

How to Cope Financially during COVID:

Tools for the New Economy



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Agenda

- Money Behaviors
- Setting Financial Goals
- Changing Approach to Investing
- Tax Strategies

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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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Money Behavior

1. Personal Finance is Personal

One way to make it personal is to assess your money personality

2. Emotions Drive Money Behavior

Remember: Money is a tool, not the goal.

Money Avoidance

A negative association with money.

<i>Rich people are greedy</i>	<i>Money corrupts</i>	<i>Virtue lies in living with less money</i>
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Pros

- Generous

Cons

- Undervalue yourself
- Self-destructive financial behaviors
- Ignoring bills

Instead try: Create accountability with a loved one or financial advisor ⁵

Money Worship

Money will magically improve your life



*Money
solves
problems*

*Money will get you to a
place where you can
finally be happy*

*Money is the
goal*

Pros

- Ambitious

Cons

- Overspend
- Become attached to 'stuff'

Instead try: Work on improving yourself and relationships. Strive to be happy now so that when you get more money, you can use it to accentuate that happiness.

Money Status

Linking self-worth with net-worth

<i>Wealthy people live a life of luxury</i>		<i>Value outward displays of wealth</i>
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Pros

- Appreciate quality
- Enjoys money

Cons

- Misconception of how wealthy people spend money
- Exaggerate how much money you make to others

Instead try: Saving. Climbing the economic ladder requires you to save money, not spend it.

Money Vigilance

Utmost importance in saving for a rainy day

<i>Saving is very important.</i>		<i>Must work for your money and not be given handouts.</i>
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Pros

- Great saver
- Tends to be wealthier

Cons

- Excessive anxiety if not saved enough
- Secretiveness, or lying to others



Instead try: If you are over-vigilant, you can miss out on enjoying the benefits and sense of security that money can provide.

Poll

Which Money Personality do you most closely identify with?

1. Money Avoidance
2. Money Worship
3. Money Status
4. Money Vigilance

References

Money Personality materials adapted from Dr. Brad Klontz

Take a Money Personality Quiz

<https://www.nerdwallet.com/blog/finance/money-personalities-which-one-describes-you/>

Setting Financial Goals

1. Identify Financial goal
2. Rate your goal's importance on a scale of 1-10.
3. Re-name your financial goal – be specific and create a mental picture.
4. Set a goal date
5. Picture the financial goal.
 - a. Take time to create a visual image.
 - b. Put the image in a place you can see daily
6. Create Sub-Accounts
7. Automate your Success.

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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Financial Goal – Save for Retirement

1. Identify Financial goal
Save for retirement
2. Rate your goal's importance on a scale of 1-10.
10
3. Re-name your financial goal - be specific and create a mental picture.
Retire and enjoy a permanent vacation
4. Set a goal date
Long term date is 2049.
5. Picture the financial goal.
 - a. Take time to create a visual image. *I chose a photo from a recent trip to Yellowstone. I love to travel, so this image reminds me and motivates me to save for my future.*
 - b. Put the image in a place you can see daily *I have this photo along with other vacation photos saved as my phone background*
6. Create Sub-Accounts
I have an IRA, and Roth IRA open for retirement savings
7. Automate your Success.
Automatic monthly transfers to my Roth are in place and my advisor at Propel invests it regularly. Since this is a long term goal, I will also create smaller specific goals and meet with my advisor regularly.



Types of Savings Accounts

 SAVINGS ACCOUNTS OPTIONS FOR INDIVIDUALS 2020			Full-time employee	Self-Employed	Non-working Spouse
Account Type	Account Description	Tax Consequences	W2 Wages	1099 Wages	Marital income
Checking or Savings Account	Interest-bearing deposit account at a bank.	Investors owe income tax on any interest payments.			
Taxable Brokerage Account	Investor deposits funds with a brokerage firm like Charles Schwab. Advisor (or investor) executes trades while the assets belong to the investor.	Investors owe capital gains tax when they buy or sell a security and income tax on dividends.			
Roth IRA	Investor deposits funds with a brokerage firm. Advisor (or investor) executes trades while the assets belong to the investor. Annual contribution limit: \$6,000 (\$7,000 if 50+). Compensation limits or Roth conversion.	Investors owe NO TAX upon qualified withdrawal. Contributions are always tax-free to withdraw.			
Rollover or Traditional IRA	Investor deposits funds with a brokerage firm. Advisor (or investor) executes trades while the assets belong to the investor. Annual contribution limit: \$6,000 (\$7,000 if 50+).	Investors owe income tax on all withdrawals.			
Employer-sponsored 401(k)	A tax-advantaged retirement account offered by employers. Employees contribute through automatic payroll withholding, and employers can match some contributions. Annual contribution limit of \$19,500 (\$26,000 if 50+).	Tax liability depends upon the type of 401(k) offered by your employer.			
SEP-IRA	Tax-advantaged plan for employees of a small business, established with a brokerage firm like Charles Schwab. Only employer contributes. Annual contribution limit: \$56,000 or 25% of compensation (whichever is lower).	Investors owe income tax on all withdrawals.			
SIMPLE IRA	Tax-advantaged plan established by small businesses with a brokerage firm like Charles Schwab. Annual contribution limit: \$13,000 (\$16,000 if 50+).	Investors owe income tax on all withdrawals.			
Solo 401(k)	Tax-advantaged plan established by individual or married couple with a brokerage firm like Charles Schwab. Annual contribution limit: \$56,000 (\$62,000 if 50+).	Investors owe income tax on all withdrawals.			
Accounts for dependents	529 Plan, Educational Savings Account (ESA), ABLE Account. ABLE funds do not affect Medicaid or SSI benefits; contribution limits vary by state.	Investors pay NO TAX for qualified withdrawals.			
Health Savings Account	Tax-advantaged account used to pay for qualified medical expenses. Annual contribution limit is \$3,550 for single and \$7,000 for families.	Investors pay NO TAX for qualified medical expenses.			

Financial Goals Worksheet

pdf download:

<https://propelfinancialadvisors.com/financial-goals-worksheet>

SEVEN STEPS TO ACHIEVE YOUR FINANCIAL GOALS

adapted from Dr. Brad Klontz, financial psychologist



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Step One: Write Down Three Financial Goals

Step Two: Passion Test your Goals

Next to each goal, rate how passionate you are on a scale of 1-10.

Step Three: Re-Name your Financial Goals

Object: Be very specific about your goal. Create a mental picture to help get you excited.

Step Four: Set a Goal Date

When do you want to achieve these goals?

Step Five: Picture your Financial Goals

Take your time to create a visual image of your goal. Draw it, cut it out, or download to phone wallpaper. Put the image in a place you can see daily.

Step Six: Create Sub-Accounts

Create sub-accounts and label them with your names from Step Three.

Step Seven: Automate your Success

Take action and set up an automatic deposit from your checking account.

David Vaught

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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.

Changing Approach to Investing What Should We Do Now?

What's different?

The long bull market is over.

What's next?

- Stick with your plan.
- Portfolios should be adjusted gradually as the new realities become apparent.
- Should I be more conservative? Or more aggressive?

Confused?



Fiduciary Model

We ask the question: What is in our clients' best interest?

Propel brings a highly accomplished team. We are well-versed in portfolio construction that is built with a long-term vision and a focus on collaboration as well as firm sustainability.

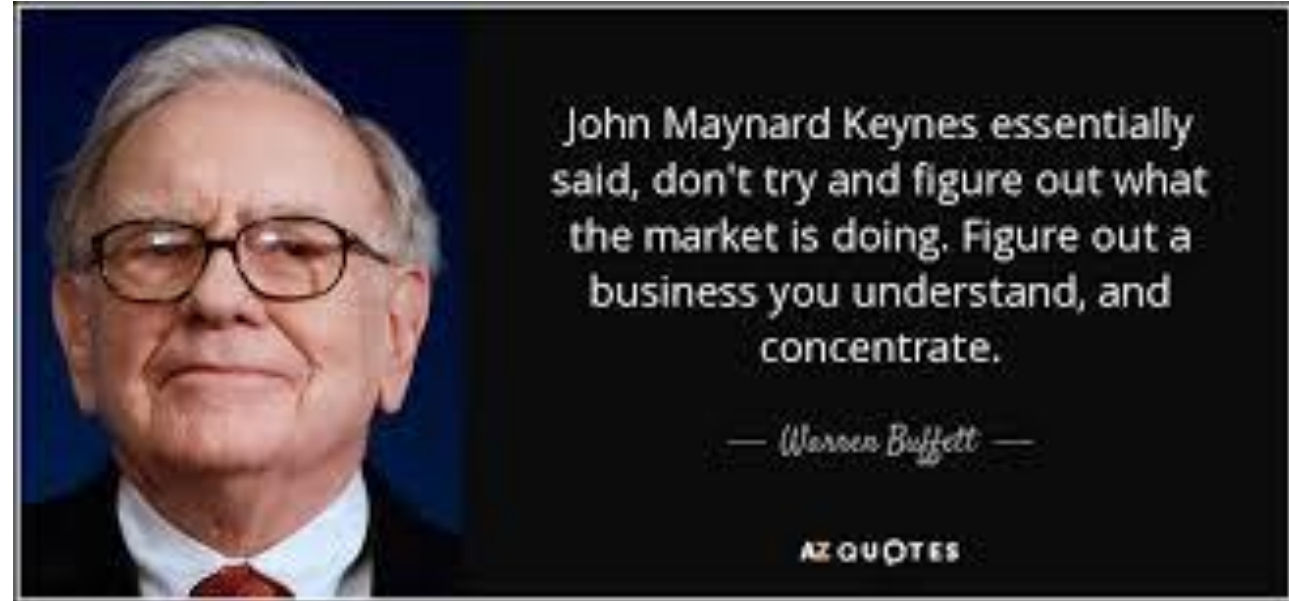


The Conservative Approach

The diversified portfolios we implement generally have a base of domestic index funds, both capitalization-weighted and smart beta, along with

- actively managed additions to take advantage of growth opportunities for the long run,
- diversified additions in international equities,
- real estate,
- infrastructure,
- and bonds that provide safety,
- or alternative investments that add ballast as markets change.

Conservative Investors



Compounding Earnings

“Well-managed industrial companies do not, as a rule, distribute to the shareholders the whole of their earned profits.

In good years, if not in all years, they retain a part of their profits and put them back into the business. Thus *there is an element of compound interest* (Keynes’ italics) operating in favour of a sound industrial investment.

Over a period of years, the real value of the property of a sound industrial is increasing at compound interest, quite apart from the dividends paid out to the shareholders.” - John Maynard Keynes, British economist, early 20th c

Compounding Earnings

Reinvested Earnings from a Sample of Berkshire Hathaway Holdings

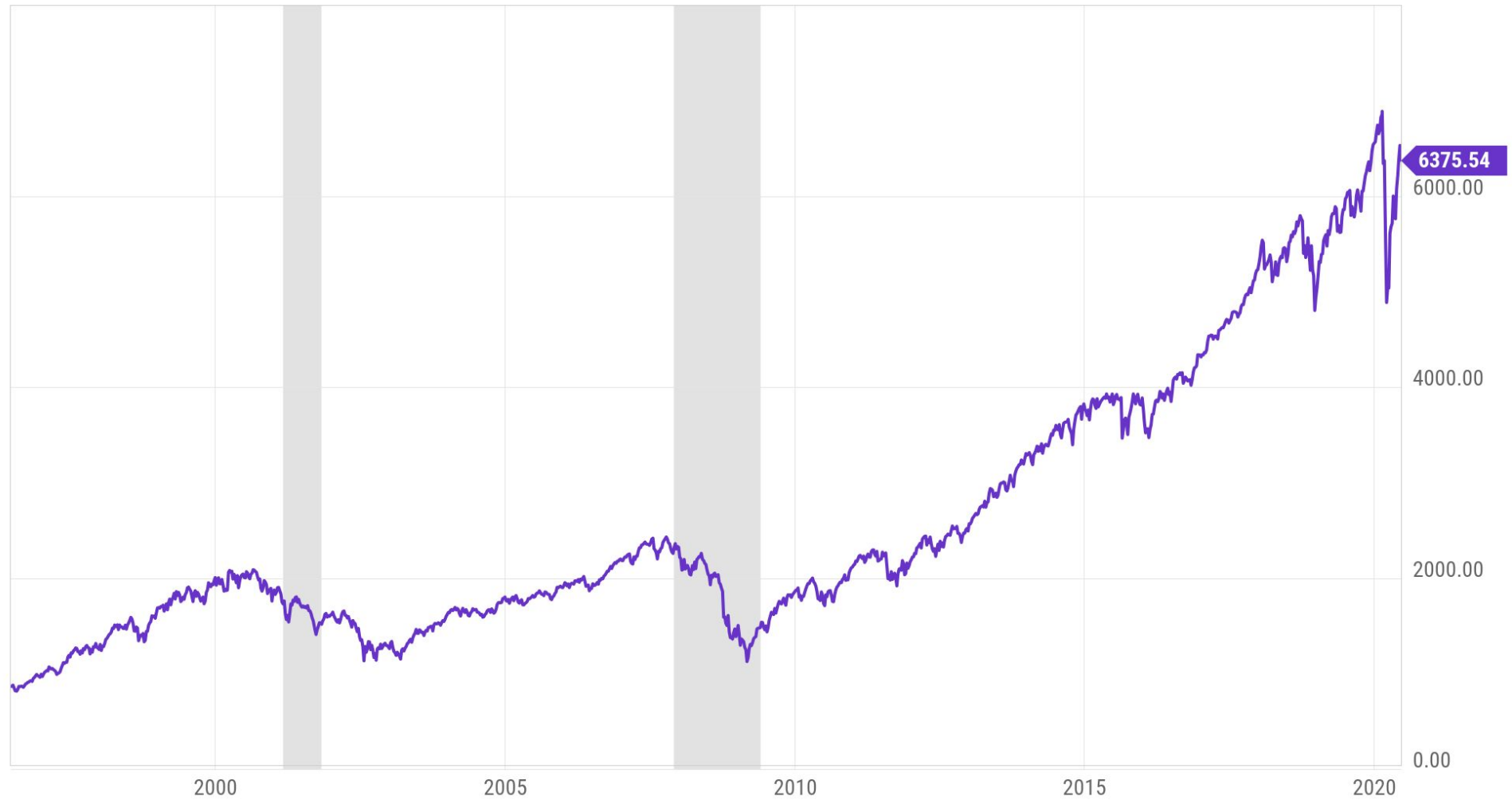
Berkshire's Share (in millions)	Company Dividends	Retained Earnings
American Express	\$261	\$998
Apple	\$773	\$2,519
Moody's	\$55	\$137
U.S. Bancorp	\$251	\$407



What is aggressive
investment in the
new economy?



S&P 500 Total Return Level



Jun 17 2020, 9:42PM EDT. Powered by **YCHARTS**

Past performance is no guarantee of future returns.



The Aggressive Approach

The aggressive approach is more forward-looking. It demands qualitative analysis to find investment opportunities that can grow earnings and value based on

- **expanded market share,**
- **the development of new markets that are destructive to the status quo,**
- **enhanced middle class spending power in emerging markets,**
- **values not yet fully incorporated in business thinking that result in positive change,**
- **new technology,**
- **clean energy and environmental sustainability,**
- **innovation,**
- **advanced health care opportunities for treatments, drugs, or techniques, and**
- **other less predictable insights from entrepreneurs who can grasp opportunity.**

Danielle Woods

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Danielle is an attorney and advisor in her 22nd 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.



New Tax Strategies

- Job Loss
- Small Business Owners
 - PPP or EIDL Loans?
 - Declining Revenue?
 - Starting a New Business?
 - Busier during COVID?
- Personal Tax Planning

Job Loss or Change during COVID

Important things to consider:

- Unemployment income is taxable
- Appropriate tax withholding
- Loss of Health Insurance & the premium tax credit



Gig economy workers are eligible to receive unemployment but the benefits vary by state.

Small Business Owner: PPP and EIDL Loans

Payroll Protection Program Loan

- use for payroll expenses (at least 60% in order to be forgiven)
- use remainder (up to 40%) for rent, utilities, or mortgage interest payments

Economic Injury Disaster Loan

- use for financial obligations and operating expenses that could have been met had the disaster not occurred
 - ◆ avoid using for payroll expenses if you have a PPP loan
 - ◆ do NOT use for refinancing LTD, dividends or bonuses

Both loans are intended to be used for employee retention and/or rehiring and business continuity.



Small Business Owner: Declining Revenue



Revenue Uncertainty?

1. PPP & EIDL
2. Employee retention credit
3. Payroll tax deferral
4. Local business loans and industry specific grants
5. Tax planning!

Small Business Owner: Starting a New Business

Get Professional Assistance to:

1. Advise on business structure
2. Advise on income tax structure
3. Advise on state tax requirements
4. Advise on Bookkeeping



**Fixing Mistakes is Costly and Time-Consuming.
Spend the Funds to Do it Right from the Start.**

Small Business Owner: Busier During COVID



Increased Revenue?

1. Hiring Employees
2. Tax Planning
3. Saving for Leaner Times

Some businesses have been booming during COVID, like landscaping and home improvement.

Personal Tax Planning: Keeping up with Change

1. Personal Changes
2. Tax Law Changes
3. Budgeting for Taxes
4. Avoiding & Fixing Mistakes



The US Tax Code is a confusing mess of rules that seems to apply differently to everyone.

Final Thoughts

All of these concepts intertwine.

- Your “relationship” with money determines your ability to organize and execute a financial plan.
- Your financial plan’s success is dependent upon your earnings, your ability to spend less than you earn, and your savings rate.
- To invest in the market, you must understand how best to put your savings to work based on your needs and risk tolerances.
- An extremely important part of your plan is your ability to prepare for and minimize your tax liabilities.

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!

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Thank you for attending!