WEEK 1

INTRODUCTION

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WHY YOU'RE HERE

BRIEF INTRODUCTION TO THE COURSE

FINANCIAL HEALTH;
ARE YOU FINANCIALLY HEALTHY?

- Understanding components of the financial planning process and how to successfully craft a financial plan that masters the time value of money.
- Decode the intricacies of organizing your money in a fashion best suited for you and gain the confidence to make empowered future financial decisions.
- Topics include:
  - Behavioral Finance
  - Risk & Rewards of Investments
  - Tax Reduction Strategies
  - Estate & Retirement Planning (with special considerations for business owners)
  - How to implement this financial knowledge relative to what is happening in today's market.

THE BASICS

FINANCIAL PLANNING TERMINOLOGY

FINANCIAL PLANNING

Creating specific, focused strategies and tactics to prepare for life changes and achieve financial goals.

WEALTH MANAGEMENT

Long-term process to maximize financial assets through financial expertise.

ASSET MANAGEMENT

Managing possessions with monetary value, like real estate, stocks, bonds, cash, and retirement accounts.

CAPITAL GAINS

Profit earned from selling an asset, such as stocks, property, or other investments, for more than its original purchase price.

ASSET ALLOCATION

The placement of a certain amount of one's investment capital within different types of asset classes (e.g., 50% stock, 30% bonds, and 20% cash).

BEHAVIORAL FINANCE

How emotions, biases and psychological factors influence financial decisions.

THE BASICS

FINANCIAL PLANNING TERMINOLOGY CONT.

CASH FLOW

The relationship between household income and expenses. For example, households that spend more than they earn have negative cash flow.

COMPOUND INTEREST

Interest credited daily, monthly, quarterly, semi-annually, or annually on both principal and previously credited interest.

NET WORTH

A "snapshot" of your financial situation calculated by subtracting debts (liabilities) from assets. All figures in a net worth statement reflect their current fair market value.

INVESTING

The process of purchasing assets such as stocks, bonds, real estate, and mutual funds with the expectation of future income and/or capital gains (growth in value).

RISK TOLERANCE

Your comfort level with market risk & fluctuation as it pertains to investments.

RISK CAPACITY

Ability to engage in desired level of risk without affecting financial goals.

FINANCIAL ADVICE

Who Does What?

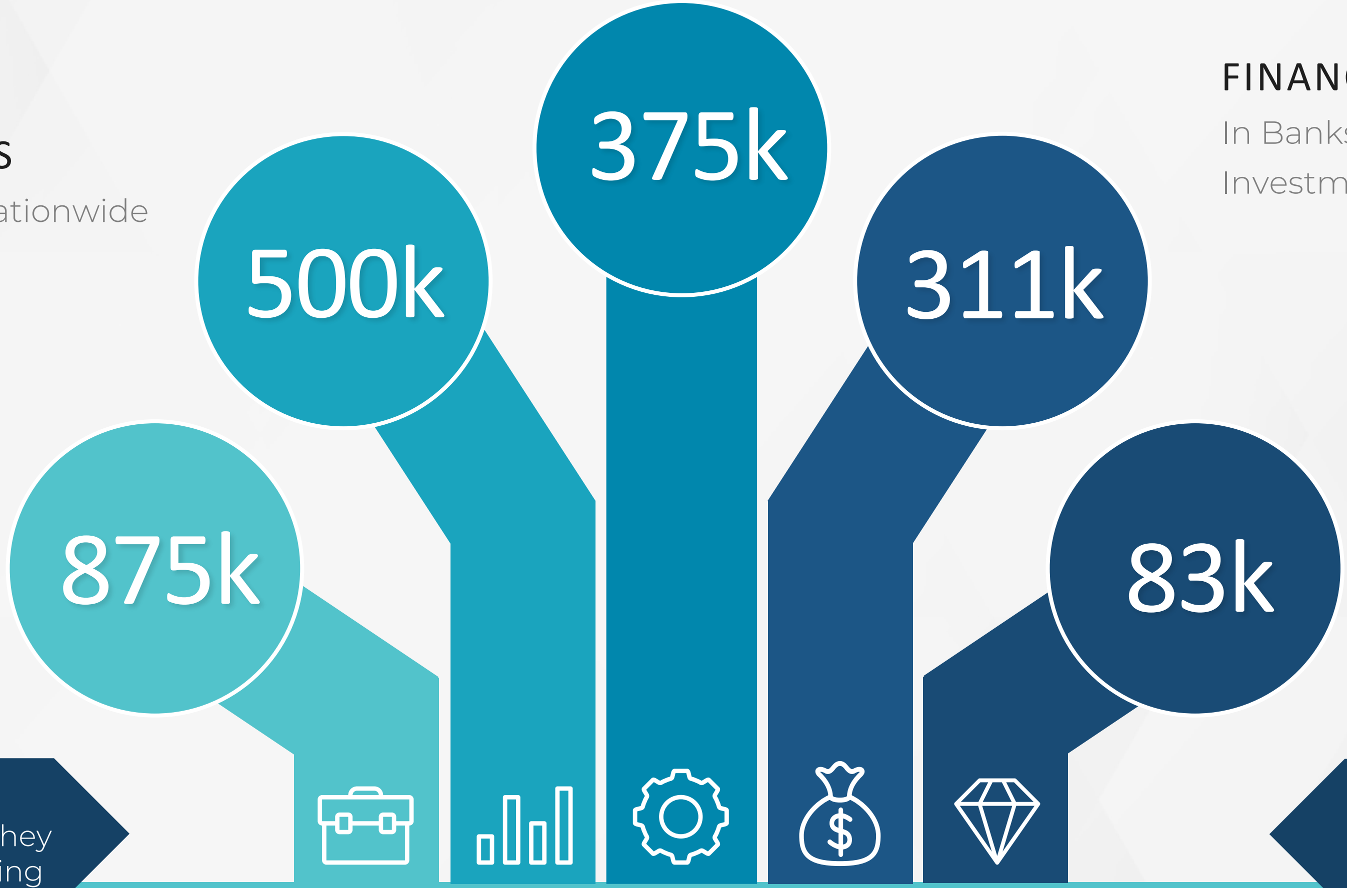
INSURANCE
Life, Health, DI, LTC Nationwide

INVESTMENTS
Licenses Held Nationwide

FINANCIAL ADVISORS
In Banks, Insurance Co's, Investment Co's etc.

LICENSES
Financially Related Licenses Held in USA

CERTIFIED FINANCIAL PLANNERS
CFP.net - All areas of the industry



ONLY 50% Certified Financial Planners who say they do Financial Planning

Certified Financial Planners who ask for Tax Returns Annually ONLY 3%

Data Sources: *Bureau of Labor Statistics, 2018 (www.bls.gov), **www.cfp.net, 2019, ***Cerulli Associates, Boston Based Research Firm, 2017, ****www.sec.gov

WRITE HERE YOUR TITLE

WHAT DO YOU WANT TO LEARN ABOUT?

FINANCIAL PLANNING

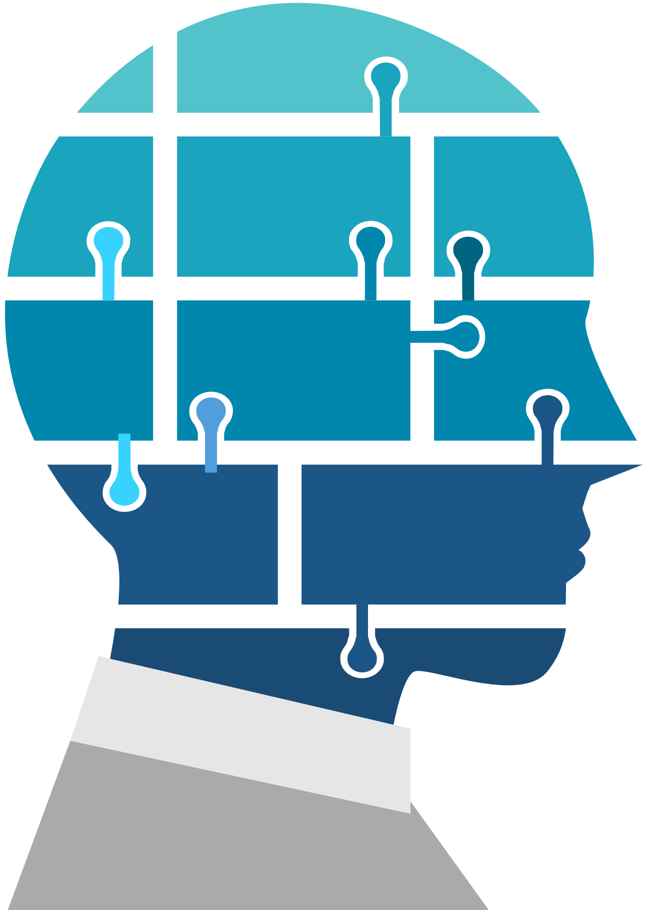
Get a better understanding on how financial planning affects your future.

INVESTMENTS

How to invest and in what investment accounts.

RETIREMENT PLANNING

How to put a plan in place now to prepare for the future.



BUDGETING

How to budget and why it matters.

TAX PLANNING

Strategies on minimizing your tax liabilities.

ESTATE PLANNING

How to protect your assets after death.

YOUR INSTRUCTORS

ABOUT US

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WHERE TO NEXT?

WEEK 2 OBJECTIVES

OBJECTIVE 01

Discover the 6 Steps of the Financial Planning Process

OBJECTIVE 02

How the financial planning process works

OBJECTIVE 03

Develop a completely different view of money

WEEK 2

THE FINANCIAL PLANNING PROCESS

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THE PROCESS

6 STEPS OF FINANCIAL PLANNING

1. Establishing & Defining the Client/Planner Relationship
2. Gather Information Necessary to Fulfill the Engagement
3. Analyze & Evaluate the Clients Current Financial Status
4. Developing Recommendations
5. Communicating Recommendations
6. Implementing Recommendations

While this is the more technical process, we will spend time talking about each step in laymen's terms as we define what each step means as it relates to you.

STEP 1

ESTABLISTING & DEFINING THE CLIENT/PLANNER RELATIONSHIP

- Financial planning process starts with an open-ended initial conversation to understand the individual's financial situation, concerns, and goals.

- After the initial meeting, the financial planner defines the scope of the engagement, clearly stating the services that the individual can expect.

Choosing the right advisor is important, with the three most common options being Fee-Only, Fee-Based, and Commission-Based. Each type of advisor offers different advice and compensation methods.

STEP 2

GATHER INFORMATION NECESSARY TO FULFILL THE ENGAGEMENT

- Where personal and financial needs are considered as it relates to your unique priorities and goals.

- Your advisor starts to establish time horizons on these goals and evaluate not only your risk tolerance but your risk capacity (more to come on this later).

Items you will likely need to provide include:

1. Recent tax return (potentially 2 yrs)
2. Last year's W2 and/or 1099 and/or K1
3. Summary of assets and liabilities
4. Investment account statements
5. Education account statements
6. Social Security Statements
7. Retirement Plan Statements and Information
8. Employee Benefits including Health Insurance
9. Insurance Policy Information
10. Estate planning documents

STEP 3

ANALYZE & EVALUATE THE CLIENTS CURRENT FINANCIAL STATUS

- The tax return is analyzed to understand tax liabilities and identify minimization strategies.
- A future projection of taxes is also done. The data is refined, and further fact-finding takes place in a second meeting.

A comprehensive retirement plan is created based on the data to determine if the client is on the right track or needs to make changes. The financial planner helps the client proactively capitalize on opportunities and minimize risks.

STEP 4

DEVELOPING THE RECOMMENDATIONS

- The plan considers the client's reality and financial situation and allows for flexibility in case of changes.
- May involve other key advisors such as an such as a CPA, CFP and attorney with the client's permission to have a more comprehensive understanding.

"The only thing that all financial planning clients have in common is...CHANGE. Our job is to make sure we manage that change efficiently."

STEP 5

COMMUNICATING THE RECOMMENDATIONS

- Where the client gets the final review of their stated goals, the assumptions used in the plan, and final observations, findings, alternatives, and customized recommendations geared to help achieve the stated personal and financial goals.

Communication and dialogue is key to understanding the recommendations and making sure they are aligned with changing goals. *The financial plan is an ongoing effort and must be revised to stay relevant.*

STEP 6

IMPLEMENTING THE RECOMMENDATIONS

- A financial plan is only good if it is implemented.
- The execution of this step only happens if the advisor did a of communicating the recommendations in a way that you understood.

Implementation is key to making a financial plan successful. *Confidence in your advisor is crucial for proper execution and understanding of the recommendations is vital.*

HOW OUR PROCESS WORKS

MEETING 4

Review Completed & Outstanding Recommendations
& Create Guidelines for Remaining Implementation

MEETING 3

Deliver Specific Financial Planning Recommendations & Discuss Implementation Strategy

Items Requested After This Meeting

- Complete Items listed in Plan Summary

MEETING 2

Review Rough Draft Financial Plan &
Revise & Refine Data

Items Requested After This Meeting

- Complete Onboarding Template
- Complete Risk Tolerance Questionnaire

MEETING 1

Learn More About You, Your Goals &
How Blue Rock Can Help

Items Requested After This Meeting

- Most recent tax return
- Debt Statements
- Investment Statements

WHERE TO NEXT?

WEEK 3 OBJECTIVES

OBJECTIVE

01

Budgeting – What is it and how it works.

OBJECTIVE

02

Cash flow: Understanding surplus & deficit, how this effects the entire plan

OBJECTIVE

03

Your surplus & where it goes is unique to you

WEEK 3

THE FOUNDATION OF FINANCIAL PLANNING

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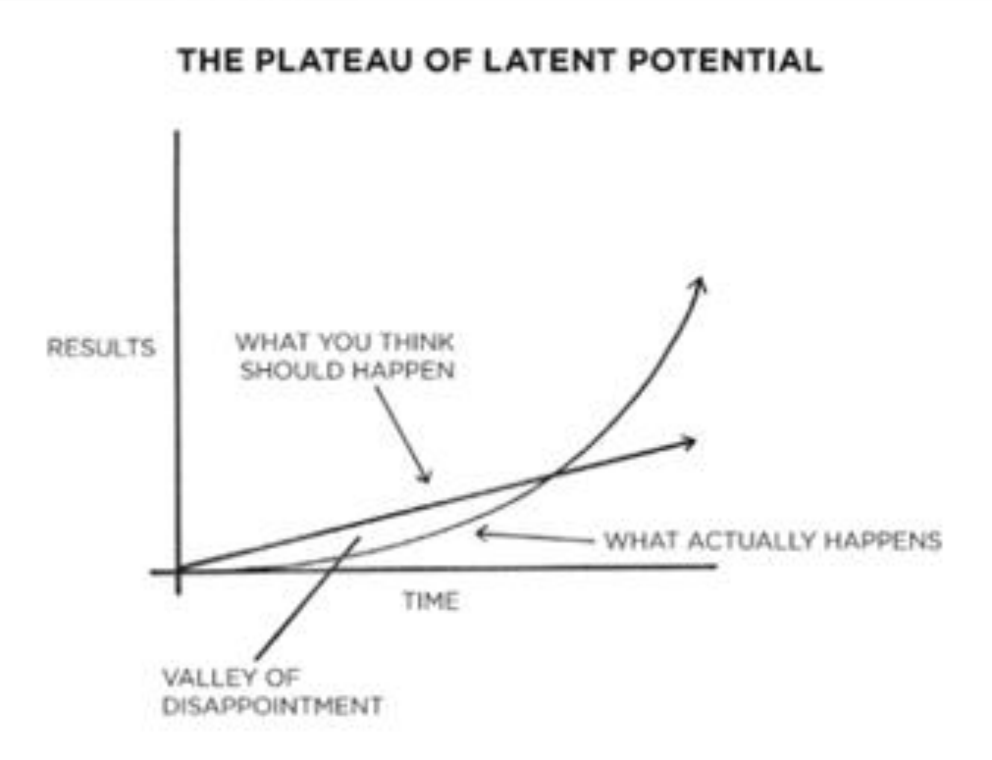
EFFORT EQUALS OUTPUT

FOUNDATION OF FINANCIAL PLANNING

BUDGETING
Plan and control income and expenses

CASH FLOW
Track and manage money coming in and going out

SETTING GOALS
Set clear, specific, and achievable financial targets



"…how can we achieve financial freedom…follow the fundamentals"

DISCIPLINE
Remain focused and committed to financial plans

WISE INVESTMENTS
Make smart investment decisions to grow wealth.

DIVERSIFICATION
Spreading investments across different assets to minimize risk and maximize return.

HOW TO BUDGET & WHY IT MATTERS

Typically, not the most fun you're ever going to have. But you know what is fun – financial freedom!

1 FIXED EXPENSES

- Debt payments such as a mortgage, student loans, credit cards, and personal lines of credit.
- Utilities
- Health/Auto/Life insurance
- Taxes
- Electric
- Cell Phone
- Car Expenses
- Gas

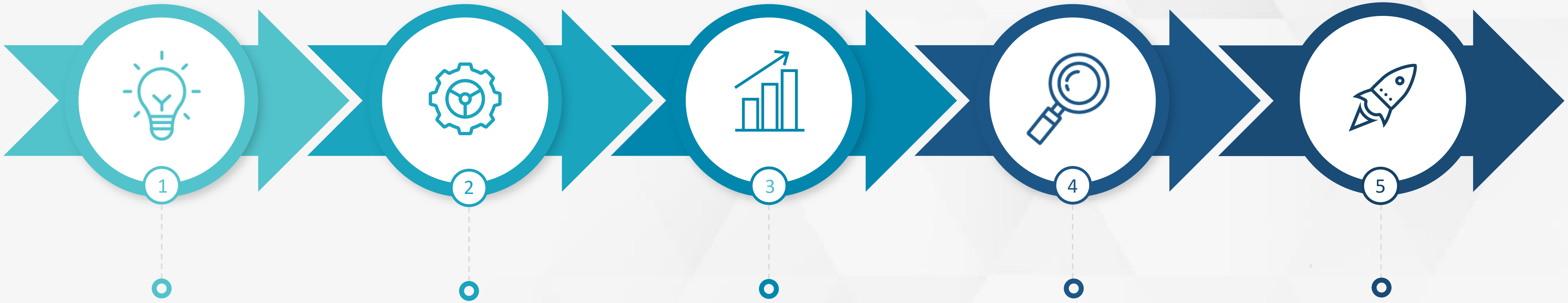
2 VARIABLE EXPENSES

- Restaurant Dining
- Clothing
- Vacations
- Subscriptions Services
- Entertainment
- Gym Memberships
- Hobby Interests
- Personal Expenditures (pick your poison)

3 SAVINGS

- Brokerage Accounts
- Traditional IRAs / 401(k)
- Roth IRAs / 401(k)
- SEP
- 403(b)
- Simple IRA

UNDERSTANDING CASH FLOW



GATHER DATA

on your spending for the past year (spending is cyclical).

IDENTIFY TAKE-HOME PAY

This includes all your income sources such as salary, bonuses, pensions, and investment income.

CALCULATE DIFFERENCE

Calculate the difference between your income and expenses to create a cash flow statement.

SURPLUS? GREAT!

Focus on saving, investing, and achieving your long-term financial goals.

DEFICIT? RE-EVALUATE

This means you are spending more than you make and you need to take a step back and evaluate your current lifestyle.

Define your financial goals and create a plan to achieve them!

MAXIMIZE MONEY SPENT ON WHAT YOU VALUE.

YOU MUST HAVE A GOAL

- When is the last time you defined your goals?
- When is the last time you took the time to write them down on paper?
- When is the last time you looked at your retirement map to ensure you were doing what is necessary to arrive on time?

WHAT'S IMPORTANT TO YOU?

- What are you saving for?
- Why is that important to you?
- Why are you saving for it?
- How are you going to save?
- Where are you going to save?

Now that there is a purpose and reason behind your goals the next steps *will have more meaning.*

WHERE TO NEXT?

WEEK 4 OBJECTIVES

OPTION
01
Key differences between asset management and financial planning

OPTION
02
Asset allocation, asset location & risk tolerance

OPTION
03
Domestic vs International

OPTION
04
Stocks, Bonds and Cash, Oh My!

WEEK 4

INVESTMENT PLANNING

PART 1

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DIVING DEEPER

LET'S START WITH SOME DEFINITIONS

WEALTH MANAGEMENT

- Generating, investing, growing, and harvesting financial assets.
- Process of applying financial expertise to maximize long-term wealth.

01

ASSET MANAGEMENT

- Subset of wealth management
- Possessions with monetary value and can include real estate, stocks, bonds, cash, and retirement accounts.

02

FINANCIAL PLANNING

- Subset of wealth management
- Preparing for and adapting to life phases/changes (career changes, geographical moves, college savings for kids, retirement plans, etc)

03

DIVING DEEPER INTO

ASSET MANAGEMENT

Focuses on ongoing management of a stock market portfolio as part of a wealth management strategy.

LEVEL OF STRATEGY

The level of strategy involved in your asset management plan will impact the long-term health of your financial life.

TAILORED METHODOLOGY

Strategy should take into account the investor's age, investment time horizon, and financial health

SET IT & FORGET IT APPROACH

This can be risky as it ignores performance analysis and goal relevance over time.

ADJUSTMENTS AS YOU AGE

Life changes can impact an individual's financial situation and trigger a need for a review and update of the asset management strategy

WHY EVIDENCE-BASED STRATEGIES TEND TO GIVE AN UPPER HAND

- Globally diversified
- Low-cost through appropriate passively managed funds
- Low-turnover (minimizing the number of trades in each account wherever possible)
- Increased tax efficiency (minimize the amount of tax that is passed through to your tax return on an annual basis)
- Built-in asset location strategy (which account holds which assets – again, to maximize return and minimize taxation)

STRATEGIES DELIVER

- Evidence-based asset management principles remain the same, but portfolios vary based on factors such as time horizon, age, risk tolerance, and investment goals.
- Goal is to maximize value and minimize costs
- Historically, actively managed funds underperformed passive, cost-effective options
- Potential net return improvement between 0.5% to 2% annually.

HOLISTIC APPROACH

BUDGET & SAVING

Creating a plan to manage and allocate income and expenses.

ASSET MANAGEMENT

Investing and managing assets to meet financial goals.

TAX PLANNING

Reducing tax liability through strategic decision making.

RISK MANAGEMENT

Reducing or mitigating financial risks.

RETIREMENT PLANNING

Preparing and planning for retirement.

EDUCATION PLANNING

Planning and saving for future education costs.

CHARITABLE GIVING

Philanthropic planning to support charitable causes.

Now more than ever, there is too much at stake to “set it and forget it.”

CUSTOM RELEVANT TACTICS

- Matching your portfolio investments to your risk tolerance, goals, and time horizon
- Ensuring you have a contingency plan for market downturns
- Exploring Roth Conversions to minimize taxation during Required Minimum Distributions
- Impact of starting Social Security benefits at either 62, Full Retirement Age or waiting until age 70.
- Savings accounts specifically for education/college
- Integrating your asset management plan with your charitable giving plan to lower your taxable income

OVERALL COMFORT LEVEL

RISK TOLERANCE DEFINED

RISK TOLERANCE

Comfort level with market risk and fluctuations in investments

RISK CAPACITY

Ability to engage in desired level of risk without affecting financial goals

PRIMARY GOAL

To assess unique risk tolerance and capacity to create financial plan that reflects goals with regular check-in's.

SCENARIO 1

A high-risk portfolio might have 90-100% invested in equities or stocks (different companies of various sizes and geographical locations).

SCENARIO 2

A low-risk portfolio might have 80% in fixed income or bond instruments and 20% in large blue-chip (historically stable) companies.

DETERMINING YOUR RISK TOLERANCE & HOW TO BALANCE

DETERMINE BASELINE

Complete a risk tolerance questionnaire with open and honest discussions with advisor about risk preferences

UNDERSTANDING OUTCOMES

Understanding the range of outcomes for investments and expected timeline

BALANCE

Requires regular analysis, reflection, and often rebalancing to remain aligned with your future goals.

DEVELOP PLAN

Creating an investment plan that feels right, not just looks good on paper

IN-DEPTH STRATEGY

In-depth strategy sessions on the importance of well-managed investment portfolio that align with goals.

WHY YOU NEED IT

ASSET ALLOCATION & DIVERSIFICATION

DIVERSIFY HOLDINGS & BALANCE PORTFOLIO

Among different asset classes, market capitalization, and geographic location. Proper diversification helps with portfolio volatility and long-term return

RISK-REWARD TRADE-OFF

Analyzed through asset allocation to maintain investment in the market

RISK-REWARD PLANNING

Use calculated risk management instead of chasing high returns with higher-risk investments for long-term returns and portfolio health

92%

PORTFOLIO RETURN

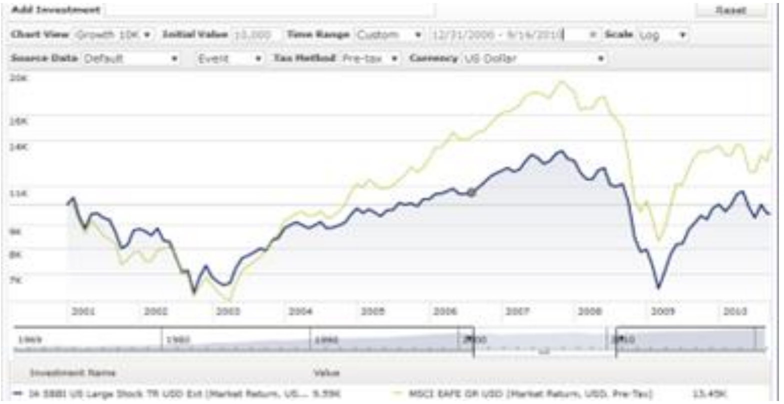
is determined by asset allocation

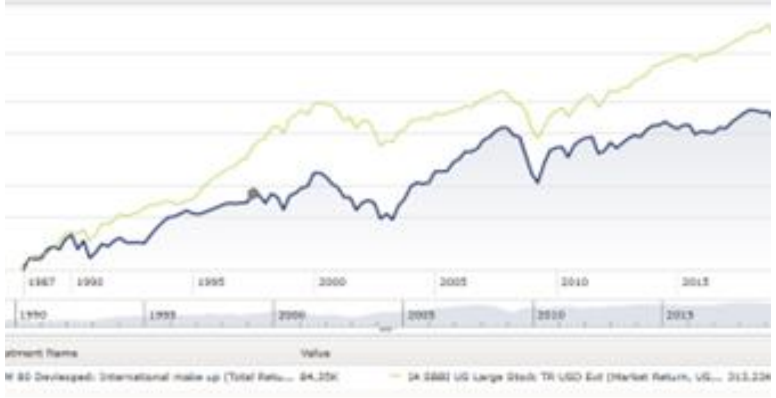
93.6%

OF THE VARIATION

In a portfolio’s return in a 1986 study.

UNITED STATES VS INTERNATIONAL COMPANIES





2010-2020

UNITED STATES EXCELS

United States (blue line) has outperformed international stocks (yellow line). As a result of this dominant market performance, you may say that US stocks will continue to outperform in the future .

2000-2010

INTERNATIONAL EXCELS

International developed (yellow line) outperformed the United States (blue line). This example further illustrates the necessity of diversification .

1987-2022

INTERNATIONAL MARKET

international market exposure to include 80% developed markets and 20% emerging markets (yellow line) and compare the performance to the US (blue line),

RISK & REWARD IS LIKE DRIVING A CAR

Taking more risk can lead to faster returns, but any bumps in the road will be felt more strongly.

MARKET EVENTS

Non-correlated assets lower portfolio risk and volatility, but some market events may still affect all assets.

RISK VARIES

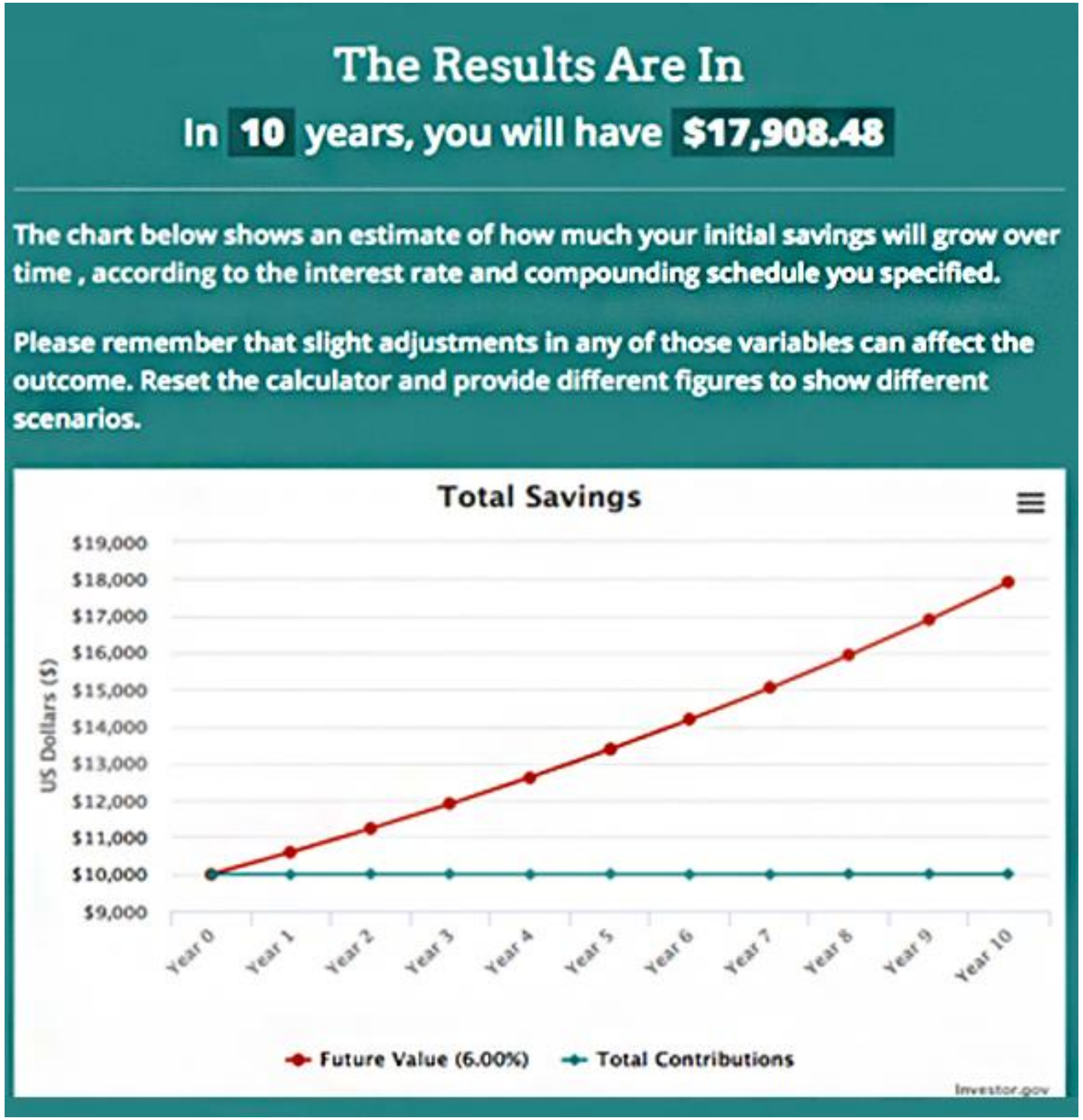
Investments come with varying levels of risk; combining high-risk, high-return investments increases overall portfolio risk.

MANAGING RISK

Portfolio risk can be managed by diversifying with non-correlated assets and regularly assessing risk versus return profile.

THE GOAL

Balance risk & reward to optimize overall portfolio health.



TIME IS ON YOUR SIDE

THE POWER OF COMPOUND INTEREST

Success in the market relies on two things:

- Your net investment return over time
- The length of time you remain invested

6%

EXAMPLE 1

$10,000 grows to $16,431 over 10 years with an average annual return of 6% and no additional contributions.

10%

EXAMPLE 2

$100 invested at 10% annual return compounds to $1,586 over 30 years.

CONCLUSION: Stay invested to take advantage of the power of compound interest!

WHY ASSET ALLOCATION MATTERS

IDENTIFY YOUR INVESTMENT GOALS & START INVESTING EARLY

- Long-term investing is the key to future wealth.
- Identify investment goals, start early, and understand the power of compounding interest.
- Consider working with a trusted advisor or partner for asset allocation and location.

ASSET ALLOCATION

- Involves spreading investment risk by diversifying across different asset classes.
- Aims to minimize portfolio volatility and enhance returns over time.

ASSET LOCATION

- A tax minimization strategy that places assets in the most tax-efficient investment account.
- Factors in account location and tax treatment of holdings.
- Focuses on tax efficiency and minimizing annual and lifetime tax burden.

STRATEGIC PLACEMENT

ASSET LOCATION CLASSES

TAXABLE

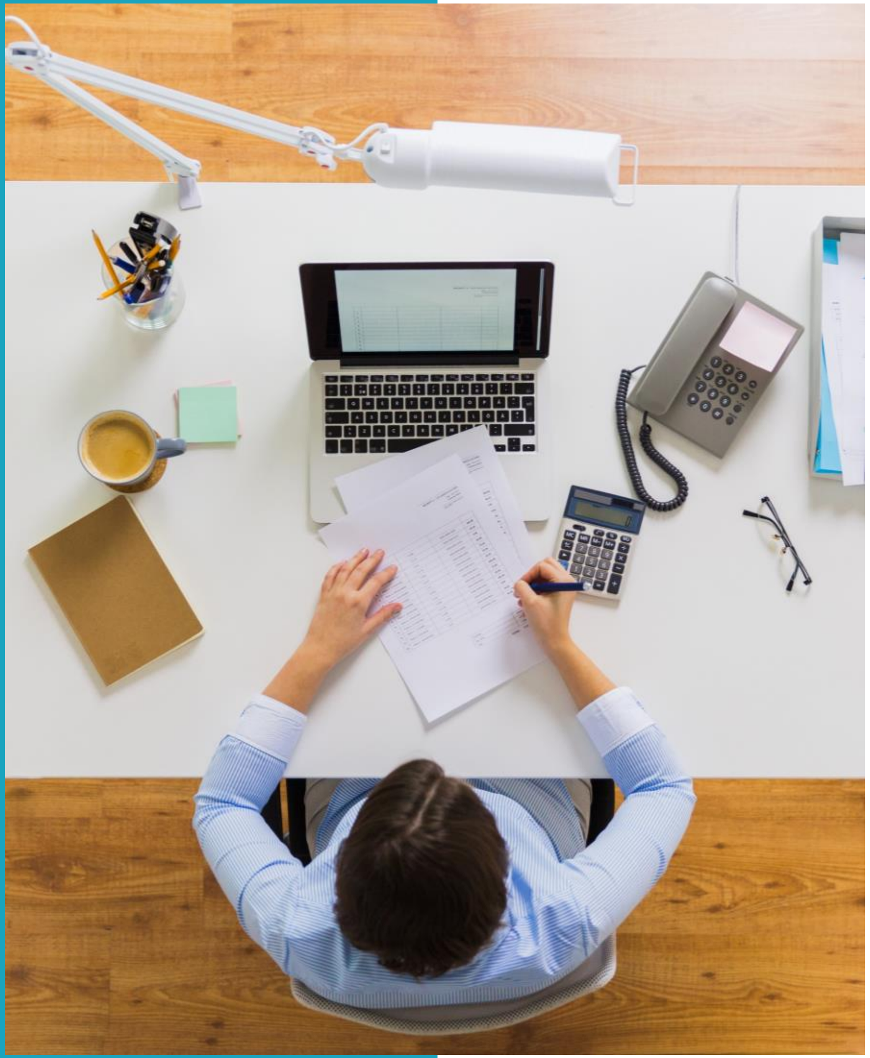
- **Investments are taxed** when sold, traded or generate income
- EXAMPLE: brokerage account, not a retirement account, money can be withdrawn at any time. This is taxed in two ways:
    1. Ordinary income tax
    2. Capital gains tax
- **Ordinary income tax** on most dividends & interest payments based on tax bracket
- **Capital gains treatment** when selling an asset for a gain, divided into short-term and long-term.
- **Long-term capital gains** if assets held for at least a year and one day, short-term for less than a year and one day

TAX-DEFERRED

- Accounts that **allow funding with pre-tax dollars**, reducing taxable income in the year of contribution.
- EXAMPLES:
    1. 401(k)
    2. Traditional IRA
    3. 403(b)
    4. 457(b)
    5. HSA (with triple tax benefits)
    6. Series EE or I bonds
    7. Earnings in whole life insurance policy.
- **Earnings grow tax-free**, no taxable events for transactions within the account.
- **Taxed as ordinary income** upon distribution in most cases.

TAX-EXEMPT

- Tax-exempt accounts have contributions made with **after-tax dollars**
- MOST COMMON ACCOUNTS:
    1. Roth IRA
    2. Roth 401(k)
- **Earnings in the account** grow tax-free and distributions are tax-free
- **Result in added tax savings** for individuals who contribute when in a lower tax bracket and withdraw assets in retirement when in a higher tax bracket.



ASSET LOCATION

TAX-EFFICIENCY V.S. TAX-INEFFICIENCY

	TAX EFFICIENCY	TAX INEFFICIENCY
DEFINITION	Triggers a lower tax bill than other options	Carries a larger tax consequence
IDEAL ACCOUNTS	Taxable (Brokerage)	Tax-deferred (401(k), IRA)
EXAMPLES	• Tax-exempt muni-bonds • Tax-managed stock funds • Index funds • Individual stocks	• High-yield bond • Taxable bonds • Mutual funds • Real estate investment trusts (REITs) • Treasury Inflation-Protected Security (TIPS)

Without reviewing your asset location strategy, you could be unknowingly allowing tens of thousands of dollars to go to Uncle Sam.

3 KEY TAKEAWAYS

Asset location is a complex strategy, but one that can significantly improve both your short-term and long-term tax planning.

1 STRATEGY

Asset location is an important investment strategy that brings maximum tax-efficiency to your portfolio.

2 MINDFULNESS

When your portfolio is mindful of tax treatments, you get more money in your pocket at tax time.

3 COMMITMENT

Being committed to reviewing tax impact of portfolios can improve their long-term health and sustainability.

WHERE TO NEXT?

WEEK 5 OBJECTIVES

OBJECTIVE

01

What is behavior finance?

OBJECTIVE

02

Business cycles as it relates to outcomes.

OBJECTIVE

03

Staying the course only works if you're on the right course

WEEK 5

INVESTMENT PLANNING
PART 2

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IMPLICATIONS OF

BEHAVIORAL FINANCE

Often, the biggest obstacle for an investor's success is their own mind and behavior

SYSTEM 1

Fast, automatic, and frequent. The kind of thoughts you have when someone cuts you off in traffic or when someone says something that frustrates you. This immediate response is your system one brain.

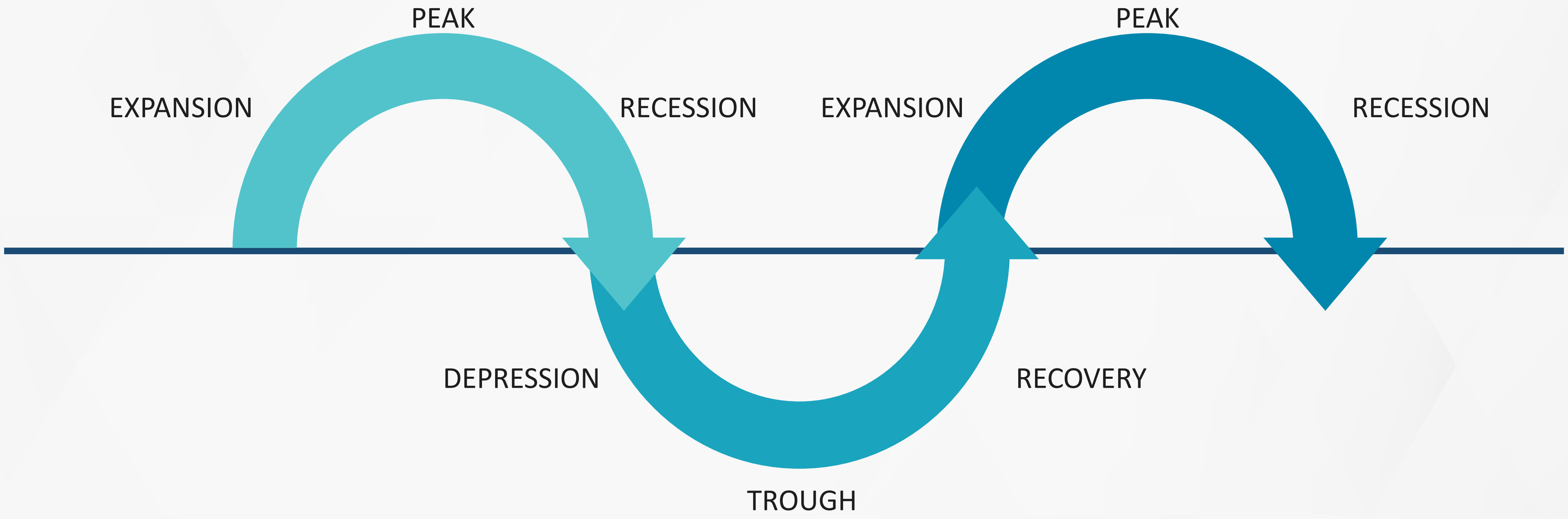
SYSTEM 2

Deliberate and rational, unlike the fast and automatic thoughts of System One. It allows a person to reflect and consider a situation calmly and logically, leading to a more informed and nuanced understanding of events.

80% of personal financial decisions are made during the fast and automatic thought process (system one) which can lead to poor decisions.

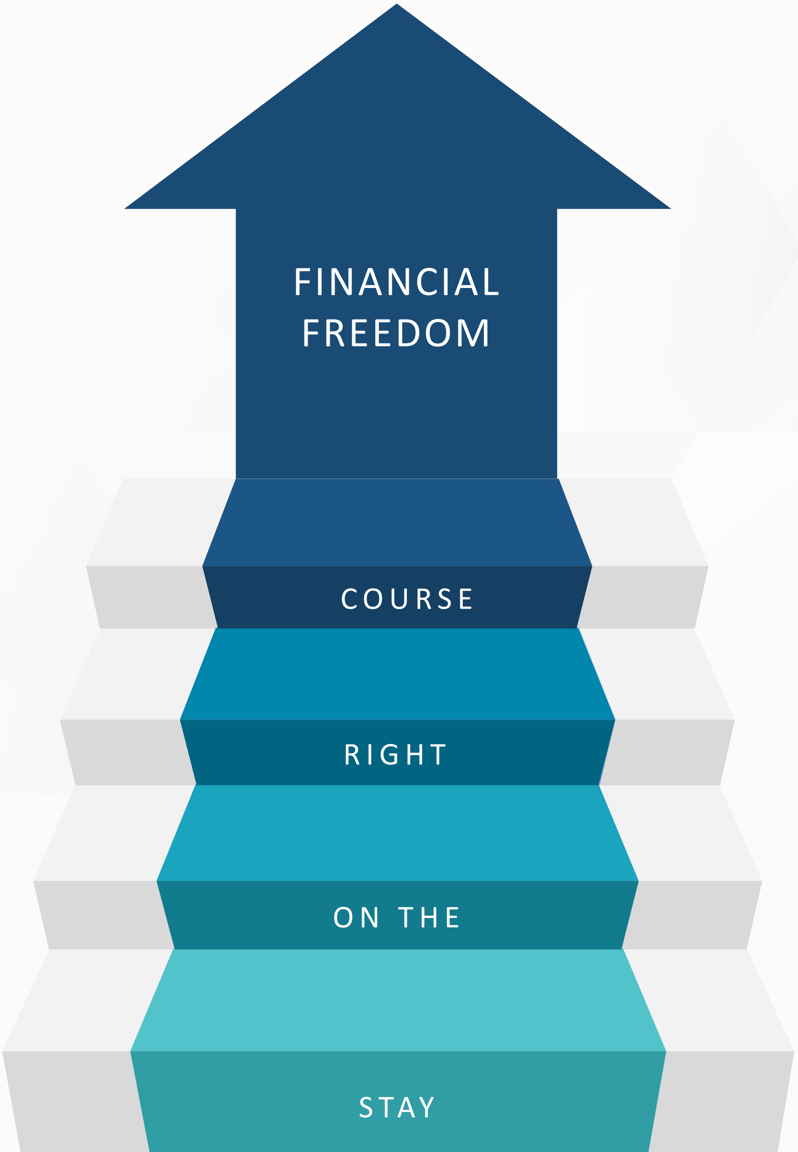
ECONOMY OVER TIME

BUSINESS CYCLE



The extent of these fluctuations depends on the levels of investment, for that determines the level of aggregate output.

STAYING THE COURSE ONLY WORKS IF YOU'RE ON THE RIGHT COURSE!



WHERE TO NEXT?

WEEK 6 OBJECTIVES

OBJECTIVE
01

Will you make more/lose more with poor tax planning or poor investment planning?

OBJECTIVE
02

How to quantify return on investment of proper tax planning

OBJECTIVE
03

Tax minimization strategies throughout the entirety of your life

WEEK 6

TAX PLANNING

PART 1

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OVERALL FINANCIAL PICTURE

TAX PLANNING

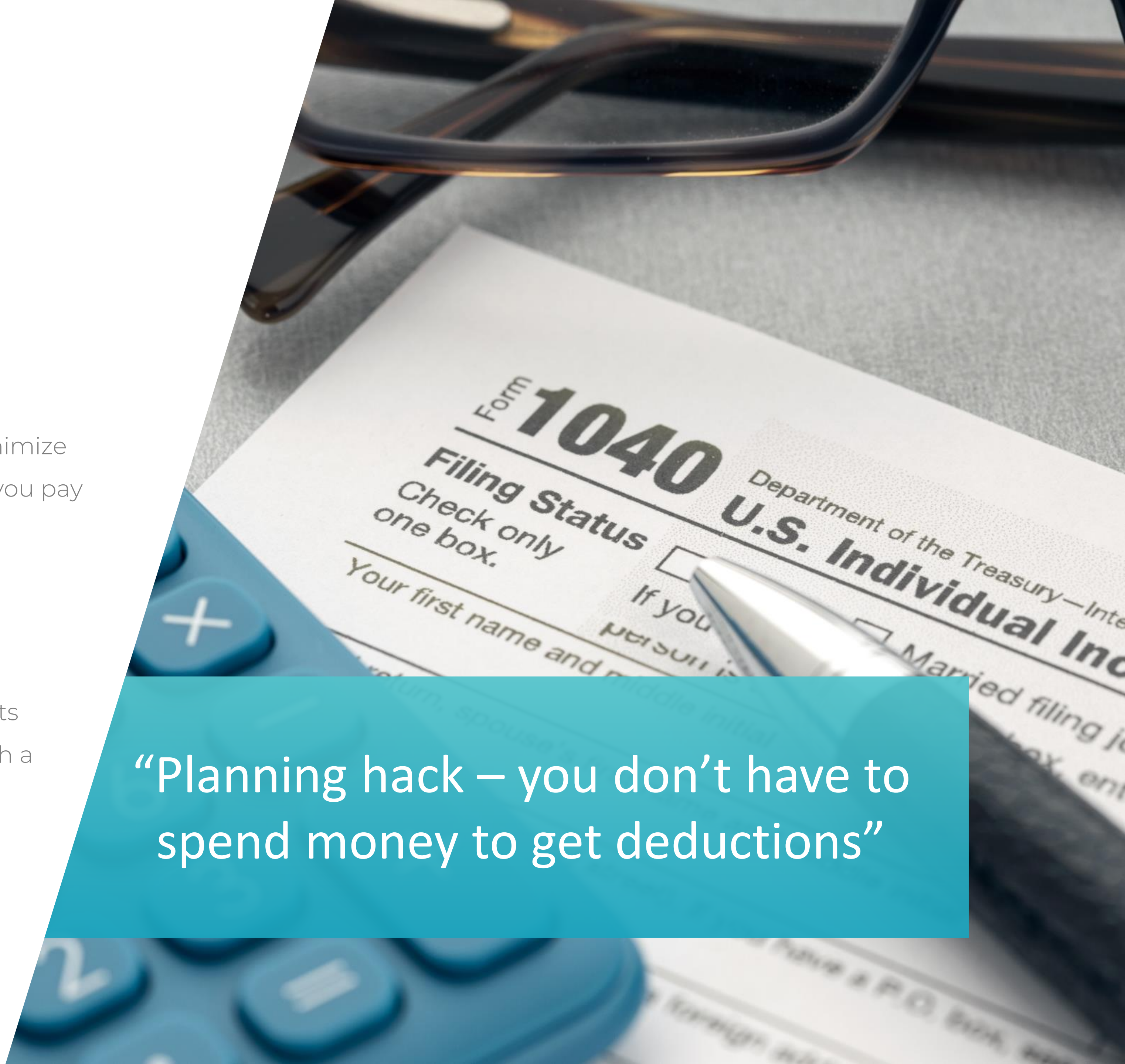
Let's start with the basics – differentiation.

TAX PLANNING

Long-term strategic approach on how to minimize your tax liability during the year so the taxes you pay over your lifetime are cumulatively as low as possible.

TAX PREPARATION

Process of gathering your financial documents (1099's, W-2's, etc.) each year and working with a tax preparer or Certified Public Accountant (CPA) to file your taxes.



"Planning hack – you don't have to spend money to get deductions"

SMALL SNAPSHOT

TAX CONSEQUENCES

INTEGRATING TAX PLANNING INTO YOUR FINANCIAL PLAN

- Start with a big-picture view of assets, liabilities, and life circumstances
- Projections based on current data and anticipated changes
- Consider the pros and cons of choices made, including optimal times for buying/selling assets
- Achieve predictable financial outcomes over time through informed decisions.

TAXABLE EVENTS THAT IMPACT FINANCES

- Capital gains and losses in investments
- Tax-loss harvesting of investments
- Interest earned on CDs or Savings Accounts
- Asset allocation (creating your investment portfolio with a specific division of asset classes)
- Rebalancing your portfolio
- Asset location (determining the tax-efficiency of each asset and its corresponding account)
- Business Income
- Business Succession Planning
- Roth Conversions
- Required Minimum Distribution (RMD) reduction strategies
- Distributions from Retirement Accounts for Income
- Charitable Giving
- Social Security planning
- Healthcare/Medicare Premiums
- Estate Planning

TAX CONSIDERATIONS

YOUNGER INDIVIDUALS	VS.	LEGACY PLANNING
Programs, tax credits, or deductions may be available		Strategies to maximize returns or minimize tax burden
May experience job changes and more frequent real estate transactions		Inherited assets from Roth IRA have different tax rules than Traditional IRA
Benefit of primary residence capital gain exclusion		Awareness of tax liability faced by heirs. Tax-free gifting of monetary limits of cash.
Penalty-free withdrawal from retirement account to fund first home purchase		Estate planning to minimize estate and inheritance tax liability

WHERE TO NEXT?

WEEK 7 OBJECTIVES

OBJECTIVE
01
Discuss tactics of change

OBJECTIVE
02
Roth conversions - what to consider

OBJECTIVE
03
If you have annuities, understanding how the taxation & withdraws will work

WEEK 7

TAX PLANNING

PART 2

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2020 PLANNING & MARKET CYCLES

GOOD YEAR FOR ROTH CONVERSIONS?

PROACTIVE PLANNING

Proactive tax planning with a financial advising team can bring value to your financial future.

FRIENDLY REMINDER

Focus on what's within your control. Update your plan when we have fundamental changes in your situation, not necessarily when the world changes.

ROTH IRA CONVERSION STRATEGY

Roth conversion made sense for some in 2020, but for most it was best to not make changes to their retirement strategy. Some used it as an opportunity to deploy extra cash that was laying around.

NO ONE SIZE FITS ALL STRATEGY EXISTS

Your full picture should be analyzed across all financial planning disciplines prior to making any decision.

INDIVIDUAL RETUREMENT ACCOUNTS (IRA)

BACK TO THE BASICS

- IRAs were created in 1975 for working Americans without employer pension plans.
- IRAs are investment accounts with options such as mutual funds, stocks, bonds, money market funds, or ETFs.
- If you are age 50+ and did not contribute to a pension or 401(k) early in your career, you may have started with a Traditional IRA.
- In 1997 the Taxpayer Relief Act of 1997 added another option for retirement savers, The Roth IRA (DYK? The sponsor of this Bill was Senator Bill Roth from Delaware)
- Investment mix depends on age and risk tolerance.

TRADITIONAL IRA

- Tax-free investment growth
- Tax deferred until retirement
- Tax deferred until retirement

ROTH IRA

- Required payment of taxes on income upfront
- Tax-free distribution of both basis and growth.
- Appealing due to its tax-free distribution of retirement funds

PAY TAX NOW OR LATER

IS A ROTH COVERSION RIGHT FOR YOU?

FACTORS TO CONSIDER

- TAX BRACKET: analyze current and future tax bracket to determine if/when a conversion makes sense
- LOW-INCOME YEAR: a Roth conversion is more lucrative with less taxable income
- MARKET DECLINE: converting after a decline in asset value can maximize benefits
- TIMING: By timing correctly, you can pay taxes at a lower rate and withdraw the money tax-free when you are in a higher tax bracket.

RECOMMENDATION

Have a conversation with a financial advisor before making a final decision.

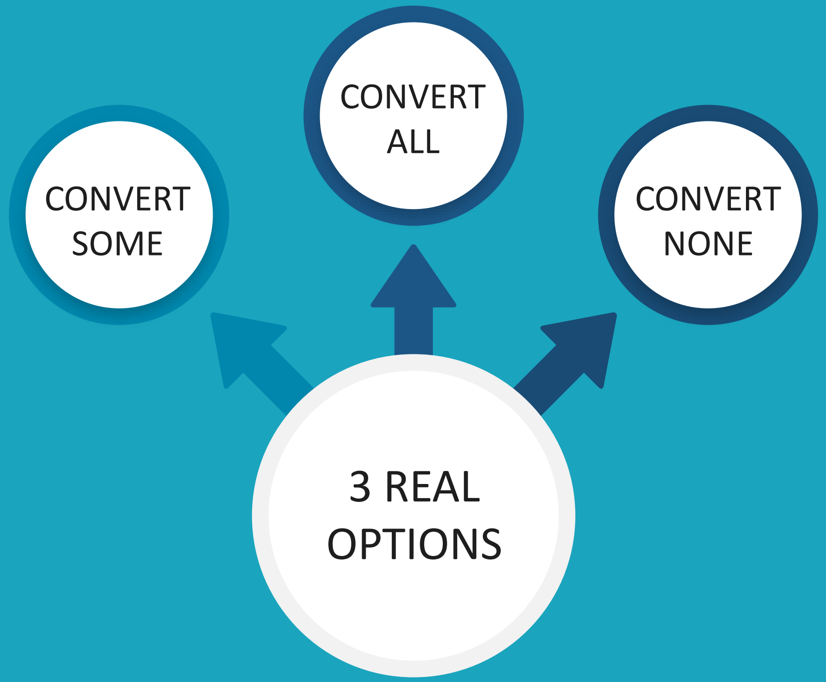
ROTH CONVERSION

TAX CONSEQUENCES

- Taxes on Roth conversions must be paid with non-retirement assets.
- The amount converted increases taxable income for the year of conversion.
- The federal tax bill on conversion will be 24% or more, depending on marginal tax bracket.
- State taxes may also apply to the conversion.

FOR YOUR FINANCIAL ADVISOR

QUESTIONS TO CONSIDER



- What is my income today and what is it likely to be when I retire?
- Will my tax bracket be higher in retirement, or lower?
- Do I have enough cash reserves now to pay the conversion taxes?
- What's the "payback time" in years I'll survive into retirement to make that upfront payment worth it?
- How many years from today until I start to draw on my Roth assets?
- Will I need to spend my Roth assets at all or will they likely go to my heirs?
- If I keep my funds in my Traditional IRA what will my tax bracket be when taking RMDs?

These decisions can be interlocking and interdependent and require in depth scenario planning, as well as change from year to year.

TAX ARBITRAGE

LOWER TAX BRACKET

Consider paying tax at the lower brackets (10% - 22%) now and save into a Roth vehicle if you think you will someday earn in the higher brackets (32% and above)

DON'T PUT ALL YOUR EGGS IN ONE BASKET

Hedge your bets and don't put all your eggs in one basket if you hold doubt about future tax rates due to rising national debt.

GOAL

Minimize the amount of tax paid throughout your life.

GOOD RULE OF THUMB: *Split the entire tax table in half.*

Item	2021 (returns filed in 2022)	2022 (returns filed in 2023)
Standard Deduction	$25,100	$25,900
10% tax bracket	10% on income up to $19,900	10% on income up to $20,550
12% tax bracket	$1,990 plus 12% on income over $20,550	$2,055 plus 12% on income over $20,550
22% tax bracket	$9,328 plus 22% on income over $81,050	$9,615 plus 22% on income over $83,550
24% tax bracket	$29,502 plus 24% on income over $172,150	$30,427 plus 24% on income over $178,150
32% tax bracket	$67,206 plus 32% on income over $329,850	$69,295 plus 32% on income over $340,100
35% tax bracket	$95,686 plus 35% on income over $418,850	$98,671 plus 35% on income over $431,900
37% tax bracket	$168,993.50 plus 37% on income over $628,300	$174,253.50 plus 37% on income over $647,850

Source: National Tax Payers Union Foundation

WHERE TO NEXT?

WEEK 8 OBJECTIVES

OPTION

01

Rely on tax efficient withdrawals

OPTION

02

Income Planning and the cycles of need

OPTION

03

Changing Medicare premiums & social security benefits

OPTION

04

When to take an RMD and what to do with it

WEEK 8

RETIREMENT INCOME PLANNING

PART 1

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THE REWARD OF TIME

INTRO TO RETIREMENT PLANNING

LIFE SHIFT
Working & earning to not working can be stressful

"WILL I BE OKAY"
Time to take out saved money instead of saving – will you have enough?

THE 4% RULE
1994 study - assumes a 30-year portfolio lifespan, invested 50-75% stocks & 25-50% bonds

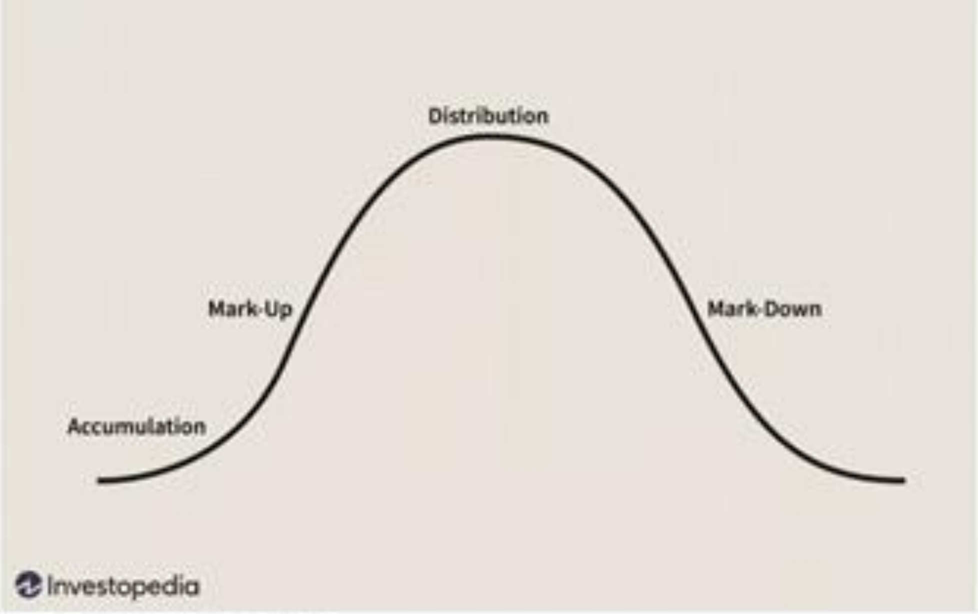

Image by Julie Bang © Investopedia 2019

Ongoing monitoring of these items on an annual basis is important

WITHDRAWAL RATE
Assumes fixed income each year with inflation adjustment (different for each person)

MINIMIZE TAXES
Coordination of withdrawals from taxable, tax deferred, & tax-free accounts to minimize taxes

TAX LIABILITY
Withdrawal rate includes tax liability, which may change with a changing tax environment

DOWN THE PATH OF

TAX EFFICIENT WITHDRAWALS

- Portfolio withdrawals in retirement require a shift in mindset from growth to income and preservation
- The optimal portfolio should be designed according to individual goals, risk tolerance, and time horizon
- Consider factors such as available cash flow sources, coverage of retirement income, legacy goals, retirement lifestyle, family health and lifespan, and personal health.
- Portfolio can be split into two buckets: fixed income (bonds) and equity (stocks)

True tax savings are achieved by paying only what is necessary

STRATEGIC PLACEMENT

ASSET LOCATION CLASSES

TAXABLE

- **Investments are taxed** when sold, traded or generate income
- EXAMPLE: brokerage account, not a retirement account, money can be withdrawn at any time. This is taxed in two ways:
  1. Ordinary income tax
  2. Capital gains tax
- **Ordinary income tax** on most dividends & interest payments based on tax bracket
- **Capital gains treatment** when selling an asset for a gain, divided into short-term and long-term.
- **Long-term capital gains** if assets held for at least a year and one day, short-term for less than a year and one day

TAX-DEFERRED

- Accounts that **allow funding with pre-tax dollars**, reducing taxable income in the year of contribution.
- EXAMPLES:
  1. 401(k)
  2. Traditional IRA
  3. 403(b)
  4. 457(b)
  5. HSA (with triple tax benefits)
  6. Series EE or I bonds
  7. Earnings in whole life insurance policy.
- **Earnings grow tax-free**, no taxable events for transactions within the account.
- **Taxed as ordinary income** upon distribution in most cases.

TAX-EXEMPT

- Tax-exempt accounts have contributions made with **after-tax dollars**
- MOST COMMON ACCOUNTS:
  1. Roth IRA
  2. Roth 401(k)
- **Earnings in the account** grow tax-free and distributions are tax-free
- **Result in added tax savings** for individuals who contribute when in a lower tax bracket and withdraw assets in retirement when in a higher tax bracket.

WHERE TO NEXT?

WEEK 9 OBJECTIVES

OPTION
01
Dealing with change

OPTION
02
The big picture & the 4% rule

OPTION
03
Understanding the anatomy of down markets

OPTION
04
Emotions of spending

WEEK 9

RETIREMENT INCOME PLANNING

PART 2

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DETERMINING A SAFE WITHDRAWAL RATE

THE 4% RULE

- Originated from a 1994 study by William Bengen.
- Withdrawing 4% of the portfolio in the 1st year of retirement and adjusting for inflation in subsequent years was safe for a 30-year retirement with a portfolio invested between 50-75% in stocks and 25-50% in bonds.
- Assumes fixed income each year, but doesn't account for lifestyle changes, longer lifespans, and tax liability.
- Safe withdrawal rate is personal and should be re-evaluated and adjusted each year.

Proactive planning and strategically distributing will help you keep more in your pocket and less in Uncle Sam's

WHERE TO NEXT?

WEEK 10 OBJECTIVES

OPTION 01
Common situations

OPTION 02
Do you need a Delaware Will?

OPTION 03
The importance of having your estate planning documents in order

OPTION 04
Beneficiaries & account ownership options

OPTION 05
Estate considerations & trusts

WEEK 10

ESTATE PLANNING

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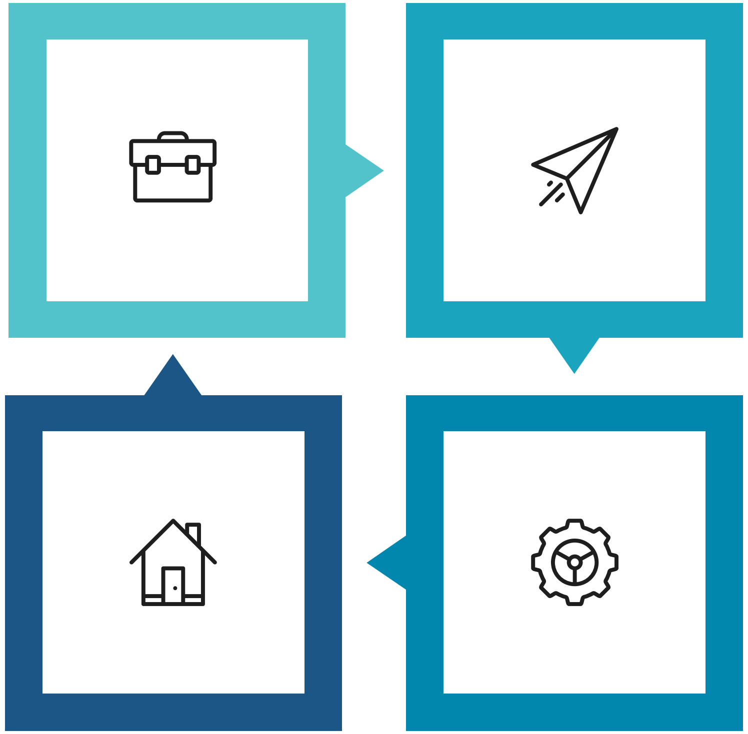
PROBATE

ACCOUNT OWNERSHIP

JOINT TENANTS WITH RIGHTS OF SURVIVORSHIP (JTWROS)

A common way to title your assets with someone else. JTWROS property can be held by spouses, parents, adult children, children, and business partners.



TENANCY IN COMMON (TIC)

A common way to own property with those who are interests are aligned. This allows several people to own the property who all have different percent interests in the ownership.

TENANCY BY THE ENTIRITY (TIE)

Can only be held by spouses. Transfer or severance of the tenancy by the entirety can only occur with the mutual consent of both parties and the property is divided among the spouses.

PAYABLE ON DEATH (POD) &TRANSFER ON DEATH (TOD)

These forms of asset tilting are for your bank assets, stocks, bonds, mutual funds, and other investment assets that are held in a taxable account.

BENEFITS

JOINT TENANTS WITH RIGHTS OF SURVIVORSHIP

- The unique thing to note here is that the ownership, enjoyment, and control of the property must be held equally by all joint tenants.
- Then once one of the tenants passes, the property is automatically passed to the surviving tenant
- Again, this property is passed outside the will and is excluded from probate.

BENEFITS

TENANCY IN COMMON

- This allows several people to own the property who all have different percent interests in the ownership.
- Through a TIC ownership, unlike TBE or JTWROS, you are free to transfer your shares without the approval of the others within the agreement.
- With this benefit, the downside of this form of ownership is that property held TIC is subject to probate unless named in trust.

BENEFITS

TENANCY BY ENTIRETY

- What's unique about this ownership is that in most states this ownership is protected from the claims of creditors.

- The reason is because both you and your spouse own the account 100%. What this means is that if you and your significant other own a $100,000 checking account TBE and you had a creditor claim, the creditor cannot access this account because your spouse also owns the account 100%.

- The only way the creditor can have access to this account is if your spouse is also involved in the claim.

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BENEFITS

PAYABLE ON DEATH & TRANSFER ON DEATH

- The difference in these forms of ownership resides in the fact that a POD is for your bank assets where a TOD is for your taxable investment accounts.

- These agreements are beneficial because they pass outside of your will and are distributed quickly as opposed to the probate process which can be timely and costly as we've discussed previously.

WEEK 11

RECAP & REVIEW

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