

Co-pilot or Autopilot: Who is Navigating your Financial Plan?



PROPEL
FINANCIAL ADVISORS

September 30, 2020

Agenda

- Social Values Investing
(Amanda Vaught)
- Growth Portfolios
(David Vaught)
- Making Your Money
Work for You
(Danielle Woods)
- Save Now, Owe Later?
(Emily Agosto)

Amanda Vaught

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Amanda Vaught loves helping young families work towards achieving their unique financial goals.



Before working as a financial advisor, Amanda was a chemist and practiced law. She lives in Brooklyn, NY, with her husband and two small children.



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Social Values Investing

1. Traditional Approach
2. Divestment
3. Impact Investing
4. Environmental, Social, and Governance factors (ESG)

Social Values Investing

Traditional Approach



- Make as much money as possible without regard to your social values
- Donate to charitable causes you believe in



Chuck Feeney, billionaire cofounder of Duty Free Shoppers

- Over the last four decades, donated more than \$8 billion to charities
- Launched the Giving Pledge in 2010 with Bill Gates and Warren Buffet - encourages the wealthiest to give away half their fortunes before death

In general, divesting is a moral choice and not an investment thesis.
Ask: Can you sleep at night knowing you profit from this company?

Evidence shows that divesting alone is not an effective way to enact social change.



More and more investment products are available today. Name your issue, there is probably an investment that aligns with your cause.

- Climate/Pollution
- Low Carbon
- Fossil fuels
- Anti-racism
- Private prisons
- Human rights
- Religious values
- Weapons
- Tobacco
- Alcohol
- Middle East conflict

Note – in general these types of investment products are not available in 401(k)s, 529 plans or investing apps. To access them in a retirement fund through work, use a brokerage window. For educational savings, make use of an Educational Savings Account (ESA).



Social Values Investing

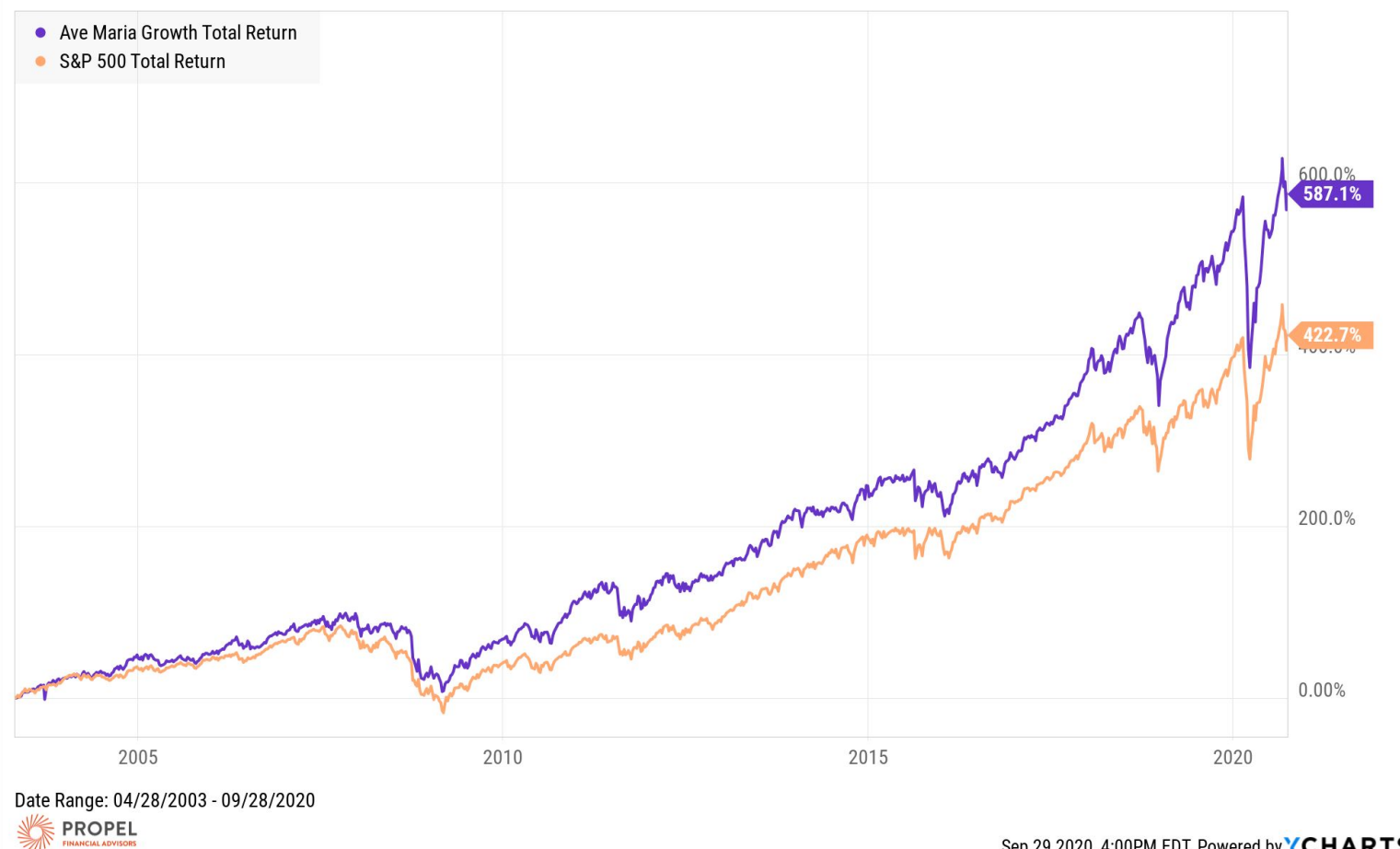
Divest Example: AVEGX



Ave Maria Mutual Fund (AVEGX)

Mutual Funds (not ETFs or an index) based on Catholic values

Long-term outperformance of S&P 500



Fund and index performance is shown ending Sept 28, 2020. Past performance is no guarantee of future performance. You cannot purchase an index directly. You must purchase it through a fund or ETF, which will charge fees. A complete list of the assets we recommend to clients is available upon request. Propel may own positions in the securities discussed. For informational purposes only and does not constitute financial advice.

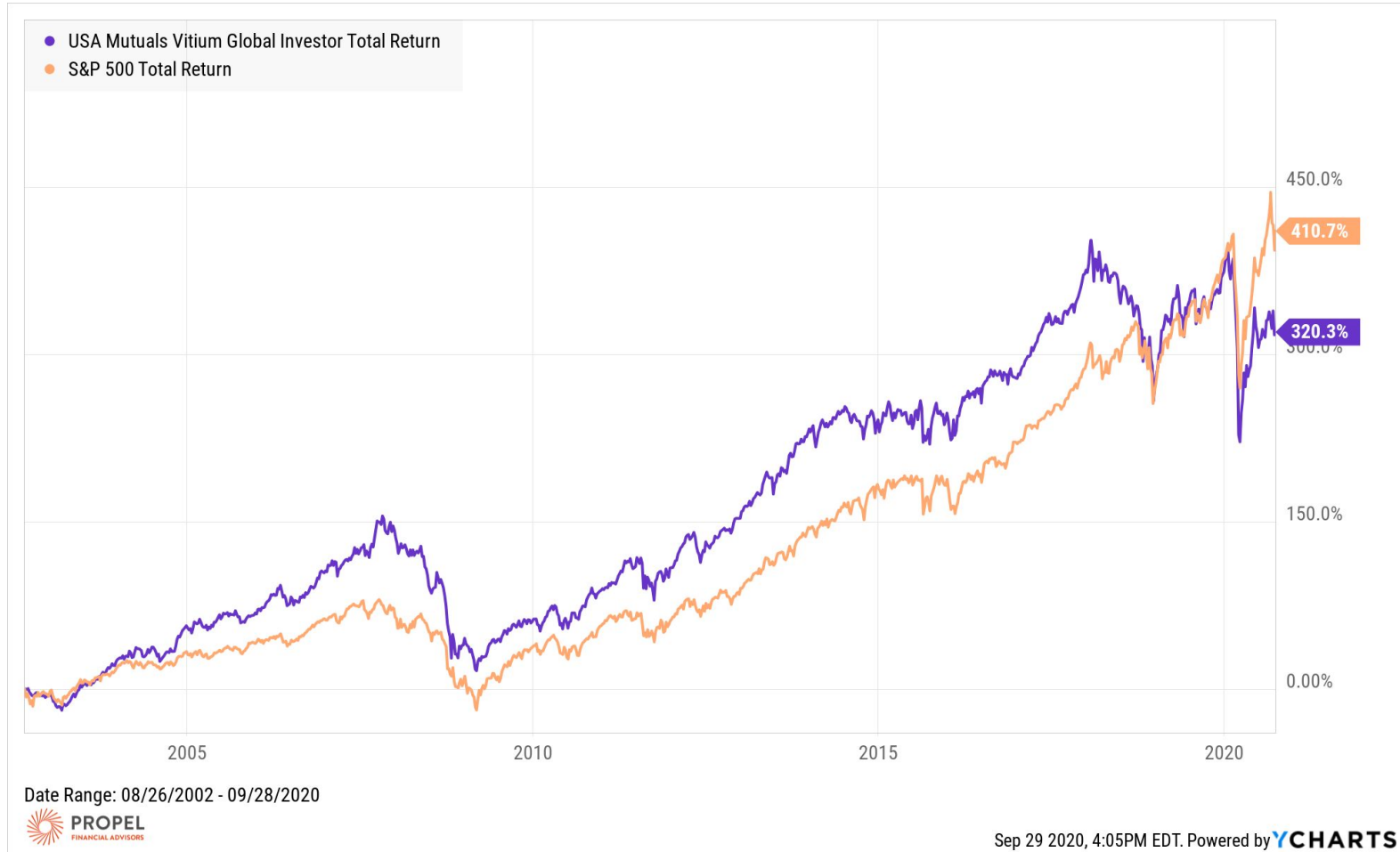
Social Values Investing

Divest Example: VICEX



USA Mutuals Vitium Global Fund (VICEX)

“The Vitium Global Fund invests in domestic and foreign companies engaged in the aerospace and defense industries, owners and operators of casinos and gaming facilities, manufacturers of cigarettes and other tobacco products, and brewers, distillers, vintners and producers of other alcoholic beverages.”



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An investment strategy that generates both financial returns and constructive outcomes. Seeks positive impact, e.g. clean-technology, minorities and women, healthcare, education.



Consider impact investing as an alternative to charitable giving, e.g., grant micro loans through [kiva.org](https://www.kiva.org)

Fixed Income

- Many bond products available that bundle bonds addressing various social issues.
- Generally a lower return to traditional bond funds

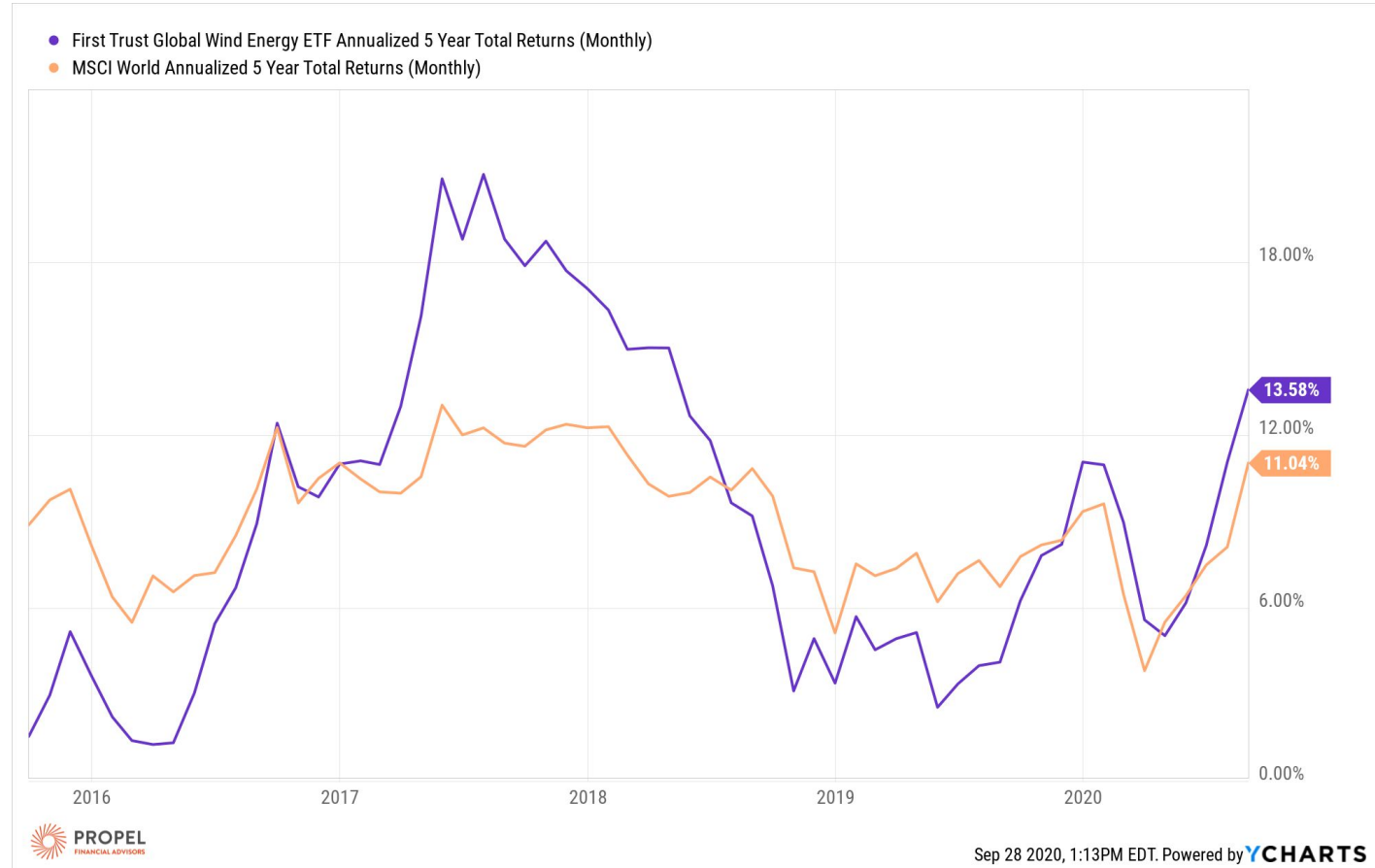
Equities

Sometimes you can blur the line between impact investing and investment thesis, e.g. disruptive technologies.



FAN

Invests in companies involved in wind energy industry.



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iShares MSCI Global Impact ETF (SDG) Invests in companies aligned with UN Sustainable Development Goals



Another way to measure performance:

Carbon Footprint



6.27% lower carbon emissions

One million US dollars invested in SDG implied an annual emissions reduction of **9.28 tons** of carbon dioxide equivalent compared to the reference benchmark based on MSCI ESG Research analysis of portfolio companies' carbon emissions, equivalent to the annual emissions of:



23,035 miles driven by an average passenger car for one year



1.6 homes' energy use for one year



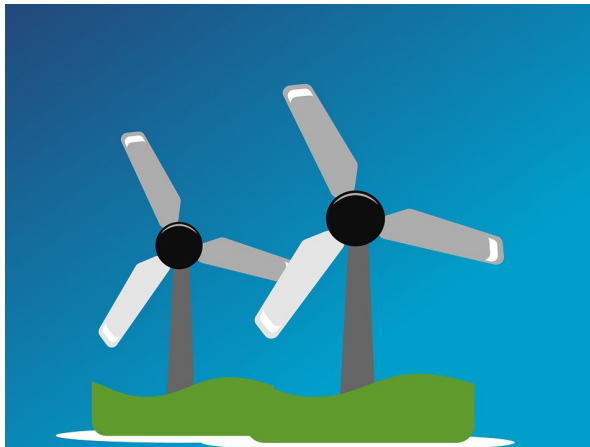
1,045 gallons of gasoline consumed

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Source: MSCI ESG Fund Ratings provided by MSCI ESG Research LLC as of 06/02/2020, based on holdings as of 04/30/2020. Holdings are subject to change. This report is updated annually. For current holdings please visit [iShares.com](https://www.ishares.com). Indexes are unmanaged and one cannot invest directly in an index.

What is ESG?

Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments.

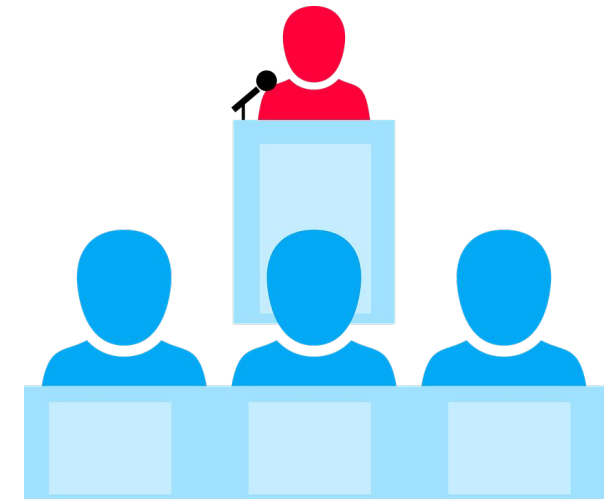
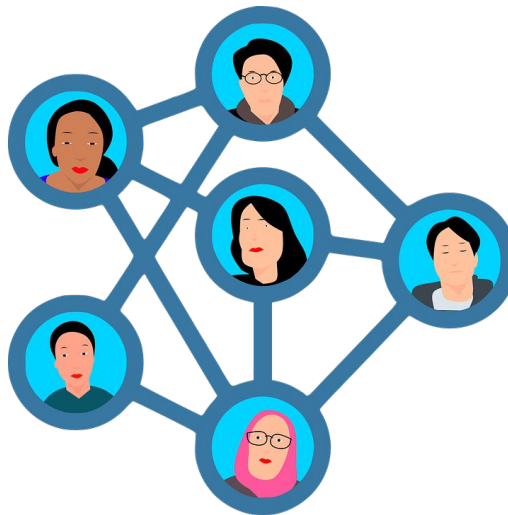


Environmental

How a company performs as a steward of nature.

Social criteria

How a company manages relationships with employees, suppliers, customers, and the communities where it operates.



Governance

A company's leadership, executive pay, audits, internal controls, and shareholder rights.

Social Values Investing

Environment, Social, and Governance (ESG) Factors



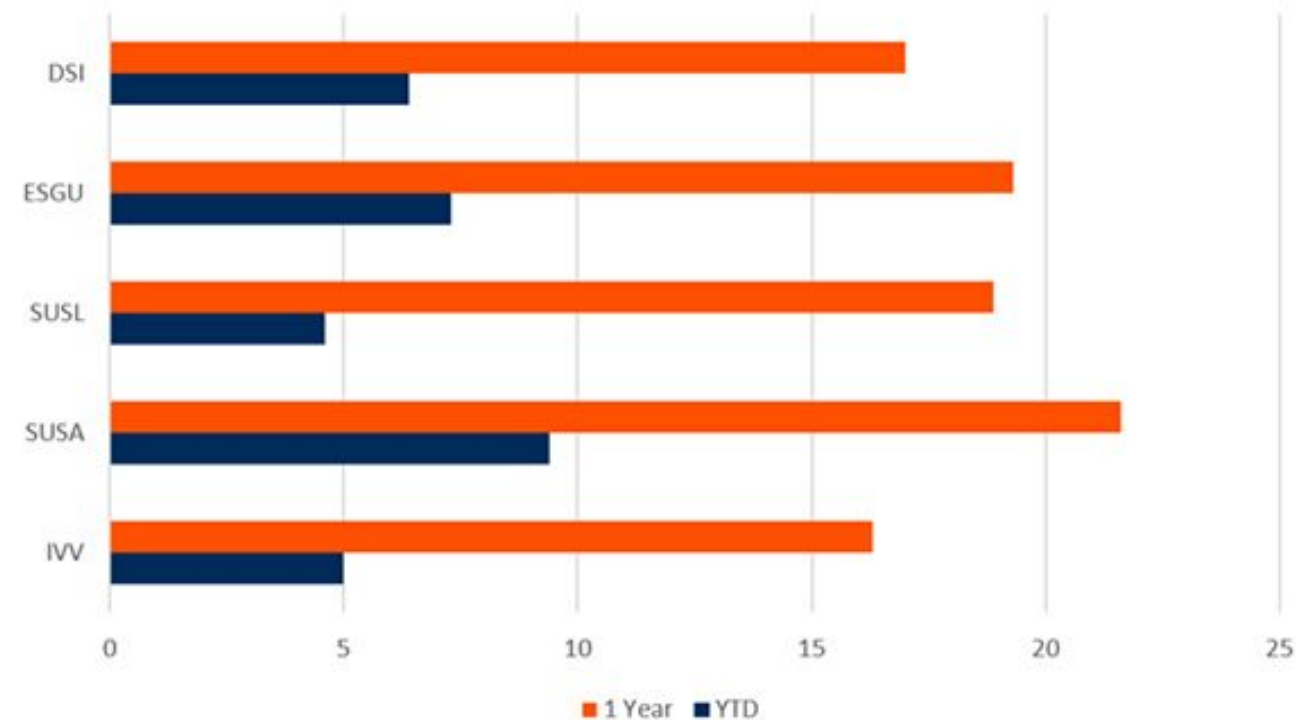
ESG is very trendy now.

- As of July 30, ESG-themed ETFs pulled in \$38B in new money.
- Topped \$100B in total assets
- Mirrors huge asset gains in sustainable mutual funds.

Why?

- Pandemic - spotlight on social issues of inequality, diversity and climate change
- Europe - growing influence of the UN Principles of Responsible Investing and EU mandates
- Performance - Most did better than standard ETFs during recent downturn

Fund and index performance is shown ending Aug. 7, 2020. Past performance is no guarantee of future performance. You cannot purchase an index directly. You must purchase it through a fund or ETF, which will charge fees. A complete list of the assets we recommend to clients is available upon request. Propel may own positions in the securities discussed. For informational purposes only and does not constitute financial advice.



iShares ESG ETFs Performance Record vs. iShares S&P 500 Fund (%). Source: CFRA's First Bridge Database, as of Aug. 7, 2020

Social Values Investing

Environment, Social, and Governance (ESG) Factors



Active investing (Mutual Funds) vs Passive indexing (ETFs)

ESG data - Where does it come from?

- Not a required disclosure from SEC
- Subjective
- Compiled by Morningstar or MSCI

Always look under the hood before buying ESG products.

Energy Sector Holdings of iShares ESG MSCI USA Leaders ETF (SUSL) as of Sept. 28, 2020.

CONOCOPHILLIPS	PIONEER NATURAL RESOURCE
KINDER MORGAN INC	ONEOK INC
WILLIAMS INC	CHENIERE ENERGY INC
PHILLIPS	HESS CORP
SCHLUMBERGER NV	OCCIDENTAL PETROLEUM CORP
EOG RESOURCES INC	BAKER HUGHES CLASS A
MARATHON PETROLEUM CORP	NATIONAL OILWELL VARCO INC
VALERO ENERGY CORP	



Holdings subject to change. For more information visit
<https://www.ishares.com/us/products/308574/ishares-esg-msci-usa-leaders-etf-fund>

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Environment, Social, and Governance (ESG) Factors

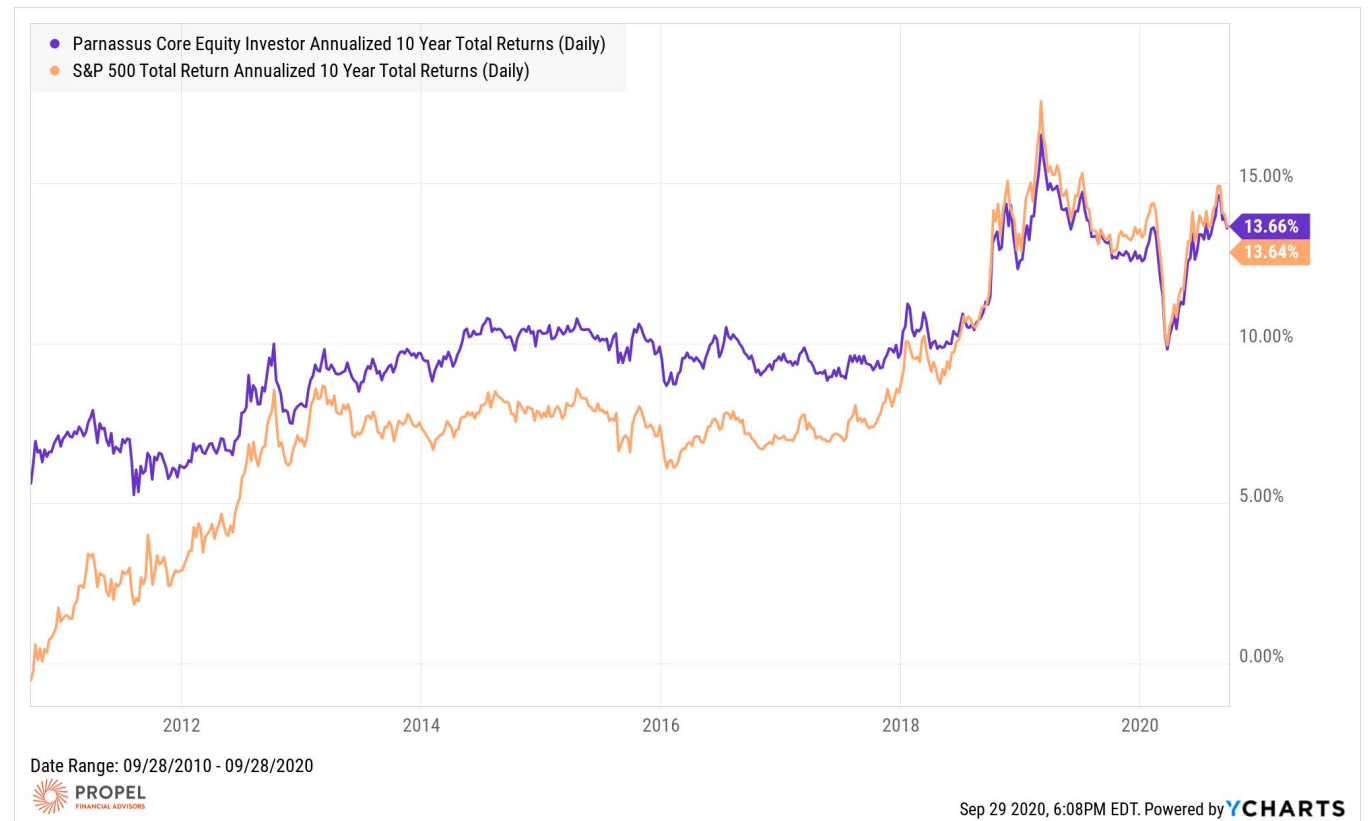


Active investing (Mutual Funds) vs Passive indexing (ETFs)

Parnassus Investments PRBLX

An example of a combined approach:

1. Avoids fossil fuels
2. Identify quality companies
3. Research and apply ESG factors to whittle the list down



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Poll

Which Social Value would you incorporate into your investment portfolio?

1. Environment
2. Religion-based
3. Diversity
4. ESG
5. Not interested
6. Other: Fill in the blank



David Vaught, CFA

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David likes working with Danielle, Amanda, & Emily to help our clients achieve their goals.

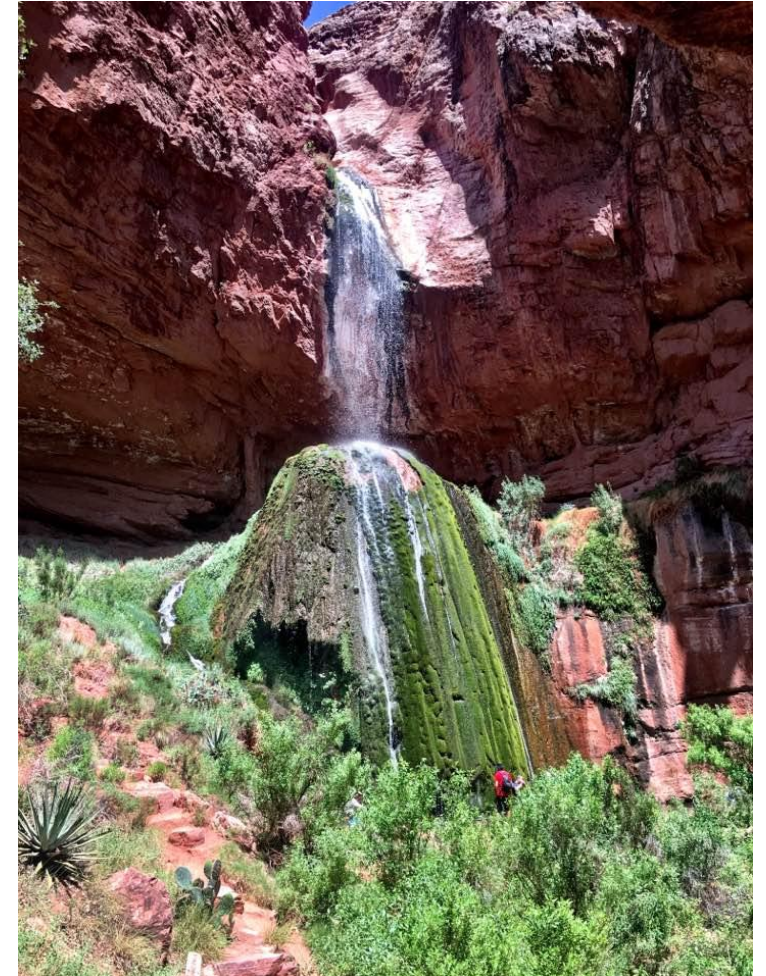


When he is not working on the computer in Naperville, IL, or Fort Myers, FL, he likes flying the new flying club Cessna 182, traveling in his Pleasure Way Lexor RV out West, or visiting with his eight grandkids.

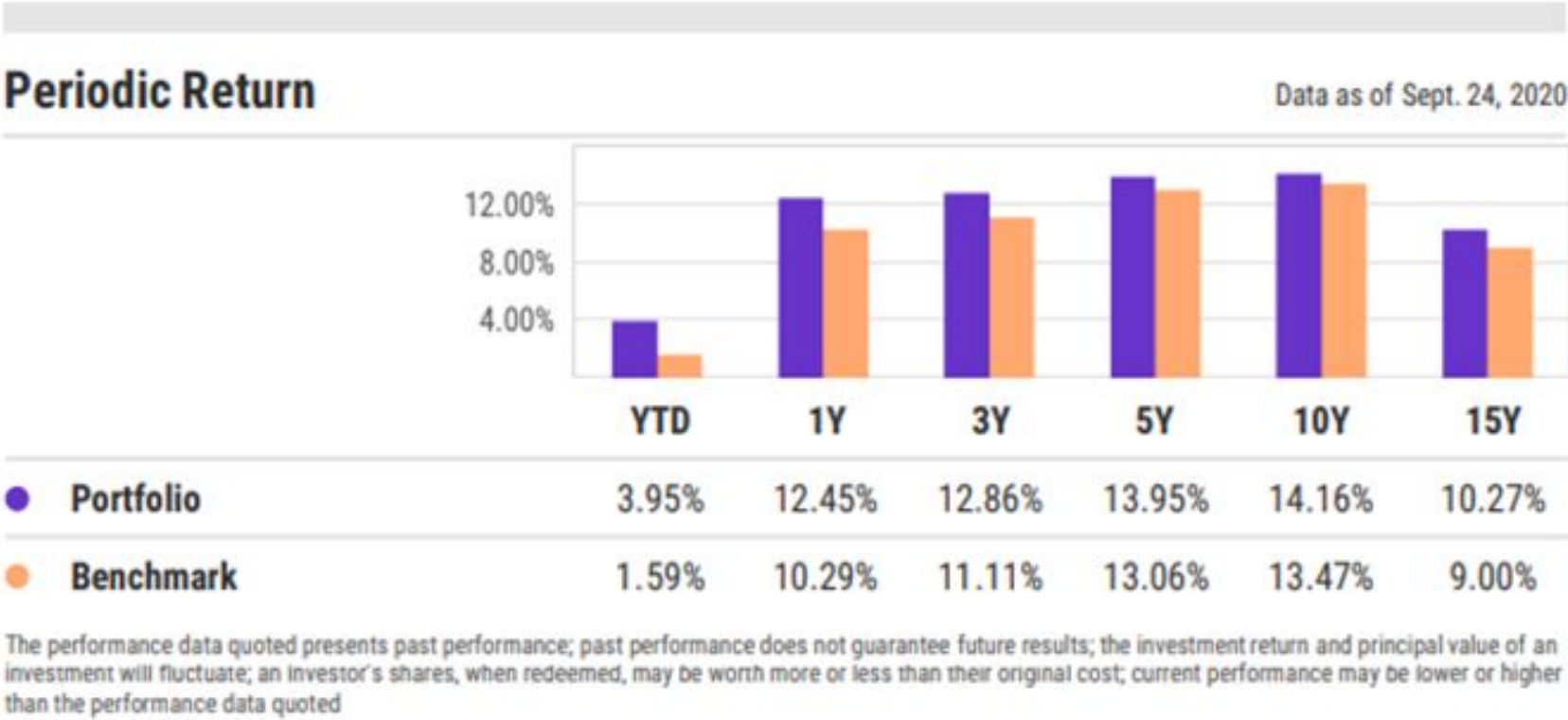


Growth stocks are considered stocks that have the potential to outperform the overall market over time because of their future potential, while **value stocks** are classified as stocks that are currently trading below what they are really worth and will, therefore, provide a superior return.

Definitions are from Investopedia.



50%Growth/50% Value



For illustration purposes only. Price New America Growth Fund and JP Morgan Equity Income Fund are combined 50%/50% with quarterly rebalancing compared to the S&P 500 index. This illustrates how active management can achieve returns in excess of the index. Not all funds can achieve this. Propel uses both these funds in its portfolios; a complete list of the funds we utilize is available on request. Past performance is no guarantee of future performance.

Poll

When it comes to your portfolio, which do you prefer?

- a. assemble a portfolio of individual stocks based on good names we hear often in the media.
- b. construct a portfolio designed to match my objectives and limitations.
- c. not worry about my portfolio but simply delegate its composition to my investment advisor.
- d. buy more bonds and safe investments so I don't lose money.

Wasatch Small Cap Growth



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Index Comparison	1 Year	3 Years	5 Years	10 Years
WIAEX	14.89%	20.12%	13.21%	15.34%
Russell 2000 Growth Index	3.48%	7.86%	6.86%	12.96%

Fund and index performance is shown ending June 30, 2020. Past performance is no guarantee of future performance. You cannot purchase an index directly. You must purchase it through a fund or ETF, which will charge fees. A complete list of the assets we recommend to clients is available upon request.

Danielle Woods

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Danielle is an attorney and advisor in her 23rd year of working with individuals, families and small businesses on their tax and financial planning needs.



She wants her clients to enjoy their lives and retire when they want to. She lives near the Great Smoky Mountains National Park in East Tennessee with her family.



It's Not How MUCH \$ You Have, It's How You Plan With It



STATEMENTS MADE BY REAL CLIENTS:

- I'm not "rich," so what's the point of having a plan?
- I will work until I die.
- I heard you can't retire unless you have \$1.6 million.
- Social Security won't exist when I retire.
- I have no emergency fund.
- My spouse wants to pay for our kids' college before saving for retirement.
- When I die, everything goes to my family anyway. I don't need an estate plan.

It's Not How MUCH \$ You Have, It's How You Plan With It



What is a Financial Plan Document?

Inventory

- Current & Future Assets
- Current & Future Liabilities
- Financial Goals
- Risk Tolerance

Priorities

- Needs vs Wants
- Expectations
- Concerns
- Personal Goals

What If...

- How Far Will You Get?
- Different Scenarios
- Market Behavior
- Future Money



It's Not How MUCH \$ You Have, It's How You Plan With It



Expectations and Concerns

Expectation
Responsible
Part-Time Work for a Few Years
Active Lifestyle
Quiet Lifestyle
Time to Travel
Time with Friends & Family

**What are
YOU
worried
about?**

Owner	Concern	What Would Help
High		
Responsible	Running out of money	If your plan is in the Confidence Zone, there's less reason to worry.
Responsible	Suffering investment losses	Find out if you can meet your Goals with less risk.
Medium		
Responsible	Not having a paycheck anymore	Consider strategies that create a regular source of income.
Responsible	Cost of health care or long-term care	Include a Goal for Health Care and test to see the impact of a potential Long Term Care expense in the future.
Responsible	Living too long	Test your plan to see if your money will last as long as you do, even if you live past 100.
Responsible	Going into a nursing home	We'll consider Long-Term Care insurance & discuss the risks to your plan if you have expenses related to a major health issue.
Low		
Responsible	Leaving money to others	Your plan can include bequests and gifting Goals.
Responsible	Spending too much	Test your plan to see if your money will last as long as you do, or if you may be spending too much.
Responsible	Current or future health issues	See how health issues might affect the results of your plan.
Responsible	Responsible dying early	Test how an early death will impact your family's future.
Responsible	Being bored	A good plan could allow you to have the money for new Goals to keep you busy and engaged.

It's Not How MUCH \$ You Have, It's How You Plan With It



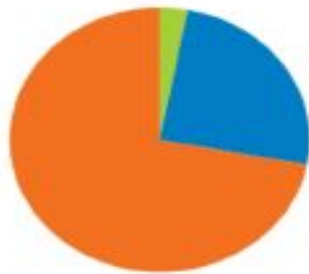
Risk Assessment

You chose a Risk Score of 75.

Appropriate Portfolio: Total Return II

Percentage Stock: 72%

Average Return: 5.79%



Cash: 3% Bond: 25% Stock: 72%

Great Recession Return Loss for this Portfolio

If this loss would cause you to sell your investments, you should select a lower score. Don't go past your Breaking Point.

During the Great Recession Return (November 2007 - February 2009) this portfolio had a loss of:

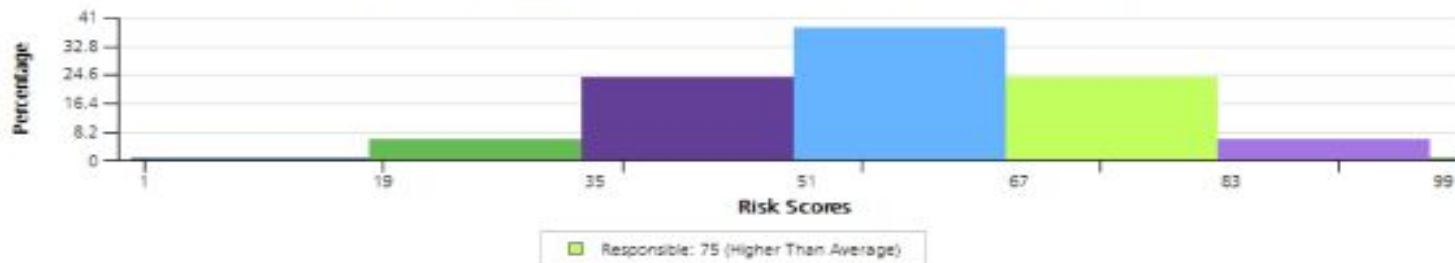
-33%

If you invest \$250,000 in this portfolio and the same loss occurred again, you would lose:

-\$81,781

Risk Score Chart for Ages Under 50

Your Risk Tolerance is Higher Than Average when compared to others in your age group



It's Not How MUCH \$ You Have, It's How You Plan With It



How you invest your money now has an enormous impact on your future money.

Plan Summary

Reaching Your Goals



Net Worth	
Assets	\$480,000
Liabilities	\$100,000
Net Worth	\$380,000

Results

If you implement the following suggestions, there is a 97% likelihood of funding all of the Financial Goals in your Plan.

Goals

Maintain your Total Goal Spending at \$532,909

Responsible retires at age 65, in the year 2041.

Goal	Amount	Changes
Needs		
10 Health Care		
Responsible Medicare	\$4,645	
10 Retirement - Basic Living Expense		
Retired	\$20,000	
Wants		
7 Travel	\$1,500	
Starting	At Responsible's retirement	

Plan Summary

Save and Invest

Invest

Your Portfolio should be re-allocated

Investment Portfolio Asset Allocation



Changes Required to match Total Return II

Asset Class	Increase By	Decrease By
Cash & Cash Alternatives	\$2,500	
Short Term Bonds	\$27,500	
Intermediate Term Bonds		-\$2,500
Large Cap Value Stocks	\$17,500	
Large Cap Growth Stocks		-\$2,500
Mid Cap Stocks		-\$30,000
Small Cap Stocks	\$12,500	
International Developed Stocks		-\$15,000
REITs		-\$10,000
Total :	\$60,000	-\$60,000

Social Security

Personal Information

Your Full Retirement Age (FRA) is the age that you would receive 100% of your Primary Insurance Amount (PIA). Depending on the year you were born, your FRA is between 65-67 years old. Taking benefits before or after your FRA will decrease or increase the amount you receive, respectively.

Responsible's FRA is 67 and 0 months in 2043.

Your Primary Insurance Amount (PIA) is the benefit you would receive if you began benefits at your Full Retirement Age (FRA). It is calculated from the earnings on which you paid Social Security taxes, throughout your life.

Responsible's estimated annual PIA is \$23,078

It's Not How MUCH \$ You Have, It's How You Plan With It



Complete Financial Plan

Financial Plan Document

Tax Planning

- Estimating During the Year
- Strategic Use of Accounts

Estate Plan

- Last Will & Testament
- Health Care Power of Attorney
- Durable Power of Attorney for Property
- OPTIONAL: Trust



PROPEL'S DEFINITION OF TAX EFFICIENCY

- More than simply “paying less tax”
- Proactive planning
- Focusing on long-term compounding effects of paying taxes vs deferring taxes
- Recognizing that year-to-year decisions will vary
- Taking advantage of all legal options
- Acknowledging that the future is unknown

Poll

When it comes to a financial plan, I am...

- a. completely on top of it.
- b. confident about the short-term, but need help with the long-term.
- c. some of the way there but need help.
- d. missing some significant pieces in my plan.
- e. doing fine without it.

Emily Agosto

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As a CPA and financial advisor, Emily enjoys helping families and small business owners stay organized and focused on saving for retirement and tax planning.

Emily lives in the Irving Park neighborhood of Chicago with her husband and Bruce the cat.



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Save Now, Owe Later? Retirement Savings & Tax



Retirement Savings accounts (AKA - Cookie Jars):

- **Traditional IRA** - tax deferred, max contribution for 2020 = \$6,000
- **Roth IRA** - not tax deferred (pay taxes now but account grows tax free), max contribution for 2020 = \$6,000
- **401(k) or 403(b)** - tax deferred, max contribution for 2020 = \$19,500
- **Taxable Savings** - no max contribution, accessible prior to retirement age



Save Now, Owe Later? Retirement Savings & Tax



Q: Is my 401k the best place to invest?

A: It depends. Does your employer offer a match? Are the investment vehicles in the plan limited? If your employer offers a match, it may make sense to contribute the minimum amount that maxes out your match. If your investments are limited, you may be better off investing in a more flexible traditional IRA or Roth IRA.

Overall strategy is to contribute to various Cookie Jars so that you have some flexibility and control over your income in the future.

Retirement Accounts and Changing Regulations

Secure Act (December 2019)-

- Retirees will not be required to withdraw money from their IRAs until the year they turn 72 (instead of age 70 1/2)
- Earners over age 70 1/2 can now contribute to an IRA
- **Non-spouse beneficiaries of retirement accounts will be required to withdraw the entire IRA within 10 years** instead of stretching it over the remainder of their lives
- **Minor children who inherit an IRA from their parent** will be required to take minimum distributions until they reach the age of majority, at which time their 10-year distribution period will begin.



[Propel's Blog on the SECURE Act](#)

Retirement Accounts and Changing Regulations



THE CARES ACT &
HOW IT HELPS YOU



Cares Act (April 2020) -

- Retirees may take distributions from their 401(k)s, 403(b)s, and IRAs, but do not have to withdraw a minimum amount this year.
- The 10% tax penalty for distributions from a retirement plan prior to age 59½ will be waived for withdrawals up to \$100,000 in 2020 for people who are impacted by COVID-19 (e.g., sickness, layoff, furlough, reduced work hours, etc.).

[Propel's Blog on the CARES Act](#)

Retirement Savings Tax Strategies

– RMDs



Required Minimum Distributions (RMDs) - Your required minimum distribution is the minimum amount you must withdraw from your account each year. You generally have to start taking withdrawals from your IRA, SEP IRA, SIMPLE IRA, or retirement plan account when you reach age 72 (70 ½ if you reach 70 ½ before January 1, 2020). Roth IRAs do not require withdrawals until after the death of the owner. (Source - [IRS.gov](https://www.irs.gov))



Q: Do retirement distributions affect my medicare or social security?

A: They certainly can. Distributions from tax deferred retirement accounts increase your income and therefore can increase your medicare part B premiums. Having a higher income can also make your social security taxable.

Retirement Savings Tax Strategies

– Inheritances



Inheritances - Incorporate any potential future inheritances in your overall financial plan. The Secure Act accelerates the time in which distributions are required to be taken out of inherited IRAs. These distributions are subject to regular income tax rates of the beneficiary. Also, be sure to review the beneficiaries on your retirement accounts every few years.

Q: What if charitable giving is a priority?

A: If you are already taking RMDs, a Qualified Charitable Distribution (QCD) is a simple way to reduce your taxable income while also contributing to a cause that is important to you.



Retirement Savings Tax Strategies

- Planning for Uncertainty



Q: What if I need to access my funds before retirement age?

A: With a Roth IRA, you can withdraw your contributions without penalty. Another option is to keep money in a taxable savings account instead of a traditional retirement account. This strategy keeps your funds more accessible to you and in terms of taxes, you would pay the capital gains rate of 15% on earnings vs income tax rates which can be 22%-32%.



Retirement Savings Tax Strategies – Roth Conversion

Roth Conversion -

- You can convert all or part of the money in a traditional IRA into a Roth IRA.
- Even if your income exceeds the limits for making contributions to a Roth IRA, you can still do a Roth conversion, sometimes called a "backdoor Roth IRA."
- You will owe taxes on the money you convert, but you'll be able to take tax-free withdrawals from the Roth IRA in the future. Source - [Investopedia](https://www.investopedia.com)



Poll

Which types of retirement accounts do you have? Select all that apply:

- a. 401(k) or another employer sponsored account
- b. Traditional IRA
- c. Roth IRA
- d. Taxable savings account
- e. Something else

Final Thoughts

All of these concepts intertwine.

- Your personal goals/values can determine the makeup of your portfolio.
- Investing is not a passive endeavor, and the market is always changing.
- Your financial plan is an individualized method based on what you have and what you hope to accomplish.
- An extremely important part of your plan is your ability to use a variety of accounts to maximize tax efficiency.

What makes us different?

Experienced Team that understands the relationship between taxes and investments.

Personalized Advice to help you meet your financial goals, no cookie cutter models.

Competitive Fees for investment management and financial planning. Also, we don't believe in account minimums and prefer working with various clients.

Frequent Communication between you and the team about investing, general market concerns and important tax updates.

Accountability - You always have access to our team to help you navigate financial decisions and answer questions.



We'd love to hear from you!

Contact us any time:

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Thank you for attending!