Sault Evening News Article 3-24-18. Submitted by David Scott, CFP®, with his LPL Financial Office located at 812 Ashmun Street in Sault Ste. Marie, Michigan.

LOW DEBT NO DEBT

That is my goal for every one of my clients is to be debt free in retirement and have enough pension, social security and investable assets, utilizing a reasonable withdrawal rate, to be comfortable with regard to cash flow. As well as having 6 to 12 months of emergency cash in a savings account based of their monthly average from their statement of cash flow (3 to 6 months prior to retirement).

There are different schools of thought on this topic, and it truly does depend on your individual circumstances, everyone has a their own risk appetite and debt tolerance, however for me, I like the confidence of knowing that if there is a down turn in the economy that I am lean and mean and have enough cash flow and can access necessary assets as efficiently as possible, especially with owning my own business and having to make payroll for my employees every two weeks. If you are currently maxing out your retirement savings, have your other higher interest loans paid off and have a solid 3 to 6 months of emergency cash flow this strategy may make sense for you.

I do practice what I preach. I am 53 years old and I am completely debt free, paying off my house, cars, everything, and it wasn't by accident. It was having a plan based off of my goal to be debt fee and having a systematic and disciplined approach to execute the plan.

Under the new tax law with the standard deduction going to (1) $24,000 for individuals married filing joint and $12,000 for single individuals, this strategy may even make more sense as the benefit of itemizing and having your home mortgage interest reduce your taxable income may affect fewer people going forward.

There are financial advisors who advocate utilizing the equity in your home and investing those dollars where you could possibly make a higher rate or return, especially in tax-advantaged accounts, however the way I look at it is, by paying off that 4% or so loan you are putting the interest back in your pocket and requiring less of your retirement assets to meet your monthly expenses.

It is always a good idea to have a CERTIFIED FINANCIAL PLANNER™ review your plans and make sure this strategy is right for you. CFP®'s have mastered nearly (2) 100 integrated financial planning topics, including estate planning, investment planning, tax planning, retirement planning, risk management, insurance planning, and financial management.

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information only and are not intended to provide specific advice or recommendations for any individual.

1. https://taxfoundation.org/2018-tax-brackets/
2. "https://www.cfp.net/docs/default-source/consumer-outreach/what_is_cfp_certification.pdf?sfvrsn=2"

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