Next Week Begins "Creating the Offense"

- Rule of 72
- Time and Consistency
- Become and Owner not a loaner
- How Mutual Funds Work
- Investment Spectrum
- Investment choices- Allocation
- Target Date and Company Retirement Plans
- Retirement Planning Options
- College Plan Options

Fix Your Finances 2020

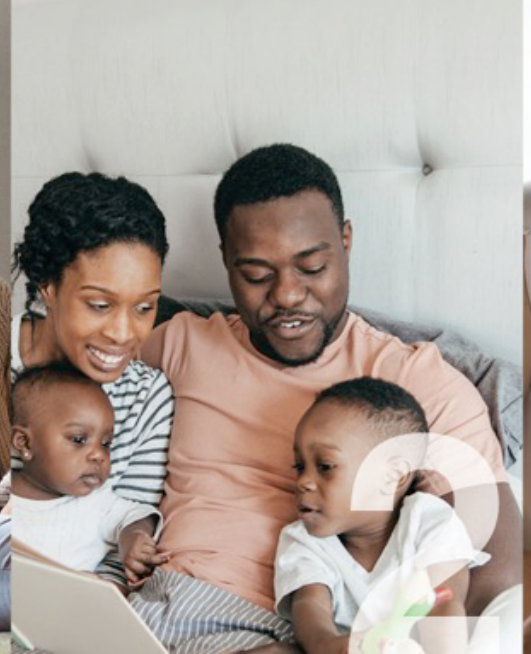
Class 7 Creating the Offense

Creating the Offense

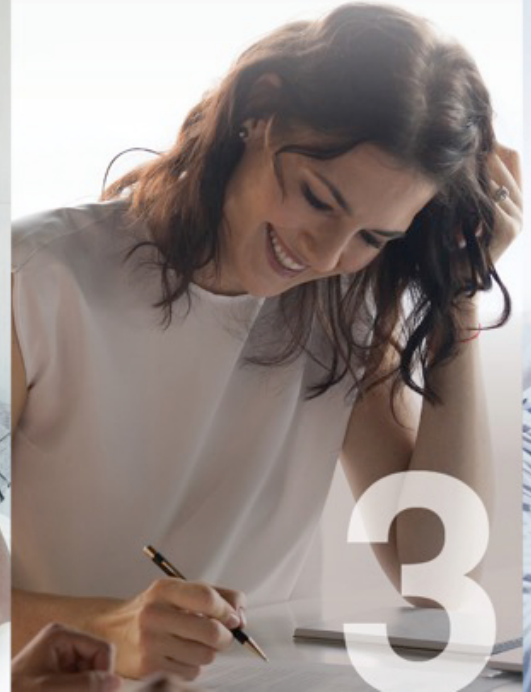
5 Stages of Your Financial Life

Accumulation:
Saving for Future Family Goals

Family Income Protection:
Retirement



Retirement Asset Protection:
Defend Against Market Volatility



Longevity of Income:
Make Retirement Income Last

Legacy:
Pass Wealth on to the Next Generation

Build Your Financial House

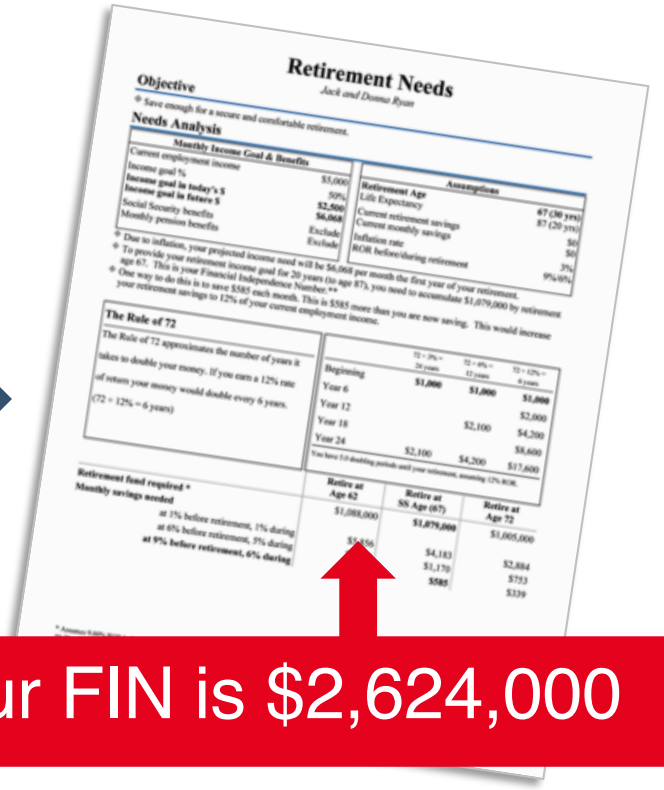
- Other Goals and Dreams
- Retirement-College Savings
- Understanding Investments
- Pay Off Bad Debt- Home Ownership
- Protect Your Income and Liabilities
- Budget - Emergency Fund

Step 1- Would you like to know your Financial Independence Number?

Your **FIN** is the amount of money you'll need to accumulate, so that someday you can live off that money for the rest of your life and never have to go back to work.

Example: You want to retire in 30 years, with $100,000 a year in todays dollars

30 years from now, after 3% inflation… $243,000 spends like $100,000 does today.



Your FIN is $2,624,000

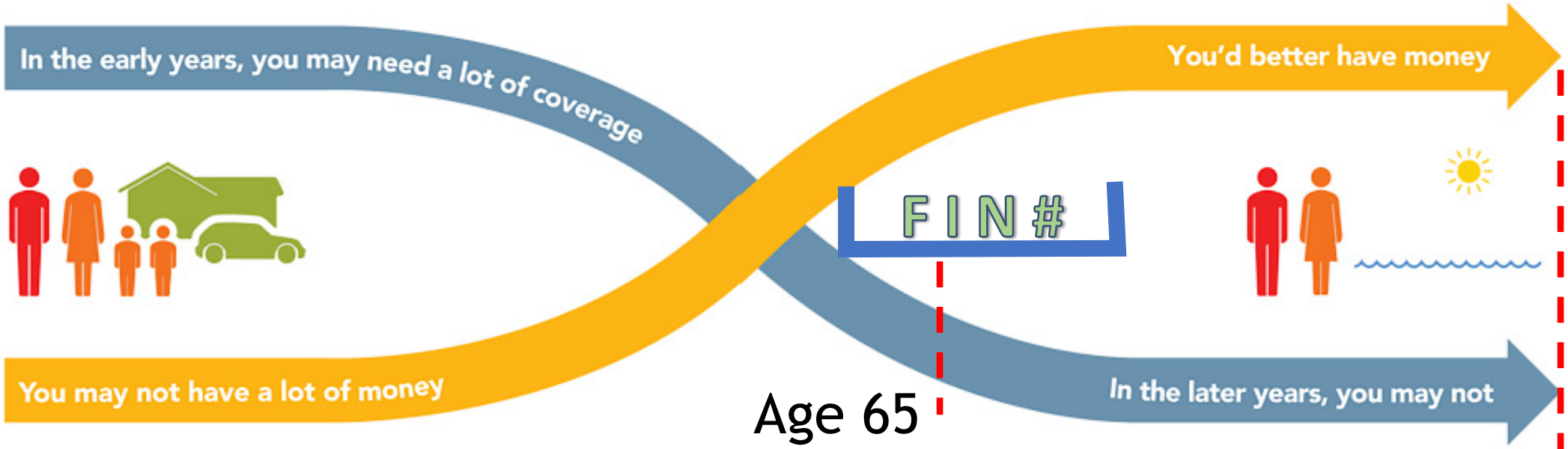
To get there, invest $1,421 per month for 30 years at 9% = $2,624,400

Lets Find Out What Your FIN Number Is…..

This hypothetical example assumes 20 years of retirement income needed, at a 6% post-retirement rate of return and 3% inflation. Hypothetical investment rates assume a nominal 9% rate of return, compounded monthly, and are not indicative of any specific investment. Any actual investment may be subject to taxes and fees, which would lower performance. This example shows a constant rate of return, unlike actual investments which may fluctuate in value.

The seeds you sow today will be your Harvest tomorrow…

The Theory of Decreasing Responsibility



Age 30

Age 65

Age 85

Today

1. Young children
2. High debt
3. House mortgage

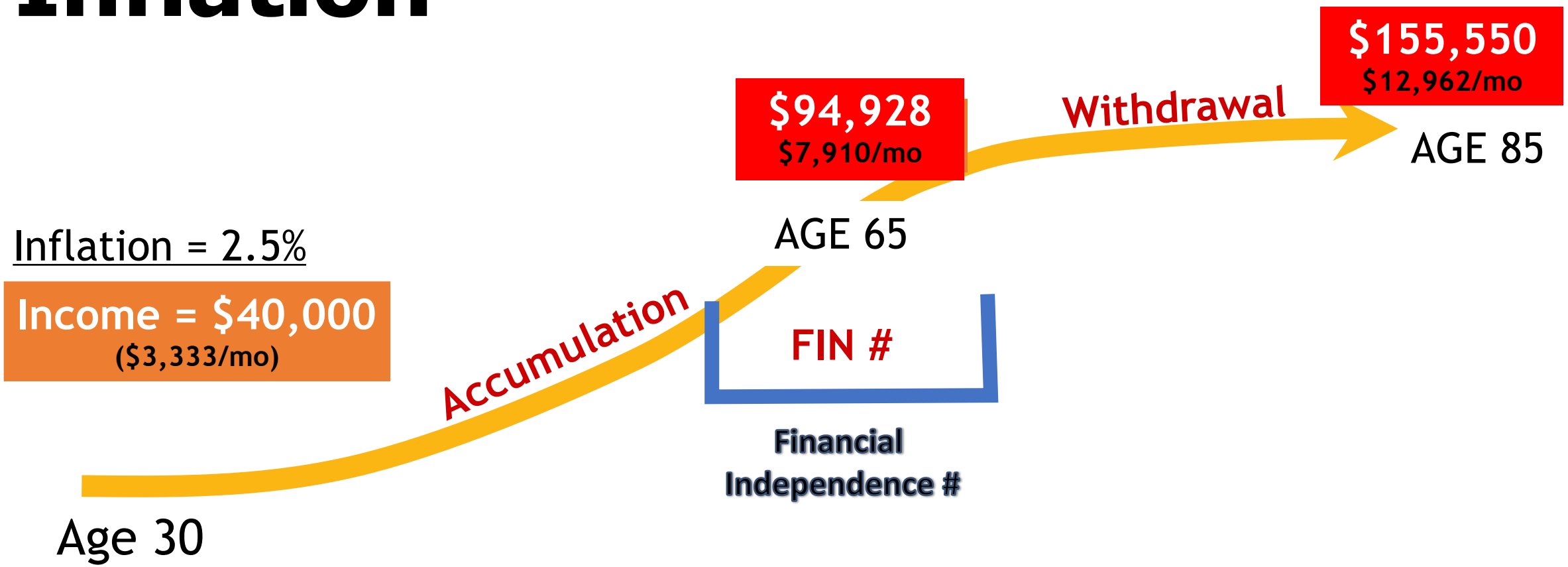
Loss of income would be devastating

At Retirement

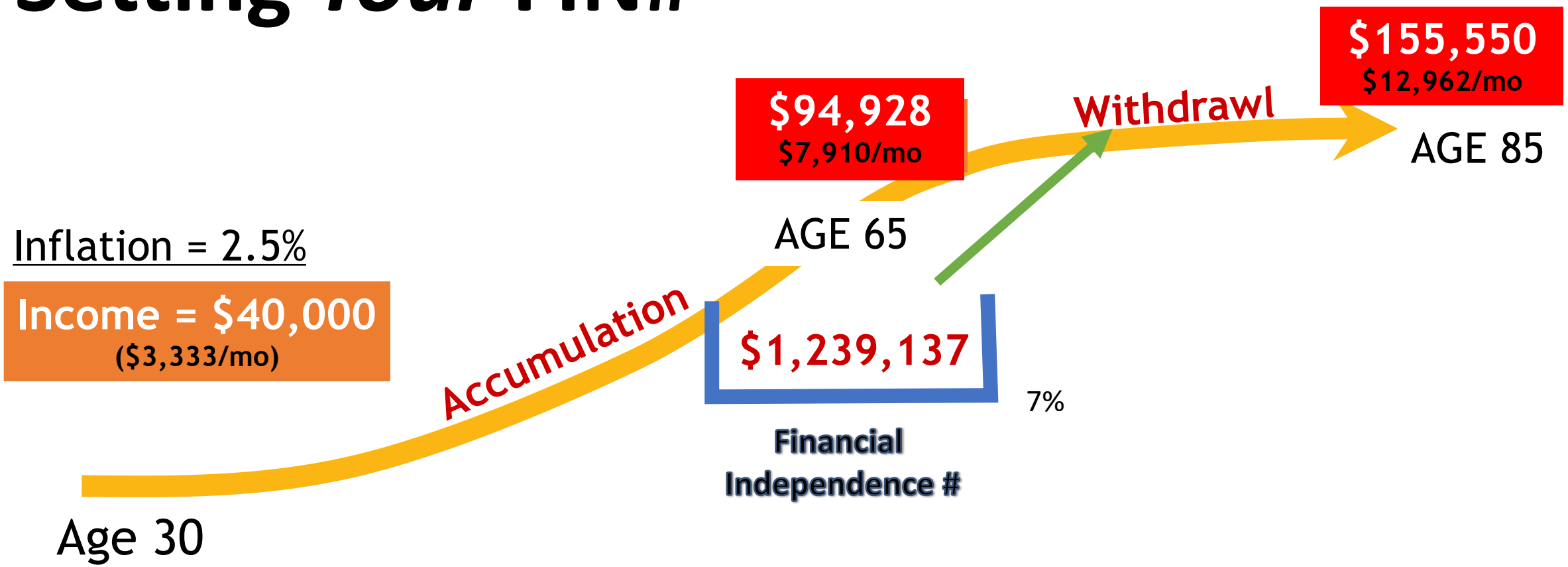
1. Grown children
2. Lower debt
3. Mortgage paid

Retirement income needed

Inflation


$155,550
$12,962/mo
$94,928
$7,910/mo
Withdrawal
AGE 85
AGE 65
Inflation = 2.5%
Income = $40,000
($3,333/mo)
Accumulation
FIN #
Financial
Independence #
Age 30

Setting *Your* FIN#



You need three things to become Financially independent…….

1. **Time.** If you have Lots of time!
2. **Money.** You need A little money!
3. **Rate of return.** Small Rate of return!

Shortage of time!

A lot of Money!

Highy rate of return

These are the facts of life!

Accumulating Your FIN#

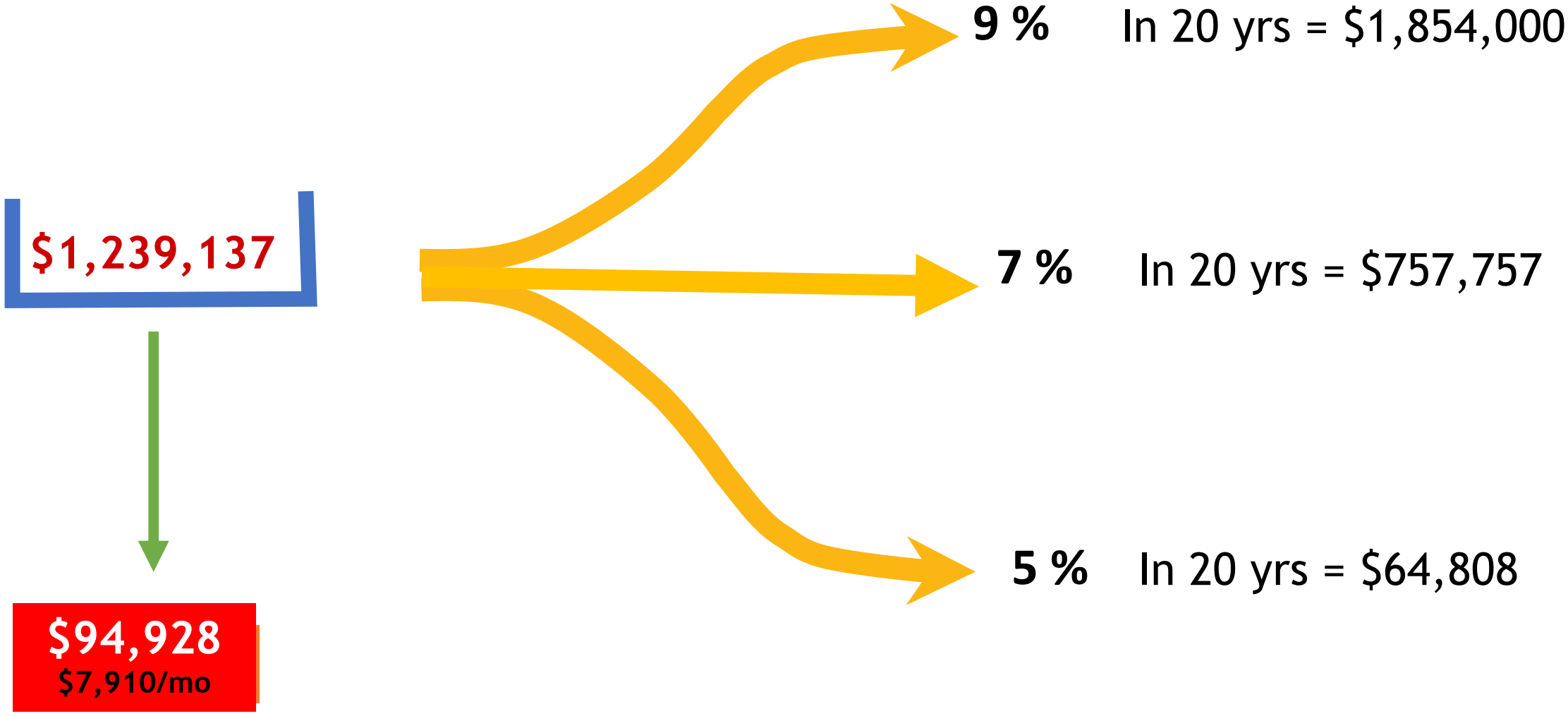
$10,000

Add no more Money For 35 Years

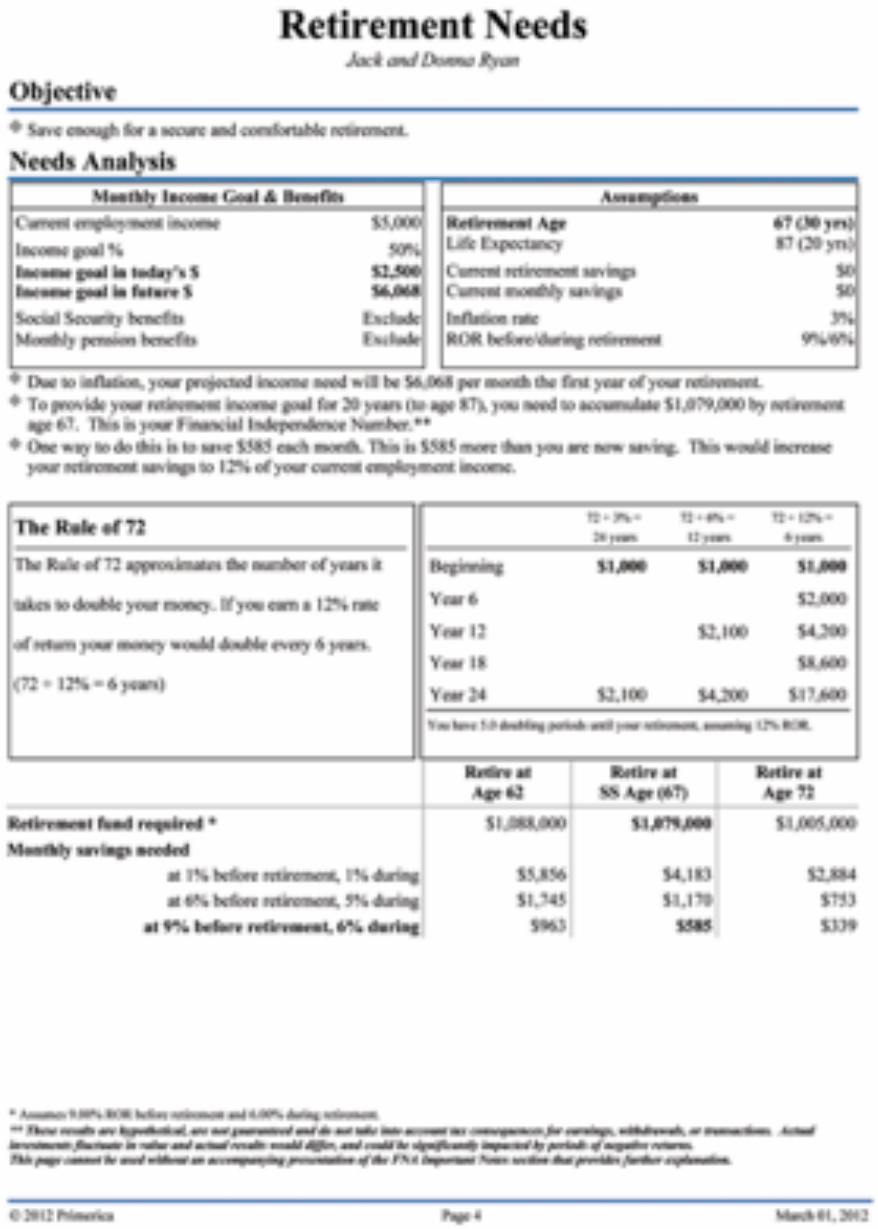
3 %	6 %	9 %
$28,138	$76,860	$204,140
$1,669/mo	$ 869/mo	$400/mo

Additional $/mo needed to reach FIN#

Spending Phase



For Illustrative Purposes Only!!!...No Inflation Factored into above Numbers



Retirement Needs

Jack and Donna Ryan

Objective

- Save enough for a secure and comfortable retirement.

Needs Analysis

Monthly Income Goal & Benefits	
Current employment income	$5,000
Income goal %	50%
Income goal in today's $	**$2,500**
Income goal in future $	**$6,068**
Social Security benefits	Exclude
Monthly pension benefits	Exclude

Assumptions	
Retirement Age	**67 (30 yrs)**
Life Expectancy	87 (20 yrs)
Current retirement savings	$0
Current monthly savings	$0
Inflation rate	3%
ROR before/during retirement	9%/6%

- Due to inflation, your projected income need will be $6,068 per month the first year of your retirement.
- To provide your retirement income goal for 20 years (to age 87), you need to accumulate $1,079,000 by retirement age 67. This is your Financial Independence Number.**
- One way to do this is to save $585 each month. This is $585 more than you are now saving. This would increase your retirement savings to 12% of your current employment income.

The Rule of 72

The Rule of 72 approximates the number of years it takes to double your money. If you earn a 12% rate of return your money would double every 6 years.

(72 ÷ 12% = 6 years)

	72 ÷ 3% = 24 years	72 ÷ 6% = 12 years	72 ÷ 12% = 6 years
Beginning	**$1,000**	**$1,000**	**$1,000**
Year 6			$2,000
Year 12		$2,100	$4,200
Year 18			$8,600
Year 24	$2,100	$4,200	$17,600

You have 5.0 doubling periods until your retirement, assuming 12% ROR.

	Retire at Age 62	Retire at SS Age (67)	Retire at Age 72
Retirement fund required *	$1,088,000	**$1,079,000**	$1,005,000
Monthly savings needed			
at 1% before retirement, 1% during	$5,856	$4,183	$2,884
at 6% before retirement, 5% during	$1,745	$1,170	$753
at 9% before retirement, 6% during	$963	**$585**	$339

* Assumes 9.00% ROR before retirement and 6.00% during retirement.

*** These results are hypothetical, are not guaranteed and do not take into account tax consequences for earnings, withdrawals, or transactions. Actual investments fluctuate in value and actual results would differ, and could be significantly impacted by periods of negative returns. This page cannot be used without an accompanying presentation of the FNA Important Notes section that provides further explanation.*

Ask Your Rep for a **Complimentary** Financial Needs Analysis

- A Financial Plan that is Personalized to You
- Free of Charge
- Calculate your Net Worth
- Find out your FIN Number
- Debt Elimination Plan
- Calculate Insurance Needs
- And More…….

Recap

The Rule of 72

Divide your interest rate into 72 to find the approximate number of years it takes for money to double.

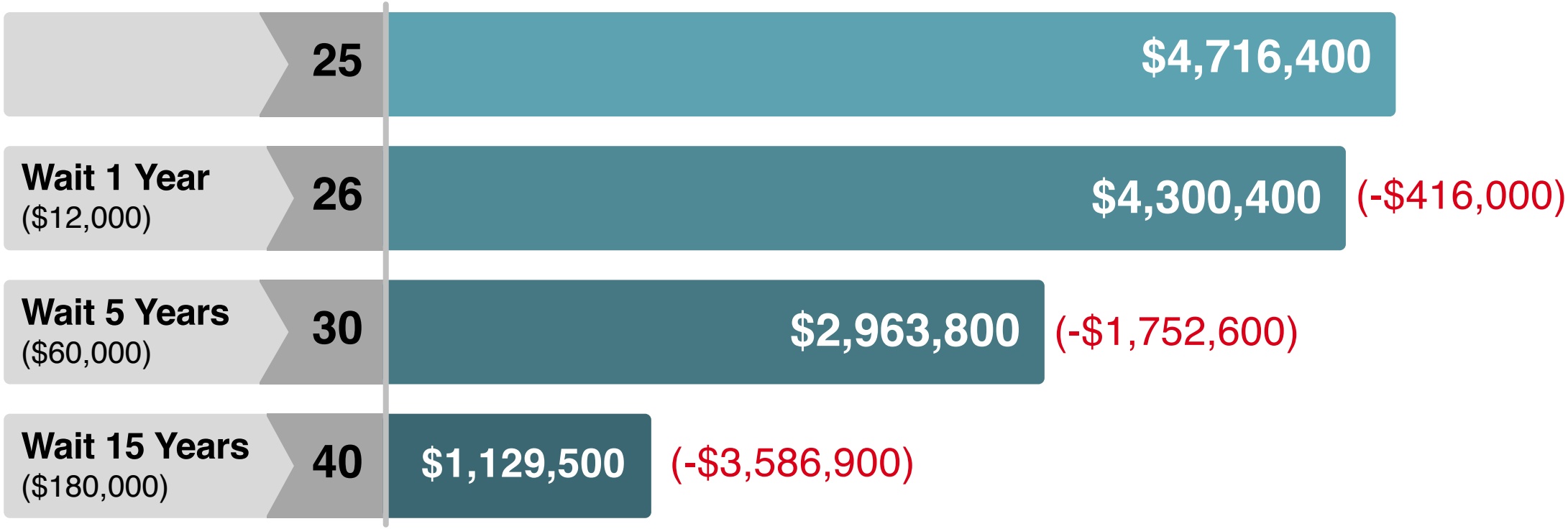
Years	3%	6%	12%
0	$10,000	$10,000	$10,000
6			$20,000
12		$20,000	$40,000
18			$80,000
24	$20,000	$40,000	$160,000
30			$320,000
36		$80,000	$640,000
42			$1,280,000
48	$40,000	$160,000	$2,560,000

This table serves as a demonstration of how the Rule of 72 concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike actual investments which will fluctuate in value. It does not include fees or taxes, which would lower performance. It is unlikely that an investment would grow 10% or greater on a consistent basis, given current market conditions.

Education- Pay Yourself First and Get Started Soon

When you don't, there's a high cost of waiting.

$1,000 Monthly Savings at 9% for 40 Years (Age 25-65)



Rates of return are constant and nominal rates, compounded monthly. Contributions are assumed to be made at the beginning of the month. The chart above is not indicative of any particular investment or savings vehicle where rates of return fluctuate. It does not take into consideration taxes or other applicable deductions, which would lower results.

BECOME AN OWNER, NOT A LOANER

Bypass the Middleman – Become an Owner, Not a Loaner

Traditional Financial Institutions

Banks, Credit Unions, Insurance Companies =
Historically Low Rates of Return

CDs and savings accounts are generally FDIC insured up to $250,000. Cash value life insurance offers life insurance components in addition to the investment component.

INVEST WITH PROFESSIONAL MANAGEMENT

What Is a Mutual Fund?

A mutual fund is an opportunity for you, together with many other investors, to pool your money.

How a Mutual Fund Works

Investing entails risk including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

Recap

Spectrum of Mutual Funds Risk

- Aggressive Growth
- International Growth
- Growth
- Growth and Income
- Balanced
- High Yield Bond
- Corporate Bond
- Municipal Bond
- Government Bond
- Money Market

Mutual Funds Earn Money Three Ways:

1. **Dividends**
2. **Capital Gains**
3. **Capital Appreciation**

Should any of these be earned, they may be subject to taxation.
Also note that the value of a fund may fluctuate.

5 Great Reasons to Own a Mutual Fund

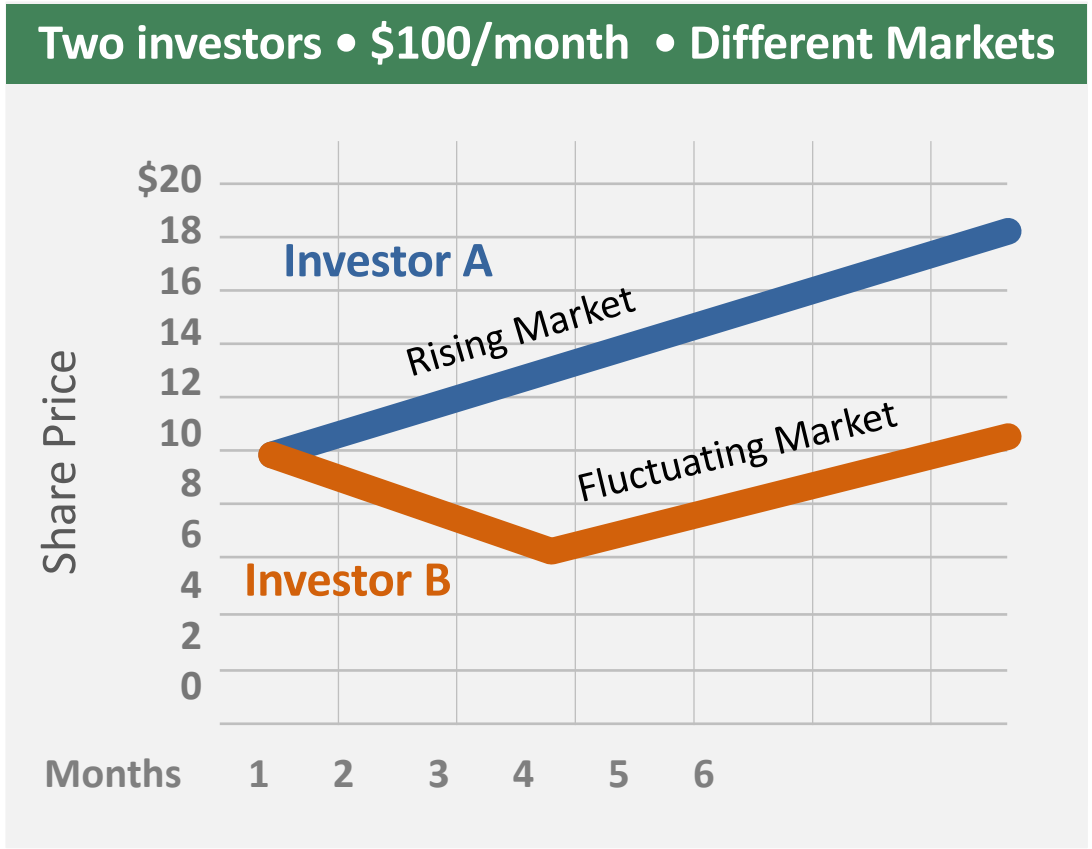
1. **Professional money management**
2. **Diversification of assets**
3. **Growth potential**
4. **Affordability**
5. **Liquidity**

Mutual funds are not guaranteed against a loss. Mutual funds also have costs and fees that are attributable to management and distribution.

The Three "Ds" of Investing

- A good way to keep your focus on your goals is to remember the **three "Ds"** of investing
  - **Dollar-Cost Averaging**
  - **Discipline**
  - **Diversification**

Dollar Cost Averaging or Systematic Investing



Systematic Investing allows you to use dollar-cost averaging to build wealth over the long term.

Investor A

Invests $100 a month in a rising market

Investor B

Invests $100 a month in a fluctuating market

Dollar-cost averaging is a technique for lowering the average cost per share over time. While a continuous program of dollar-cost averaging can reduce cost per share over time, it cannot assure a profit or protect against loss in declining markets. Since dollar-cost averaging involves continuous investments over time, the investor should consider his or financial ability to continue purchases through low price levels. The values shown are hypothetical, not intended to reflect any specific market period but to demonstrate the effect of a fluctuating market.

Which example would you prefer?

Invest Near Market Highs		
Date	**Cumulative Investment**	**Year End Account Value**
Dec. ‘98	$10,000	$10,000.00
Dec. ‘99	$20,000	$22,104.15
Aug. ‘00	$30,000	$28,822.63
Jan. ‘01	$40,000	$33,906.33
Mar. ‘02	$50,000	$34,181.45
Dec. ‘03	$60,000	$53,986.23
Dec. ‘04	$70,000	$69,861.04
Dec. ‘05	$80,000	$83,292.57
Dec. ‘06	$90,000	$106,448.03
Oct. ‘07	$100,000	$121,811.70
May. ‘08	$110,000	$83,293.38
Dec. ‘09	$120,000	$115,336.53
Dec. ‘10	$130,000	$142,710.10
Apr. ‘11	$140,000	$155,087.04
Sep. ‘12	$150,000	$189,868.66
Dec. ‘13	$160,000	$261,363.61
Nov. ‘14	$170,000	$307,115.21
Jul. ‘15	$180,000	$321,174.72
Dec. ‘16	$190,000	$369,586.97
Dec. ‘17	$200,000	$460,273.60
Annualized Compound Return (Dec. ‘98-Dec. ‘17): **9.00%**		

Invest Near Market Lows		
Date	**Cumulative Investment**	**Year End Account Value**
Aug. ‘98	$10,000	$10,000.00
Feb. ‘99	$20,000	$24,095.14
Nov. ‘00	$30,000	$31,950.36
Sep. ‘01	$40,000	$39,221.30
Sep. ‘02	$50,000	$41,396.94
Feb. ‘03	$60,000	$66,687.37
Jul. ‘04	$70,000	$85,030.31
Apr. ‘05	$80,000	$100,135.76
May. ‘06	$90,000	$127,241.07
Feb. ‘07	$100,000	$144,831.20
Nov. ‘08	$110,000	$101,353.19
Feb. ‘09	$120,000	$143,632.01
Jun. ‘10	$130,000	$177,594.39
Sep. ‘11	$140,000	$192,526.42
Jan. ‘12*	$150,000	$234,937.72
Jan. ‘13*	$160,000	$324,268.51
Jan. ‘14*	$170,000	$380,024.90
Sep. ‘15	$180,000	$395,988.08
Feb. ‘16	$190,000	$455,144.45
Jan. ‘17*	$200,000	$566,692.78
Annualized Compound Return (Aug. ‘98-Jan. ‘17): **10.45%**		

It’s time, not timing, that matters

One $10,000 investment is made in the S&P 500 in each year immediately following market high (or market low) month end date.

Example:
In the market high scenario, the first $10,000 contribution is made immediately following the last trading day of the month of Dec. 1998.

The average investor earned just **2.6%** over this same time frame!

*January dates denoted with an asterisk indicate $10,000 was invested immediately prior to the first trading day of the year.

Diversification Is a Time-Tested Principle

Spread out your investment dollars to protect against market risk.

Although diversification does not assure a profit or protect against loss, diversification may help spread out the risk in your portfolio. This chart shows how the returns in different asset classes have varied from one year to the next.

HIGHER RETURN

LOWER RETURN

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Small Stocks 60.7%	Int'l Stocks 20.7%	Int'l Stocks 14.0%	Int'l Stocks 26.9%	Int'l Stocks 11.6%	LT Gov't Bonds 25.9%	Int'l Stocks 32.5%	Small Stocks 31.3%	LT Gov't Bonds 28.2%	Small Stocks 18.2%	Small Stocks 45.1%	Lt Gov't Bonds 23.9%	Large Stocks 1.4%	Small Stocks 25.6%	Int'l Stocks 25.62%
Int'l Stocks 39.2%	Small Stocks 18.4%	LT Gov't Bonds 7.8%	Small Stocks 16.2%	LT Gov't Bonds 9.9%	30-Day T-Bills 1.7%	Small Stocks 28.1%	Large Stocks 15.1%	Large Stocks 2.1%	Int'l Stocks 17.9%	Large Stocks 32.4%	Large Stocks 13.7%	30-Day T-Bills 0.0%	Large Stocks 12.0%	Large Stocks 21.8%
Large Stocks 28.7%	Large Stocks 10.9%	Small Stocks 5.7%	Large Stocks 15.8%	Large Stocks 5.5%	Small Stocks -36.7%	Large Stocks 26.5%	LT Gov't Bonds 10.1%	30-Day T-Bills 0.0%	Large Stocks 16.0%	Int'l Stocks 23.3%	Small Stocks 2.9%	Int'l Stocks 0.4%	Lt Gov't Bonds 1.8%	Small Stocks 11.2%
LT Gov't Bonds 1.5%	LT Gov't Bonds 8.5%	Large Stocks 4.9%	30-Day T-Bills 4.8%	30-Day T-Bills 4.7%	Large Stocks -37.0%	30-Day T-Bills 0.1%	Int'l Stocks 8.2%	Small Stocks -3.3%	LT Gov't Bonds 3.3%	30-Day T-Bills 0.0%	30-Day T-Bills 0.0%	Lt Gov't Bonds -0.7%	Int'l Stocks 1.5%	Lt Gov't Bonds 6.2%
30-Day T-Bills 1.0%	30-Day T-Bills 1.2%	30-Day T-Bills 3.0%	LT Gov't Bonds 1.2%	Small Stocks -5.2%	Int'l Stocks -43.1%	LT Gov't Bonds -14.9%	30-Day T-Bills 0.1%	Int'l Stocks -11.7%	30-Day T-Bills 0.1%	Lt Gov't Bonds -11.4%	Int'l Stocks -4.5%	Small Stocks -3.6%	30-Day T-Bills 0.2%	30-Day T-Bills 0.8%

Source: Morningstar. **Past performance is no guarantee of future results. This chart is for illustrative purposes only and does not represent an actual investment or the performance of any specific investment. All investments involve risk including loss of principal.** Small Company Stocks—Russell 2000 Index; Large Company Stocks—Standard & Poor's 500 is an unmanaged group of securities, is considered to be representative of the stock market in general; Long-Term Government Bonds—20-year U.S. Government Bond; Treasury Bills—30-day U.S. Treasury Bill; International Stocks—Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE) Index. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest; stocks are not guaranteed and have been more volatile than other asset classes. As interest rates rise, bond prices fall. Bond funds do not carry the same guarantees as bonds themselves. Furthermore, small company stocks are more volatile than large company stocks and are subject to significant price fluctuations, business risks and are thinly traded. International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, liquidity risks and differences in accounting and financial standards. The data assumes reinvestment of all income and does not account for taxes or transaction costs which may lower results. Because these indices are not managed portfolios, there are no advisory fees or internal management expenses reflected in their performance and investors cannot invest directly in any index.

What is the ideal asset mix?

Recap

Thank You for Attending- We can Help You.

- If you need help with anything that we covered tonight or if you have questions be sure and reach out to the person that invited you through the private link. Text or email and they will follow up with you.
- Do you have a friend or family member that would benefit from this information? Forward your private link that you received and encourage them to register for next week.
- Lastly Do you need a work from home solution to earn extra Income? Ask the person who invited you to send you a link to “Join Our Team Webinar”