

EXPERIENCING LIFE EVENTS

***Tomorrow may be different.
That's why you need life
event funds.***

If every day were the same, it would be easy to know exactly how much money you would need. You'd know exactly how much your coffee would cost, how much gas would be per gallon, and even how much you would spend on your groceries.

But we all know that every day is not that predictable. You know that there are days when you'll encounter a flat tire. That one day you may have a family emergency that requires you to travel out of state at great expense. And, that over time your life's priorities will shift. There might be a day when you find out that you are expecting a child, or years later, that your child would like to go to college and you would like to help.

Recent studies show that more than 50% of American adults would have difficulty finding \$1,000 to pay for an emergency.¹ That's troubling when you think of something like a domestic plan ticket, that can cost an average of \$328 for a round-trip itinerary.² Then there are the costs you see on the horizon: The average cost of a year of college tuition at a public in-state school is about \$10,423, and that doesn't include room and board.³

Nowadays, there may be over reliance on retirement plans and home equity as a storage tank for wealth. When it comes to responding to sudden life events, you consider having have ample amounts of capital in accounts/assets that are more liquid.



Building life event funds helps you handle whatever is next. You know there will be costs that are over and above your day-to-day budget, but you can be ready for them. The following examples illustrate the times in your life when having money set aside can help ease the stress of unexpected costs.

College Costs

Joe and Theresa have dreamed of putting their children through college, and have saved since each child was born to make that dream a reality. Currently, they've saved enough money to cover four years of tuition at a state school for each of their two children. Joe and Theresa have been reading about the student loan crisis and are hoping to help their children avoid it. In fact, the total American student loan debt is \$1.59 trillion.⁴

Having enough set aside for two children to attend four years of college at a state school is a huge accomplishment. Their life event funds will cover the cost, but how will they be able to cover additional costs for their children if one decides to attend a private college or out-of-state school?

¹ Bankrate, 2022

² Bureau of Transportation Statistics, 2022

³ U.S. News & World Report, College Tuition Costs, 2022-2023

⁴ Household Debt and Credit Report (Q2 2022), Center for Microeconomic Data, Federal Reserve Bank of New York

If Joe and Theresa don't have enough in liquid life event funds:

Joe and Theresa can't cover the unexpected tuition costs unless they dip into their retirement savings, which is all in their 401(k). Their money isn't liquid, so covering these extra costs by borrowing against their 401(k) may trigger penalties. Although it doesn't affect their current financial situation to do so, it may affect the retirement lifestyle they planned for.

If Joe and Theresa have enough in liquid life event funds:

Joe and Theresa have a balance between their more-liquid and less-liquid assets. So, they're able to take some of their more accessible liquid assets and apply them to the additional costs. They're proud of the accomplishments of their children and can help them graduate without being saddled with student debt. At the same time, they can allow their retirement assets and investments to continue to grow.

Work Interruption: A baby is on the way

Taylor and Jason received the exciting news that a baby is on the way! They know that there will be a huge adjustment, but one change they would like to make is having one parent stay home with the baby for as long as possible.

If Taylor and Jason don't have life event funds:

While Taylor and Jason have made much more money than many of their peers, they've grown accustomed to spending that money on new cars, new phones, and expensive dinners out. Without the benefit of life event funds, Taylor and Jason may be in the unfortunate situation of either settling for the few weeks of time off offered by their employers and looking for childcare options or taking on a lot of debt as a single-income family. Neither of these options are attractive to them.

If Taylor and Jason have life event funds:

While the couple has made more money than some of their peers, they've also been conservative about their

spending. Taylor and Jason look at the benefits offered by both of their companies and decide that they can afford to live on Jason's salary and benefits for six months if they spend carefully and use their life event funds to cover costs. Taylor's position at her company will be held for her, but she will not be paid for the additional time off. They are excited to become parents and spend time bonding with their new arrival.

Unexpected Nature of Life: New business opportunity

Julius and his wife, Jasmine, have two daughters who are very involved in gymnastics. While attending meets, Jasmine notices that parents will pay high prices for the best leotards and athletic gear for their children to compete in. She decides to design and make an initial collection, and it sells out immediately. Julius and Jasmine see the potential in growing this business.

If Julius and Jasmine don't have life event funds:

While Jasmine's true passion is design, and she has a clear talent for it, the family just isn't in the financial position for her to quit her full-time job. She'll have to continue to design in her limited spare time as more of a hobby than a business.

If Julius and Jasmine have life event funds:

Julius and Jasmine crunch the numbers, and they can't pass up the opportunity to start a business. With their life event funds, Jasmine can quit her full-time job to follow her passion for design.

With life event funds, you can be ready

You may not know the challenge you'll face next, but that doesn't mean you can't prepare. It is reasonable to look at your life and think about how you would like to handle the opportunities and challenges that may arise. Having life event funds helps you feel confident and ready for the future.

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