

Overcoming Financial Pitfalls

>> ANDREW HALL: All right. Looks like we are being recorded. We are good to go. Welcome, everybody. Thanks for coming today. Thank you for the great introduction. My name is Andrew Hall, I'm CPA in a organization called the institute for financial education, we are a non-for-profit, services different organizations and groups all over the country. We educate on everything from how to get out of debt to advanced tax, estate and Social Security planning. Today we are going to talk about overcoming financial pitfalls. There is a lot of them in this day and age. We will talk about how to safeguard assets, things that you need to do in order to do that.

I want to say, 30, 45 minute, hour session, however long, it is hard to give all of the information that there is out there. A lot of folks are looking for specific answers about exactly what they need to do, unfortunately I can't give you those answer. I'm here to start giving you concepts and ideas and questions, to hopefully start asking yours selves to ensure your financial plan thought about these things, if you thought about them, have you put something into place to prevent pitfalls from happening. If not, hopefully by the end of this, you will know I need to start thinking about this, ask my financial advisor, I need to start building my own plan, whatever you need to do, that is our goal today, is start

hopefully encouraging you to start thinking about things differently and think about ideas you might not have otherwise thought about.

That being said, I want to put a disclaimer here. This is education. I'm not in any way an advocate for or offering any advice or making any recommendations about stock market or investment or security or insurance. These financial decisions are important, and you are encouraged to seek advice from a licensed professional for actionable recommendation. I'm here to educate you and talk to you about general information. Don't go making some crazy purchase or buying, selling different stocks, bonds, mutual funds, investments based off of the next 30 to 45 minutes that we have here today. I'm just here to open up your mind and hopefully give you knowledge that you might otherwise not have had.

Let's dive into this. Our objectives today is to review the risk that threaten to erode wealth, and reveal financial strategies that are available to us to safeguard these assets. I've come up with six different events that threaten to erode our overall wealth. The first one is emergencies, right, as emergencies occur, would you have sufficient protection if you suddenly lost your job, and have medical emergencies or something of that nature. Market volatility, below that, are your accounts protected in case of economic recessions,

corrections and bear markets. What if 2008 happened again and we lost 40 percent of our wealth, the year before you are going to retire, year before you go into long-term care, the year you need to start living off your assets, etcetera. Are you prepared to do that, do you want to do that? Do you want to live through that? It's not uncommon for me to sit with somebody and talk with somebody, and say I'm a risk averse person, but looking at how you set up your life, it's actually quite high in the risk spectrum. Are you aware of the risk that you are taking in your life and the market volatility that may or may not be in your individual financial lives. Very important to understand where you sit there.

Long-term care, this is one of the biggest ones that exist, right, this is, do you have enough assets to cover the potential need for long-term care. 12,000 bucks a month, very expensive, have you thought about what you are going to do if and when that happens. Death, is your estate set to ensure your heirs will receive their inheritance efficiently, especially from tax standpoint. There is income tax on 401K, 403B, IRA, STPs, etcetera. Could you financially withstand a short or long term loss of work for disability, and on the opposite end of all that, end of all that, what if you live too long, are you going to outlive your money? There are multiple things that you need to prepare for to avoid different

risks that people have. I talk to people all the time and say you have won the retirement race, congratulations, you have made it. You are there. Why would you risk what you have for something that you don't need at this point? Why would you risk taking too much risk to try to earn an extra percent or two on your money when in reality in an emergency, market volatility, long-term care event, disability, death, living too long, could wipe you out in a heartbeat. Why risk what you have for something you don't need. Very important. Let's dive into these and talk about the different strategies that you have available in order to avoid some of these pitfalls.

Let's talk about that first one, emergencies. Build an emergency fund. This is straightforward. Have enough funds to cover at least six months of mandatory expenses, you want it to be liquid, penalty free, readily accessible and not subject to much fluctuation in value. That is something that everybody should do. COVID has taught us nine months or a year, that is have been's personal choice but you need to have a plan in case of an emergency. Period.

If you have \$10,000 expense and you need to pay right now, what would you do, where would you go to get that? If you can't answer that in five seconds, you need to look at your plan and understand it better. Maybe you do have the money but understanding it is going to be really important.

Otherwise, to prepare for emergencies, you need insurance to supplement unexpected emergencies, insurance is great, we all wish we had more of it when we need it, and we probably hate paying the bill when we don't need it. But there is different types of insurance, property, casualty, umbrella, disability insurance policies can save you from dipping into or depleting emergency funds or other sources of money.

I have come across, I've been in the financial services industry long enough that I've seen many people become disabled early on in life, and if they don't have disability insurance, they would be destitute the rest of their lives. That disability insurance has saved their lives literally.

Umbrella policy, if you own a lot of property, if you have a lot of kids driving or something like that, umbrella policies are a cheap way to get more insurance on your property, more property and casualty insurance, like a hundred, 200 bucks a year you can extend your coverage for a significant amount, it can be helpful.

Understanding insurance as part of planning for emergencies is really important. One of the things that we have found that happen t problem within the financial services industry in general, is that people are only willing to talk to you about what they are trying to sell you. If you talk to a insurance agent about insurance, obviously they are going to try to sell

you insurance. Right? That is fine. It is important. But it has to fit as part of an overall plan, I can't reiterate enough, we talked about investments, income planning, healthcare and long-term care planning, tax planning and estate planning, all those five different worlds need to create and work together. Umbrella is basically, the question that came across, what is umbrella insurance, it's different insurance that increases and extends the insurance that you already have, for a cheap amount.

This other question came in, smart to include sick time or annual leave as part of the six month of emergency fund? Yeah, you could. But I would probably recommend having that money liquid and available to you, rather than saying, if I become, something happens, I use my sick time, if something happens you can't work, what if you need a \$10,000 cash, you can't exactly cash in your sick time or annual leave to pay for that. It is important to have that money liquid and readily available.

Reducing minimum debt payment amounts is crucial, when it comes to preparing for emergencies. Work on being debt free, lowering minimum credit card payments frees up more money to allocate savings, take advantage of zero balance transfers, refinance your house, like all time low rates right now, loan money to yourself from existing accounts, whether you have insurance or 401K. Obviously, it's not rocket science, being

out of debt is a good thing. But sometimes we might not be able to, how do I say this, we might not be able to get out of debt quickly. But we can structure debt in such a way that you are having the least amount of minimum payment as possible. If you have the least amount of minimum payment as possible, nothing says that you can't pay more on that debt, which would be a good thing. But if you have the minimum amount possible of payments, then perhaps in case of an emergency or something happens, you are not trying scrambling to make ends meet. You have to back down your excess payment and you might have payments to meet those expenses.

Work on looking at your debt and restructuring your debt in such a way that your minimum payments are lower. Some folks do this with a 30 years versus 15 year mortgage. You can always turn a 30 year mortgage into a 15 year mortgage by paying the extra payment. It is just math. I'm a big proponent of having the bigger cash flow available to you in case something happens. Getting out of debt is a good thing, such as for emergencies but if you don't have the money to get out of debt right away look at ways to reduce the minimum debt payment. That is one big thing that you can do.

Income if you become disabled, this is the big pitfall, there are ways, some companies and this page has to do with benefits from the federal government, if you become disabled,

at the end of the day if you become disabled, what happens is that you receive Social Security disability. Social Security disability is something that they pay you essentially, your Social Security, your full retirement age, in order to, if you are not working. That is only going to meet a certain percentage. It might be \$1000 a month or something, if you are used to making \$40,000 a year is it important that you have extra disability insurance. I will say that disability insurance policies are something that people should definitely look at and do a cost/benefit analysis in their own lives, maybe it is not worth it to you. That is fine. But a disability insurance policy will pay you basically up to like 60 percent of your salary, if you become disabled and can no longer work. A lot of these policies depending on where you look at them for might have return of premium which means, maybe you pay \$1000 a year, or whatever it is, to pay this premium and you don't use it until you are 65 years old because you never become disabled. If you had a return of premium policy, you can get all that money back. If you are going to look at individual disability insurance policies, look at something that has some return of premium on it.

There is a couple questions. Is it better plan to pay off the house earlier to refinance the lower interest rate, I worry that a refi will throw me off course for the 15 year

retirement. When it comes to houses, you can always use a 30 year mortgage, you can always pay it off in 15, you can always pay extra. Right now in today's environment, with the way the economy has been, with as low as interest rates are, I'm a big fan of having a mortgage, big fan of having a 30 year mortgage. Rates are crazy low. It frees up extra cash flow for you to save, to invest, to get rid of debt, to live your life, whatever you want to do. I don't see mortgage necessarily as a bad debt. Other debt, absolutely you want to get rid of. But right now mortgages as low as they are, it's a economic and emotional cost to everything, if you can't sleep at night unless you want your house paid off, then do it. The stress isn't worth it. But if you want to be more savvy, increase your cash flow, save money, put yourself in a position to understand where you are going to be living at in retirement, it can make sense to definitely take advantage of the lower rates right now.

Next question, somebody asked, is disability insurance different than long term disability. Long term disability is disability insurance. You might have it through your job, if you have it through your job that is great. Check with your HR, your benefits, to ensure you have it. Or if you don't have it through your job you might need to purchase it through a independent provider. A lot of companies already do have it

built in to their job. It might be a cheap way to get a bunch of disability insurance, something I would always definitely recommend. Establishing estate plan, this is that death portion of it, the risk and pitfalls that we have when it comes to death. One of the big things is people don't have an estate plan. They don't have an estate plan. People come into the office and say what is your estate plan, got a will, I got a trust, okay, that is great, so your estate plan is a piece of paper. It is like saying what is your retirement plan, you say I have a financial advisor. A financial advisor builds a portfolio for you. Do you have a written income plan, do you have a written plan in case long-term care happens, you know what you are going to do? Do you have a written tax strategy for the next five years to take advantage of the all time low tax brackets in a environment where they are going to go up? Do you have a written estate plan and you know where everything is going to happen. A plan is different than a tool. Establishing a plan is important. The tool of the trade might be a will and a trust. But understanding how they work is going to be very important.

A will is simple, a will comes as part of a package, includes three parts, last will and testament outlines what happens to assets after you pass but two of the three parts are the living parts of your will, which says what do you want your

medical wishes to be, life support, resuscitation, etcetera, or what do you want, who do you want your powers of attorney to be, who can make medical and financial decisions for you. Those are important because two of the three parts of a will have to happen when you are alive. Unfortunately after something is happening it can become very tough. I'm dealing with a client now whose brother did not have this in place, his brother became incapacitated, and my client needs to take over his finances but they are having a hard time doing it because none of this stuff was in place, and now his brother is not of cognitive mind in order to be able to make decisions. It is a big nightmare. It could have all been avoided with about 75 bucks out of pocket and an hour's worth of time.

That is the will. If you want to go one step further, you can create a trust. A trust is different than a will, wholeheartedly, if you have a will you might still need a trust. If you have a trust you might still need a will. Everybody should have a will, period. A trust is simply a tool that specifies how and when your beneficiaries are going to receive their inheritance, it authorizes a trustee to hold and distribute your assets accordingly. They are typically used more to protect your estate, sometimes taxes, sometimes control asset distribution and avoid probate, and often they are used to obtain life insurance, taxable assets, tax free asset and

bypass probate as well. So estate planning tools that are available, wills, trust, life insurance are all different tools that can be used in order to help you with your estate. They might not all be needed in all scenarios. Creating a plan and understanding it is more important. Somebody might say I only have one child, I'm going to leave all my money to that one child. They might not need a trust. They can name you the beneficiary and call it a day. I was talking to somebody the other day and they said I have three kids, I'm leaving my IRA (indecipherable) trust and taxes don't go well together. How it was set up, because he had a trust, he was talking to a lawyer who was only good at talking to him about one piece of their finances, the trust itself, he was subject to pay 37 percent taxes on most of his IRA when he died, 37 percent all because it was going to a trust. That is more complicated, but jumped out at me as an example of, you don't know what you don't know and just because you have a piece of paper or will or trust, doesn't mean you have a good plan. Just because you have a basket full of investments that performed well over the last couple years doesn't mean you have a good plan.

The plan is the important thing, the tools are just the tools. I think it's important to start asking yourself what is going to happen when I die, do I have a will, if not, yes, you need a will, period. You need a trust? Maybe. Do you need

life insurance? Maybe. I'll say it again because there is a question on it, a trust and a will are two completely different things. I would recommend that even if you have a trust, you absolutely have a will as well. One of the other risks we talked about, one of the six main risks is long-term care. This is a big problem in today's society, we are an older society. We are getting older. The amount of folks that are 65 years and older is going to double over the next 25 years. I don't know the exact numbers off the top of my head, but it's, say there is 100,000, 55-year-olds today, there is going to be 200,000, 65-year-olds 25 years from now, what is that going to do to the cost of long-term care? Long-term care is a range of services that support personal care needs including assistance with nonmedical activities of daily living and everyday tasks. This is when if you have a stroke or you get older and stop working, whatever it is, this is that type of care that you need. Statistically speaking, only 8 percent of people between 40 and 50 need long-term care, but people that are 65 and older have a 70 percent chance of needing long-term care at some point. Women need long-term care almost twice as long as men. 20 percent of those people need long-term care, need it for longer than five years. If the cost of long-term care right now is 8 to \$12,000 a month, how are you going to pay for that? What are the different options that you have?

We are talking about long-term care, again we know the definition of long-term care, there is a couple options that you have. One, you can risk it and not plan for it, which is what a lot of people do. Or you can supplement your financial plan with some sort of typically insurance option. There is three to four types. There is traditional long-term care insurance, what happens there is if you pay a premium and a long-term care event occurs the policy pays the benefit. A lot of people don't like this now. These industries are actually failing, because of the amount of people needing long-term care and some of the loose policies that were built in the '90s.

Another alternative is called asset based long-term care insurance. What asset based long-term care insurance says is customer makes a lump sum deposit and if a long-term care event occurs the policy pays the benefit. I might retire with half a million dollars in my 401K. I have \$500,000 in my 401K. I'm reasonably not going to spend all half million dollars over the rest of my life. I'm going to earmark \$50,000 of the 401K for long-term care. This is a perfect scenario for an asset based situation. I'm going to put \$50,000 in my 401K into a long-term care asset based plan, if I die it is still worth the \$50,000. I can give that to my family. But if I need long-term care, it might be worth \$25,000 a year for the rest of my life. Meanwhile that frees up the \$450,000 that I have

in regular 401K money. Part of a plan, asset allocation. But this is asset based care, taking the sum of money and creating a benefit out of it down the road.

There is hybrid long-term care insurance, which is typically a life insurance policy that has a long-term care benefit, you pay money into this type of policy, and you get a benefit out of that policy. I might pay \$5,000 a year, and if I die, my family gets a half million dollars. Completely tax free. However, if I go into a long-term care event before I die, I can access that half million dollars and pay for long-term care. It's hybrid. You get life insurance and long-term care in one, and there is also types of annuities that work typically for those that can't get underwritten for other insurance because of health, there are some annuities that will double or triple the amount of money that you get if a long-term care event occurs at expense of typically earning, potential to earn interest.

Whatever option you choose, if it's good or bad for you, that is obviously a personal decision. But these are essentially the options that we have. Traditional, asset based, hybrid or annuities. Other than that there is not many options out there. A question comes through, what age would you suggest getting long-term care insurance? Depends. I'm 36 years old and I already have all of my, many of my family

long-term care plan completely figured out. The earlier you get this figured out, the better, the cheaper and healthier everything else. A insurance person would love to sell you insurance. These plans might be good. But if the insurance person sells you insurance and it does not coordinate with your investment plan, that doesn't coordinate with the income plan, with your tax plan, with your estate plan, because you are getting advice from three, four, five different professionals or more likely three or four or five different brother-in-laws which tends to happen, your plan becomes haphazard and inefficient. Be careful if you go down these path it coordinates with a overall financial plan.

If you don't have anything for long-term care, you don't have any assets and something happens to you and you need long-term care, you can go on Medicaid, not Medicare, Medicare is completely different. Medicaid, but the state will essentially pay for your long-term care. But before they kick in, they have to make sure that you are completely broke, basically. They will make you spend down all of your assets.

Those are different options that exist out there for you.

We talked about emergencies, disability, long-term care, death. I guess we have market volatility up next. Be mindful of this. This is interesting, because where you are in your life means volatility will affect you differently. Volatility

and marketing corrections can be friends in the younger years. But in the latter years, it can have significant impact on you. I'm going to show, it's small so I apologize for that, but I think you have the Power Point or access to it. You will be able to zoom in and look at it. But the sequence of returns becomes very important. What you are seeing on the screen is somebody with \$100,000 that retires at the beginning of an up swing in the market, versus somebody retiring at the beginning of a down market.

The same 15 years of data is here, it's just reversed. It is the same years, same rate of return, jumbled up how the order actually happened. In both scenarios you get a 4 percent rate of return, great. I have \$100,000, I get a 4 percent rate of return which is 4,000 bucks a year of interest, and I'm taking \$5,000 out. I should be able to make that last for a very long time, which is great.

But not necessarily the case, the person on the left retired at the beginning of an up market. At the end of 15 years, they still have \$105,000 in their account. The person on the right retires at the beginning of a down market, and at the end of 15 years has \$35,000 in their account. That is a \$60,000 difference, the same rate of return. The reason is because the volatility in the account, and instead of basing everything on timing, which this scenario shows, you need to take that into

consideration and build yourself buckets of money that are mindful of market volatility, especially where you are in your life. Remember what I said on the previous slide. Volatility and market correction can be your friend in younger years, absolutely. But in latter years, especially years in which you are living off a income, you need to make your assets last, the sequence of returns is important. If you are getting ready to retire, Google sequence of returns and read about it. Is it a big risk that occurs. Ensuring that you are mindful of market volatility, make sure that you have different buckets of money for different things. With my personal practice, we call it safety income growth. You have a safety bucket, you have a bucket that is generated income, to create the income that you need t rest of your life. You have a growth bucket that is able to pull from in good years and shelter in bad years. This is very simple.

Asset allocation is going to be different for everybody, in order to deal with volatility. A lot of people deal with the rule of 100, which says take a hundred minus your age and that is how much money should be risky. If I'm 30 years old, that means a hundred minus 30 is 70, 70 percent of my portfolio I can take risk on. 30 percent should be relatively safe. I hear the question, I ask people, do you think long term investing is risky, yeah, it's risky, but in reality, long term

investing over the long term, over a 20, 30, 40, 50 year period is one of the most sound things that we possibly have data on to this date. We know exactly what happened over the course of 30, 40, 50 years, it's relatively safe long term, where we get in trouble is the short term. And not having our assets lined up with our planning in the short term, where we can really get in trouble. There are things like, asset allocation you might want to be less risky as you get older, if that is your personality or more risky as you are younger. Volatility controlled index is a great way to help volatility, especially as you are older. They consist of stocks and cash which has no volatility at all, with stock volatility is high, the index automatically adjusts, to use more cash. When it's less volatile, it automatically adjusts to use more stock. Many volatility indexes are only available in different types of annuities. It's important to note as we build upon this, all vehicles, investment vehicles have inherent risk. It should be discussed with a licensed investment professional to determine if they are right for you. The above is to say you have how you allocate your assets, and of course volatility controlled indexes.

There is other things you can do as well. There is stocks you can invest in. There is -- oops. Something just -- went all the way to the beginning somehow. I don't know what

happened. Bear with me one second, while we click through this exciting Power Point. And get back to coming in hot, here we go, stocks are kinds of investments but mostly utilized index type funds such as S&P 500, subject to large fluctuations at a moment's notice. Look at March 2020 for example. If you look at bonds, typically less risky because they are less volatile than stocks in general. They allow you to lend money to the bond issuer for the right to receive simple interest for a set amount of time.

Those are the, that is what most people, investments is what is in most of our 401-Ks.

There are often, if you don't know what you are doing, I don't know what to invest in, there is lifecycle funds, the lifecycle fund is a index fund that is a, mixes in various stocks, bonds and mutual funds, in accordance with your age. Up here you see orange is conservative investment. Green is really risky investment. If you are in a 2060 fund, you are far away from retirement, most of your stuff can be in a riskier bucket, if you are in the 2020 fund that means you are close to retirement, you can see how much of that is orange. These funds lifecycle funds they are called, lifestyle funds they might be called, lifetime funds, target date funds, they all mean the same thing. It is investments that your 401K might manage for you in accordance with when you are going to

retire. Those can be a good alternative if you don't want to hire a financial advisor but want to do it yourself but you are not exactly sure what you are doing, good route to check those as well.

You have stocks, you have bonds, stocks and bonds mutual funds, lifecycle funds, and you have annuities. Annuities are like a four-letter word, again where we get in trouble with these is you are talking to somebody who is trying to sell you what they only want to talk to you about and not looking at the whole picture. They can be your best friend and worst enemy depending how they are implemented. There are four main types, single premium annuity, you pay a lump sum of money and receive a guaranteed amount of income over every year the rest of your life, guaranteed paycheck every year the rest of your life. That might make you feel good. Fixed annuity, customer places a lump sum of money and receives a predetermined amount of interest for a fixed period of time. Put 100,000 bucks in, over the next five years you get a 3 percent rate of return no matter what happens. Variable annuity, this is a financial product that has two sides, it becomes complicated, there is a lot of fees associated with variable annuities. But the account value can gain and lose, depending on what the market does. But they might have guaranteed income associated with them. Complicated product, even talking about it, in

simplicity, there was a lot going on there, I would say be careful if you are about to purchase a variable annuity, to make sure that it evolves with your overall plan. The last type of annuity is a fixed index annuity, where customer places a lump sum of money and earns interest based on a index, similar to a fixed annuity, in that you put money in the pot and get interest every year, but it's a variable amount instead of a fixed amount. It might be 1 or 2 percent. I saw fixed index annuities last year earn 15 percent. They can earn different things. The most important note of all this is many annuities offer flexibility to take your money out or leave it behind with no strings attached. There is probably 350 right now today, different types of annuities on the market. That is why it can be a complex situation.

Annuities are very prominent, I think they work very well for people's plans, they work well to safeguard assets. But they have to be used properly. Make sure it goes as part of a holistic plan if you are going to go down this path.

The last things here, bank on being here longer. You are going to live a long time, most of us. Life expectancy is getting longer and longer. My grand ma, she is my baby-sitter growing up but she is like my grandma, she turned 99 and there is no signs of, she said I can't wait until next year, I'm going to add a extra digit to my age, going to be a hundred

years old. As you get older, protection becomes paramount. Extreme events such as market correction can significantly affect cash flow in retirement. You don't want to make \$50,000 a year in retirement and because COVID happened or because the housing market crashed or some other economic event all of a sudden you need to tighten your bootstraps and be taking \$30,000 a year income. Protection becomes paramount. If you can know what your income is going to be, you can allocate your assets accordingly, you are going to be okay no matter what happens, that is really going to be a benefit especially as years click by.

Consider your income needs in retirement. If you can get a check every month after all the tax were paid, what would it be? Once that number is established, safeguard it. If you say I get a extra two thousand dollars a month, you should have a pot of assets that can generate two thousand dollars a month with relatively low risk. Safeguard it. The prudent person rule says a prudent person could pull 4 percent of investments every year without draining the account balance over the course of their lives. This holds true if invested properly. Bank on being here a long time. I know a lot of people say I want to die with zero dollars. But then they get retirement and they live, what if retirement, and they are scared to spend money because you spent 40 years saving money. How are you going to

turn around and spend it now? A lot of that is uncertainty, uncertainty of the stock market, uncertainty in your financial plan, uncertainty in your investment, in your financial advisor or tax plan.

Eliminate that uncertainty as much as you can. Become protected, consider income in retirement, bank on being here a long time. Once you do this, I tell clients, comprehensive financial planning is what I've done my whole life but making sure people are going to be okay, no matter what happens, is who we are. That is the whole goal is no matter what happens in your life, you are going to be okay. That frees up so much peace of mind. You are going to be able to do that. Focus on that.

Don't underestimate how long you are going to live in retirement. Plan for emergencies by ensuring you have liquidity and control of your money. Have a disability contingency plan in place. Ensure your assets can pass efficiently upon death to minimize probate and taxes. Evaluate how you will pay for long-term care if the need arises. Consider your investment strategy and diversification, especially the closer you get to retirement.

If you can do these things and you have talked about these things with your financial advisor and people in your life, it's going to be leaps and bounds better. Unfortunately, a lot

of times I run into, somebody who traveled around the country, given education from sea to shiny sea and educated a lot of financial advisors, a lot of folks just focus on one product, how is my portfolio looking. Portfolios is just a tool. What is your plan? The portfolio, the asset allocation, that is just numbers. The plan is your future.

We have added a few slides here, stuff that you can check out, the second one from the bottom, institute for financial education, that is our organization's website. You can reach me directly on that website, if you want to talk to me, if you have questions, if you want to review your financial situation, you absolutely have that. You can book an appointment with me or somebody on my team to help you answer some of the questions. That is what we are here for. Also your employee assistance program here, it's open 24 hours a day, 7 days a week. That is pretty good. I can't tell you I'm available that much. Please reach out to that, and Melanie, if you don't have anything to say I think I'll maybe read a couple of these questions real quick.

>> MELANIE ORDONEZ: Sure. That is fine. Go ahead.

>> ANDREW HALL: Let's go through and see if there is any things that might be relevant. Can you deed your home to a child and not have to worry about legal or tax issues? You can absolutely deed your home to a child. There may be tax issues,

there may not be. It depends on how you do that. Typically, at the time of the transfer of an asset like that, there won't be any tax issues, because the tax was already paid. There may be tax issues once the child decides to sell the house in the future. But the actual transfer of said house at that time probably won't kick up any tax issues.

Next one about debt, is consolidating high interest credit cards or line of credit with a debt consolidator company that negotiate your creditors with lower payment good or bad. Does it hurt your credit? Here is the deal with that. If I have this debt and can I deal with a debt negotiation company. What they do, what debt negotiation companies do is [inaudible] you don't pay payments, you argue with them and you settle for less. It could be a idea if you need to up your cash flow, but I avoid recommending to anybody I helped that that is our absolute last resort. It can really hurt your credit. It can cost you some unnecessary money, etcetera. Another question, piggybacks on that, does it hurt your credit when they close your credit cards while you are paying them off. Closing a credit card, it does hurt your credit score a bit but not much. There is a few things you can do to boost your credit, most important thing is on time payments. As long as you are making on time payments, you are good. The less debt you have and the more credit you have available, you are good. Those two things

are going to be more important than anything when it comes to your credit.

I talked about the one about the will. Does natural death getting sick, stroke, cancer, qualify for life insurance, yes, absolutely. Talked about age which gets long-term care insurance, we talked about Medicaid, if you do not have long-term care, you can go into Medicaid, after all your assets are there. I've seen this one come up, best way to find a trustworthy financial advisor that builds a comprehensive plan, not just selling a particular piece, it is tough. A financial advisors, market all the time. I'm a financial advisor, we do marketing and all that stuff. You have to differentiate yourself, as a individual, I've been in the financial services industry my whole life, including when I was basically interning in college. That is all I've ever known. I don't have the perspective of looking, how am I going to find my own financial advisor. I would say the best way is to talk to folks and see if they are willing to give you what you are looking for, it is the only way, is to have a conversation, unfortunately. There is not really any other way out there, a million different ways from ads to going to workshops, to doing on-line quizzes, to utilizing global investors, all that stuff. Have a conversation, and see what people's plans and theories are. When you are doing that, don't get caught up in the

individual product. We are going to build this awesome asset allocation portfolio for you. Don't get caught up in that. Think about the bigger picture. We are going to cover your income, estate plan, taxes, investment plan, long-term care plan, and we are going to make sure that you have a roadmap that you can follow and you are going to be okay no matter what happens.

How are heulock and home equity loans different. HELOC stands for home equity loan. They are the same thing. If you are 60 years old what should we consider, pretty much the last 45 minutes for sure. Can you explain special annuities further, you can't qualify for long-term care, yeah, basically what these special annuities do is they have a long-term care rider on the annuity. Maybe I put \$100,000 on the deposit with the annuity company. The annuity company might say this is going to grow at 2 percent interest, but if you need a long-term care it's going to grow at 7 percent interest. Or this annuity might be a income annuity, and if you put \$100,000 on the deposit we will give you \$5,000 a year every year the rest of your life. But if you go into long-term care we will give you \$10,000 a year or 15,000 a year. That is what happens. The annuity steps up the bigger benefits whether it's income or interest or ability to use it if long-term care happens. Here is a great question. I've wondered this, do you

know generally speaking if you have any of these insurances what happens if the company goes out of business, would you still be entitled to the benefits. Yes, insurance companies operate on the state level. There is something called the state, every state has its different one but the state guarantee fund, they might be named something different. You can look it up, the Missouri guarantee association. There is an association that for the insurance you operate in the state has to pay to a fund, if that company goes broke, your benefits are protected up to a certain point, usually around 250 to 300,000 bucks. Then the state will step in and after that, what usually happens is if the company goes broke, other companies [inaudible] policyholders. Other insurance companies that operate are licking their chops for more premium, they might accept those policies but there are state protections in there.

Five worlds, what are the five words that I talk about, estate planning, tax planning, income planning, healthcare/long-term care planning and investment planning. Those are the five worlds that we founded in our core principles of my own personal practice, and that what we personally teach people in and we think it works for us. But those are things you need to make sure you have written plans for.

Let me roll through one or two more. And everyone can be on their way. Always told.

(mumbling).

This is a good question. There is a poll up here right now, please answer, give it satisfied or very satisfied, one of you very dissatisfied, that is okay too, can't please everybody. But answer that, that would be great. This is a good question. It's a good question to end on. I was always told if I want to retire at 65 and live to a hundred, my husband and I would need \$2 million saved. How accurate is that number? I am a firm believer it is not about that number. It is not about the biggest number you have. It's about how, it's about what fits your needs, maybe if you are going to, if you need \$200,000 a year, yeah, maybe you need \$2 million saved up. If you need less, maybe you might not need as much. It is not necessarily the biggest number you have. It is making your you allocated your buckets properly. The income is so, so important. I need to make \$40,000 a year every year the rest of my life, and if I can make that, the bare minimum, I'll be happy to live the retirement I want to live. There is the income number. How are we getting there? Do we have a pension, yes or no? What is Social Security going to be? What other sources of income do we have? After that, how do I protect getting the \$40,000 a year of income. Maybe I supplement it with an annuity. Maybe

I supplement it with dividend paying stocks. Maybe I supplement part of my portfolio in something that has growth. So in a year, if the market earns 20 percent I can use it for income but in the year in which the market loses 20 percent I can use my other bucket for income. It is not necessarily the amount you need saved. That number is, yes, it's an important number, I don't think it's the most important number. The most important thing is not a number at all. It's making sure that you have a plan and you are going through the checkpoints every single day, month, quarter, whatever it is, to get to where you need to be. I liken this to a dentist. Or look at a car, you need to change your oil. One day you say I'm good, my car is still running, I don't change my oil. You need to rotate tires. One day you say I don't need to rotate tires. They are doing all right. I'm going to be okay. I know I can get to 100,000 miles. One day your car starts making a weird noise. You turn up the radio and then all of a sudden you are on a road trip and your car breaks down, you are dead on the side of the road because you didn't change the oil. You didn't rotate the tires. You didn't get that weird noise checked out. Same thing in finances, you need to be making checkpoints along the way to make sure you are accomplishing your financial goals piece by piece, stepping up so you can have the future that you want. That is not just building the biggest pot of money

available that you possibly can as much as it is structuring assets in such a way that you are going to be okay, no matter what happens. Once you understand it will be okay no matters what happens, it gives you the courage to live your life and spend your money and enjoy it. There is a lot of questions, lot of specific questions, I could go down here for hours answering them but we are up on the hour. If you have questions, please feel free to reach out to us, our website, [ife on-line.org](http://ife-on-line.org), book a appointment. Contact your EAP. (overlapping speakers).

>> I want to remind everyone about the poll question. If you haven't answered it yet, click the radio button next to your response, that is what will broadcast your answer to us. We are not broadcasting it to everyone. We appreciate you attending today. Thank you, Andrew for your great presentation. That ends our webinar. Have a wonderful day.