- ♪ So here we go again ♪ ♪ Here we go ♪

- [Narrator] The following program is not intended to be legal, financial or investment advice. The program is intended to be strictly educational. The opinions of those appearing on the program are those of the subject and not of My Secure Advantage Inc. For any individual legal, financial or investment advice, please contact your legal or financial advisor.

- [Mike] Welcome to an MSA special event, our webinar today is Financial Impacts of COVID-19. We really appreciate you taking the time to join us today. Basically, we have built this presentation again, based upon your feedback, the survey results you gave from last Friday as well as questions that you submitted when you registered for this event. So we built it based on that, we look forward to covering our material. Before we get into that, my name is Mike Hackett. I manage our education department. I've been in financial services for over 30 years. I've been with MSA as a money coach, as well as now just managing the team and traveling around the country and doing education events at different companies in front of different employee groups. So I'm really happy to be with you today and to be with my colleague, Constance Foley. So Constance, welcome.

- [Constance] Hey, Mike, how are you today? Welcome, everyone, glad to be here to share some very important information about what is going on in our changing world. And, as you can tell, we're probably much like you in a different situation. I'm working from my home office and so we're achieving the social distancing that's required right now to keep everyone safe. So I'm currently a money coach at My Secure Advantage, and I'm an accredited financial counselor. I have a master's in education. I've worked in the securities industry. And I've been a money coach for many years. And so I'm really excited about having you hear the information we have today. Why don't you get us started, Mike?

- [Mike] Great. One point I really wanted to emphasize is that this webinar is for anyone and everyone that has a relationship with MSA. So that's hundreds of companies as well as employee assistance programs, and employees that have our benefit through their programs. So we're hopefully reaching a wide audience and because of that, we've received so many diverse questions and we will try to, like I said, get to all of those. But if you have questions during this webinar, please submit those. We will spend as much time as possible answering live questions at the end and if we don't get to them, we will make sure to integrate them into next week's presentation. Also, we're gonna turn off our webcams now. And the reason we're gonna do that is we had a nine o'clock webinar as well, we had some audio challenges, we may have those again, I think it's just internet challenges in capacity. So, hopefully, that's not the case. But we feel if we shut down the webcams, the audio might be better served. So anyways, thank you for understanding that. In terms of after this webinar, after you log out within 24 hours, you should get an email with a recording. So if you miss any of this, you can click on the link and go back and listen to the recording, as well as you'll be asked to take a survey when you log out. And it's really, really important that you complete that survey. We want to be able to get your feedback and, like I mentioned, this webinar is based on the survey we received last week, and any feedback you give us from this presentation, we will apply to next week as well. So, with that, let's jump to the agenda. I just want to let you know that there's so much happening so quickly in terms of recent legislation. The house just approved the bill to basically provide some relief. And we're gonna get into some of the details of what that is, but other programs that have already been put into place. So we'll talk about that to kick off our presentation today, then we're gonna talk about dealing with and preparing for a loss of income. We recognize that for many people, this is the number one concern. It's not just how long but if it's right now, how long and the breath to which it'll so therefore, how can we help you in terms of managing the budget? And then we're gonna do an investing deeper dive. We received all kinds of feedback as to different ways in which you hoped we would do a little deeper dive into some investing questions that you have. So we're gonna do that. And, hopefully, that hits a lot of the questions that should you have. But next week, we'll do some different dives as well. And then we'll talk about an action plan. Hopefully, you'll all feel more empowered and more focused on how you take action after this. Constance, why don't you lead off with some recent legislation and program overviews?

- Great, I'd be happy to. So we have some recent legislation to cover and then, as Mike mentioned, the stimulus bill providing cash assistance to individuals and businesses has gone through both houses, the Senate and the House. Now, it's awaiting the President's signature so I think we'll see that happen pretty soon. But some of these programs, we're just gonna talk about in general because we don't have all the details but some we do, for example, tax filing. We're thinking about taxes, particularly this time of year. And good news there because the IRS has just pushed out the deadline for filing and for paying. So, that's part of the Coronavirus Tax Relief Bill. And the IRS has allowed us to now delay paying and filing until July 15 of this year. So individual states, if you have state income tax check with your tax authority to see what relief is in place there in terms of the filing date for your state income tax, you'll have to check on your individual state. Unemployment benefits, eligibility now is expanded. It's much, much broader for unemployment benefits, and includes the following, anyone prevented from working due to the virus or related issues due to the business closure to comply with local requirements like shelter in place and quarantine requirements. So if you're affected, you are not able to go to work because of those requirements, then you can file for unemployment. If you're quarantined but expected to return to work after the quarantine is completed, you can file, and an individual that leaves work to care for family member, or leaves work due to risk of infection can file for unemployment. If you're not sure if you fall in any of these categories, I would encourage you to apply and just see if you get the benefit. There's so many details that are yet to be released and understood that it may take a few weeks anyway to get a response. So the earlier you apply, the earlier you could qualify and maybe receive some money for unemployment. We do have an excellent handout with resources and websites that you can go to to apply for unemployment. You could go to careeronestop, so that's all one word, career, one, O-N-E, stop, S-T-O-P.org. And there's an extended website URL and I don't want to tell you all of that right now, but, suffice to say, you can check the handout that's included with the program here. And you'll be getting a copy of that with the presentation recording in 24 hours. So check the handout for the website to apply for unemployment Student loans, also, if you have any US Department of Education loans, interest will be waived. We don't know for how long and you may be able to stop making payments temporarily, but do check with your loan provider. And that would be for direct loans, Federal Perkins loans, federal family education loans. And so be sure before you take any action in terms of paying, check with your servicing provider to confirm that that's actually the case and how that applies to you and when it takes place and for how long. Let's go on to talk about new legislation or government programs.

- [Mike] One quick thing, Constance, I just noticed a question somebody was asking. Given the push back to July 15th on taxes, filing and paying, does that include my IRA contribution for 2019? Do I have until July 15th? And the answer is yes. So that's been pushed back as well. So you have that extra time to contribute to an individual retirement account, your 2019 contribution, so, sorry about that. Carry on.

- [Constance] No, no, thanks. That's a great question. I'm glad we were able to cover that at the same time. Thanks so much. Okay, so new legislation, we're looking at, with the new bill that's been passed in the House and Senate waiting for the President to sign it, we're looking at stimulus checks for employed or self-employed people, and $1,200 per person, $2,400 per couple, and there's a income cap 75,000 or less and married 150,000 or less and that's adjusted gross income. 500 per child, dependent child 16 or younger, and, again, an income cap on the parents. And then also for head of household filers, that means that you're unmarried, have children or dependents and pay more than half of their expenses. Head of household filers will get $1,200 if they make 112,500 and less. So there's an income cap on head of household filers, 112,500 and below will get $1,200. The earnings threshold as measured by adjusted gross income, that means your gross income minus deductions and they'll either use your 2018 return income or 2019, whichever you filed. And so on the 2018, the adjusted gross income number is on box seven on your 1040, box seven would tell you what your adjusted gross income for 2018 is. On the 1040 for 2019, it's box 8B as in boy. That's where you would find the adjusted gross income number to see if your income qualifies or if you are under the threshold. If you receive Social Security, you'll be eligible as well. Green Card holders will be eligible for stimulus checks, and then the average check they'll estimate to be $1,523. And they'll transmit the payment by direct deposit, the IRS, if they have your banking information already, they'll use the bank account information on file or mail it if they don't. And we have expanded paid sick leave and Family Medical Leave Act benefits. And so check with your employer on that. There is a website that you can check also in the handout to find out what those benefits are. Okay, so let's talk about income. How do we prepare for loss of income during this time, Mike?

- [Mike] Well, what you just covered is certainly helpful. So with those unemployment updates, hopefully, when you're dealing with a loss of income to some capacity, again, that can be just a huge stress in any household. And we recognize that, but it looks different for everybody. So for contractors, and for a lot of folks, it's kind of the salary, the average amount of monthly income they were earning. For others, it might be that they're not gonna get a bonus that they typically anticipate, or their commissions are gonna be significantly impacted by the economy. So we recognize that, when it comes to household income, it's either you're hit right now, and this is really a challenge, or you may be anticipating that some percent of your income is gonna be at risk. So whenever I start working with somebody and this is their primary concern, what I try to understand is let's assess that risk. Again, if it's an individual that makes it a little bit easier, but if it's a couple, same kind of analysis that we would go through in terms of how long do we think this could last. So again, that can be hard to predict. But depending upon the type of employment that you have, you might have to have, it might be something that impacts you longer than other types of employment. And then I try to get what you need to cover really your essentials. I'll often go through an exercise of what are needs versus wants and kind of going through item by item within a budget to really identify what's the minimum amount we need for essentials, and then can any of that income be replaced. My sister happens to be amazingly talented as a quilter. So that is not, she's an accountant. She's a CPA. So she has, that's what she does most of the time, but at the same time, she has this amazing skill that she can make quilts and sell those on the side. So that might be just an example of can any household income be replaced? There's a lot of companies that are trying to, you look at Amazon, grocery stores, other types of companies, there might be temporary work to just supplement until we get through this period of time. So just things to consider. Again, from a household perspective, if income might need to be or could be replaced. So that's the first thing we look at is income, then we just really analyze the budget in terms of discretionary expenses that might be able to be reduced. We're gonna talk a little bit more about this in detail. But no matter who you pay money to on a monthly basis, there's a lot of grace being given right now, in terms of reducing payments, delaying payments, just putting payments on to principal, so that you don't have to make an outlay for the current month or maybe the next month or two. So you can probably get a lot of grace across your budget in terms of the money that's flowing out of your budget. So we really recommend that you not only identify what are the expenses you can just personally reduce, we're being forced to reduce a lot of our, in terms of going out, entertainment, etc. But at the same time, there are some expenses that are not. I know in a lot of households, and people I've spoken to, now they have a couple of children that they have to keep productive in terms of doing homework or working in school, plus two adults or one adult with respect to working from home. So maybe they had to buy another monitor, maybe they had to create some different work environment. So they actually had to spend some more money, and they're finding they're spending a lot more money on food, so kids aren't able to get meals from the schools. Although you should check that, some school districts are doing an amazing job of continuing to provide meals. Again, look at how they're doing that. But I think that's a really cool thing that I've seen, but nonetheless, most families are spending more on food. So that's just one item that's going up. A number are going down and if you reach out and speak to different service providers, different creditors, et cetera, you might be amazed at the different concessions, you can get, and accommodations you can get at this time. So all that leads to redefining a budget. I'd recommend even if you are projecting that you might have an income hit in the future, you start saving now. Build up your emergency savings if you can. Emergency savings, I think are just so important. And I think many are recognizing the importance of having that as a backstop to reduce the stress of events in a time like this, so we really can manage that and not whittle that down or slowly as possible. That's really what I recommend. But regardless, this is a process. And so this is, typically, the approach that we recommend. So now let's look at what are four biggest expenses typically in a budget. And when you look at that, it's usually mortgage. So just in terms of looking at your mortgage, in past challenges or crises, we haven't had a lot of forgiveness when it came to mortgage debt. But in terms of, I know there's a number of national banks that are carrying mortgage debt, as well as other services providers that are allowing people to either reduce the payment, add it to the balance, without it being a hit to your credit, which is awesome because you really want to try to preserve your credit score during this time. So that's why communication is so important. But besides just maybe getting some grace in Britain and being able to pay a reduced payment or add it to the balance, you might be able to refinance. Many of you may have already been considering this. Interest rates are lower than they've been historically. So it gives you an opportunity, if that makes sense. So you really need to think about it. Look at what's the improved interest rate, you'll be able to get, can you get a lower payment, and just the process of refinancing, you might be able to save on that first payment and your new loan might be a month or two down the road, might be able to work that out as well. In terms of getting a home equity loan, things of that nature, I think these could be good considerations. I always like to spend some time with an individual to kind of go through their budget and their complete list of obligations before tapping into equity and things of that nature but refinancing and tapping into equity, this is a great time to consider those options. And then if you're renting, I really recommend you speak to your landlord, again, probably gonna get more concessions, more willingness to work with you to make it, so that you don't have to make the full payment potentially. And maybe you can push that out for some period of time. And then again, there's good rental assistance. If you go to H-U-D.gov, hud.gov, in terms of getting some rental assistance, that can really be helpful as well. So just some quick things on mortgage debt and I'll let Constance talk a little bit about student loans, vehicle debt and credit cards.

- [Constance] Okay, thanks, Mike. Also in the mortgage debt piece, if you are considering refinancing, just be prepared for a delay in having the loan get processed and completed. A normal time for a loan closing is three to four weeks after application. But, as you can imagine, that's being pushed out maybe to 45 to 60 days, and it's recommended sometimes to ask about a rate lock. That means that you can lock in the rate that you are offered now in case the rates start going back up, but there is a cost to a rate lock. So you got to weigh that against the advantage of having the lock in place and the cost of it. Also, appraisers are not really entering properties to do a full appraisal, they're doing it with algorithms and other estimate meeting tools, so that can slow down the process. So let's talk about student loans and other types of debt. So there are new avenues for delayed or reduced payments. But be sure and talk to your loan servicer. Don't just assume that that's given automatically, and unique opportunities exist to get relief on monthly payments without credit impact. So reach out and determine what type of modifications you can be offered and be sure and ask for it in writing. If not, ask for the person's name at least, and make a note of when you were promised and what it was. And then in 45 days or so, check your credit report to make sure that that has not impacted your credit because you would have recourse if it did. You'd be able to go back to the lender and challenge that based on what they told you. Vehicle and credit card debt. Again, reach out to the lender, credit card issuer. Everybody's being very willing, it seems, I'll say, most issuers are being very willing to help people in this time. And you could reduce the payment or defer payment and have it added on to the end of the loan so that you can skip a payment now. So reach out to your lender. Credit cards are also offering zero percent, I've heard, and maybe the ability to skip a payment too. It just depends on the issuer, but again document who you talk to and what was offered. And then we can help you check back if you're not sure how to check your credit report or what to look for, in terms of holding them accountable. Let's talk about tight budgeting now. That's certainly part of our world and what you need to do and don't do. Don't, excuse me, do file for unemployment if you think you might be eligible, and there's no harm in applying. And you may be surprised that you're in that group that does get benefits. It really expanded the qualifications. Get your tax refund now, if you do file now even though it's been delayed and you can file later, but if you can get a refund, file now, and then you can always, if you do owe, delay until July 15th is the deadline for paying and filing. Adjust your W4, but do that with consideration and care because you don't want to end up underpaying your taxes for next year and having to pay when you file for next year. So you can adjust your withholding to reduce what's taken out of your paycheck, but be sure and circle back in a couple months and adjust it. You can do that through the IRS website. The withholding calculator acts as a real-time calculator and from where you are in your current withholding, it will adjust and tell you what to change it back to as of that date and for the rest of the year to get back on track. If you need help with that, we can also Money Coach or your tax professional can help you. We have tax professionals on board with money coaches as well. Tap into the resources and programs loans that are available to you. Now, the list of don'ts. Don't stop paying a debt without communicating with the lender and getting confirmation. Don't stop getting your match if you get one from your employer on your retirement plan. We realize that is a deduction from your paycheck and could reduce your pay. If you stop that you could get more in your paycheck. But let's think of that as a last resort. Certainly, do it if you need to. But think of it as a last resort to reducing your contribution to and not get the match. Don't let your emotions rule the day. Keep a clear head and find sounding boards and get perspective from other people that you trust. And then talk to people about making decisions before you do. And then just remember, don't forget everything runs in cycles, certainly, the stock market and the economy do and we just need to wait this period out and we'll be back on track. What about investing, Mike? What can you tell us about investing right now?

- [Mike] Thanks, Constance. Well, I'll say this, the vast majority of questions that many of you have submitted, and we appreciate that, have been around investing. So a lot of requests for us to do some deeper dive. So from that perspective, what we did is we looked at the highest frequency of questions we received. And that's gonna be the impetus of us doing a deeper dive today. And like I mentioned before, as we get your feedback, we'll consider what other deeper dives we want to do next week. But today, we're gonna focus primarily on asset allocation and what does it really mean within the context of an employer-sponsored retirement plan to rebalance versus reallocate my holdings? So we're gonna try to do a deeper dive and make it so that we can kind of walk you through some visuals of what that might look like. But before we do that, I wanted to speak to what are typically the catalysts to change asset allocation. So take a step back from what we're seeing today, in terms of the markets and that causing us to want to take a look at that and say, wow, should I be changing my holdings? So, typically, what gets us to take a look at our asset allocation within a plan. And again, let me say one more thing. When you make contributions into a plan, you have to decide where those contributions go and many of you, to make it simple, we'll go into what's called a target date fund within your 401 403B, or TSP, which is Thrift Savings Plan for government employees. So but you also have a wide range of choices, typically of underlying funds that you can choose from. So what we're talking about is, once you set up your account, you are making a decision as to where that money goes. And so that's what we're referring to as asset allocation. So once you've made that decision, what's gonna drive you to change that decision and move that money amongst the different options that you have within your retirement plan. So, first and foremost, is the timeframe until retirement. I'll give you a better example shortly, but when you're 10 years versus 20 years versus 30 years versus one year or two years from retirement, your asset allocation should change, or we would recommend that it change based upon your timeframe. Also, another factor is risk tolerance. We highly recommend that most people take a risk tolerance questionnaire. Many of your employer-sponsored plans through the vast resources that are available to administer those plans will provide one but even if they don't, there's plenty out there. And we'll talk about that in a few more slides. But we think this is just such an important component, going through answering those questions and then the output from that will give you a sense of how you might allocate amongst the funds that are available to you through your employer-sponsored retirement plan. So risk tolerance and taking a questionnaire we think is a very important step. And so if you didn't do that when you first joined, maybe after you do that, that could be one reason why you would change your asset allocation or the choices you've made in the fund options that you have. Another is annual performance, we recommend that you look at your quarterly statements that come from your retirement plan, but that you, especially on an annual basis, you look at the performance of the funds, and did they meet your expectations? Hopefully, if let's say, that you have chosen to put some percent of your contributions into a fund that mirrors the S&P 500, and the S&P 500 is the 500 largest stocks in the US. So if that's what you're doing, when you get to the end of the year, you can easily look it up and see what the performance of the S&P 500 was as an index. And then you can look at the fund that you have within your retirement plan and was it a similar performance. It should be relatively close. But if it isn't, then that might get you concernment, it may want you to consider some other funds that you have as a choice within your 401 or 403B whatever that might be. So looking at the angle of performance, and how your investments have done could be one reason to change some of your asset allocations. And then lastly, it could be following professional advice. Maybe you work with a financial advisor, and maybe you have not just holdings within a 401 or a TSP, but you also have a separate investment account. Maybe you have access within your household to a pension. Maybe you have and your counting on Social Security. And maybe again, you've purchased an income-producing household. So, basically, you have rental income. So there's a variety of ways in which you could have invested your money as a whole basket of investments that you have. Your professional advisor has said that you might want to reconsider how you're allocating within your 401 just so that you're really well-diversified across all of your investments, not just within your 401 , 403B or TSP, 457, whatever that might be. So do now is we wanted to do a deeper dive and kind of show you an example of a 401 , 403B, TSP, and what we're gonna do is use the actual TSP. So the TSP, again, is the Thrift Savings Plan. So this is the 401 , 403B equivalent of what's available to government employees. And so we felt that this is just a really good plan 'cause it's a little simpler than many 401 's and 403B's in terms of how many funds they offer, but these are great funds at very low expense ratio. We really, really like talking about the TSP. So I'm gonna let Constance kind of walk you through what are the core funds, and then I'll talk a little bit about the target date funds after she's done. So Constance.

- [Constance] Great, Mike. Yeah, these funds, the TSP funds, really, I think exhibit the core components of the market, right? If you were kind of trying to group and simplify the market and where you can invest, these do a good job because in the typical 401 , you've got maybe three of each of these funds. Right, so you're not sure which one of the three of the bond funds to do or which one of the S&P 500-oriented funds to use. So it really helps to kind of narrow it down and understand the core components of the market. For example, the G fund, most conservative of the group, and you'll invest in government securities with a low return because of the low risk. This is kind of a close relative to a money market account. And so, this is a great place usually to park money if you're waiting for opportunities to present themselves. And so wouldn't recommend keeping all of your money in this G fund or majority of it over the long haul because it just doesn't earn very much, barely keeps up with inflation. F fund is more of the longer term, government corporate bonds, asset backed securities, and so you've got low returns and risk, but a little bit better return than the G fund. And it's comparable, I think, to the stable value fund that most people find in a 401 or 403B plan. And so again, it's a good back board to some more higher risk investments. You want to have diversity, but you wouldn't necessarily want all of your money in the F fund or all of your money in any of these funds, really, because of the diversification that you really want to have in your portfolio. You want to have a little bit of everything emphasizing different funds depending on your timeframe. Let's look at the C fund. C, S and I fund are all stock funds. C fund is more the large and medium-sized companies, kind of a relative again of the S&P 500. The S fund are the smaller to medium-sized companies that may have, all of the stock funds have volatility, of course, but different times for the large cap, the C fund is for the larger companies that have established track records and maybe a household name. S funds are for the smaller companies still in the growth phase, perhaps a bit. And then I fund is for international. So these are the core funds, and these are relatives of the ones that you have in your 401 or 403B, it's just you probably have three of each of these. And that's why it gets a little confusing sometimes when you're choosing your choices for your investments. Let's talk about how these relate to rebalancing.

- [Mike] Okay, so what I want to do is first explain target date funds. So in most all plans that you have, you're gonna have target date funds as well. So what you can see from this, I kind of call this the donut slide, so forgive me for that, but, at the same time, you can see the funds that we just covered down below, the G, the F, the C, the S and the I. When you talk about target date or lifecycle funds, what they're intended to do is these are portfolios that are gonna be built out of these underlying funds. So out of the five funds we just covered, and then they're gonna be built differently based upon timeframes. So I'm gonna walk through each one of these just to make sure that it's clear. So the one on the top left, which is called the L Income Fund within the TSP, this is for folks that have just theoretically hit retirement age. So they still want their holdings in the TSP, they're starting to maybe take withdrawals. But because they're at that point, they're starting to take money out of the plan, you see that the majority of the portfolio is in the G fund. Almost 80% of the fund is between G and F. But they still have some holdings in the other stock fund simply because their retirement might be 10, 20, 30 years. So you still want to have some exposure because you're not gonna be using your money and taking withdrawals all at once. So that's the L Income Fund. The 2020 Fund, which is just to the right of it, you see also is very conservative. So it has 70% of the G fund. So still very high percent 'cause it's assuming you're gonna start taking distributions potentially this year. So therefore, you want it to be pretty conservative. So if you were in either of these two target date funds, you obviously didn't experience really the drop in value from this recent stock market volatility, not nearly as much as you would have if you were in the other three that I'll now walk through. So if you're in the L 2030, you'll see that this starts to be a much more diverse range of investing across the five core funds within the TSP. So now you're up to 31% in the C fund, 21% in the I Fund, still have the largest holding in the G fund. So that helps provide some stability 'cause you're still only 10 years theoretically so that G fund holdings is gonna continue to grow over time. Now, let's look at the 2040, much further, now you have 20 years. So we all have to remember that, historically, stocks have provided the best long term returns of any other asset class. So if you're looking across bonds, real estate, they've typically performed the best over 10, 20, 30, 40, 50-year periods of time. So that is why the allocation switches as you have more time towards the stock funds. So now you see the C Fund and the 2040 is up to 36%, the I fund up to 20, 25%. And then as you look at the 2015, you see those percentages even increase more. So, hopefully, that gives you a good sense of just when you're looking at the target funds. So these are five and there's obviously a 10-year difference between these target date funds, you may be in a program that has five years so there's a 2025, a 2030, a 2035, regardless of the timeframe and, to be honest, the TSP just did that, they added more options in terms of target date. But this helps give you a sense of how the different portfolios might be constructed based upon the timeframe until that date. So now I want to try to explain to you what does rebalancing look like. So let's say that you have the 2030, so I'm looking at the bottom left chart of the L 2030 funds. So it shows 33% G fund, 30 to 31% C fund, etc. Let's say that's your target allocation. Okay, now, one year goes by so now we're in 2021 and you're looking at the performance of these funds. What you've noticed is the C fund now represents only 25% of this portfolio and the G fund 38% and the reason for that is just the performance of the funds maybe, you know, the C fund has dropped in value and so the overall portfolio is just switched some. So now you have less in the C fund than you are targeting so again, your target is 31%. So if you were to rebalance, that would mean moving 5%, so dropping the G fund from 38%, to what it is now, back down to 33. And then putting that 5% back into the C fund so it returns to that 31% target allocation. So that's rebalancing, you've got a target asset allocation, but it's gotten out of kilter just because of market performances. It could because of bond funds and how they performed. It doesn't have to be US.

It could be the international funds perform different than US stocks, whatever it is, you're simply trying to rebalance it back to these percentages that are your target. You will find that you can kind of click a box when you go online to administer your 401 or your 403B or your TSP and you can automatically rebalance each year. So the computer will go through and do this rebalancing for you. So just that might be something you want to look at. But that's rebalancing. If I want to reallocate my portfolio, let's say that I'm in that same 2030 portfolio, and let's say 10 years goes by and I haven't done anything to change it. Now I'm basically wanting a portfolio that looks like the 2020. So what I would need to do to transfer from this 2030 to this 2020 model is change across all of the five funds my allocations because now I want to be much more conservative. Theoretically, I might start taking distributions because now I've entered, I've begun retirement. So I want it to be a more conservative portfolio. So that would be an example of reallocating, changing pretty significantly all of the holdings across all five funds. It's not rebalancing. You're not rebalancing it. You're actually changing your target allocations into a new model. So that would be an example of reallocating. So, hopefully, that wasn't confusing, but I wanted to make sure that we cover just what it might look like within a 401 plan, a 403B, this being the TSP, what it might look like to rebalance versus reallocate. So with that, let's talk a little bit more about what we already mentioned is so important, but I want to reiterate, and Constance will spend a little bit more time just talking about a risk tolerance questionnaire.

- [Constance] Thanks, Mike. Yeah, just to keep it rolling here. We don't want to have enough time for questions. So I'll briefly touch on risk tolerance. That's really important, particularly now because it's in the form of a questionnaire and there's no wrong answer. It's a test, but there's no wrong answer. And it's a self-test to see where you are in the spectrum of risk, how much risk you feel comfortable with, based on your timeframe, and just your overall personality and anxiety level sometimes about these things. So this is something that you could find with a financial advisor will present you with this test to get, it's kind of a get acquainted piece that will allow them to learn exactly where you are in the spectrum. One example of a question, when I invest my money, I'm most concerned about investment losing value, or equally concerned about losing or gaining value, or most concerned about investment gaining value. So that will help identify where you are in the spectrum of risk. And then also another place you can check would be your own retirement plan administrator. Many administrators have on their platform, when you go in and check your retirement plan, you'll be able to access the risk tolerance questionnaire, along with the other information about your investments. So another example of a question. Imagine that in the past three months, the overall stock market lost 25% and individual investment you own also lost 25% of its value. What would you do? A, sell all my shares. B, sell some, C, do nothing. Or D buy more shares? Okay, so that may be the type of question you've been asking yourself these last few weeks. And so that's the type of question that along with other questions, usually 10 total, that will help identify where you are on the risk spectrum. So what's our action plan look like, Mike?

- [Mike] Okay, I'm just gonna quickly cover a few slides around taking action, then we're gonna get to your questions. Hopefully, I just want to make sure you're all aware that we're gonna have this as a weekly webinar, but next week's is gonna be a little different. So you'll see the titles in a second, but we're gonna separate what's at the nine o'clock, nine Pacific Time webinar next week versus the 12 o'clock Pacific Time webinar next week. So please attend our weekly webinars. We hope to see you each week. And again, it's gonna be customized each week based upon the feedback that you give us. And we recommend you create a wellness plan, notice we didn't just say a financial wellness plan. You all have access to probably great resources through your employee assistance programs and through your employers. So we just recommend that you really tap into those, make sure that you're not only are aware of the federal and government programs that you have available, but oftentimes we see a tremendous amount of great programs available through your employer that are underutilized. So you just might be able to tap into some of those as well. And then step three, speak to a money coach. All of you no matter whether you're just coming to us through an EAP, or you have a direct relationship with MSA, regardless, you have at least an opportunity to have a 30-minute conversation over the phone with a money coach on any topic so we can help you with whatever's on your mind. So please, take advantage of that. And the best way to do that, in this next slide we'll just show you, is to go through your EAP. So in terms of contacting your EAP or contacting your HR, many of you may be aware, and if you happen to have a relationship where you have a landing page or the phone numbers readily available in terms of calling us, please do that. But regardless start with the EAP or go through HR, then you can make that appointment to have a 30-minute conversation with the money coach on anything we covered today. So in terms of what's coming up next, we're gonna have two webinars next Friday, the first we're just gonna focus on budgeting when income is uncertain. So we're gonna spend all 30, 35, 40 minutes of the webinar on that, then we'll take your questions. And then we're just gonna spend the 12 o'clock on investment strategies in volatile markets. So, hopefully, those deeper dives will satisfy more of your questions and help you out a little bit more. So with that, we'd like to also just remind you that you'll be getting a recording of this broadcast within 24 hours. And so with that, let's turn to questions. And Constance, why don't you hit us with the first one?

- [Constance] Yeah, you bet. So let's see. So the question is, is the stimulus money taxable income? No, it is not. So that's also the silver lining to the extra cash is it will not be considered taxable income. Why don't you take the next one, Mike?

- [Mike] Sure, it's from Barbara. I have reason to feel confident that I will keep my current job. That's awesome. Would this be a good time to consider buying a home, first time buyer? That is a great question. So glad that you have that consistency and you're confident that you can maintain your income. But I would want to spend probably more time before I give you just a straightforward answer on this as to are you ready to buy a home in terms of have you saved up the money for the transition costs, for making sure, I don't know, I'm assuming you're renting right now since you're a first time buyer, so there's often more expenses associated with the budget when you buy that home. In terms of being able to get a good rate and mortgage rate, it's probably a good time for that. But I would want to make sure that your emergency fund is in really good condition, and that you can handle transaction and that this is truly the best time for you. But for many people that were planning already to buy a home at this time and have planned such and have the right finances, in order to do that, I think it could be a great idea. It could be a good time for something such as that. But again, you want to make sure that you've got a good emergency fund put aside and make sure that you can handle the increased budget, monthly budget that'll probably be associated with buying a home.

- [Constance] Great, okay. Joel says my wife is a stay at home mom. Will she receive any money in the stimulus? So it would be per household, two adult household would be 1200 per person. So yes, you would.

- [Mike] The next is does the expanded unemployment coverage that is now in effect cover gig workers such as a Lyft driver that can no longer work in this season? It's my understanding that it does. I'm gonna have to go back and look at what was finalized and actually signed into action today, hopefully, by the President, but it is my understanding that the question to this is yes. And so that regardless, you should apply. And you should make sure that you assess as quickly as possible 'cause just like the mortgage process, or the refinance process is getting backed up a little bit. They're doing everything they possibly can not to have a similar backup. It's typically a two to three-week process with unemployment, but there's no harm in applying. So I would do that and not wait to see the exact details that will come out over the next two to three weeks and then you'll get a response.

- [Constance] Okay. Susan asked do Parent PLUS loans count for delayed or reduced payments or interest hold? So I haven't seen specifically where it says Parent PLUS, but I would encourage you to contact the servicing company. And also ask them that question, you would do that anyway, even if the loan was on the list, you would contact the servicing company just to find out what options you have.

- [Mike] Okay, so, government stimulus check a one time or is it monthly? It is not monthly, it is as of now, one time. So, it's hard to say and to understand if they're gonna try to do anything else. There's been talk of other and other programs that might come into play. But for now, this is a pretty significant. They've equated this to we haven't seen anything like this since a wartime type of an event. So we would really be surprised to see anything in addition anytime soon, but nonetheless, you should be able to understand it as a one time event, but not something that's gonna be monthly.

- [Constance] Okay, and Ernest asked if you own your own business and the business had to close, you're unemployed, but you can't really apply for unemployment, correct? Well, for businesses, there are special benefits for small business owners. So I would check the handout that's provided in the presentation. And also, you can go to whitehouse.gov or usa.gov to keep up to date on additional incentives for self-employed people because I know they're expanding benefits and providing some stimulus as well for them.

- [Mike] We're jumping around. I'm trying to make sure I don't repeat any questions but from Patricia, are the one-time payments from stimulus on a sliding scale or does it cut off at 150,000 per couple? so it is on a sliding scale. So if for a couple, your earnings are below 150,000, you should get the maximum amount which is $2,400. But from 150,000 up until 198,000, it's a sliding scale. So you will start receiving less and less as you get closer to that 198,000. After that amount, you will not receive an incentive or a stimulus payment. So the maximum goes up to 150K and, like I said, it then starts to scale down after that up to 198. That was my understanding again, I'll double check that from what was signed, but that was my as we came into the call today.

- [Constance] Mm-hm, okay. Okay, so Candice asked what if you have a rental property and your tenants can not pay rent? Will you get a waiver for mortgage payments? So here again, if you're a landlord and you have a mortgage on the property, but the tenants cannot pay, definitely check with your mortgage company and ask them if you can get some concessions on payments. Maybe skip a couple payments to allow your tenant to catch up as well. And also, maybe share some of the links for unemployment benefits, depending on how well you want to suggest something like that. But sometimes people are not always aware of the benefits that they have. They may think they don't qualify. And so it could help you as as well as them, if they're more aware of the benefits. So you could share this handout and just say that you were able to find out some resources that they may be able to use.

- [Mike] I'm gonna answer two questions here that are closely linked, one from Greg, remind me what the F fund is? And again, going back to the Thrift Savings Plan or the TSP, the G fund was the most conservative. It's basically just made up of government securities, and it's guaranteed never to lose money. You're not gonna earn that much money, but it's extremely safe. The F fund invests in a much broader array of bonds, of fixed income securities. So you are gonna accept some risk. So if interest rates are fluctuating, you could, theoretically, lose a little bit of money in that fund. It's gonna be a lot safer than that the stock funds typically. So you'll see some volatility, but not nearly as much as stocks. And you're certainly not gonna see as much, you'll have a lot less volatility in the G but the F is bonds in a much more diverse range of bonds. And so you'll get a little bit better return, typically, over longer periods of time than G. But between the G and the F, those are your two most conservative. And then the other question was, won't you have rebalancing? This was from Anna. Because as soon as you put more money in that C fund, it'll keep losing money. And so, typically, when I refer to rebalancing that's kind of an annual exercise. So that's why oftentimes within different plans, that you can hit that automatic, it's something that will be done once a year. So it's not something that we recommend people just constantly be going back and doing these types of transactions. And also you shouldn't assume that the C fund is always gonna keep losing money. Again, right now, US stocks are very volatile, most stock markets around the world are very volatile. So we don't know how long that'll last. But you also don't know when the recoveries will come. If you look at last week, and what kind of a brutal down week that was, but then the beginning of this week, and how positive this week was, if you'd taken your money out last Friday, and then missed the first few days of this week, that could really hurt you. So it's impossible. Nobody has a crystal ball. So that's why we really don't recommend people kind of go in and out of the market. It's better to have a game plan to dollar cost average when we say dollar cost average, that's what you do when you have money coming out of your paycheck and going into your employer-sponsored retirement plan. So every two weeks or once a month. Money's just coming out and you're buying new shares. In a very disciplined manner. And that's the way we recommend you do it much the same with rebalancing. If you do that once a year, just that same time, once a year you rebalance, and then you kind of leave it alone. I'm not saying that, you might want to consider doing it more than that. But that's, typically, what we're gonna recommend is that when it comes to investing, you follow disciplines rather than letting your emotions take control and when events happen, then you make decisions and you take action. It's mostly having a plan and then having disciplines in executing that plan. And you stick to those even during difficult times like today.

- [Constance] Great, okay. I'm gonna take three questions all on mortgages here. Joyce, Randall and Brad. So Joyce says, I was in the process of putting my home on the market for sale and buy a different house, should I still hold off on this process? So if you're in the process of thinking of buying or selling, just the question to ask yourself is how secure is my income? Because that's what will be driving your decision to move forward with a purchase or a sale. If you're gonna sell your house and buy another one, how secure is your income right now? If you feel fairly confident that things will be just moving along with your income, you're in an industry that's essential and will continue, then use your best judgment in that process. But that's really the concern I would have. And then about refinancing, would now be a good time to refinance? Or if you're in the process of refinancing, just if you're in the process, don't be surprised that there is a bit of a delay in having things close. It's just that everybody's doing work around and working from home and it's just taking a little bit longer to get things done. And would it be a good time to move forward with refinancing or rates expected to go lower? I don't know how much more they can go down. They're pretty low right now. And so the key idea is, would you want to spend money to lock a rate in right now if the loan takes 45 to 60 days to close? So those are some of the considerations around mortgages.

- [Mike] This next question I love. It just shows the heart of so many people. And this is something that although this is a very difficult and stressful time, I just love all the stories that I'm able to read and see about people reaching out and wanting to help others. So Rebecca asks, how would you advise those who want to help others financially but are concerned about their safety net? So this is really an individual decision. Again, I applaud your heart and what you want to do. I have three daughters in their 20s. And so there are different levels of uncertainty or nervousness, in terms of the jobs they've just started, or in terms of one just graduating and trying to find a job in this environment. So you always want to try to help and make sure that people are stable and able to, with a calm mind, make good decisions and move forward. So in terms of helping others, I'd say much the same, it's really breaking it down to helping others and hopefully that empowers them to to help It could be just again, helping them with essentials, helping them to get by, but you got to be careful that you don't compromise your own safety net. And a lot of because many times, especially when I look at my daughters in the 20s, they may go through a rough patch and I might be able to make that easier by giving them more money. But I kind of, I'll often throttle that back. I'll make sure they get through the worst of it. But it could be, it's a lot harder for me in the next 20 years or as I'm about to retirement far away to make up whatever money I give up, giveaway, versus my daughter who's in her 20s being able to get through whatever challenges ends up being and she now has decades to make up for that through her work and just through her life, so you got to really weigh a variety of things. But I applaud your heart. I think that's awesome. And I think this is one of the things that's gonna get us through this is all of us helping each other. And that's one reason why MSA is still open for business. We're here. We are definitely here to help. And we have money coaches, that'll have conversations and hopefully help you out. But again, we applaud everyone that's trying to help others through this difficult time.

- [Constance] Yeah, very important. That's a great question. I applaud the person who asked that. That's very, very special. Sheila asked if we don't have a good cash reserve, should we stop our 401 and focus on building the reserves? So I would say, Sheila, if you can dial back the 401 but still get your match because that's free money that you'd be walking away from. You don't want to do that. The other thing is, look at your expenses, and see if there are any ways to reduce your expenses right now. So I think a little bit of each, not necessarily just completely coming out of the 401 . But dialing it back a bit, continue to get the match. Also look at your expenses. Right now, we may not be spending as much going out and for entertainment and things like that. So maybe there are some ways to reduce expenses that can help make ends meet.

- [Mike] We're getting towards the end here, but we'll try to take one or two more questions. And Jonah submitted one a long time ago is, should I reduce my deferred comp during this time? And that's a difficult question to answer straight up simply because I'd want to know a lot more about the security of your income period. And again, if you're part of a household, what the outlook is. So in terms of reducing your deferments, or in terms of reducing your contributions to an employer-sponsored retirement plan, in terms of reducing your contributions to an employee stock purchase plan. These are all good questions to be asking. I think a lot of it comes to your own comfort, your own safety net that you have in terms of emergency savings, in terms of if something were to happen to you, do you need to do these things in order to build up a little better safety net? Or can you continue these programs and contributing to these programs and buying while stocks are on sale? I think it's a great thing to be able to continue that and maybe if the prospects become more cloudy, then revisit the decision. But I always try to encourage people to continue purchasing into these programs and taking advantage of this marketplace if they can but it's really a tight look at the budget and making sure you've got a good safety net to allow you to continue those types of actions. So with that, I'm gonna conclude with one other thing. I got this from one of our our members in New Hampshire, and I welcome any of you in your surveys, giving me any analogies or stories that you've gotten that have helped you and feel more comfortable in these volatile markets. And this is something that Andrew learned from his grandfather. He said, investing is like a rollercoaster ride. That first dip and upside down curve can leave you saying, I'll never do this again, please God, just get me through this. And then when you finish the ride and realize you survived, and it really wasn't too bad, you go back in line and do it again. Investors shouldn't make rash buy or sell decisions until the volatile markets calm down, or the ride is over, and then assess your next moves. So with that, again, we hope you've enjoyed today's webinar. On behalf of Constance and myself, we hope that this has helped and we look forward to looking at your survey questions and planning for next week as well.

- [Constance] Thanks, everyone, appreciate you joining us. Take care