



WHEELER
Wealth Management

FLASH REPORT

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Don't Let These Financial Surprises Trip You Up

Surprises on our birthday can make for truly special, wonderful moments. But when it comes to surprises about our finances? Yeah, not so much.

It's possible, of course, to receive terrific unexpected news that you've just inherited a fortune or that the early-stage company you invested in a few years ago has become a unicorn. But let's face it: Surprises about our money and assets typically aren't occasions for throwing a party.

The good news: You can take steps to avoid getting blindsided by financial surprises that could leave you with anything from a minor inconvenience to a serious cash flow crunch or other threat to your future security.

With that in mind, here's a look at some common financial surprises that individuals, families and others tend to experience at various stages of their lives—along with tips for avoiding them and instead knowing what's on the horizon.

Retirement Surprises

Unexpected developments when you're no longer working—and instead relying on savings and investments—may be the most commonly feared type of financial surprise. Without the safety net of a steady paycheck, any uncertainty around money can potentially create a lot of anxiety.

1. Higher-than-expected taxes. Many retirees count on sliding into a lower tax bracket after they're out of the workforce. While that often happens, the opposite can and does occur—leaving them with higher-than-expected tax exposure. That might happen when people forget that Social Security benefits may be taxed, or when they start taking out money from certain retirement accounts (particularly if they're also getting income from pensions, deferred comp plans and the like).



To potentially sidestep this problem, pay close attention to your annual earnings from all sources as well as the specific income levels of the various tax brackets. In some cases, converting a tax-deferred account to an account that allows tax-free withdrawals in retirement can also help keep the IRS at bay.

2. A longer-than-expected life. Living longer than you thought you would should be one of life's really nice surprises. And it probably is—unless you're not financially prepared to fund your lifestyle needs and wants far enough into the future. While it may seem ludicrous to think you'll live to see 100, advances in medicine that to some extent roll back the clock on our bodies are becoming more common. In general, it can make sense to estimate a hefty life span in your financial planning rather than aiming low.

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REVIEW YOUR PLAN

3. Bigger personal expenses. Pre-retirees may often hear that their expenses will fall significantly once they retire. However, it's quite common for expenses to hover around the same level they were at during someone's final few working years. And of course, forces beyond your control (such as inflation's big surge a few years ago) could cause your cash outflows to rise more than anticipated. The upshot: Don't bank on retirement being cheap when running the numbers for your golden years.

'Life Happens' Surprises

The number of tasks we have to manage each day can seem herculean, so it's easy to see how financial surprises could creep up on us. Some to look out for:

1. Overlooked payments. The fees you might pay on overdue bills and the like won't jeopardize your financial health. But why pay them at all when it's so easy to put reminders in place that can ensure you don't forget an important financial obligation? It's easy to set up account alerts via text or email to tell you of upcoming payments due—or you can schedule regular online payments for recurring bills.

2. Home repairs. A fallen tree, a wildfire, a flood—life happens. Or maybe that roof you've been meaning to have fixed but never got around to finally gave in. An adequate emergency fund is vital for these situations, of course. So is having the right homeowners insurance for your particular risk profile. That goes double if you have two (or more) homes in different states. Such a scenario can lead to complications, particularly if the homes are covered by policies from different insurance companies. Or say your home was built using expensive or rare materials. If you don't attend to

these factors, the rebuilding costs (in case of, say, a devastating fire) could easily be far, far greater than your coverage.

3. Lawsuits. If you have wealth, you may also have a target on your back as people look to unjustly take your assets from you. Asset protection planning can potentially legally shield your assets from future lawsuits and creditors. However, it's essential to put asset protection plans in place before you are sued. What's more, wealth protection plans need to be reviewed every few years and updated when necessary to reflect changes to your bottom line or your risk exposure.

Conclusion

If you work with a financial professional who takes a comprehensive, proactive view of your financial life, chances are good that you won't get tripped up by the types of financial surprises outlined above. Still, it's wise to occasionally review your emergency fund cash, your various types of insurance and any planning you've done around your spending in retirement.

If you're unsure how well protected you are against the impact of financial surprises, consider stress testing your plan to see how your financial picture could look under various scenarios. That way, you'll know whether you're in good shape—or if you need to take steps that can keep your financial life steadier and more predictable.

