

Mid-life investing

Making the most of your **asset-building years**



You may be in your peak earning years, but you still have some work to do before you realize your financial goals.

As you move through your peak earning years, you'll probably see your net worth steadily rise. At the same time, you'll still have some work to do before you realize your financial goals. That's why it's important to have a financial plan in place. Here are some steps to help you keep your portfolio on track.

Organize your portfolio. Asset allocation can be a straightforward and effective strategy whereby you divide your portfolio among the major asset classes of equities, fixed-income securities and cash equivalents. The division should be based on your goals, your tolerance for risk and your time horizons. Generally speaking, the larger the equity portion of your portfolio, the greater the potential for growth and the greater amount of risk. On the other hand, the more fixed-income securities you include, the greater the potential for income and preservation of principal. There are also risks associated with fixed-income investments; however, generally speaking, they incur less risk than equities. You may need to periodically rebalance your portfolio to remain consistent with your original allocation or modify it as you come closer to realizing your goals.

Don't overlook tax planning. Chances are your income tax bracket is higher now than it was during your early years and than it will be when you retire. Consider maximizing pre-tax contributions to your employer-sponsored retirement plan or making deductible contributions to an Individual Retirement Account (IRA) (if you're eligible) to help reduce current income while providing tax-deferred savings opportunities. Also, keep in mind that short-term capital gains are taxed as income, while long-term capital gains and dividends are taxed at lower rates. Finally, explore the potential benefit of including tax-exempt bonds and bond funds in your portfolio.¹

Protect what you've accomplished. As your wealth continues to increase, it's important to preserve what you've accumulated and to safeguard your future. That's why estate planning and life insurance can be two of the cornerstones of a financial plan. A qualified legal professional can help you implement an estate plan that is best for your situation or review an existing plan to ensure it is still consistent with your goals. Also, be sure you have enough life insurance in place to help cover any liabilities—such as your mortgage—and help protect your family's financial future.

Financially speaking, mid-life shouldn't be a time of crisis. Instead, it's a time to take advantage of some of your most productive years. In the long run, you may be in a better position to enjoy the fruits of your labor.

¹ Some tax-exempt investments may be subject to the federal alternative minimum tax as well as federal or state capital gains taxes.

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