Getting your post-tax time finances on track

AS TAX SEASON arrives, many of us will discover that the new tax law and calculation changes will affect us in unexpected ways. For some, refunds will be much smaller than in years past. Others may be facing a tax bill for the first time in many years.

Whatever the case, an unexpectedly painful tax situation should remind each of us to assess our personal finances and ask ourselves the questions whose answers are vital to reaching our long-term financial goals:

THE BASICS

- Is your leave and earnings statement accurate?
- How about your Social Security Statement?
- Are your life Insurance policy's beneficiaries accurate?

These items might seem insignificant, but discovering and correcting any inaccuracies that affect your benefits – your age, number of years paid into the system, income, etc. – now will be far easier and less stressful than trying to do so when you retire. The same goes for listing the correct beneficiaries; leaving your policy to just one child or your ex is a scary thought, and completing this simple yet oft-overlooked task can make sure you avoid it.

LIFE INSURANCE NEEDS

- Do you carry the right amount of life insurance?
- The right type?
- And for the right length?

Just about everyone should have life insurance, and far more current and retired Feds do than the general public. But reviewing and updating your policy after major life changes such as buying a home, having kids, getting married, or changing jobs is critical to ensuring that it keeps making sense for your personal situation. As a federal employee, you also need to understand your federal benefits – for example, while your CSRS or FERS retirement disability does automatically increase with your salary, those under the age of 45 will see their Federal Employee Life Insurance (FEGLI) program erode their life insurance benefit away as the Basic coverage multiplier is reduced between age 35 and 45. Your goal should be acquiring and maintaining the coverage that properly protects your family for the appropriate amount of time, at the best price. Answering these questions will help you reach that goal.

THRIFT SAVINGS PLAN (TSP) CONTRIBUTION

- Should you be contributing more than 5 percent?
- Is the roth or traditional TSP better for you?

Contributing 5 percent of your salary to your TSP should be a no-brainer as it allows you to take advantage of the "free money" match that the government provides. However, most financial professionals recommend that employees contribute between 10 percent and 15 percent of their gross pay instead. Government employees under 50 can now contribute up to $19,000/year to their TSP, while those over 50 can contribute up to $25,000/year. Since every TSP dollar that you invest will receive preferential tax treatment, pursuing your savings goals through your TSP account is a smart decision.

INVESTMENT ALLOCATION

- Does your portfolio include too many high-risk investments?
- Does your portfolio take on too little risk to provide the long-term gains you need?

Though federal employees have been enjoying virtually constant positive market returns for the last decade, the end of 2018 taught us that market volatility is the new norm. While hard to stomach for those who just can't seem to resist checking their portfolio daily, this volatility should serve as a wake-up call to review all aspects of your investments with a financial professional. Looking at your portfolio's exact allocation of equities and fixed income, small cap, and international, and whether or not this allocation reflects the level of risk you're comfortable with, will help ensure that your funds are best positioned to meet your short- and long-term needs.

These tasks, while simple, are often relegated to the "I'll get to it later" category. That mindset can be a slippery slope, so we urge you to proactively address these to ensure a clearer path to the financial future you desire. ■

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Kateri joined GEBA in 2016. As a CERTIFIED FINANCIAL PLANNER professional, Kateri is well versed in all aspects of personal finance. Kateri is licensed for the sale of investments, insurance, and long term care. She believes that it is important to take a holistic approach to wealth management that includes savings, investments, insurance, retirement income, estate planning, and tax diversification. Kateri enjoys assisting members who are retiring, but finds great joy in developing long term financial planning relationships.

Kateri is a military spouse who recently moved from Williamsburg, VA back to the Annapolis area to be closer to family and friends. She likes traveling and watching Navy football.