SUCCESSFULWOMEN

TIMELY INVESTMENT AND FINANCIAL PLANNING TOPICS

Important financial considerations for single parents

Build an action plan to protect yourself and your loved ones.

Intentional financial planning sets the stage for long-term success regardless of family situation, but for single parents, the work of setting up a comprehensive plan is particularly important. Taking the time to evaluate how to create the future you desire while also considering how you'd like to provide for your children will prove worthwhile. It's also important to revisit your plan as your life changes over the years.

BUILDING A STRONG FINANCIAL PLAN NOW

Balancing your needs as well as your children's can be daunting when you are raising them by yourself. However, there are several steps you can take now to prioritize your financial needs and prepare for the future.

Set up a budget and recalibrate as necessary. Try different budgeting methods to see what works best for you. In a zero-based budget, every dollar has a purpose. The 50/30/20 budget rule allocates 50% to needs and obligations, 30% to wants and 20% to savings. The most important part of managing a new budget is to check in with yourself at regular intervals to adjust what's not working for you.

Build up your emergency fund. The amount you need in your emergency fund depends on your situation, but in general, experts recommend saving enough to cover three to six months of living expenses. Calculate this based on your critical monthly expenses, including housing and childcare. Focus on steady progress toward your goal by setting aside a set amount or a percentage each month.

Check your health insurance plan. Reevaluating your health insurance can result in significant savings. Generally, you can make changes to your employer-sponsored plan during open enrollment or if you've recently had a life event like a divorce or having a child. If you're coparenting, have a conversation with the other parent to determine which of your health insurance policies has more comprehensive or cost-effective coverage for the children. It may also be beneficial to explore a plan with a flexible spending account (FSA) or health savings account (HSA) option, which could allow you to stash away pre-tax money for family healthcare expenses.

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Important financial considerations for single parents *(cont.)*

Take advantage of tax allowances. Typically, a child's primary caregiver can claim the child as a dependent on their taxes. If you are claiming one or more children as your dependent, you may be eligible for the federal child tax credit, applicable state child tax credit or the dependent care credit. This can amount to thousands of dollars but consult with your tax professional about your individual eligibility. This can also help you determine whether you need to change your withholding elections or the upcoming tax year.

Save for your kids' future. A 529 plan is a tax-advantaged, state-sponsored savings plan used for educational expenses. Earnings in 529 plans are not subject to federal tax and in most cases state tax, as long as you use withdrawals for eligible education expenses.

Don't forget yourself. It may feel like less of a priority to save for your future when your focus is on your children, but it's still important. Take advantage of tax-efficient accounts, like a 401(k) plan, by setting up regular contributions. Consider a Roth IRA as well, which is a tax-advantaged account that you can reserve for retirement.

ESTABLISHING A TRUST IS ESSENTIAL

Though no one likes to think about it, establishing an estate plan is another important piece of financial planning for single parents. Documenting your future wishes puts a framework in place for your children's future. Your estate plan can include a trust and a trustee. Should you pass away, the trust can accept funds from your estate, retirement plan, IRA and insurance settlement. Having a trust in place also gives any court a legitimate basis to determine your wishes and expectations for your child.

Although not all terms in a trust are enforceable, they can allow parents to formalize details including:

- The child's intended guardian, including any alternates
- How and when funds should be used, along with the level of discretion the child may be given
- Individuals with authorized visitation rights, including those who can have extended visits with the child and take them on vacation
- Individuals who can help advise or consent on the child's major life decisions

You can rely on your advisor and estate planning attorneys for guidance and assistance with setting up or adjusting your estate plan. Together, you can create a document that addresses a variety of fundamental questions, such as:

- Who will take care of the child? Who will provide after-school care?
- How much money should the trust ideally have upon the parent's death?
- How will the money in the trust primarily be used?
- Would any Social Security or other monthly income be paid for the child? Who would be the payee?

Being a single parent can feel overwhelming at times. It can seem like there are many competing priorities your money could be allocated to, but an advisor can help you sort through what to focus on next – so you can focus on your children.

MORE TO CONSIDER

If you're the single parent of an underage child, carefully consider:

- What will your child's life look like if something were to happen to you?
- Would they live with a relative or ex-spouse?
- Would they have to leave their school and community?
- What kind of limitations would they have when accessing their inheritance? ■

Raymond James does not provide tax or legal advice. Please discuss these matters with the appropriate professional. Certain conditions may apply. Earnings in 529 plans are not subject to federal tax and in most cases state tax, as long as you use withdrawals for eligible education expenses, such as tuition and room and board. However, if you withdraw money from a 529 plan and do not use it on an eligible education expense, you generally will be subject to income tax and an additional 10% federal tax penalty on earnings. As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also a risk that these plans may lose money or not perform well enough to cover education costs as anticipated. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents. An investor should consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Such benefits include financial aid, scholarship funds, and protection from creditors. The tax implications can vary significantly from state to state.

401(k) plans are long-term accounts designed for retirement purposes. Withdrawals are subject to income tax, and if taken prior to age 59½, a 10% federal tax penalty may apply. Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted.

Go green this holiday season

Simple ways make your celebrations more sustainable.

While all those packages and wrapping paper are the remnants of joyful celebrations, they're likely headed for the trash. In the United States alone, household waste increases by 25% between Thanksgiving and New Year's Day. That's about 5 million tons of garbage. However, with some minor changes, conscious individuals can greatly increase sustainability this holiday season.

ADDING MINDFULNESS TO HOLIDAY MEALS

When hosting holiday meals, it's easy to get carried away and make more food than everyone can consume. And while washing dishes is a hassle, single-use plastic and paper dining products create waste. Consider these tips for a thoughtful feast:

- **Shop local.** Supporting local farmers – many of whom use organic growing methods – is good for your community and cuts down on the distance your food must travel.
- **Compost waste.** Instead of throwing away uneaten food, set up a composting station to recycle your scraps into fertilizer for your garden or other plants.
- **Skip the paper and plastic.** Opt for reusable dinnerware and cloth napkins instead of disposable options. Then, store leftovers in reusable glass containers rather than single-use plastic ones to keep them fresh and curb additional waste.

PUTTING PURPOSE BEHIND YOUR GIFT GIVING

Each year, about 2.3 million pounds of wrapping paper ends up in landfills. A thoughtful approach to gift giving can significantly reduce waste:

- **Consider experience gift options such as a spa day, cooking class or yoga class.** These create lasting memories without contributing to clutter. Even a gift card to someone's favorite restaurant creates minimal waste.
- **Bundle your online purchases** and look for retailers that use minimal packaging or eco-friendly packing materials.
- **Explore thrifting and antiquing.** These businesses have a wealth of terrific finds, and some even donate proceeds to worthy causes.
- **Skip traditional wrapping paper**, which often can't be recycled due to dyes and additives. Choose reusable alternatives, such as cloth bags and scarves. You can even make your own with materials like old maps, sheet music or newspapers.
- **Repurpose wrapping paper** as tissue paper for bagged presents, shred into confetti for your New Year's party, or use it in DIY projects and crafts.
- **Shop local.** Supporting small businesses is a great way to give back to your local community and live more sustainably.
- **Carpool.** Bring friends and family along on your shopping trips, and make sure to bring your own reusable shopping bags.

Whether you're able to implement all of these practices or just a few, it will go a long way toward reducing waste this holiday season. ■

Sources: architecturaldigest.com; moveforhunger.org

How active and passive funds work differently

Explore how these two investment types compare.

Whether you're building your portfolio, trying to diversify or considering new investments, understanding the difference between active and passive funds is extremely helpful. Both mutual funds and exchange-traded funds (ETFs) can be either active or passive.

THE BASICS

Active and passive funds are fundamentally different in the way individual stocks and bonds within the funds are chosen. A fund's portfolio manager selects the stocks and bonds for an active fund, while a passive fund tracks an index, like the S&P 500. The passive fund often uses a representative sampling method to "match" the characteristics of the index in the fund, and its intention is to reflect overall market performance.

Generally, active funds try to beat the market while passive funds try to reflect the market. Active funds usually have higher fees but offer different investment opportunities, while passive funds usually offer lower fees and attempt to lower taxable gains and losses by trading less often.

SIDE-BY-SIDE COMPARISON

The two approaches differ in several ways. See a breakdown of some of the differences in the table to the right.

ACTIVE FUNDS	PASSIVE FUNDS
Attempts to outperform the market	Does not try to beat the market because it attempts to track the market
Possibility of underperforming against the benchmark	There are no strategies in place to limit losses when the market is down
Portfolio managers have the flexibility to invest in special assets, which may offer distinct investment opportunities	Fund includes investments that are available to all
Higher fees because there's more work involved in the management of the fund	Lower fees, which on average can be less than half that of an active fund
Could have more taxable capital gains and losses because the portfolio manager may trade more often	Usually has fewer taxable gains and losses because there's less trading involved

HOW TO CHOOSE

Active and passive funds both have distinct benefits, but which will serve you best depends on your goals, assets and other considerations as an investor. In many cases, a mix of both types of funds is a good fit. That's where an advisor comes in: to help you understand which active and passive funds are available to you, and factor in your risk tolerance and time horizon to determine how either – or both – may be an appropriate choice for your portfolio. ■

Sources: investor.vanguard.com; experian.com; investopedia.com; nerdwallet.com; investor.vanguard.com; thebalancemoney.com

Investors should consider the investment objectives, risks, and charges and expenses of mutual funds and exchange-traded funds carefully before investing. The prospectus contains this and other information about these funds. The prospectus is available from your financial advisor and should be read carefully before investing.
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