Money milestones to hit while you're in your 40s

By Jonnelle Marte
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You're nearing or are in your 40s, and you're likely making a little more money now than your 30-year-old self. You're feeling more set in your career. Or maybe you're in the middle of a reinvention because you finally have the resources to do so — and yes, there is still time.

Whatever the case, you're likely facing some new life changes. Twins? A bigger house? A new marriage? Retirement is still decades away, but starting to feel a bit more tangible. Basically, you're experiencing the types of changes that should require you to revisit your finances and seek guidance.

Here are some milestones to aim for:

Max out your retirement contributions

Ramping up retirement savings now is especially important if you feel you didn't save enough earlier in your career, says Christopher Girbes-Pierce, a financial adviser based in Santa Monica, California. "Retirement doesn't feel nearly as far away as it did in your 20s and 30s," he says.

If you aren't already making the maximum contribution into your retirement account (for 2015, you can contribute a maximum of $18,000 to your 401(k) plan), now is the time to establish the habit, Girbes-Pierce says. The task may be more feasible in your 40s, a time when you may be nearing your peak earnings, he says.

One milestone to strive for in your 40s is to have at least three times your annual salary saved in a retirement account, says Andrew McFadden, a financial planner in Fresno, California. Rough guidelines from Fidelity Investments, for example, recommend that workers should save three times their pay by age 45 and four times their salary by age 50, if they want to be able to replace 85 percent of their earnings in retirement. The guidelines are based on a hypothetical worker who earns about $40,000 at age 25 and $70,000 when they reach retirement age.

Build up college savings for your children

You may still be making the final payments on your own student loan bills, which makes the idea of saving for your child's college education feel especially daunting. Depending on how old your child is, saving for college costs now might be a game of catch-up, advisers say. For some families with children a few years away from college, the best plan of action may be to research grants, scholarships and other financial aid your child may qualify for, McFadden says.

But for those who have some more time, saving a little bit each month can make a difference for your family's finances, Girbes-Pierce says. Don't feel like you need to have a lot saved before you open the account, he adds.

Setting aside $50 or $100 a month in a 529 plan can still lead to substantial savings by the time your child is in college, depending on how old he or she is. And if you tell friends and relatives about the savings account, they can make contributions for birthdays and other special events, he says. Savingforcollege.com has a calculator that helps you figure out how much you should save for your child's college education based on his or her age.

Save what you can, but don't cut down on retirement savings to make it happen. While it's not ideal, your kids can take out student loans to cover any costs not paid for by your savings, says Johanna Fox Turner, accountant and financial planner with Milestones Financial Planning in Mayfield, Kentucky. Families can also find creative ways to cut costs to meet their budget, she says, such as having the child live with a relative or attend community college for the first two years.

Talk to your parents about their finances

When you're in your 40s, your parents may be in or near retirement. It's not an easy conversation to have, but talking to your parents now about how much they have saved and what their preferences are for health care can give you more time to prepare for any obstacles that might come up, McFadden says.

"If they aren't in a good place, the first step is just to know that," he says.

If they haven't already purchased long-term care insurance, which would help pay for at-home care or for a nursing home, think about encouraging them to buy a policy now, Girbes-Pierce says. If they can't afford it on their own, think about pitching in to help them pay for it, he says.

Update your will, estate plan

A few things may have changed since you last reviewed your will. You might have had another child, gotten divorced or been newly married. These changes would make it time to update your will to make sure your home, savings and other assets will go to the appropriate people after you die, Turner says. "If your ex-spouse is the beneficiary for your retirement plan you want to change that," Turner says, adding that people should double check the beneficiaries for your 401(k) and life insurance policies.

The rules for how a person's estate will be broken up after death vary from state to state, says Peter Creedon, a financial adviser in Mount Sinai, New York. For instance, some states may pass assets on to a domestic partner while other states will not, Creedon says, making the will the best method for explaining who should inherit assets. Talk to a lawyer or financial adviser about getting the documents in order. People with simple situations may get by using online services such as LegalZoom, which will create a will for prices starting at $69.

Parents should name guardians and put together a plan for what should happen to their children if they died, says John O. McManus, a trusts and estates lawyer in New York City.

Review your life insurance

At this age, buying life insurance can be about more than just protecting your children and your spouse. Business owners — especially those who have had some success — may want to buy a life insurance policy to help protect their businesses, McManus says. A spouse or a child inheriting a business worth more than $5 million may need to pay taxes on that transfer and the bill may be due in less than a year, he says. If they don't have the cash on hand to cover the tax bill, they may be forced to liquidate the company to cover the tax bill, he says.

A life insurance policy could provide the funds to cover that tax bill and allow the family to keep the business intact, McManus says. Single people with small businesses may not have to worry about this, he adds, since smaller estates may not be subject to federal taxes.

If you don't own a business, a life insurance policy is still good for protecting your family and your assets.