

This report was selected especially for you by:



Anasuya K. Meyer, CFP®
Jaykay Wealth Advisors, Inc.
6200 Savoy Dr. Suite 300
Houston, TX 77036
(713) 780-4575
anasuya@advisorusa.com
<https://www.advisorusa.com/>

DON'T LET THESE FINANCIAL SURPRISES TRIP YOU UP

Unexpected expenses or financial developments can be frustrating—as well as potentially hazardous to your future. Make sure you're not putting yourself in a position to get an unwanted financial surprise!

Please note that this material is for informational purposes and not making any direct recommendations. Please consult with your financial team of advisors on the ideas presented. Securities offered through LPL Financial Member FINRA/SIPC. Investment advice offered through Jaykay Wealth Advisors, Inc. a registered investment advisor and separate entity from LPL Financial. Anasuya Meyer, Jaykay Wealth Advisors and LPL Financial are not affiliated with AES Nation, LLC.

This report is reprinted with permission from VFO Inner Circle.





Don't Let These Financial Surprises Trip You Up

KEY TAKEAWAYS

- Retirement surprises such as higher-than-expected taxes or health care costs can threaten your financial future.
- “Life happens” surprises—home repairs, being sued—can be minor or major in terms of their financial impact.
- Not sure if you're in good shape? Consider stress testing your wealth plans.

Surprises on our birthday can make for truly special, wonderful moments. But when it comes to surprises about our finances? Yeah, not so much.

It's possible, of course, to receive terrific unexpected news that you've just inherited a fortune or that the early-stage company you invested in a few years ago has become a unicorn. But let's face it: Surprises about our money and assets typically aren't occasions for throwing a party.

Case in point: Back in 2022, many mutual funds suffered big losses in the wake of the market downturn that year. So it was a shock for some fund owners to learn that their investments saddled them with significant capital gains tax bills due to the funds selling positions at a profit—even in the down market. The gains got passed on to the fund owners as taxable income, even though they never saw any of that money.

The good news: You can take steps to avoid getting blindsided by financial surprises that could leave you with anything from a minor inconvenience to a serious cash flow crunch or other threat to your future security.

With that in mind, here's a look at some common financial surprises that individuals, families and others tend to experience at various stages of their lives—along with tips for avoiding them and instead knowing what's on the horizon.

Retirement surprises

Unexpected developments when you're no longer working—and instead relying on savings and investments—may be the most commonly feared type of financial surprise. Without the safety net of a steady paycheck, any uncertainty around money can potentially create a lot of anxiety.

Higher-than-expected taxes

Many retirees count on sliding into a lower tax bracket after they're out of the workforce. While that often happens, the opposite can and does occur—leaving them with higher-than-expected tax exposure. That might happen when people forget that Social Security benefits may be taxed, or when they start taking money out of certain retirement accounts (particularly if they're also getting income from pensions, deferred comp plans and the like).

To potentially sidestep this problem, pay close attention to your annual earnings from all sources as well as the specific income levels of the various tax brackets. In some cases, converting a tax-deferred account to an account that allows tax-free withdrawals in retirement can also help keep the IRS at bay.

A longer-than-expected life

Living longer than you thought you would should be one of life's really nice surprises. And it probably is—unless you're not financially prepared to fund your lifestyle needs and wants far enough into the future. While it may seem ludicrous to think you'll live to see 100, advances in medicine that to some extent roll back the clock on our bodies are becoming more common. In general, it can make sense to estimate a hefty life span in your financial planning rather than aiming low.

Pricier health care costs

Since 2007, high-income Medicare enrollees have been required to pay a surcharge for Part B coverage. A surcharge for Part D premiums was added in 2011. This surcharge is determined by income from your income tax return of the year before last and is recalculated annually. So for your 2024 Medicare premiums, your 2022 income tax return will be used. All this means you probably should be well aware if you'll pay more for Medicare in a given year—but in many cases, people just aren't paying close attention. The good news: You may be able to sidestep this extra expense. If you're married and one of you is still working, consider getting on (or staying on) the worker's health care plan and not signing up for Medicare just yet, if the plan allows you to do so.

Then there's long-term care, which is most beneficial when it's in place well before it's needed. If it's purchased in response to a health issue, however, it can be extremely expensive. There are many stories of people who earn or have too much money to qualify for assistance but don't have enough wealth to fund the cost of assisted living care.

Higher personal expenses

Pre-retirees may often hear that their expenses will fall significantly once they retire. However, it's quite common for expenses to hover around the same level they were at during someone's final few working years.

Additionally, the cost of home and car maintenance could still be significant—especially the unplanned repairs. And of course, forces beyond your control (such as inflation's big surge a few years ago) could cause your cash outflows to rise more than anticipated. The upshot: Don't bank on retirement being cheap when running the numbers for your golden years.

'Life happens' surprises

The number of tasks we have to manage each day can seem herculean, so it's easy to see how financial surprises could creep up on us. Some to look out for:

Overlooked payments

The fees you might pay on overdue bills and the like won't jeopardize your financial health. But why pay them at all when it's so easy to put reminders in place that can ensure you don't forget an important financial obligation? It's easy to set up account alerts via text or email to tell you of upcoming payments due—or you can schedule regular online payments for recurring bills.

Home repairs

A fallen tree, a wildfire, a flood—life happens. Or maybe that roof you've been meaning to have fixed but never got around to finally gave in. An adequate emergency fund is vital for these situations, of course. So is having the right homeowners insurance for your particular risk profile. That goes double if you have two (or more) homes in different states. Such a scenario can lead to complications, particularly if the homes are covered by policies from different insurance companies. Or say your home was built using expensive or rare materials. If you don't attend to these factors, the rebuilding costs (in case of, say, a devastating fire) could easily be far, far greater than your coverage.

Lawsuits

If you have wealth, you may also have a target on your back as people look to unjustly take your assets from you. Asset protection planning can potentially legally shield your assets from future lawsuits and creditors. However, it's essential to put asset protection plans in place before you are sued. Actions taken to shield assets after a lawsuit has been filed are likely to be reversed by the courts. What's more, wealth protection plans need to be reviewed every few years and updated when necessary to reflect changes to your bottom line or your risk exposure.

Conclusion

If you work with a financial professional who takes a comprehensive, proactive view of your financial life, chances are good that you won't get tripped up by the types of financial surprises outlined above. Still, it's good to occasionally review your emergency fund cash, your various types of insurance, and any planning you've done around health care and other spending in retirement.

If you're unsure how well protected you are against the impact of financial surprises, consider stress testing your plan to see how your financial picture could look under various scenarios (soaring health care costs, higher tax brackets and so on). That way, you'll know whether you're in good shape—or if you need to take steps that can keep your financial life steadier and more predictable.



VFO Inner Circle Special Report

By John J. Bowen Jr.

© Copyright 2024 by AES Nation, LLC. All rights reserved.

No part of this publication may be reproduced or retransmitted in any form or by any means, including but not limited to electronic, mechanical, photocopying, recording or any information storage retrieval system, without the prior written permission of the publisher. Unauthorized copying may subject violators to criminal penalties as well as liabilities for substantial monetary damages up to \$100,000 per infringement, costs and attorneys' fees.

This publication should not be utilized as a substitute for professional advice in specific situations. If legal, medical, accounting, financial, consulting, coaching or other professional advice is required, the services of the appropriate professional should be sought. Neither the author nor the publisher may be held liable in any way for any interpretation or use of the information in this publication.

The author will make recommendations for solutions for you to explore that are not his own. Any recommendation is always based on the author's research and experience. The information contained herein is accurate to the best of the publisher's and author's knowledge; however, the publisher and author can accept no responsibility for the accuracy or completeness of such information or for loss or damage caused by any use thereof.

Unless otherwise noted, the source for all data cited regarding financial advisors in this report is CEG Worldwide, LLC. The source for all data cited regarding business owners and other professionals is AES Nation, LLC.

