



Your Guide to Financial Planning from Home

By: Nancy D. McKee, CFP®

The global pandemic we're facing has brought with it a struggling economy and job loss. Your financial situation may not be the same as it was six months ago. Although it might seem like the world is standing still, you and your financial situation do not have to be stagnant.

Showing resilience in the face of adversity, people have reacted by creating new and innovative ways to do business. Did you know that you can now set up an appointment with a virtual notary? Watch the latest blockbuster movies without going to the theater? Attend an industry conference or music event without leaving your home?

The same resilience needs to be extended towards your financial plan. It's time for you to get your hands dirty and get a better grasp of your financial situation. It can be overwhelming, especially if you aren't fond of spreadsheets, but your money is your lifeline and safety net in times like these. It's time to get to know your financial plan.



Understand Your Financial Goals

First, you need to revisit and possibly recalibrate your financial goals both for the short- and long-term. This is imperative if you've been laid off or have taken a pay cut due to the pandemic. Make a spreadsheet that adds up your regular

expenses. Then draw a line between what you feel is essential and what is expendable, even temporarily.

The next step is to start aggressively moving money into a high-yield savings account. You can start with the money you've diverted away from expendable expenses. If you've been laid off, you should consider using the money you've earmarked for your yearly IRA contribution. The goal here is to have a sizable liquid savings account that will act as your safety net, or nest egg. Financial advisors recommend that your goal for the liquid savings account to equal the amount of 3-6 months' worth of essential expenses. Since we're in a struggling economy, 3-6 months should be the absolute minimum. If you're able to, try to build up 8-12 months of essential expenses. This will help you sleep better knowing that you're insulated from economic uncertainty.



Now is the Time to Consider a Roth IRA

With the stock market down, it is also an opportunity to explore whether an in-kind Roth conversion makes sense. Roth conversions mean you transfer pre-tax IRA money to a Roth IRA. In a traditional deductible IRA, you pay tax on every dollar withdrawn. A Roth IRA is different because it was never deductible, hence when a withdrawal is taken from a Roth IRA, every dollar is tax-free (subject to age and timing requirements). When you convert pre-tax IRA money to a Roth, you pay tax now. That conversion is included on your tax return, and it is like getting a bonus without having any tax withheld. Once the money is in the Roth IRA, it grows tax-free.

The benefit of doing a Roth conversion now when the market is down is that you are getting more bang for your buck. When shares of stock are down, you can move more of an investment from the IRA to the Roth IRA with the long-term outlook that the market will rise again in the future. There are no income limitations to making a Roth IRA conversion, so anyone can do it. The tax due is based on your tax bracket, so if you find yourself earning less money in 2020, and your tax bracket will be lower, the Roth IRA conversion may make even more sense.

The Importance of Estate Planning

Another component of a long-term financial plan is your estate plan. You may have been procrastinating in this area because it requires more work and can be a considerable expense. Now, more than ever, it is a vital facet of a financial plan. COVID-19 does not give much of a warning, so it is crucial to have your wishes documented in an estate plan. Attorneys can put wills, trusts, power of attorney, and living wills together, hold virtual meetings, and use virtual notaries to complete the process. Electronic signature software allows you to update your beneficiary designations with the click of a button, and it is becoming the new norm.

Include Life or Disability Insurance in Your Financial Plan

Relatedly, purchasing life or disability insurance may also be on your radar. A financial plan will tell you how much insurance you need to support your family in case of an unforeseen circumstance. Underwriting procedures have been modified for our new normal, and you can still apply and obtain insurance. This is an integral part of the financial plan and should not be brushed off to deal with at a later time.

Other Tips for Your Financial Plan

Finally, if you are still employed and have some wiggle room, look into refinancing your house if you're a homeowner, or look into purchasing the vehicle you've had your eye on. Financing rates are down, and you could save a significant amount of money on your mortgage by refinancing into a lower rate. You could also save money by consolidating your student loans. It's up to you to take advantage of the rates that are out there. Many car dealerships are offering 0% financing, which is essentially free money. Banks and credit unions collect interest from you as you do this, but with 0% financing, you are able to pay a little at a time with no added cost.



put your financial house in order while you are still at home. So, while life may be on pause right now, your financial plan should not be. Once we hit the start button and jump back into our busy lives, time will tick by faster and become more valuable. Consult a CERTIFIED FINANCIAL PLANNER™ practitioner regarding your specific situation and use this time to



The information included herein was obtained from sources which we believe reliable. This report is being provided for informational purposes only. It does not represent any specific investment and is not intended to be an offer of sale of any kind. Past performance is not a guarantee of future results.

Allegheny Financial Group is a Registered Investment Advisor. Securities offered through Allegheny Investments, LTD, a registered Broker/Dealer. Member FINRA/SIPC.