

Changing “Seasons” of Life May Require Changes in Investment Strategy

As we make the transition from autumn to winter, you may be reminded that seasons don't just change on the calendar — they also change in your life. And as you move from one season of your life to another, you'll find that some of your goals may have changed. Consequently, as time goes by, you may need to adjust your financial strategies as well.

To illustrate the “seasonal” nature of your investment strategies, let's quickly go through a typical life cycle and look at the differing financial goals at each stage:

- *Starting out* — When you are beginning your career, you may not have a lot of money with which to invest, but it's important to try to put away something each month. If you have a 401(k) where you work, take advantage of it — your money is deducted, pretax, from your paychecks, so it's an easy way to start investing. And at this stage of your life, consider investing primarily for growth. Of course, when you invest in growth-oriented vehicles, you typically assume an above-average degree of risk because the price of these investments can fluctuate greatly over time. However, if you buy quality investments and hold them for many years, you may be able to overcome the “blips” along the way and benefit from the growth prospects these vehicles can offer.

- *Middle years* — During this season of your life, things have likely changed. Your kids may have already graduated from college or otherwise left home, so you may need to re-evaluate your life insurance needs. You're likely earning more money and have more available to invest — which means, among other things, that you should consider “maxing out” on your IRA and also putting as

much as you afford into your 401(k) or other employer-sponsored retirement plan. Because you may have a decade or more until you retire, you still may need considerable growth potential from your investments. At the same time, though, you might not want to invest quite as aggressively as you did when you started out, so you may want to increase the percentage of bonds and other fixed-income vehicles in your portfolio.

- *Retirement years* — Many people assume their expenses will drop when they retire. And some will drop — but others, such as health care, will increase. Furthermore, it's not at all unusual for people to spend two, or even three, decades in an active retirement — and during those years, inflation can be a factor. Consequently, even as a retiree, you'll find that growth-oriented investments are important, balanced with others that provide income. Furthermore, you'll want to manage the withdrawals you take from your IRA, 401(k) or other employer-sponsored retirement plan to help make sure you don't outlive your resources. At the same time, you should consider exploring estate-planning techniques, such as life insurance trusts, that can help you leave the legacy you want without burdening your heirs with heavy estate taxes. To help you meet these needs, work with your tax advisor and estate-planning professional.

The seasons of the year change every three months. The seasons of your life change much more slowly, but these changes can have a big impact on your financial situation.

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