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On Second Thought, Don't Save All Your Money

Posted on January 3, 2018 by Coming of Age in [News & Views](#).

On Second Thought, Don't Save All Your Money

By Daniel A. Timins, Esq., CFP™



The world is telling you to save. Contrary to the ads coercing you to try that perfume, flashy billboards suggesting you drink those beverages, and television commercials demanding you to buy this car, the message you are being told is to fear a life without money. The problem has been exacerbated as we've watch the costs of social programs balloon, pensions wither away, and life expectancy skyrocket. We are even being taught to fear a future where our children will retire with less than we had, so we better save for their old-age too. Wife leaves unemployed husband, family loses mortgaged house, penniless grandma goes to the nursing home; we have been taught to avoid spending at all cost.

As a professional who meets with many aging individuals I can assure you that focusing too much on saving money will insure you miss out on activities that improve your health, quality of life and happiness while equally hurting your children by leaving them wealth in the future instead of now.

1. **Spend on Health and Wellness:** The cost of less work, healthy food and gym memberships noticeably effects your bottom line now, but being healthy will allow you to work longer and avoid injuries. In addition, studies now suggest that people with adequate sleep have lower incidences of heart disease, obesity and even Alzheimer's Disease. Expenses on health may mean more time with loved ones without needing to rely on their physical and emotional

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2. **Pursue Physical Activities Now:** There are certain undertakings you will not be able to perform as you age. Vigorous vacations, physical activities with your grandchildren and long-distance travel will only get more difficult as you approach retirement age. Better to spend money on these pursuits prior to retirement, at which point you may not be able to perform them.
3. **Give Early with Expectations:** This is not your parent's world, where real estate was affordable and student loan payments only represented a small percentage of your income, so giving money early helps today's children build a necessary financial base. But expectations should be set as a function of any gift: Education funding should be bestowed with explicit instructions that children "Follow their opportunities, not their passions", and that mom and dad will not underwrite future unproductive career decisions. House down payments are to be made after a cashflow analysis of what a child can actually afford and when.
4. **Gift While Maintaining Control:** Use the gift of hindsight while gifting. Contributions to 529 Plans and simple trusts allow you to retract the gift if the beneficiary's behavior doesn't conform with your future expectations. Avoid UTMA accounts and outright gifts, since you must give up complete control over these funds. Make sure to pay for a child's prenuptial agreement, and document any substantial gift in writing if you do plan on giving a married child substantial funds outside of a trust.
5. **Don't Focus on Giving When You Die:** Future legacies are expensive and hard to calculate. First, maintaining a meaningful amount of life insurance becomes increasingly expensive as we age, and the older you get the more you "lose" the life insurance game. Even worse, you can never gauge what future tax policy will look like: In the next thirty years it is possible Congress could increase estate taxes, or accelerate distributions on Inherited IRAs, or get rid of post-mortem step-up in basis rules on capital gains taxes. You only know the true value of a transfer today.

Yes, saving is essential for a secure future, but the benefits of helping yourself and your family now is too often underestimated. And while many beneficiaries are happy to receive a sizable inheritance, even more are happy knowing a parent lived a meaningful, fulfilling life.

Daniel A. Timins is a Trusts and Estates attorney and a Certified Financial Planner™. He is the founder of the Law Offices of Daniel Timins, a law firm operating in Midtown Manhattan.

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