Financial Spring Cleaning

Spring is just around the corner and that means spring cleaning. It's time to clear out the clutter from last year and prepare for the year ahead. As you get your house in order, you should also put some thought toward organizing your finances.

Traditionally, spring cleaning involves getting rid of the things that you no longer need or use to make room for your current needs. Your financial needs can change just as much year-to-year as your clothes, furniture, or kids' toys, though, so it's important to review your finances on an annual basis, adjusting as necessary so that your financial plan does not become outdated.

If you are not in the habit of routinely examining your finances, there may be significant changes you need to address. To keep it simple, financial spring cleaning is best handled the same way as clearing out your house: one step at a time.

Take a look at how you can reevaluate each of the three key areas of your family's finances:

1. Protecting Your Family's Financial Security

Your financial plan should first and foremost protect what matters most: your family. Choosing the right life insurance policy gives your family the financial security it needs to thrive no matter the situation. Permanent life insurance products, like **Flagship Whole Life**, protect your income and create a legacy to ensure your family's future after your passing. Term insurance products, like **Level II Plus**, give you extra protection when you need it most, like during a deployment or for the duration of a mortgage.

With so many things in life competing for your attention, it's easy to overlook the importance of updating your coverage as the needs of your family change. Upcoming deployments, marriage or divorce, new family members, and major purchases can all influence what type and amount of insurance coverage is right for you and your family. **Long-term care**, too, may be something worth thinking about, as over two-thirds of the population will need some level of care in the future – care that can be costly. The easiest way to evaluate whether it is time to make any changes is to **talk to an insurance representative** or use one of our **financial calculators**.

2. Retirement Planning

Next you should evaluate whether you are on track to reach your retirement savings goals. Many people rely on prior contributions to employer-sponsored retirement plans, like 401(k)s and **TSP accounts**. You may have an IRA that you have been stashing money away in for years. Military pensions, **annuities**, and Social Security distributions can also provide income in retirement.

Although the asset accumulation phase of retirement planning – when you are putting money into various accounts and watching your savings and investments grow – is easier to quantify and track because it's happening in the now, it is only the first part of the battle. To determine whether you are contributing enough to your retirement accounts, you must first determine your income needs in retirement. A good rule of thumb is to estimate that you will need 70–80% of your pre-retirement income each year for a period of 30 years. These numbers can vary greatly based on your health and family circumstances, so it is important to develop a goal that is specific to your needs and how you want to live in retirement. Once you have a goal, you can determine your saving strategy. Remember, it is better to overestimate than underestimate.

Tip: Use our **Retirement Savings Calculator** to estimate how much money you will need to live comfortably in retirement.

Other factors to consider when evaluating your retirement income needs and savings goals:

- If you have or are likely to have a military pension, this can greatly reduce the need to rely primarily on your own savings and investment returns. If you are expecting to transition out of the military without a guaranteed pension benefit, Navy Mutual can help you safely create a guaranteed floor of income you cannot outlive with an annuity.

- If you have a 401(k), traditional IRA, TSP, or other employer-sponsored retirement account, you must begin taking required minimum distributions in the year in which you turn 72 years old (or 70 ½ if you turned 70 ½ before January 2020). You may be penalized if you fail to take out the required amount.

- You can claim Social Security benefits anytime between the ages of 62 and 70 years old, but there are penalties for claiming early and rewards for claiming late. When to claim your benefits is a situational decision based on the joint life expectancy of spouses, the level of total retirement savings, and additional guaranteed income sources. Learn more here.

If you haven't begun saving for retirement yet, use this as your motivation to get started. Remember, the most valuable asset you have when determining your retirement savings potential is not the amount of money you can save each month, but the period of time that money has to grow. The earlier you can start saving, the better.

3. Estate Planning

While estate planning can be a difficult topic to consider, establishing an estate plan now will provide you and your family peace of mind. Planning for what should happen if you were to become incapacitated and when you pass away ensures that your wishes will be followed in the future. Without a plan in place, you have no say over what happens to your assets and your family – and, in some cases, your medical care.

Tip: Use our **Estate Planning: Personal Log** to document your personal information, life insurance policies, and burial and funeral preference; the location of important documents and the names of your beneficiaries; and more.

You have two sets of objectives when it comes to **estate planning**: those that cover decisions made while you are alive but incapacitated and those that cover decisions made after your death.

While you are alive and fully capable, it is your job to document your wishes for medical interventions, appoint a guardian to care for your children if you become incapacitated, and appoint a guardian to make financial decisions *for you* if you become incapacitated. A health care proxy, a living will, and a durable or springing power of attorney should cover these situations.

After your passing, you need to have a **last will and testament** to appoint an executor to carry out your wishes; appoint a guardian to care for any children who cannot live on their own; distribute your assets when, how, and to whom you choose; provide charitable gifts to organizations; and transfer any business interests according to a succession plan. Having all this documented in advance will minimize potential expenses and taxes, avoid any legal and financial complications or family disputes, and eliminate delays on your assets being distributed.

It is important to work with an estate attorney to ensure that you have all the proper documents in order for your wishes to be carried out. If you are an active duty servicemember, a reservist on orders, or a retiree, you can utilize base legal services to help draft these documents.

When estate planning, most people want to leave their family a legacy. Aside from hitting it big on the stock market, you can do this by naming family members as beneficiaries on your life insurance policy and any annuities you own and receive payments from. One easy task this spring is to make sure that your beneficiary designations are up to date, especially if you have had any changes in your family situation. Regardless of what your will says, life insurance payouts will go directly to the designated beneficiaries, so it is critical that they are up to date.

Navy Mutual is dedicated to educating and supporting servicemembers and veterans so that they can enjoy financial stability. That's why we created comprehensive, free resources and tools to make your financial spring cleaning go as smoothly as possible. Access them **here**, and if you have any questions about **life insurance** or **annuities**, give us a call at **800-628-6011**.