

BETTER LATE THAN NEVER

Ben and Sherry have been tax clients for many years. Ben is now in his mid 60's; Sherry is in her early 50's. They have a teenage son.

For all the time I've worked with them they have had good incomes, sometimes \$100,000 per year and sometimes more than \$200,000 per year.

But they weren't saving. On the contrary, they were withdrawing money from their retirement accounts. Lots of money. And they weren't paying their taxes on time. And they were racking up credit card debt.

A principal in financial planning is that if you can't save large amounts of money in your high earning years, you will have a problem when the good times come to an end. Ben understood this, but Sherry was resistant. It took a while, but finally Sherry agreed to sit down and talk about their situation, though she said that the meeting had to be short because she had other things to do. That statement did not bode well for the success of any plan we might come up with. And it indicated that she and Ben were not on the same money page. Ben talked repeatedly about the need for a plan, but Sherry's priorities were elsewhere.

The first point of discussion was to determine where all the money was going. And it was a lot of money. They made a quarter million dollars in 2012 and needed to supplement that with \$20,000 taken from their retirement accounts. And their credit card debt was exploding. And they were behind on paying their taxes. They didn't know where the money was going.

They had a couple things going for them. They had human capital (skills they could sell in the marketplace) and really good incomes. They had time in that Sherry still had many productive years ahead of her. But those advantages were offset by their inability to explain where their money was going. Another obstacle was their credit rating. They had missed many of the payments on their debts.

But awareness is the first step to a solution and Sherry appeared to have finally realized that something had to change.

The first thing that we had to address was what to do with their credit card debt (\$50,000), their HELOC (\$60,000), and their delinquent taxes (\$35,000). We would get nowhere until these debts disappeared. The solution? They had to dramatically cut back their spending and sell their house.

It's not easy to convince people to sell their house. Too many emotions come into play. But Ben realized that at 66, he was not happy. The debt was a huge source of stress as was the lack of any progress in providing financial security for his wife and child. And all this was straining their marriage. Within a few months of that meeting they had sold the house and paid off their

debts. They are now renting while they build up their credit rating and their savings. They have a fresh start that is theirs to nurture or to lose.