DOWLING & YAHNKE
WEALTH ADVISORS

FINANCIAL PLANNING FOR NEW PARENTS

SETTING UP A 529 PLAN

It may seem daunting to consider college planning already with a newborn, but higher education is expensive. A $25,000 per year university today could cost a total of $260,000 in 18 years (assuming annual inflation of 5.5%)! The easiest way to start saving is by opening a 529 college savings plan where earnings on contributions grow tax-free over time. We suggest the Utah 529 plan (www.uesp.org) as it is continually ranked among the best in the nation, utilizing low cost Vanguard and Dimensional ("DFA") funds as its investment vehicles. We normally suggest the "age-based aggressive global" or "age-based moderate" investment options within the plan based upon your risk tolerance. We would be happy to help you review investment options and estimate the monthly amount you should contribute to reach certain college savings goals in the future.

PURCHASING TERM LIFE INSURANCE

As new parents, you may want peace of mind, that if something were to go terribly wrong, your family would be taken care of for years to come. Term life insurance is coverage that lasts for a limited amount of time, typically 20 or 25 years. During this term, your payments and coverage remain fixed. Typically, a term policy is the least expensive life insurance option. To get an indication of the potential cost, we would recommend starting at the USAA website and getting a term life quote for the breadwinner as well as the spouse. A 20-year term policy for a 30-year-old is inexpensive. Term life really is the "the biggest bang for your buck" when it comes to life insurance. There is no cash value, but for the minimal monthly cost there is a substantial death benefit. Please let us know if we can further assist you by preparing a life insurance needs analysis based on your specific situation.

CREATING A FAMILY TRUST

The joys of parenthood come with many responsibilities, one of which is protecting your family's assets in the form of a trust. Many people think of estate planning as something to consider when you are either rich or old and gray. However, California residents in particular have one very important thing to consider called probate. If you create a living trust for your family, your assets won't need to go through probate, which is a lengthy, costly, court appointed asset distribution process. Even if you don't have substantial liquid assets, the *gross value* of your home is included in the probate estate. Attorney fees in California start at 4% of the first $100,000 of the *gross value* of the probate estate. So, even if your only asset was a $1 million home, it would potentially cost your heirs $23,000 in attorney's fees to settle the estate — based on the *gross value of the asset, not your actual home equity.* Besides avoiding probate, it's vital to have your wishes drawn out in a trust for the support of your minor children as well as directives for financial and healthcare decisions. We can refer you to a few reputable estate planning attorneys in your area to help guide you through this process.