Your Financial-Life Fundamentals

Risk Management

- Properly securing your future involves protecting income for you and your family.
- Your assets should be protected against losses you cannot afford to personally absorb.
- Improper risk management will destroy the integrity of even the greatest plans.
- Risk management may not lessen the pain of a severe loss; but, it can lessen the severity of the consequences.

Cash Flow & Net Worth

- Understanding the flow of income and expenses is the first step in controlling your future.
- You cannot adequately plan for tax, education, retirement or your estate without an accurate cash flow.
- Visualizing your cash flow enables you to make decisions regarding spending that you normally would not make.
- Understanding the impact of debt on cash flow enables you to control and manage debt better.
- Your net worth is the ultimate scorecard—It acts as a check and balance of assets verses liabilities.

4 Critical Points Regarding Retirement

- It's important to truly get a handle on your desired lifestyle.
- Trying to ratchet up aggressiveness on your portfolio to make up for insufficient assets is never a good idea.
- Most people over-estimate risk regarding investment planning and under-estimate the impact of inflation and taxation.
- Choosing when to retire, when to take distributions, pensions, and Social Security will usually have a greater impact on success than portfolio return.

Tax Planning

- Tax avoidance is almost always a good idea—Tax evasion never is!
- You need to plan for alternate sources of income in retirement other than tax-deferred IRAs—Alternate income sources would be Roth IRAs; cash value life insurance and non-qualified assets—Utilizing tax appropriate investment vehicles will provide better management of your tax situation.

- Gain/loss harvesting can be used to offset taxable income—Most income is taxable, but some income is less taxable—Taxes are incremental and progressive. Controlling sources of income helps manage this process.

- The taxation of Social Security and the cost of Medicare premiums can be greatly influenced by taxable income—Deductions can be reduced by taxable income and AMT can increase taxes dramatically.

THINGS YOU MUST KNOW ABOUT CASH RESERVES

- They provide resources in the event of an emergency or for unexpected opportunities.

- They help stabilize a portfolio in the event of a downturn or during periods of volatility.

- They act as a source of supplemental income in periods of short term income need such as retirement, disability or death.

- Too much or too little can seriously derail return on a portfolio.

- Having three to six months' worth of expenses in cash reserve is a general parameter but you may need more or less depending on your particular situation.

5 THINGS YOU SHOULD KNOW ABOUT DEBT

- Healthy debt is below 38% of income for both personal and mortgage debt combined—Mortgage debt alone should be below 33% of your total income.

- In addition, if you cannot pay yourself (in the form of savings) 10%-20% of your gross income on an annual basis, your expenses and, in particular your debt, are too high—Committed expenses, including debt and savings need to be accounted for before you allocate money toward discretionary expenditures.

- Debt reduces your ability, in the future, to take advantage of opportunities as they arise—In addition, debt restricts mobility. Debt lowers your available resources to deal with adverse conditions, such as; medical needs, job loss or a disability for either you or a family member.

- Mortgage debt used judiciously can allow for growth in other assets if your after-tax borrowing rate is less than your average rate of return on your investments.

- Credit cards should be used as a convenience and paid off within 30-90 days.

CREATING A SOUND ESTATE PLAN

1. Writing out your Will is your first step to ensuring that your wishes are carried out. In a will, you can specify who should receive your assets and who will be your children's guardian. Be aware, though, that a will won't direct where all your property and money goes. For example, money in retirement and pension plans or proceeds from life insurance policies go to the beneficiaries you've named for those accounts.

2. Designate a Power of Attorney allowing you to name someone you trust to make financial and legal decisions for you if you are unable to do so yourself.

3. Prepare a Letter of Instruction for anyone involved in settling your affairs. Unlike a will, this letter has no legal authority. However, it can provide an easy-to-understand explanation of your overall estate plan to your executor and lay out your wishes to your family for things not covered by the will such as, funeral/burial instructions.

4. A health care proxy to determine who will make medical decisions for you when you are unable to do so.

5. A Living Will for end of life decisions.

Trusts are not discussed as they pertain to only certain specific client situations

THE PROCESS THAT WILL LEAD TO BETTER DECISIONS BEGINS:

1. Understand your financial needs now and in the future.

2. By reviewing the "Power of Ownership"
   a. Sole proprietor
   b. Tenancy in Common
   c. Tenancy by Entireties
   d. Joint Tenancy with Rights of Survivorship (7 Ills of Joint Ownership)
   e. Community Property

3. Review the advantages and disadvantages of the impact of contractual laws contained within various agreements.
   a. Qualified contracts like your 401k, and IRA
   b. Life Insurance contracts
   c. Annuity contracts
   d. Partnerships/and other ownership Agreements
   e. Small business Agreements

4. Reviewing the importance and concerns related to the "Probate Process".

5. By discussing the various ways in which an estate size is reduced through unforeseen costs, expenses and various tax obligations.

6. Discuss and understand any special considerations that need to be addressed.

7. Decide whether and when gifting is advisable.

FIVE GOALS OF OUR WORK TOGETHER:

1. Provide for peace of mind and better outcomes. Keep more of what you have earned and accumulated in your lifetime.

2. Make sure you are taking the appropriate investment risk for your desired outcomes and risk willingness. Provide for efficient goal achievement.

3. Manage the potential for future unpredictable negative events.

4. Utilize tax strategies to maximize opportunities and reduce taxation.

5. Transfer property to those we care the most about in our lifetime and reduce the costs associated with the overall settlement process.