A Checklist for the Empty Nester Investor

For years, you've selflessly supported your children – but once they're grown, there comes a time to reflect and prioritize yourself. As an empty nester, you have the freedom to set new goals that align with this new chapter of life. When you're ready to revisit your plan for retirement, review this checklist and discuss it with your Baird Financial Advisor.

REVISIT YOUR GOALS

If you're like most parents, you've probably spent years in a balancing act between your own priorities and the needs and schedules of your kids. Now that you're an empty nester, you can take the time to focus on your personal desires that no longer have to take the back seat.

- [ ] Ask yourself the following questions:
  - When do I want to retire?
  - What do I want to accomplish before retirement?
  - Do I want to help fund my kids' or grandkids' higher education?
  - Do I want to be in a position where I can provide ongoing financial support to my kids or grandkids?

CREATE A NEW BUDGET

After the kids move out of the house, you will likely see a change in your day-to-day spending. By creating a new budget, you can decide where to put extra money – for example, paying off any debt, increasing savings or making more room for travel.

- [ ] **Carefully track your spending habits for a few months.** By utilizing tools like Baird's 360 Wealth budgeting and cash flow planning features, you may notice you're still paying for streaming services that only the kids used, or for high cell phone data limits you no longer need.
- [ ] **Consider directing that surplus cash flow to pay off debt or beef up your retirement savings.** In 2024, you can contribute up to $23,000 per year to your 401(k) and up to $7,000 per year to your IRA.
- [ ] **Take advantage of catch-up contributions.** If you're at least 50, you can contribute an extra $7,500 to your 401(k) and an extra $1,000 to your IRA annually.
- [ ] **Think about saving for future expenses.** If you want to help your kids or grandkids with weddings, first homes or an education, be sure to budget for those larger expenses.

CONSIDER YOUR HOUSING SITUATION

After your kids have flown the coop, your family's home might start to feel a bit too big. The decision to downsize can vary based on your unique situation.

- [ ] **Think about the potential benefits of a new move.** Moving to a smaller home could reduce expenses like utilities and insurance, while moving to a condo or a 55 and up community could take away physically taxing tasks like maintenance altogether.
- [ ] **Consider the reasons you may want to hold off on a move.** While you've just surpassed a significant milestone, some things may still feel in transition. For example, kids off at college may want to come home to visit, and once your kids graduate, they might want to live with you at home while they get on their feet. Plus, moving to a new home right now could require taking on a new mortgage with a higher interest rate.

DETERMINE YOUR LIQUIDITY NEEDS

When you eventually reach retirement, banks can be more reluctant to let you take out loans due to your lack of consistent income.

- [ ] **Consider taking out a home equity line of credit.** Even if you don't know if you'll end up using it, this can secure another source of emergency cash post-retirement.
- [ ] **Look into a securities-backed line of credit.** If you have assets with Baird, you may qualify for this line of credit that doesn't require you to liquidate your investments. Reach out to your Baird Financial Advisor for more information. ▶

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REVIEW YOUR TAXES

Once your kids reach age 19, they can no longer be claimed as dependents on your tax return unless they are full-time students. If they are still full-time students, they can be claimed as dependents until they are age 24.

- ☐ **Have a conversation with your child about how much you are supporting them.** If they are over age 18 but a full-time student, you must be providing more than half of their financial support to claim them as a dependent.

CONSIDER ALTERING INSURANCE POLICIES

If you previously purchased a term life insurance policy to provide for your family in the event of death, you may want to consider if that policy is worth keeping.

- ☐ **Decide if changing your life insurance policy is in your best interest.** If your estate can comfortably support a spouse or any dependents without your income, you likely can reduce your life insurance coverage now. But, if your income is relied upon by your family, you might want to hang onto those policies. Reach out to your Baird Financial Advisor for an insurance plan review that can determine the type and level of coverage that's right for you.
- ☐ **Look into long-term care insurance.** This can help fill in the gaps that Medicare and private health insurance don't cover. These policies are generally better to purchase when you're younger and healthier, so don't defer this to when you're close to retirement.

RE-VISIT YOUR ESTATE PLAN

Now that you have adult children, you may be more comfortable with them taking on the role of beneficiary. Take this time to decide what the best options for your estate plan are for you.

- ☐ **Update your documents and designations.** Are your beneficiary, executor and power of attorney decisions still appropriate?
- ☐ **Consider if charitable giving fits into your overall plan.**

PLAN FOR HEALTHCARE

Taking the time to protect your health is vital, and this stage of life before retirement is a great time to do so. Along with creating a plan for your own healthcare, you can help your newly adult children weigh their own healthcare options.

- ☐ **Consider maxing out Health Savings Account contributions.** Annually, individuals can contribute up to $4,150 and families can contribute up to $8,300. Individuals who are age 55 or older can also contribute an additional $1,000 per year as a catch-up contribution.
- ☐ **Decide how long your children will stay on your health insurance policy.** Kids can stay on your policy until age 26, which may be more cost-effective for them than getting their own coverage.

HELP YOUR KIDS GAIN FINANCIAL INDEPENDENCE

Getting your kids stable in their own financial lives can make it easier for you to make any adjustments necessary for yourself.

- ☐ **If they haven't already, help them open their own credit card and bank account.**
- ☐ **Encourage them take on their own smaller expenses.** For example, an auto insurance policy or a cell phone plan.
- ☐ **Help them understand the impact of larger expenses.** Helping them budget for things like a down payment on a house or car can give you peace of mind, and them a great start into adulthood.

Many of the decisions you make now can have a meaningful impact on achieving the retirement you want. For a further discussion around your specific situation, contact your Baird Financial Advisor.