your investments on track, and lower your taxes. Such a review can be particularly helpful now as the pandemic wanes and people consider what has changed over the past two years. "It's not a process to dread, but rather an opportunity to reflect, reassess and renew," says Kendall.

Here are a few considerations:

Rebalance and Reassess

With many investment portfolios plump after a bull market run and the Federal Reserve prepared to raise rates soon, investors should consider whether their investment strategies remain appropriate, says St. Louis senior advisor Garrett Reeg.

He suggests rebalancing if your portfolio has grown overweight in stocks compared with your target allocation. The strong outperformance by technology investments over the past few years, for example, could shift if we're headed into a lower growth environment with higher interest rates, he says. Understanding and being comfortable with your allocation is important when the markets experience volatility like we've seen recently, he adds.

Stephen Tally, chief executive at Leo Wealth in Dallas-Fort Worth, advises eyeing the fees and expenses on your investments, which may change from year to year, and

considering any new investment options that have been added to retirement plans like 401(k)s.

"You want to own the best investment you can, but all things considered, if you can have the same type of investment but at a lesser cost, opt for the savings," he says.

Meanwhile, advisors say investors in workplace plans should review contributions and investments and consider whether adjustments are needed. If you've changed jobs, received a raise, moved to part-time work, or welcomed a new family member you may need to change your contribution level.

Tally says he's had many new clients who are contributing to their plans only the amount that their company will match even though they're able to contribute more. Since qualified employer plans are tax-deferred, contributing more is an easy way to reduce your taxes, he says.

When reviewing your contributions, it's critical to weigh whether your liquid assets—such as cash, bank accounts, money-market accounts and life insurance cash value—are sufficient.

Increasing your 401(k) contribution isn't a good idea if you are short on liquid assets, says Linda Grant-Smith, a Nashville, Tenn.–based senior financial planner at Baird, noting that many people lost their jobs during the pandemic and some are now underemployed. "How are you going to pay your bills if all of your money is tied up in 401(k)s, IRAs, and other qualified assets? It's pretty hard to get at," she says. "Liquidity equals flexibility."

She recommends contributing at least the amount your employer will match in plans like 401(k)s, then saving at least six to 12 months of expenses outside of retirement accounts.

Reconsider Insurance Policies

Insurance policies are often overlooked, but advisors say that's a mistake as changes in your financial picture could leave you overinsured or underinsured.

Young families often buy life insurance to replace lost income to care for dependents and cover other household costs in the event of a working spouse's death. But Kendall says many fail to review that policy once their savings are sufficient to support their spouse and their children are grown. With term life insurance, premiums may increase sharply once the set term ends, so it's important to consider whether you still need the policy, he adds.

If your wealth has grown considerably, you may need to consider additional insurance. Those who have a net worth of $2 million or more should consider an umbrella insurance policy—personal liability insurance that covers claims that exceed their regular homeowners', auto or watercraft coverage, Kendall says. It's essentially a defense against exorbitant multimillion-dollar claims, such as slip-and-fall lawsuits, he

says. Many assume their retirement funds are protected from creditors, but that's not this necessarily the case.

Tally suggests revisiting any insurance decisions you made years ago. "The right amount of insurance is just as important as your cost," he says. If the collision coverage on your auto insurance maxes out at $50,000, for example, with the price of cars today, you could easily exceed that in the event of an accident, he says.

Reeg says he will compare property and casualty insurance policies to those available in the marketplace every two to three years to make sure that they are still priced competitively. "A lot of times you can change to another carrier and realize a pretty decent savings while keeping the same or better coverage," he says.

Websites such as insurance.com and policygenius.com provide quotes from several insurers so you can compare and find the best coverage for the best price, Kendall says.

Scan Your Credit Report

Your credit score has an impact on the lending rates you can obtain and the insurance premiums you pay, among other important financial matters, so it pays to scan your credit record regularly.

Grant-Smith recommends checking credit reports at least annually and signing up for a service that will notify you if anything goes awry with your credit. Some free services allow you to check your report without it affecting your score, and there are also low-priced services available, she says.

She also recommends checking the credit reports—be it a shared credit card or car loan—of young people as soon as they start to do some spending on their own. "Sometimes identities can be stolen, even of children," Grant-Smith says, "You wouldn't know it unless you actually check their credit report."

Write to retirement@barrons.com

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AEROSPACE AND DEFENSE

Boeing Might Have a Russian Titanium Problem

By Al Root Follow March 7, 2022 8:18 am ET

There is a lot of lightweight, ultrastrong titanium metal in modern jet planes. Titanium cuts weight and improves fuel efficiency. That's the good news.

The bad news is that Russia is a big supplier of titanium. That might become an issue for Boeing (ticker: BA) shares depending on how long the Russia-Ukraine conflict rages, how long sanctions are in place against Russia, and how long it takes other titanium suppliers to ramp up production.

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