

Financial Planning for Parents

What to prioritize now and what can wait.

“When things calm down...”

Motifplanning



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Disclaimer

The information presented in this presentation is for educational purposes only and does not constitute personalized financial or tax advice. Please consult with qualified tax and financial professionals before making any business decisions.

Every individual's situation is unique, and the strategies discussed may not be appropriate for your specific circumstances.

Why this feels hard

- Expenses increase with kids
- Cash flow feels tight even with high income
- Limited time and energy
- Feeling behind

Children are a long-term investment

- Childcare and early age costs are high (and worth it!)
- Higher costs are temporary
- It's okay for other financial goals to take a back seat

Put your mask on first

You can take loans for higher education, but not for retirement.

What should we prioritize?

1. Emergency fund
2. High-interest debt
3. Insurance
4. Estate planning
5. Retirement
6. Kids future

Immediate tax benefits

Tax credits (lowers your tax bill dollar for dollar)

- Child tax credit
 - \$2,200 credit per qualifying child
- Dependent care credit
 - Up to \$3,000 credit for one qualifying person; up to \$6,000 for two or more)

Tax deductions (lowers taxable income resulting in partial tax reduction)

- Dependent care FSA (Flexible spending account)
 - Up to \$7,500 taxable income deduction
- HSA (Health savings account)
 - Up to \$4,400 taxable income deduction (self-only) or up to \$8,750 (family)

Emergency fund

How much to save?

- 3 - 6+ months of living expenses (enough to sleep at night)

What is it for?

- Loss of income
- Insurance deductibles
- Out-of-pocket maximums
- Disability waiting periods

How to start

- Save 3 - 10% of income in high-yield savings account
- Set up automatic deposits

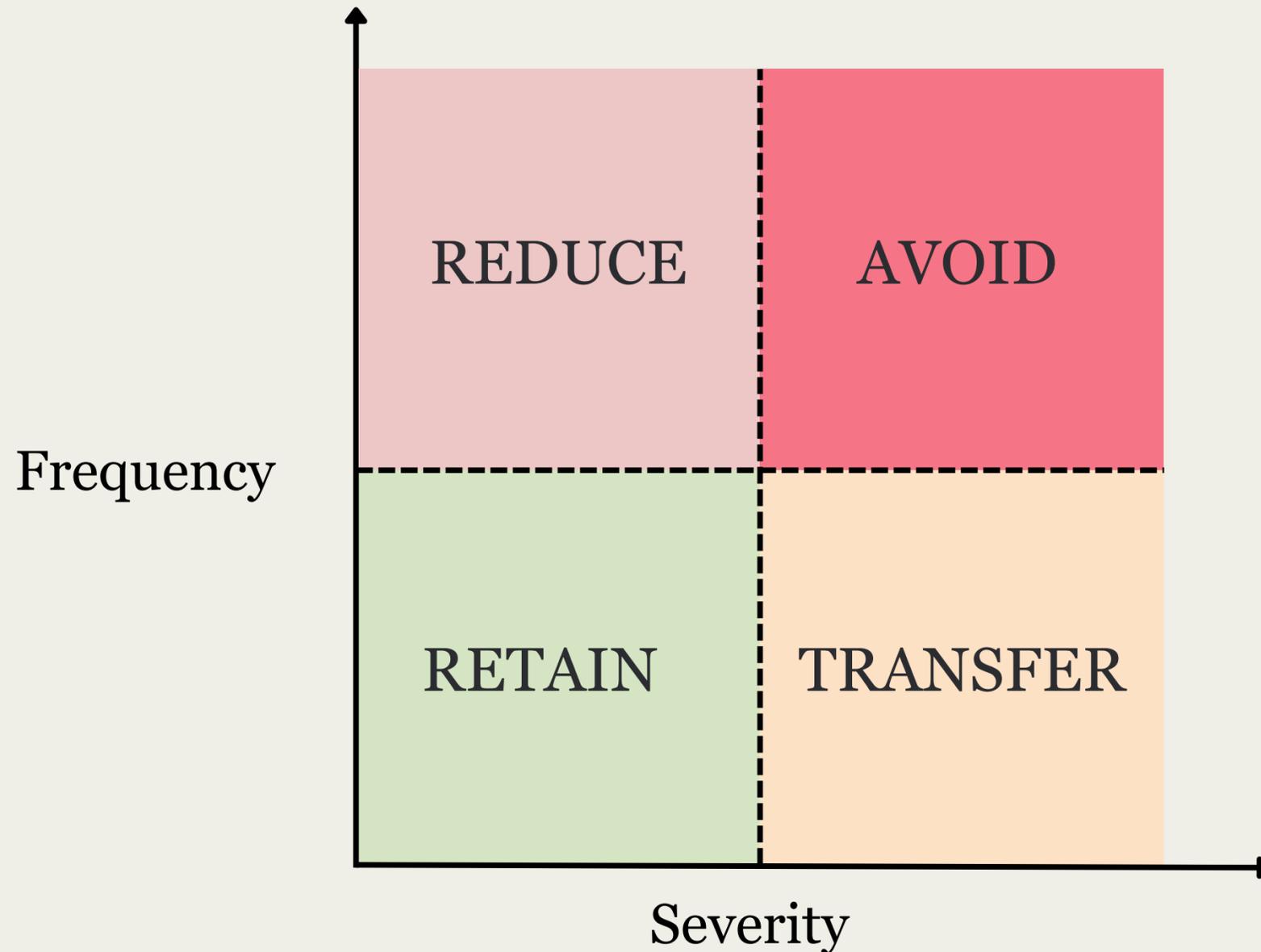
High-interest debt

Payoff strategies

- Avalanche - Highest interest first
- Snowball - Lowest balance first
- Fireball - Highest interest bad debt first
- Consolidation - Combine debt
- Management - Non-profit program
- Settlement or bankruptcy - Last resort

Should we pay down high-interest debt or invest?

Insurance



- Term life insurance for each parent
- Disability insurance is more important
- Employer coverage is not always enough

Estate planning

- Name guardians for minor children
- Set up a basic will
- Review beneficiaries on all accounts

Options to execute estate documents (in order of cost):

- Employer legal benefit
- Online service
- Estate attorney

Retirement

Savings order of operations

- Emergency fund
- High-interest debt
- 401(k), 403(b) up to employer match
- HSA or FSA + Dependent care FSA
- Traditional or Roth IRA
- 401(k), 403(b) remaining max contribution
- 401(k), 403(b) after-tax all additions limit
- ESPP + Taxable brokerage

*Backdoor Roth IRA (if income above phaseout thresholds)

Education funding

529 plan

- Tax free growth for education
- Can change beneficiary
- Parent (or grand parent) owned

Taxable brokerage

- No tax benefits for education
- More investment flexibility
- Subject to capital gains tax

UTMA/UGMA

- Custodial account
- Transfers to child at age of majority
 - Age 21 in Texas*
- Tax-gain harvesting strategy

529-to-Roth IRA transfer

- Up to \$35,000 per beneficiary
- 529 account must exist for 15 years
- Fund child's Roth IRA in early working years

Take it one step at a time

Make a priority list and reach out to a professional if needed.

Connect



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