Insights Live℠

Getting your financial house in order

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TRANSCRIPT

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DOM COLLAMATI: Hello, and welcome to the latest *Insights Live*℠: Getting Your Financial House in Order. I'm Dom Collamati, and I'm the head of planning for the Northeast region here at Fidelity. And today, we'll be talking about getting the new year started on the right financial path, and what are some easy steps to get habits in place for the year ahead.

Before we get started, though, we all here at Fidelity want to express our thoughts and concerns for so many of you dealing with the tragedy of the wildfires in California. I know we all can't imagine what so many of you must be feeling and going through. Yet, please know, if we can help alleviate any stress for those of you that have been impacted regarding your financial situation, our local teams are standing by, and we are here for you. And we're all certainly hoping for better days ahead in the very near future.

Regarding our topic today, the first step of our planning process we always take is to start with a clear understanding of what is really most important to you. And from there, we take the opportunity to really build or help evolve your financial plan to make sure that your goals that you've told us about are being accounted for, while we're also planning for the unexpected. And as many markets are at all-time highs right now, you're going to hear our encouragement to you to also make sure you're using that to your advantage by having a conversation with us to help you make more well-informed financial decisions. The reality is that we all are one life event away from needing real financial planning help. And as a friend reminded me just recently, he said the best time to work on your roof for your house is when it's sunny, not on a rainy day. And I think the same applies to our financial houses as well.

So before we get going, we do want to let you know that Fidelity does not give tax or legal advice, and nothing we discuss today should be interpreted as tax or legal advice. The information we're providing is going to be general in nature and may not apply to your exact

situation. So if you have tax or legal questions about your situation, we encourage you to talk to your attorney or tax professional. With that said, we're excited to get started, and I'm very excited to introduce this amazing team of professionals from Fidelity who are with us today. So team, I'll ask you to go around and introduce yourselves and maybe describe a little about your role at Fidelity and some of the perspectives you can bring to this discussion. And Jen, how about you kick us off?

JEN SELLWOOD: Thanks so much, Dom. It's a pleasure to be here. My name is Jen Sellwood, and I arguably have the most fun job here at Fidelity because I get to meet with our clients daily in our Minnetonka, Minnesota, Investor Center. My official title is vice president financial consultant. I'm also a Certified Financial Planner. I've been with Fidelity for the last 11 years. And I'm really grateful to be here today to share some things with you.

RICH MARTIN: Thanks, Jen. My name is Rich Martin, and I'm an estate and business planning attorney with the Fidelity Advanced Planning team. I have over 35 years of experience. Now, as mentioned earlier by Dom, Fidelity does not provide tax or legal advice, so my role is to educate clients about various estate and business planning strategies. We don't draft any documents but are available to work with your attorneys and CPAs if you do decide to move forward with any of the concepts. As a member of the Advanced Planning team, I'm available to meet with you and your Fidelity representatives on a one-on-one basis under certain circumstances.

JOHN DANAHY: Great. It's John Danahy here. Dom, Jen, Rich, great to be with you. Great to be with all of you. I am the interim lead of the Fidelity Planning and Advice group. I've been at Fidelity for 25 years. And in the Financial Planning and Advice group, we really focus on building tools and resources that enable you to understand your financial situation. We help you set goals and track your progress against them. And then we try to help you explore strategies for how you can accelerate your progress against those goals. So great to be with all of you.

DOM: Thank you all. Often as we turn the page on a new year, I know I start thinking about getting my finances in order, and I'm sure many on this call are thinking the same thing. Part of that process is clearly assessing your current state of your finances and starting to set goals. So, Jen, let me bring you in here. When you start working with a client, how do you actually start doing that process?

JEN: Well, we at Fidelity, we believe, Dom, that every single person deserves to have a financial plan. So with that in mind, we always lead with planning. So obvious statement here—we obviously can't control the market, the economy, et cetera. But we can make sure all clients have a plan in place to weather whatever economic conditions we're actually in. So it's really important when I start meeting with clients to understand their unique situation. And this starts with understanding what is absolutely, truly important to them in regards to their financial goals, so very personal to whatever type of client I'm talking to.

I'll give you a couple of examples of clients that I've worked with recently. I had an introduction appointment with a client earlier in the week. And the most important thing, any time I'm meeting with a client, certainly, is just to determine their specific goals. This particular client happens to be retiring in 2025, and this was actually her very first financial planning interaction. So I'm just going to go out here and say we generally advise clients to plan early and often, but we also find that life events are typically the trigger to have clients engage with us.

So this particular client was an amazing steward of her finances, so she was prepared with her expenses, income sources of retirement, had all of her statements from her outside assets, et cetera. So because she was so prepared, we were able to build that financial plan for her. And having the plan is really important, but executing on that plan is just as important so we can make that come to life. So we're in the process of getting that investment strategy put together, income strategy, tax strategy, et cetera, so she can transition really easily into retirement.

On the flip side, I met with another client that I've been working with for the past 10 years. And this was a married couple successfully retired in 2024. This particular family, the husband took care of all of their financial needs, everything. The wife was very, very hands-off. And unfortunately, her husband passed away very unexpectedly, so it was a shock because they just retired, all of those things.

But because we had done that planning previously, she was able to come into the office. We reviewed certainly what her circumstances looked like now. She did not want to do any of her own investing, so we took the reins for her. But I was very clear prior to this happening that this was going to be the plan should something unforeseen happen. So it freed her up really just to deal with the loss of her husband and not worry about the financial implications of that loss. So I give you these two examples just to reiterate the importance of planning really at any stage of your financial life. Because as we know, with a plan, we can obviously navigate when unexpected things happen in our life.

DOM: Yeah, thank you, Jen. And just to pause there, I mean, I know those are some of the very worst moments that anyone can go through. And certainly, there are many on this call dealing with that kind of grief or pain currently. And we are thinking of you. We all fully believe that good financial planning can help alleviate some of that anxiety, some of those cornerstone stressors in those moments, and to Jen's point, help people focus on healing. So I just would reaffirm we are ready to help wherever you are right now.

John, let me transition to you. For clients who want to do some self-assessment to track their progress towards goals, what tools are available at Fidelity?

JOHN: Yeah, we've got a range of financial planning tools and resources. I would start with the Planning and Guidance Center. You can access it on Fidelity.com. And this gives all of you the

ability to set a retirement goal, to do some analysis around future retirement income projections, to track, as you said, your progress against that goal, and then to explore strategies to increase your likelihood to success, so a powerful tool that's available to all of you.

We also have a very robust account aggregation capability, so the ability for all of you to bring together your existing Fidelity accounts with outside Fidelity accounts and really get an understanding of your entire financial picture, so your net worth, your debt, your budgeting, your spending, all those things you might want to monitor or enable through that aggregation capability. We've got a plan summary capability. You'll see it on Fidelity.com and also in our mobile app. And this is the ability for customers to set goals, not just retirement, but maybe it's a college goal. Maybe it's a large purchase—and to track those goals over time in a simple dashboard.

And then we don't have enough time to go through all the tools. As you can imagine, we've got a broad ecosystem of tools and resources. Our Performance & Analysis experience will help you understand your portfolio, how it performs, how it's constructed. We've got college savings tools. We've got health savings tools, so a really broad range that all of you can take advantage of.

DOM: Yeah, thanks, John. I mean, I'm smiling away here. I mean, there's just an incredible amount of resources on Fidelity.com. And my father surprised me via text here telling me that he's listening today. So I'll share freely with all of you that I did not want him to try figuring out Fidelity.com by himself. And I believe that any loved one would benefit having a local team of professionals help them, rather than be left on their own to try figuring out how to harness all that John's talking about for their unique situation. So just some great callouts by you. Thank you.

Rich, I'd love to bring you in to get your perspective on goal setting. How do you work with clients to establish their goals for their legacies?

RICH: Thanks, Dom. Well, first of all, everyone should have an estate plan to determine who receives your property and when. If you don't have a last will and testament, for example, state law, which is called intestacy, basically creates a plan for you that may not be as practical or tax effective as you would like it to be. For example, imagine an 18-year-old child or grandchild receiving a substantial sum of money with no guardrails or guidance.

Estate planning fits into goal setting in a number of ways. Once you have established your retirement goals, you can determine whether your estate will exceed federal and state tax exemptions and if you want to limit tax liability through the use of lifetime gifts. However, since life can present unanticipated changes to your plans, such as an untimely death, your estate legacy goals will also include a plan to make sure the assets and property passing to your heirs will have a positive, rather than a negative, impact on their lives.

For example, will a child be able to handle the sudden inheritance of a large sum of money? Will that inheritance be subject to unexpected creditors or divorce? What if the beneficiary has special needs or cannot manage the inheritance and makes unwise investment decisions? Now, charitable giving can also be an effective method of reducing a taxable estate, both during life or at death. All of these issues can be addressed in a very thoughtfully executed and planned estate plan.

DOM: Thanks, Rich. I think you created a very powerful, compelling image right there, mental image of an 18-year-old child or grandchild that we might have in our lives with no guardrails on spending. So thanks for that call to action.

When it comes to goals, most of our clients want to retire with confidence. Jen, we hear that so often. But a common question we get at this time of the year is how do if you're saving enough? Jen, how do you help clients figure that out?

JEN: This comes back to each unique individual plan and obviously looks different for everyone because, at the end of the day, it really comes down to how much your lifestyle costs. So as an example, I have clients with a million-dollar portfolio, and they will never spend their money. So when they come in for their review, I have to encourage them to do so. So I always joke and say, if your financial advisor is telling you to spend more money, you've done something absolutely accurate. On the flip side of that, I have clients with multimillion-dollar portfolios who are going to risk running out of money just based on how they spend.

So that said, it's very important to just understand the different ways to save. So we'll keep it rather high level just for today's conversation. But when we think about saving for retirement, 401(k)s are obviously a very obvious place to start. At minimum, we want to encourage everybody to contribute at least what your company matches. That's assuming that you have a company match. This is free money, everybody. So we want to make sure you're taking advantage of that.

That said, we would recommend maxing out your 401(k) if your plan allows you to do that. So I'm just going to go over some limits. So you're clear on what that looks like. In 2025, the contribution limit for 401(k) is $23,500. And then you get perks for getting old in this space. So there are catch-up contributions at different ages. So at 50-plus, you can contribute an additional $7,500 to your 401(k). And then between 60 and 63, you get the opportunity to contribute at $11,250 in addition to that baseline $23,500.

Something else to consider, too, with your 401(k) is that oftentimes 401(k)s now have Roth contribution as an option. And depending on your income, this could be a more efficient way for you to actually contribute. So I encourage you to talk to your advisor about this because we want to make sure, again, that we're just being as efficient as we possibly can as you're saving.

So if a 401(k) is not an option for you, or depending on your situation, there's also Individual Retirement Accounts, or IRAs, and Roth IRAs. So contribution limits to these for 2025 are $7,000. And then that perk of getting old again, if you're over 50 can add an additional $1,000 contribution to either one of those accounts. Now, you want to keep in mind, both of these contributions have income limits. So once again, we just want to make sure that it's in compliance with your plan and that you qualify to actually make those contributions should you be doing so.

Another place that's often unlocked, quite honestly, is health savings accounts. So the contribution limits here, if it's a single plan, is $4,300 for 2025. Family is $8,550. And then there's a catch-up of that $1,000 again at age 50 plus. The reason that these are a really great place to save is that they can be triple tax advantaged. So one, they reduce income in the year that you contribute to them. Two, they grow tax-deferred. And then they're a distributed tax-free, assuming that you use that for qualified medical expenses. And after age 65, they become a lot more flexible. So this is just a very high level where we would start and make sure that you're doing it as efficiently as possible.

DOM: That's great, Jen. I love what you're sharing too, because it's so clear that when we do good financial planning, we can share some great news, like, hey, you can spend more money or you got enough resources to live the life that you want. Do you want to create some new goals, like maybe providing for a legacy or thinking about a snowbird for a few months? Those are some really exciting conversations that we can customize for you when that process is done.

John, for our clients who've maxed out their 401(k)/IRA options, can you talk about what other strategies they might consider to maximize more of their savings?

JOHN: Sure, happy to. And Jen really talked about the importance of tax deferral to retirement savings. But higher income individuals may not have access. So if an individual is making more than $165,000 in 2025 or a married couple $246,000 in 2025, they are not eligible for Roth contributions. They are eligible to contribute to traditional IRAs, and they can make a conversion of that traditional IRA into a Roth. And Jen talked about the caps or contribution limits in IRAs, but there is no cap, there is no limit to the amount of assets that can be converted into a Roth IRA. So we refer to this as a backdoor Roth, or a straight-ahead Roth conversion, and that's a very common strategy with a lot of our higher income customers.

Beyond that, I think low-cost variable annuities are a really important solution. So those earnings in the portfolio of an annuity are not taxed until they are taken out of the annuity. And the individual who holds the annuity has control over when that withdrawal is made. So a common strategy we see is our higher income customers contributing to a low-cost variable annuity, deferring taxes along the way, and then taking the withdrawals potentially when they're retired and when they have a lower tax burden. So that's a pretty common strategy that we see.

And then Jen talked about it, but it deserves to be underlined. I think the most tax-efficient vehicle we know of is that health savings account, so that triple tax advantage of no taxes coming in, no taxes in the portfolio as it's being managed, and then no taxes as those assets are being withdrawn if they're used to pay for qualified medical care or health care expenses. So a number of different options there for higher-income investors.

DOM: Great. Speaking of accounts, for many of us, getting finances in order this time of year involves looking at streamlining, often by consolidating some old accounts. But that can bring up the question of what assets do I hold in what types of accounts? So, Jen, let me go back to you. How do you help people really address and start thinking more critically about that decision?

JEN: That's a great question. So we want to make sure that we're always just as efficient as we can be, right? So when it comes to selecting the right accounts for your assets, also known as asset location, it's all about being taxed as tax-efficient as possible. Therefore, different account registrations often should hold specific securities, just to be in that efficient space again.

So for example, let's say you have a nonqualified brokerage account. We want to make sure that we're investing in specific holdings within that account that are tax sensitive. We want your tax 1099 to be flat while your account grows. So when we think of that space in terms of tax efficiency, maybe we would hold individual stocks or municipal bonds in those types of accounts. In addition to what we would actually own in those accounts, we want to make sure that whatever strategy we have in place, we're doing that tax efficiently too. So things like tax-loss harvesting, being mindful of long-term versus short-term gain, all of those things to consider.

So in qualified accounts—so the 401(k)s, your IRAs, your Roths—those we don't really care what happens from a tax perspective on an annual basis. So we can hold anything in there because we know all of those accounts grow tax-deferred. In addition to just having that asset location nailed down, we have an amazing ability now at Fidelity to look at goal-based investing. So we want to make sure that we're holding the most efficient types of securities in all of our accounts. We also want to tilt the risk based on the type of account so we can maintain that efficiency.

So as an example here, that retiree I mentioned earlier, she has several accounts with us. So she's got a brokerage account. She's got a Roth IRA. She just retired, as I mentioned, so we rolled her 401(k) into her IRA. So we've got three accounts to work with that we need to implement for her retirement. She's relatively risk averse, and based on her plan, her overall asset allocation should be roughly 60/40. And when I say that, I mean, 60% stock, 40% bonds and fixed incomes.

Now, that said, her Roth is actually going to be invested in 100% equity or 100% stock, and her rollover and her brokerage account are going to be more conservative. So overall, that entire goal is going to stay within her risk tolerance, but we're going to have one piece of that be a little bit more aggressive.

Why do we do that? Well, again, it's all about efficiency. So what we want to do, that Roth, we know that grows tax-deferred and comes out tax-free. So we want to make sure that that's the most aggressive part of her portfolio to take advantage of that tax-free growth.

RICH: And I think it's also important to make sure the beneficiaries of those accounts line up with the rest of your plan. As you can well imagine, it could become quite problematic if you have numerous accounts spread amongst different financial institutions, and trying to consolidate those accounts may make sense, depending on where you are in your planning cycle.

Additionally, if you want to limit access to the accounts after you die, the beneficiary of those accounts may have to be some sort of entity, such as a trust or custodial account. This is especially important if your beneficiaries are under the age of 18, who are unable to use the assets until they attain that age. Additionally, if you want to make charitable gifts, you may consider passing some of your retirement assets to the charities, which will be able—and the charities are then going to be able to accept the account without the imposition of an income tax.

DOM: Yeah, and Rich, I think that's just a great point to just pause on because that consolidation discussion, I think, is—I'd encourage everyone to try really evaluating and make an informed decision on not having all your eggs in one basket, but all your baskets in one barn, in the sense that if you think of that situation you just provided, if you have multiple different providers and sadly someone passes away, account owner passes away, your loved one's going to need to take a death certificate to five different financial providers. It's going to need to follow their procedures and policies to set up life registrations, and then try understanding how do these all fit together and work together. So starting to really think more critically about the value there is a worthwhile discussion for the new year.

Let's switch gears to other subjects, though, that are on clients' minds right now. Jen, talk to us about what you're hearing the most in your seat from clients right now.

JEN: Oh, if my office walls could speak. There are obviously a general theme of uncertainty as we enter into the new year. This is not all that uncommon as the calendar turns, but I would say especially coming off of an election year. Almost every single one of my clients wants to discuss the implications of the election, regardless of their political views. So of course, those are —there are clients that are excited about the change and are really optimistic and want to take advantage of that. On the other hand, I have clients that are potentially considering moving out of the United States and want to know the best way to handle international relocations. So you really get conversation on both sides of the fence. As with any administration change, there's questions about taxes and things that might happen based on the new administration. I would say the election is definitely top of mind for every single one of my clients.

The other thing that we talk about a lot that's coming up is the all-time market highs. So we're very happy that we're in this space, but it's also creating a little bit of uncertainty for clients. So for example, clients who have a lot of cash on the sidelines, they don't really know when to enter, when's the best time to get into the market. And then alternatively, those that have a lot of gains built up in their portfolio—again, which is wonderful—but maybe now we want to take some of that off and protect it a little bit more. So just looking at that all-time market high and really deciding what we want to do in that space.

And then certainly—oh, go ahead, Dom.

DOM: No, I was just going to follow up with you on that and just to dive in maybe a little more deeper on that uncertainty about a new administration and what might be some of the policy impacts. Anything more you want to share on that?

JEN: No, I mean, I think we have to plan with what we know right now, but there's a lot of change that's potentially coming, and we're on top of that. We'll build it into plan as we know more. But yes, it's definitely uncertain, and we just want to support our clients and make sure that we're giving them up-to-date information as we have it.

And, too, as we enter a new year, things that we've already talked about, but just that feeling of uncertainty, not in a negative way, but just making sure that we've got things in order. So our contributions are set up. We're being as efficient as we can from a tax place. We know what we're doing in terms of the 2025 goals, all of those things. So just making sure our financial house is in order is just another feeling of uncertainty at the beginning of the year. Again, not negative, but just something that's top of mind for all of my clients at this point.

DOM: Great, thanks, Jen. Let's drill down on some of those market concerns, John. We've been in a long bull market, which has some clients naturally wondering whether it makes sense to buy or keep holding stocks right now. How does market performance affect how someone should invest?

JOHN: Yeah, no, that's the question, as Jen said, that everyone is asking and everyone's raising. I've been 25 years here at Fidelity and we've got some we believes, which are truths about investing and about financial planning that we think are foundational to the success of our clients. And we've got a we believe around timing the market. And I know a lot of folks say, can I time the market, and how should I do this, and are we at an all-time high? We say it's not about timing the market. It's about time in the market.

I'm sure we would all agree it's impossible to predict the short-term path of market returns. But individuals who stay invested over a long period of time can really benefit from appreciation over time, over years. And all of this is well and good, but the point is, it still can be challenging for

some to say, I want to start investing or I want to continue investing at a time when the market is either at an all-time high or close to an all-time high.

So Jen mentioned this. I want to go a little deeper on it—goal-based investing. And that's another we believe we have at Fidelity. And we really feel like successful investing starts with the investor setting aside a specific amount of money to invest in a very specific financial goal in an asset allocation to achieve that goal. And that asset allocation can and should change over time as the investor approaches the end of their goal. And that asset allocation needs to be managed relative to the customer's risk tolerance.

So there's two benefits to goal-based investing. The first is it helps organize us around what is probably multiple goals, many of which could be years or decades off. But it also gives us peace of mind, this ability to tune out the financial press a little bit, the headlines a little bit. Progress to goal is the most important measure of the success of a financial plan. It's not performance relative to either market returns or a benchmark that might not even be relevant for the customer's goal. So I think what goal-based investing enables investors to do is step back from some of the noise and say, how do I answer the most important question? The most important question is, am I advancing in the right way to what's important for me?

DOM: Yeah, I love that perspective, John. And I think that's also—as part of our planning process, we take clients through a stress test to really see how does your situation hold up in different types of market performances, and we get confidence from that as well. For many clients thinking about their wealth and mentally assigning individual responsibilities for every dollar you own is just really helpful, I think, to your point, to navigate the ups and downs of investing while retaining that confidence to live the life that you want.

One thing we are hearing from clients is questions about how to put cash to work right now. Interest rates are still fairly high. Savings accounts can seem like a good deal. Jen, let me go back to you. How are you jumping in and helping clients with that question?

JEN: Well, cash obviously plays a very crucial role in all financial plans but, currently, we're seeing an excessive amount of cash on the sidelines right now. And that's coming off of some of that uncertain feelings that we talked about before. I always like to assess my client's cash comfort because it's so variable. And I really use that term, "cash comfort," because it can look so different depending on who you are. So for example, I have clients who have $10,000 in cash, and they're nervous that they're missing out. Dramatically, other side of the fence, I have clients who can't sleep at night unless they have $1 million in cash. So me understanding what that comfort level is really helps us to, again, progress towards goal and do so with what the client is comfortable with.

So once we have that sense of comfort, then we just drill down and thinking about our cash as an emergency bucket, so truly having cash on hand if an emergency arrives. So again, very typical to or specific, I should say, to your plan. But typically, we like to have at least 6 to 12 months worth of expenses in this bucket. And that is meant for cash-ready-in-hand emergencies. Now, if your comfort level for having that protection is really high, meaning that we want to make sure that we've got that accounted for, then we add what we call a protected bucket.

So think of this as perhaps like a cash alternative. And so in this protection space, we're able to protect many things, depending on your plan and your preferences. But we can protect your principal. We can protect your income. And we do this in various strategies. So these strategies can range from CDs to individual bond ladders to perhaps fixed rate annuities, guaranteed income annuities. There's so many ways to get from A to Z in this protected space, but we want to make sure, A, we've got that emergency reserve, we've got our protected bucket, so now we can really take that worrisome of cash off the table and really look at the rest of the portfolio as being our potential growth bucket. Because our hope, of course, is that you have a long and successful retirement, so we want to make sure that we're keeping up with inflation and doing all of that with the growth bucket.

DOM: Yeah, thanks, Jen. From what I'm hearing from what you're sharing there is just the importance of making sure that clients have the attributes of protection and the characteristics of growth in every financial plan. There's an important part for each of those. And the more that we can collaborate on your individual preferences, your individual priorities, the more we can make sure we give you the confidence of solving for what really matters. And what we hear time and time again, that's not about a certain rate of return. That's knowing that I can take care of my spouse. I can take that family trip that maybe I've been thinking about and holding off on. Or I can have that freedom from worry. This is where that good financial planning can really help alleviate some of those cornerstone stressors and give you that real success, in my mind.

Let me transition. I did read in preparation for this that Fidelity's most recent Financial Resolution Study talked about paying down debt as one of the top resolutions that was listed for this year. I think we all can agree that everyone should aim to pay down credit card debt ASAP. But there are other types of debt, like mortgages, that have the potential to increase wealth long term. So Jen, how do these types of debt factor into a financial plan. Can you talk to that?

JEN: Absolutely. So when you're reviewing debt, we obviously want to just look at what kind of debt it is. So Dom, to your point, our suggestion is always going to be pay your credit card debt off as soon as possible. Do not carry balances on there if you can help it. The reason for that is that they typically have higher interest rates, so not to your advantage to carry balances on credit cards.

Now, mortgages might not have that same consideration. So for example, if you have a mortgage at 3%, likely your money will work harder in the market, and therefore we might not suggest paying it off. I'm going to kick it over to Rich just to add a little bit more color to this in this space.

RICH: Thanks, Jen. Yes, mortgages are going to be extremely important to the financial well-being of the family. But it can also have a substantial detrimental impact on the estate plan. For example, if a loan was made based on the income of one spouse, the other spouse may not be able to handle the payments. In fact, the death of that first spouse may be an event of default under the mortgage, requiring an immediate repayment. Additionally, business owners may utilize lines of credit to maintain their businesses—very, very common practice. A death may trigger a default, thus having a substantial negative impact on the continuation of the business.

DOM: So Jen, I'm going to start with you here. Another critical part of what Rich is talking about is estate planning in regards to protection. When I think of what truly reassures my mom and dad, for example, it's not just having the right investment plan. It's knowing that their wealth is going to provide and transfer to the family members they love as they intended. So for clients who haven't created an estate plan, how do they get started?

JEN: Well, this is a wonderful opportunity we have at Fidelity, obviously, to partner with our Advanced Planning Team like Rich, and I'm going to have him jump in here a second. But just thinking really high level in basic estate planning, I would say that there's four things that everybody should have accounted for. So first and foremost, we want to make sure that all of your accounts have beneficiary designations on them, so when you pass, your money is going exactly where you want it to go.

Secondarily, we would want you to have a financial power of attorney. This document ensures that if you were to become incapacitated, this financial power of attorney can kick in and access your assets. Without that, your assets are not going to be able to be used in your incapacitation. Third, a health care directive, and then lastly, a will for personal property.

So consider these just the essentials. But certainly, depending on the size and complexity of an estate, additional planning may be advised. And this is where Rich and I partner. And Rich, if you want to just jump on here now and maybe talk a little bit more about this, that'd be great.

RICH: Absolutely. Thanks, Jen. So the will—the will in its basic form will name the executor. And the executor typically is going to be a family member who's going to handle the affairs of the decedent for maybe a short period of time, maybe a year, year and a half. Make sure all the final bills are paid and all the assets are consolidated. Also, if necessary, a guardian is going to be named for minor children. It can also provide for specific gifts to the beneficiaries and charities

and help to distribute your personal belongings, which are known as tangible personal property, to the correct individuals. However, it is a fairly public document. And if you want to make more complicated gifts or keep your affairs private, you may want to consider the use of other types of documents in your estate plan.

DOM: Rich, stay with me on that one. What about trusts? The question we frequently get from clients is whether they should consider a trust. So can you walk us through maybe when that's appropriate to include in your estate plan?

RICH: Absolutely, Dom. The first thing I think everyone should realize is when you establish a trust, you're sort of creating a surrogate. You're creating this entity that's going to be able to follow through with your wishes and desires based on what the instrument actually says. Now, there are different types of trusts. For example, many clients consider creating a revocable living trust to assist in the probate process.

During life, this trust can help if the grantor—and the grantor is someone who creates the trust—becomes incapacitated. At death, this type of trust can help ensure that the legacy goal is executed exactly as planned and perhaps offer a level of privacy that may not be available with just the last will and testament. Since it is revocable, it can be modified during your life. However, at your death, some or all of the revocable trust becomes irrevocable and cannot be modified without court intervention.

There are also trusts that fit into the irrevocable category, which are used to move assets and future appreciation out of the taxable estate at a potentially lower value. These trusts cannot be changed once they are created. Now, other trusts are very specialized, for example, to offer a level of creditor protection or to preserve a family vacation residence for future generations.

DOM: Thanks, Rich. I think this is one of our best-kept secrets at Fidelity. So many of our clients don't know that we have estate lawyers like Rich available to do a complimentary review of your estate situation and give you that peace of mind that your accounts are in alignment with your priorities. As you can tell, it's a critical part of any financial plan that we can't overlook, so reach out to your team to get more information.

But Jen, let me talk about another type of protection that is a key part of getting any financial house in order, and that's making sure you get the right kind of insurance in place. So how about a checklist on your side?

JEN: Absolutely, so insurance needs vary, obviously. But it's important to really understand what you own and why. So again, back to your plan—very specific to each and every individual, but just some high-level types of insurance. So life insurance—typically, when we look at life insurance, we want to have an amount that would cover any outstanding debt that you might

have should you have debt, loss of income if you are still working, and certainly end-of-life expenses. This can also be used for legacy planning.

So unlike Dom's dad, my dad is not on this call today. However, he does plan in terms of his estate with life insurance. So my mom and dad are very charitable. They want their entire estate to go to charity, but they didn't want to leave us kids out completely, so they purchased the life insurance policy for us as kids in their passing. So it can be used as a great legacy tool as well. In this space, I often find that clients are either over- or underinsured, so it's really important that we review this in our annual reviews just to make sure you've got that right coverage for you and your plan.

Another type of insurance—long-term care insurance. I have to say, when I ask clients what their biggest concern is in retirement, the bulk of the answer is, well, A, running out of money first, but the second one—medical needs. So long-term care insurance very important to cover throughout retirement. So reviewing this coverage is critical—seeing if you qualify for it, seeing if you already have it, if you have the appropriate policy, et cetera.

Of course, medical insurance, this goes without saying. If you're working, typically, that goes through your employer, but what kind you have, if you can use your HSA with that, all of that, so medical insurance while you're employed. If you're self-employed or you have retired early and we have to go on the exchange or to the state for insurance, we want to make sure that we're getting the most efficient coverage there as well, and then, certainly, as we hit that magic age of 65 when Medicare kicks in. I will do a quick little plug here because we have another amazing service at Fidelity, where we have Medicare specialists on hand to review your specific situation. So if you are 64 getting close to that Medicare age, I highly encourage you to reach out to your advisor, and we will connect you with our Medicare specialists. They're amazing. But I'm going to pass this back to Rich, so you can talk a little bit more in terms of this insurance space.

RICH: Thanks, Jen. So other insurance considerations might depend on your career or the career of your beneficiaries. For example, if you or your beneficiaries are a doctor or a lawyer or other professional, you might consider professional insurance to protect against liability. Additionally, you might consider umbrella coverage. If you own rental real estate, you should also consider some type of business entity to help provide additional protections against lawsuits. And as Jen mentioned, life insurance may also make sense to help protect your family if a primary or substantial income provider dies. It can also be used to provide liquidity for estate taxes or create a legacy for your family down the line.

DOM: Well, I'm not excited to remind everyone that most of us are soon going to be doing our 2024 taxes. But also, now's the right time to set yourself up to optimize the tax situation for 2025. So, John, how about some strategies you might suggest as we start thinking about that process?

JOHN: Sure. I think Jen talked a lot about the importance of tax deferral, whether it's 401(k)s or IRAs. We talked about low-cost variable annuities and HSAs. Another strategy that's very common, which Jen mentioned briefly, is tax-loss harvesting, which is selectively selling holdings that have realized a loss in a portfolio as an offset against taxable gains elsewhere in the portfolio. And this is something that all customers can do themselves. We can also do this as part of our wealth management business, where we do tax-loss harvesting and active tax optimization for our clients.

Another big one that people think about a lot is charitable giving, year-end charitable giving. So that is either donations directly to a charity or through a charitable vehicle, like a donor-advised fund or a private foundation. And Rich, I know you've got a number of clients who utilize that strategy and could probably talk a little bit about that.

RICH: Absolutely. Thanks, John. So in addition to feeling really good about helping charities and the people they benefit, effective charitable giving may also how to reduce income taxes during your life and any potential federal or state estate taxes that might be due at your death. For example, a charitable gift during your life to a charity or a donor-advised fund may help reduce your income tax liability. Additionally, the value of a gift given to a charity at your death reduces the size of your taxable estate dollar for dollar. Additionally, certain trusts established during life—these are called so-called split interest trusts—may help reduce your income liability during your life and benefit a charity at your death.

DOM: Thanks, Rich. Panelists, you've all given our viewers so much to think about. Before we sign off, could each of you share just what are your most important takeaways you want us to walk away with? And John, why don't we start with you?

JOHN: Yeah, I mean, we talked about it. It's a really dynamic time in the marketplace. It's a dynamic time in our world. No one can predict the pathway of short-term market returns. But I will say it's never been more important to have a financial plan. We talked about that goal-based investing and the two benefits, which is focusing our efforts on goals that may be years or decades in the future, and then also helping to tune out that kind of noise that we hear in the financial press and elsewhere, so super important there.

And then always, I think, define the success of a financial plan, not relative to market returns, not relative to benchmarks that may not be relevant to your individual goal. You need to define success based on your progress towards your goal. And I think at Fidelity, we really help set folks up to have clarity around what they need and how they can get there.

So you can engage with us in a number of ways. I mentioned Fidelity.com and our mobile app, but obviously calling our regional centers, visiting our branches. We'll work with you any way you would like to work with us. And appreciate speaking with everyone today.

DOM: Thanks. Rich, how about yourself?

RICH: Thanks, Dom. So first of all, thank you all for joining us this afternoon. We really appreciate it. Now, one of the additional key takeaways from our discussion is that regardless of your net worth, all clients should develop an estate plan as part of their goal-setting process. Your plan may include trusts, and some plans may need to consider more sophisticated strategies.

Remember, federal and state tax laws can change, and even if you have an estate plan, it's a very good idea to have that plan reviewed every few years or upon a major life event, such as retirement, a divorce, death, marriage, or birth of a child or grandchild. Feel free to work with Fidelity representatives if you'd like to discuss estate planning strategies with the Fidelity Advance Planning team. Thank you.

DOM: Thanks, Jen?

JEN: Well, I could probably just reiterate what Rich and John said so eloquently, but I will say to my own words and just say, plan early and plan often. The peace of mind that comes from having a plan in place can mitigate so much uncertainty when it comes to markets, et cetera. And our mission here at Fidelity is to help more people. I'm going to repeat that one more time because we truly mean we want to help more people. So please contact us and let us know how we can help you in your financial journey. And thanks so much for taking time out of your busy day today. It was a pleasure to be here.

DOM: Thank you. And I want to thank all of our panelists for such great insights on this topic. And we hope you, our viewers, are going to join us for part two of this, Getting Your Financial House in Order on January 22, where we're going to take your questions live during an Ask Fidelity Anything series.

As we shared earlier, now is always a good time to review your personal situation. And to review that situation, to get the new year started off on the right foot, please reach out to your Wealth Management team or visit Fidelity.com/Wealth. And if you're listening here and you don't have a local team, as Jen said, know that we're extremely passionate about helping more families feel real success, that real peace of mind in their lives. And simply put, the standard that we hold everyone to that works at Fidelity is to deliver the same experience that we would want for our loved ones to you.

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