The Great Spending Balance

LOVE YOUR LIFE TODAY WHILE SAVING FOR TOMORROW

Polley Wealth Management

Your financial life is a balancing act, strung between living in the present and preparing for the future. Saving for retirement may be a focus, but it could feel like you're missing out living in the present. There are three key areas, however, where saving big and investing may make a substantial difference in both the present and future alike: your home, your vehicle, and your travel plans.

In the following pages, we'll explore some smart strategies to address with your financial professional—ensuring that you're able to enjoy your life in the present, while still building a solid foundation for your future.

Lifestyle Choice 1:
Your Home

Our homes have become so much more than a place we live. They're where we gather with our loved ones, and in some cases, raise our own families as well. They've also become a symbolic reflection of the lifestyle we envision for ourselves.

Where do you want to live, and how much house do you need?

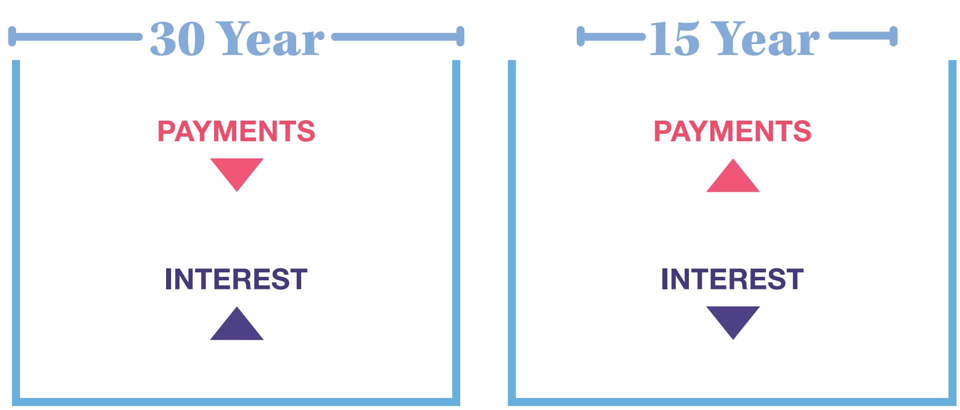
There are many factors that may impact your living situation, with location being the top one for most people. Living closer to work, and as you get older, to family, may become important considerations.

As you age, a larger home may yield greater responsibilities in terms of time, money, and maintenance. You may love the three-story home you're in now, but later in life, climbing all those stairs could become a hassle. The long-term upkeep of a home could even make it difficult to pursue your other retirement dreams. If you wanted to spend your golden years traveling, for example, you may want to consider discussing your home situation with your financial professional.

What type of mortgage should you choose?

For many families, mortgages constitute a large portion of their overall liabilities. According to one report, mortgages represent 71% of all household debt. So, it's important to evaluate your mortgage choices before selecting one that's appropriate for your financial situation.[1]

For example, the payments on a 30-year mortgage are generally lower than 15-year loans, but their interest rates tend to be higher. The lower payment comes from spreading out the loan over a longer period of time. Because of the timeframe, a 30-year mortgage owner pays more in interest payments than a 15-year mortgage holder.[2]



Case Study:

Choosing Whether to Downsize

Let's follow a hypothetical couple, Ron and Tammy, as they review their home, car, and leisure choices.

BACKSTORY

Ron and Tammy are both turning 55 and own a $500,000 house. Since their children no longer live at home, they've decided to downsize and have $300,000 of home equity.

CHOICES

They buy a $250,000 house with cash and plan to no longer have a mortgage payment. With $50,000 of home equity leftover, they decide to invest it with a hypothetical 6% rate of return. Each month, they also place the money they save on a mortgage payment ($1,604 a month) into the same investment.

RESULTS

With a hypothetical 6% average annual rate of return, their investment balance could grow to more than $900,000 over 20 years.*

By downsizing, but continuing to invest their monthly payments, Ron and Tammy could significantly impact their net worth and future lifestyle.

$50,000 home equity

+

$1,604 per month

×

6%

rate of return

= $900,000

INVESTMENT BALANCE

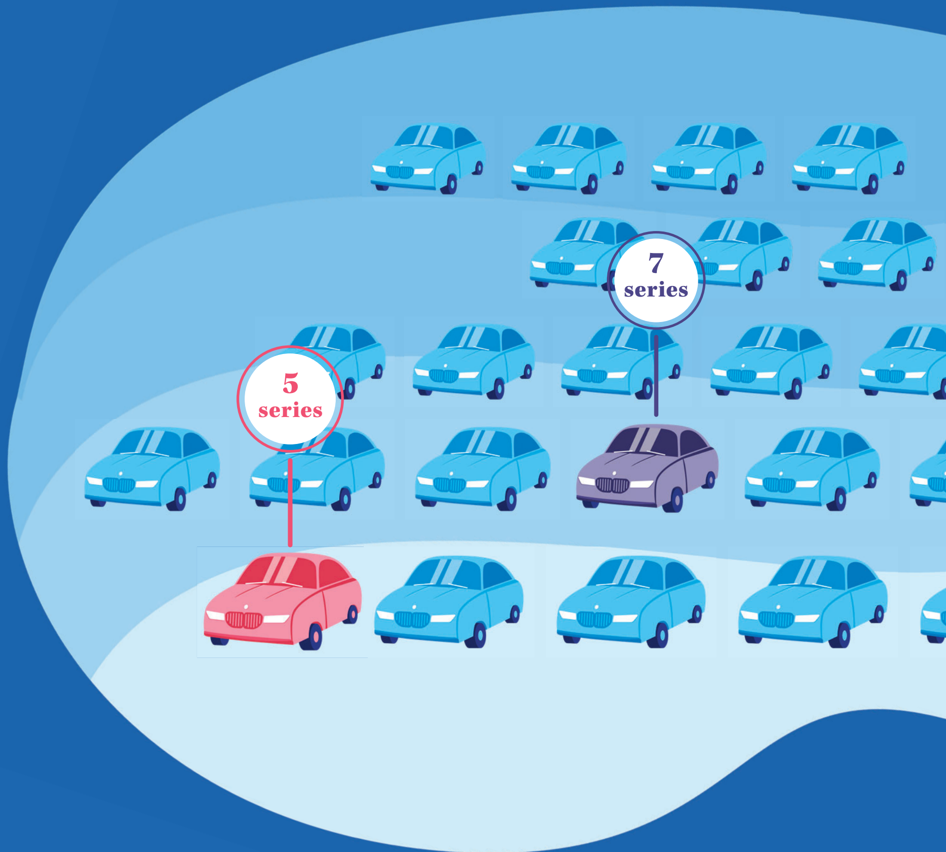
**This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.*

Lifestyle Choice 2:
Your Car

Some professionals suggest a guideline of paying up to 15% of your net income on car expenses. We can help you to analyze your current debt, budget, and determine what type of payments would best fit your lifestyle.[3,4,5]

Case Study:
Buying a Car

Let's revisit Ron and Tammy as they decide which luxury car to buy.



7 series
$74,000

—

5 series
$56,000

5 series
= $18,000
BALANCE

BACKSTORY

Ron and Tammy want a BMW, but they aren't sure whether to purchase a 7 Series for $74,000 or a 5 Series for $56,000.

CHOICES

They decide to buy the 5 Series, which costs $18,000 less than the other model. Ron and Tammy could opt to invest the $18,000 they saved into an account with a hypothetical 6% rate of return. In addition, by selecting this model, the savings resulting from lower taxes, fuel costs, and insurance premiums could also be similarly invested.

RESULTS

With their expected rate of return,Ron and Tammy's balance could reach $45,599 after five years. After 20 years, their account could be worth $109,281.*

By choosing the 5 Series, Ron and Tammy enjoy a luxury car—while also potentially building their financial foundation.

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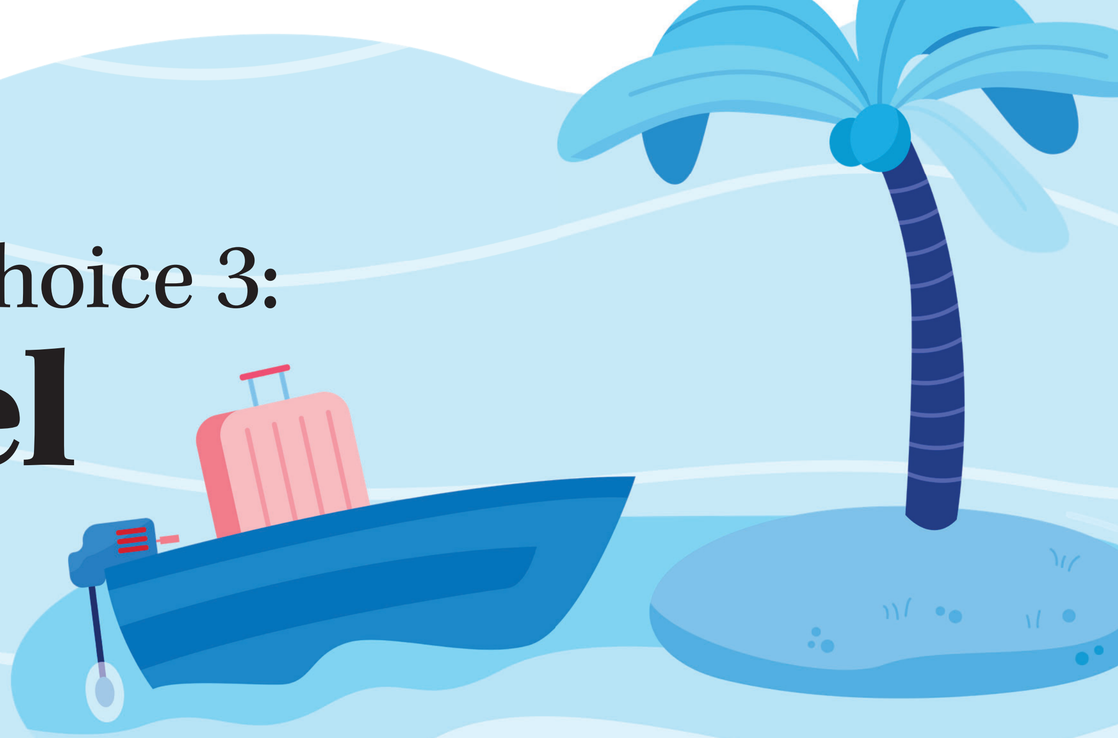
Lifestyle Choice 3: **Travel**



While the nature of travel is in flux, you can still plan and budget for future trips. Many Americans go into debt to fund a vacation, but with a few simple substitutions, you may be able to have a fun, memorable getaway without breaking the bank.[6]

Is travel a priority for you?

Vacations are good for our mental health, yet they're likely a lower priority than a home or a car. With the right preparation, you should be able to enjoy your time off, while upholding your long-term goals.[6,7]

Can you spend less and still enjoy yourself?

You may be able to save on your vacations by doing the following:

- SCHEDULING WEEKEND FLIGHTS TO SAVE ON AIRFARE
- RENTING A PRIVATELY OWNED HOME INSTEAD BOOKING A ROOM AT A LUXURY HOTEL
- TRAVELING DURING THE OFFSEASON
- INVESTING IN VACATION HOME OWNERSHIP TO SHARE THE COST WITH OTHERS[8]
- USING DISCOUNT SITES FOR CAR RENTALS

By strategically approaching your travel choices, you can still have the lifestyle you enjoy—while also potentially building your retirement investments.

Case Study:
Traveling Economically

Let's look at how Ron and Tammy decide to spend their leisure time.

BACKSTORY

Every year, Tammy and Ron take a two-week vacation. They've traditionally stayed at expensive hotels to enhance their lifestyles. Now, they want to rethink their leisure options and see if they can have a similar experience at a reduced cost.

CHOICES

They replace their $400 nightly hotel fee with a privately owned condo, which is half the expense. With a condo, they can also prepare some meals and cut food costs. In addition, they'll watch for deals on flights and use airline miles, potentially reducing what they pay in travel.

+

= $4,800
REDUCED COSTS

RESULTS

Switching from a hotel to a condo could save Ron and Tammy $2,800 per year. And with less-pricey meals and flights, they lower their expenses by another $2,000, reducing their total costs by $4,800 for their annual trips.

They decide to invest the $4,800 savings and anticipate earning a hypothetical 6% rate of return. Going forward, they plan to deposit $4,800 into the same investment each year for 20 years. By the end of those two decades, the account could have a balance of more than $175,000, without needing to sacrifice their annual two-week vacation.*

Find Balance in Your Life

Ron and Tammy were able to balance the kind of life they want to live, while saving and investing for the future. They enjoyed a mortgage-free home, BMW, and annual two-week vacations—all while saving a projected $1,184,821 after 20 years.*

Each financial decision can be a complex mix of wants and needs. As you work with your financial professional to build your investments, understand that the things you care about and value can fit both your lifestyle priorities and long-term goals.

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Footnotes, Sources, Disclosures

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