- ♪ 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] Third Friday in a row that we've been bringing you these webinars and we hope you're finding value in them. I wanna thank everyone that is present. Many of you submitted questions when you registered, or you provided survey feedback to us that has helped us to craft what we put together into these webinars. These webinars, this is kind of unique to MSA, they're available to anyone that has an MSA. So we have just hundreds of employees from all different organizations, so we welcome you to the webinar. It's great to see you with us today. In terms of introductions, my name is Mike Hackett, and I run our education department. I have been in financial services for over 30 plus years, worked in the investment business for over two decades, and I have been working with a great team of folks. We travel around the country, visit all kinds of employees from different organizations, to present our curriculum, as well as meet with them one-on-one and try to help them reduce their financial stress. So it's a joy to be with you today, and I'd like to introduce my colleague, Constance Foley.

- [Constance] Hi Mike, it's a pleasure to be with you and everyone today. And as we should be, we're all exercising social distancing and working from our home offices. So welcome everyone, maybe you're working from your home office, as well. And hope you're all well, safe and in good spirits. So a little bit about me, I'm a money coach at My Secure Advantage, and I'm an accredited financial counselor. I've obtained a masters in education, and I've been a money coach for many years.

- [Mike] Great, it's wonderful to be doing a webinar with you, Constance, and let me do a little bit of housekeeping here. If you have a question, we welcome those, and so we will have, we're gonna try to allocate almost half of this webinar to answering your questions, so please submit those. We will wait till the end, but we'll go through 'em and try to get to as many as we can. If we don't get to them, then again, it'll become a part of what we try to address next week. Also, in terms of after this webinar, you'll receive, probably within 24 hours, an e-mail, and it'll have a link so you can get the recording. So don't worry if something goes wrong. I know there's been some issues with audio. I think everyone's experienced audio issues. The Internet's pretty swamped right now. So hopefully, we'll be able to get through this without too much garbled talk, but again, you'll be able to get the recording if you have to step away. Also, when you leave this webinar, you'll be pinged to provide a survey, and I can't emphasize enough how important it is to us for you to give us your opinions, give us your thoughts, especially your questions as to what you would hope we would cover next week. The way that we've been building these presentations is we look at your questions, we try to make sure that we are also consistent and each webinar builds upon itself. So we try not to get too repetitive in terms of what we cover, we try to make sure that we're talking about current events with respect to the programs and different things that are just happening in the market. So that's what we're gonna do today and that's what we will continue to do every week, so we look forward to that. In terms of our agenda today, what we have crafted is we wanted to talk about government actions to stabilize markets. So each week we've been talking about different programs. Last week when we got together, they were about to vote on a stimulus package and that was passed. So we're gonna talk a little bit about why those, many of those actions that the government is taking should, hopefully, act to stabilize the markets over time. Also, last week, we ended our webinar by kinda recommending that everyone, if you haven't done it before, you take a risk tolerance questionnaire. So we're gonna kinda start in more of our deeper dive on investing by picking that back up again. And then, we're gonna talk about aligning risk tolerance to your asset allocation within your employer-sponsored retirement plan. Then, we'll talk about an action plan. Hopefully, that consists of making sure to follow up and all of you have access to at least a 30-minute conversation with a money coach. Help you after this webinar, we certainly look forward to that opportunity. So with that, why don't we kick it off with Constance. Tell us a bit about what's been going on with the government and with the stimulus package and how these actions might help stabilize markets.

- [Constance] I'd be glad to Mike. I'm sure everyone is feeling a bit overwhelmed with the flood of information that's coming out in the last week or so regarding the CARES program. Government funds are providing liquidity in the economy. And much like cash in your bank account provides liquidity for your family to pay for expenses and to buy things you need. The stock market and the economy need liquidity, as well. It's like oxygen, it sustains the livelihood of our financial system. So the government enacted a legislation called the CARES Act, and it's an acronym for Coronavirus Aid Relief and Economic Security Act. The main emphasis is for it to be effective at getting people, getting money in people's hands, helping people avoid taking on large amounts of debt to pay their living expenses, providing funds to allow a business to stay open and provide payroll, as well as funding state and local governments for the virus response, and for schools and childcare services. So the overall emphasis is for the CARES Act to help sustain our economy to avoid major damage while we're experiencing this economic hardship and it to, hopefully, allow us to come back from this downturn more readily. And it's to help the economy to get back to where it was, ideally, in the fourth quarter of 2019 once we've reached that peak in the cases of the virus and the infectIon. And so we definitely, you know, as a... as a public, we've learned a lesson from 2008, and maybe you remember that downturn when the markets really, it's kind of, you're feeling like deja vu possibly if you were in the market during that time. But what we've learned is an important lesson that size and speed do matter in getting cash injected into the economy, because that's our lifeblood. That's what keeps things moving along. So you see, we've seen unemployment benefits expanded, tax payments and filing delayed till July 15th. Direct cash stimulus is on it's way in the form of cash checks to consumers and loans to businesses, particularly those impacted the most by this virus and people staying home, which would include the airline industry and large and small businesses alike that rely on consumers to keep them going. So let's take a look at what the Federal Reserve is doing. And you may have heard, also, that there's been a drop in interest rates since the market downturn. Drops near 0% interest, that's on the fed level. Of course, for consumers it's not quite zero. It's lower than it was a point or so. In addition, actions have been taken, that take, have taken in the past months or years to occur, like the stimulus payments, like loans and expansion of benefits. And so it's not just for the large institutions. In 2008, we were mainly hoping to sustain the banking industry, and so now, it's expanded to really the whole economy. And so we're trying to address every part of the whole economy so that we can keep things going and come back quicker and more easily back to where we were pre-coronavirus. Mike, tell us a little bit about what's happening with businesses.

- [Mike] Constance, you know, in relation to COVID-19, we've often heard or read the phrase, you know, flatten the curve, and this relates to our shelter in place orders and all the efforts to keep people form spreading the virus. You know, if we can stop the rapid spread of the virus, we, in essence, flatten the curve and create a more manageable pace of the virus spreading in much the same way a high percent of American businesses have seen their revenues pretty much fall off a cliff. So instead of a bell curve going up that we often see related to the virus, this is a bell curve that's going down. So businesses are seeing their revenue just kind of fall off a cliff. As it goes down, a lot of efforts are going into place right now to try to flatten that bell curve. So get it so that revenues, although they may be going down, they can provide some stability. Either we get the revenues starting to rise again, or expenses can be reduced significantly, as well. So some of the actions we've seen include larger corporations suspending dividends. Companies such as Delta Air, Ford, Cracker Barrel restaurants, Nordstrom, Carnival Cruise Line. All these companies and many more have suspended their dividends while companies such as AT&T, Intel, Chevron, and most big banks have suspended their share buyback programs. It's kind of amazing, I was looking at a statistic that said in 2019 over $2 trillion was spent in stock buybacks by corporations. So that kinda helps boost the market, as well, 'cause that's money coming into the market to buy stocks. And again, it's all supply and demand. So as individuals, as corporations, as everyone's buying stock, and these companies are buying their own, that helps prop up the market, as well. So other actions businesses are taking to improve their balance sheets or reduce the pace of their spending are accessing government lending programs. You know, things that you're seeing are people are reducing research and development spending, they're tapping into lines of credit. They're reducing compensation and benefits to employees, so there's so much going on. I was reading another article that a lot of the big oil companies are postponing or delaying projects. I think something we're gonna see consistently from a wide range of companies is issuing warnings on earnings. So there's a lot going on, and companies are really taking rapid action to try to kinda control their balance sheets and get through this tough period. Like we've talked about in the past, nobody knows really how long this will last. And there's been a lot of dialogue in the press, et cetera, as to, you know, how can we get the economy going again. But nobody wants to kind of break down the rules that we have going right now in terms shelter in place until we feel we've flattened that virus curve. So that's kind of a summary of what's been going on in the last week by not just governments but also companies to try to both stabilize markets and stabilize their businesses and to adapt to an economy that is kind of put on breaks. So now, we kinda wanna transition and continue where we left off. I mentioned this in going over the agenda last Friday. We spent a good amount of time kinda talking about what's the difference between rebalancing versus reallocation and we finished by recommending that one of the first steps you take when you're considering actions like that is taking a risk tolerance questionnaire, and seeing the output or the results that it gets you. Constance, walk us through that process.

- [Constance] Keep it up, Mike, thanks a lot. You know, the foundation of your investing strategy is your comfort with risk. So that's why you may feel a little unsettled right now, because your foundation has been shaken with the economy just so volatile and markets so uncertain. So to define and determine your comfort with risk, a good tool would be a risk tolerance questionnaire, which is about, it's usually up to 10 questions. Sometimes it's shorter, but what it does is it asks you questions and there's no wrong answer, it's really just to check in or identifying what your tolerance is for volatility. And it assesses your comfort with volatility relative to your timeframe for wanting to access the money. So the results often include a recommendation for a specific asset allocation, which is the appropriate mix of assets for diversifying your investments. Diversification is another foundational concept with investing, you wanna have your money in different categories, in different asset classes so that you can roll with whatever the volatility is. Some of your investments will do well, and others will not do as well or just kind of be neutral, and so you always kind of want that diversity in your investing. So it's common to make adjustments to your asset allocation to protect yourself from market risk while retaining the potential for growth. The best of both worlds, it's diverisification and also growth at the same time, and reduction of risk or, you know, not too much risk based on your comfort level. And as you approach retirement, you'll see that your asset allocation strategies will, typically, change. And it's good to do this risk tolerance questionnaire periodically just to check in to see, you know, what's going on. So let's take a look at how do you find one. Well, typically, you can check with your employer-sponsored retirement plan to see if they offer a questionnaire online where you find the plan administration information. If not, you can speak with a money coach through My Secure Advantage or an investment professional, and they can direct you to a risk tolerance questionnaire. So just keep in mind this is an essential step in planning as you review your timeframe for retirement and how much money you wanna have saved for retirement. So take us through to how that relates to asset allocation, Mike.

- [Mike] Great so, you know, in retrospect, many of your questions and phone calls to our money coaches lately have centered around this question of whether you should be changing what you are invested in within your employer-sponsored retirement plan, whether that's your 401k, your 403b, your 457, your TSP. And there's questions concerning, "Or should I just be changing where my "ongoing contributions are going?" So we often help people compare the output they receive from doing a risk tolerance questionnaire with their current retirement plan holdings. So the three asset allocation circles you see in this slide are from a study that Kiplinger did a couple years for their magazine. They looked at data from 1926 to 2017 to see how holding more stocks influenced your returns over this period of time. I'll show you the results on the next slide, but the point I'd like to make now is that one of these model allocations may be similar to an asset allocation pie chart a risk tolerance questionnaire would point you toward as of your risk profile. Let's say your risk profile questionnaire recommends that you consider a conservative portfolio in your retirement plan, but when you look at your current allocation, you're actually more aligned with the aggressive growth model. You can imagine, this may lead you to want to consider reallocating your holdings so that you're better aligned with conservative model portfolio. Before you make a moves such as this, we'd recommend you consider many other factors. For instance, your risk tolerance may be more aligned with a conservative portfolio, but if you have 30 years to go until you retire, or maybe you have other sources of income, so you weren't planning on tapping into this for some period of time, you need to be aware of how each of these portfolios has performed over time. You may not like the risk and volatility that you will feel when you have a mostly all stock portfolio, but you may be willing to put up with this for the long-term returns. Let's look at how these portfolios performed over a 90-year period of time. So on this next slide, please focus on the dark blue box below each circle. If you're in a conservative portfolio, that is primarily bond holdings, and you would have received a very respectable 6% average annual rate of return over the 90 years. If you'd been in the aggressive growth portfolio, you would have increased your average annual rate of return to 9.7%. When you compound that difference in return, which is 3.7% annually, over 90 years, it makes a huge difference. However, check out the volatility. You were able to sleep a lot better when the markets were volatile with the conservative portfolio than, versus the aggressive portfolio. The worst 12-month return for the conservative portfolio was negative 17.7%, whereas the worst for the aggressive portfolio was negative 60.8%. And then, if you look at the positive performance sheet, you get an equally or, actually, an even more extreme variance in terms of what you would have seen in the aggressive versus the conservative. We all know your average annual rates of return are a critical component of reaching your long-term savings goals. And although you may want the high returns, you have to understand that markets will go through long periods of calm, much like the last nine years and then shorter periods of extreme volatility. As painful and as quick as the drops in the market have been over the last 40 days or so, the markets have done this before. So I wanna take a minute to make sure you're aware of a few more important points before you take action and consider changing your retirement plan holdings. First off, if you try to jump in and out of the market when it gets volatile, you'll most likely miss some of the biggest up days in your mission to avoid any more severe down days. As you've seen over the last few weeks, the market has had both it's largest down and up days in its history. Also, when you reallocate your portfolio by moving money between the mutual fund options in retirement plan, you're locking in whatever losses you've experienced in the funds you're selling. Ideally, you'd make these sell and buy decisions based on a long-term plan and not as a result of short-term volatility. With that said, maybe many of you were already thinking of reallocating your retirement portfolio before the markets became volatile. So let's talk about some steps we recommend you take in order to make sure you have proper expectations around the mutuals you're considering moving into. Constance will now speak to, how do you, then, go about researching the funds you have to choose from in your retirement plan?

- [Constance] Great, Mike, so we're leading the process here to where you wanna align your risk tolerance to your specific asset allocation that's been recommended by the risk tolerance questionnaire. So this is one of the questions that have been posed a number of times from people that are attending our webinar. So in general, you know, investments that have potential to generate higher returns are also more risky as you were pointing out, and only you can decide how comfortable you are with that trade-off. And then, align your asset allocation with your tolerance. So how do you that, well, the first thing is to decide what mutual funds that you're being offered in your retirement plan or through your brokerage account, which ones are the best to your needs. There's a variety of funds covering different industries and different asset classes. And so one place to look would be the fund profile, which is typically part of your online information through your retirement plan. And also, your brokerage account possibly has research available, and so you wanna find the fund categories to match your asset allocation needs. So for example, asset classes would include U.S. stock, international stock, bonds, et cetera. And we have a great handout on how to compare and evaluate mutual funds that will give you some really, good insights on how each of the categories lines up against the others and what the differences are. Because in retirement, your asset allocation needs are to generate income from your savings while growing your investments. That's true, I think, no matter what timeframe you're in, whether you're accumulating during you're career. You wanna produce some income and be able to reinvest that to increase the growth. So when you're looking at the profiles also be sure and check for the 10=year average performance history, because that will take us back to see how the fund did overall when we were coming out of the last bear market after 2009. So that'll give us some good perspective on how the fund may do over the next few years as we climb out of this new bear market and resume, you know, the activity that we had previously. So what's the next step, Mike?

- [Mike] Well, one other thing I wanted to just jump in, and it's really important, but often it's overlooked is the fees. As you're doing your research, it's kind of interesting to see what the fees are associated with different mutual funds. 'Cause when you have a mutual fund that's actively managed by a portfolio manager or a team of portfolio managers, it's gonna typically have a much higher expense ratio than an index fund, a fund that's primarily run by a computer, and it's just tied to a particular index such as the S&P 500. So just another note is when you have a higher expense fund, that's money that's going to pay those expenses versus going into your return. So it's just important to look at the expenses and compare those, as well, when you're looking at different funds. So in terms of actions, so let's say you've done your research, you looked at your asset allocation pie chart that was kind of, you were directed towards when you did your risk tolerance questionnaire, done your research, and you know what kind of return you're trying to accomplish over a longer period of time, and now, you're kinda considering taking action. So one thing we recommend is, I think one of the hardest things to do when you have volatile markets is sometimes you get into this idea. You're thinking about doing a lot of things, but you just don't really take action. And it is putting together a plan and having an investment plan that takes you to when you think you're gonna need this money in your retirement plan. Once you have a plan, it does really help with a peace of it, so the first is to decide what action, if any, you wanna take. 'Cause it be after you do this research you decide, "You know what, I'm gonna just let "the emotions that are going through me calm down. "I actually think I probably am in the right "investments over what I now understand "to be much longer periods of time. "So I don't need to take any action." But if you do think you wanna , reallocate your portfolio, we strongly recommend that you tap into and do some research. Just get a second opinion first. And your plan administrator will probably have some great resources, probably has people you can talk to. Just again, if you still questions about some of the funds that are available to ya, they can be a great source of information. Also, if you have a financial advisor, that would be a great person to be bouncing these types of questions off of. And then, a money coach can help, as well. And you can call, get a 30-minute appointment with one of our investment specialists, money coaches, and they can just kinda answer your questions and, hopefully, make you a little bit more comfortable with whatever actions you're considering. Let's say you, now, have decided what you wanna do, so you've, now, kinda got portfolio allocated. Now, we're gonna kinda jump forward to what's the next question that might be on your mind, and many of you have asked, you know, "How do I know if I'm on track with my retirement savings? "Now that I've seen this adjustment in the market "and a drop in the value of my account, "how might I go about kinda checking "and getting more comfortable, on track, "in terms of where I wanna see my "retirement savings when I retire?" So we'd like to recommend you maybe use a tool. So I'll let Constance walk through that, and then we'll do a quick action plan and then get your questions.

- [Constance] Great, Mike, yeah. So how do we know that we're on track for retirement savings, well, one way would be to check out one of the many retirement calculators, this is from FINRA, which is Financial Industry Regulatory Authority. It's the organization that really regulates the securities markets and the advisors in the market. This is a great one, and here's a list of types of assumptions and information you need to come to the... the platform with to answer the questions needed for the calculations, so how much have you already saved, how much money will you need after taxes each year? That's a guesstimate, you can kind of anticipate from what you need now, subtracting some expenses that won't continue in retirement, adding in some that do, will continue or be added into retirement. We have a great worksheet, as well, for comparing before and after retirement expenses to help you come up with that number. And then, will the income be taxed? And it depends on where it's coming from. You know, if it's a pension, it typically is. An annuity depends on what type it is. And then, the annual income can also include your social security benefit, and if you haven't checked lately to see what your estimated retirement benefit would be monthly, you can always go to ssa.gov. So Social Security Administration dot gov, ssa.gov to get your retirement benefit estimated. Your current age and your retirement age. You can, you know, change the numbers and see the results change, as well, based on different scenarios. It's really a great tool, and it gives you tremendous insight real time and where you are currently. So what's our next steps, Mike?

- [Mike] So what we hope is that you might, if this is one of the questions on your mind, that you do this exercise, doesn't have to be the FINRA calculator, there's a lotta great ones out there. But nonetheless, if you do choose to do that one, what you might find is, "Okay, I did the calculation. "I see what it's telling me, but I now I have a bunch "of questions as to, well, the number isn't quite "what I want it to be, what should I do?" So we're gonna kinda take off from there next week when we have our webinar. But for now, what I'd like to do is just kinda summarize and do a quick action plan in terms of how you can continue not only to attend these webinars but others ways in which we can hopefully help you. First, we recommend that you do just get together with us every Friday. We have the 9:00 a.m., which is more around budgeting and if income is a concern in your household. And the 12 o'clock will always be around investing. We recommend you also create a wellness plan. During this time when you're spending more time at home with family, you've typically got great EAP and company resources available to you. Make sure to take advantage of those and maybe even do some research as to understanding all the wonderful things you get from your health plan at work, as well as a lot of the other benefits that you have, including the financial wellness benefit you're participating with today. And then, I recommend you speak to a money coach if you have any questions. It's a 30-minute confidential, we don't sell anything, all we're trying to do is help you. It can be on any topic, it doesn't have to be specifically related just to what we're talking about today. We'd enjoy the opportunity to just give you more peace of mind for whatever challenge you're going through or whatever goal that you have. What I'd like to do is just tell ya quickly, if you wanna get started, many of you are from sources, so you may be coming through your employee assistance program or you may be, you may like already have exposure to us through your employer. Again, go through HR, go through whatever the easiest way is for you to , and reach out to us if you wanna work with a money coach. In terms of upcoming events, we have the 9:00 a.m. next week which is gonna be around budgeting, and then we'll have another 12 o'clock on our next Friday, as well. And it's your survey results that are gonna be so important in terms of guiding us there, as well as when you register for it, you can submit questions, so that's great. I wanna remind you that you can get a recording of this when you, probably within 24 hours you'll get that e-mail. So please make sure to look for that. And then, again, when you exit, please give us your survey, please give us your thoughts, your questions, your opinions. We'll do everything we can to kind of adapt this webinar, this webinar we create every week, to just try to meet your needs the best that we can. We'll do that the best that we can. With that, I'd like to kinda transition into the Q&A. So we wanted to try to finish up in close to 30 minutes, and I think we've done that, so that we can spend as much time as possible answering your questions. So as long as you have questions, we will kind of continue to answer those until one o'clock Pacific Time. With that, I'll kinda hand it to Constance, and why don't you kick off by answering whichever question you'd like to first?

- [Constance] Okay, great, thanks, Mike, yeah. So if you still have a question, be sure and put it in the chat box, and then also, you will be getting some great handouts. One on how to evaluate and compare mutual funds. And then, the other one is on risk tolerance and asset allocation, which gives you some links to risk tolerance questionnaires if you need to have that resource. So let's take a question from Vincent. "Would this be a good time to refinance your home?" And John also has a question, "Should I refinance? "I have a 2.875 for a 15-year rate." It's a great question, because rates are lower now, typically, than maybe you have, but you have to consider the overall cost of... refinancing and those would be the closing costs. You know, you have to look at how much you're actually saving on a monthly basis by lowering the interest rate. Let's say you're saving 200 a month, and it's, let's say it's gonna take, this is kinda low, but we'll say for round numbers, $2,000 are the closing cost, which again, it's pretty low for closing, but easy to do the math. And so in 10 months, you would've, with your savings of 200 a month, you would've covered the cost of refinancing. So if you're gonna stay in the house at least 10 months plus to get the benefit and make it worthwhile, it could be a good move, but be prepared for delays. There's such a rush of applications now into the mortgage industry, and lenders are trying to keep up with the level of applications. And of course, appraisals are a bit different, as well. A lot of appraisers are not able to go in the house and do the estimates on the value, so they have to use computer algorithms. And everything is just delayed, so it can take maybe 45 to 60 days to close a loan, when normally, it's three to four weeks. And so the other consideration is do you want to pay extra to lock in the rate if rates do tend to go up a little bit as we're getting through this virus issue? That, again, would be an extra cost, you'd have to factor that in.

- [Mike] Just to add to that, I mean, John had asked, "Should I refinance? "I have a 2.875 for 15 years." That's a darn good rate, so I would say I don't know that you would be able to get anything below that right now. Possibly, but it's kind of you have to do an analysis of what are the expenses and the fees you're gonna pay. If you're in a 15-year, and let's say you have 13 or 14 years left, ideally, you could maybe refinance it, just keep that amount, so 13 years or 10 years or whatever it might be. But 2.875 is pretty good for 15 years, so I would think you're probably gonna be just as good sitting on that, but nonetheless, might be worth some analysis. And if you wanna do some analysis and then bounce that off a money coach, that might be a good idea. The next question I wanted to address is one we get often, which is "Is it better "to invest in a Roth or traditional 401k?" And the way I like to explain this is it often kinda depends upon your age, it depends upon a lot of factors, but especially when I'm talking to people in their 20s and 30s, I get pretty excited about what you can accomplish with a Roth, because you have decades to go until you'll be tapping into this money. And also, typically, in the beginning of your career, that first third of your career, you're gonna not be earning as much money as the middle and last third of your career, so your taxes are gonna be lower. So if you invest in a Roth 401k, you're gonna pay taxes, and then you're gonna take money from what's left, and then put that into your 401k. And then, it'll grow for however many decades you have until you retire. And then, when you take distributions in retirement, you will not pay taxes, and that's a beautiful thing. If you are in a traditional 401k, then you use pretax money in order to put that money into the 401k, so you get a tax break today. The Roth gets that tax break when they take distributions in retirement, and it's nice to have those tax-free distributions in retirement, but it's also nice to have a tax break today. So if you're in a traditional 401k, every paycheck's a bit lower from a tax standpoint, because the money went to go and fund the 401k. And then, the money grows tax free until you retire. When you take distributions in retirement from a traditional, you will pay taxes. Now, hopefully in retirement, your tax rate's pretty low or lower than it was when you were in the latter part of your career. So maybe that's not such a bad thing, but that's the main difference. And like I said, I often really like to have someone consider that Roth when they're at that point in their career where their taxes are a bit lower and they have decades in which that money can grow and resort in a nice tax-free distribution stream in retirement. That's typically the way I present that to folks. And I've seen a lot of folks do 50/50, because maybe they're in the their 40s or their 50s or so, so they kinda wanna get a benefit of both. So there's no one right answer. It kinda depends upon your situation. But again, the fact that you're putting money into your 401k, hopefully, at least for many of you the opportunity to get a match and at least contribute that much to get that. That's just a great discipline to have through your career.

- [Constance] That's great vice, Mike. And I would add, also, if you do switch over to the Roth and you've been doing the traditional, be mindful of your withholding. And you might wanna check in on that with the irs.gov calculator, withholding calculator, to make sure that you're still on track to withhold enough. Because when you do the tax deferred contribution, you're lowering your tax liability, but when you go to the Roth, you're increasing your tax liability a bit, and it could impact how much you have to withhold. And Kelly asked, "If we have multiple investing accounts, "do we consider our portfolio balanced across "the accounts or for each individual account?" So this is a very insightful, really, you know, spot on question as far as what the next step would involve. And the question you would ask yourself is, "What timeframe do I have "for each account, when do I need the money?" And if you have different timeframes for each account, maybe you're gonna pull from the Roth first, and then go to the tax deferred or vice versa, there's tax strategies involved in any decision you make and how you take the money in retirement. Or if you have a brokerage account and you're saving for a purchase of a home, down payment, that timeframe's gonna be different than your retirement timeframe money. And those questions are gonna be asked when you take the risk tolerance questionnaire. They'll specifically ask you, "When will you be using the money?" So if there are different timeframes for each account, then you'd do risk tolerance for each account with a different timeframe. Let that be your guide in terms of how you address the risk tolerance: what's your timeframe for needing the money?

- [Mike] Great, thanks, Constance, what I'm gonna do is I see a few questions related to the TSP. Again, the TSP is a Thrift Savings Plan that government employees can save, and it's much like a 401k or a 403b, but it's saving plan for government employees. I'm gonna answer a couple questions here. Howard asked, "I've to a transfered "a TSP to the G Securities Fund." If you recall from our conversation last Friday, we kinda went through what the different investment options were within the TSP, so G is the most conservative. It's Government Securities, and it's actually a unique government security in that it will not lose money. So when you're in the G Fund within the TSP, and not many, other portfolios might have a similar type of fund, but is it safe? You will not find a safer portfolio that you can be in within the TSP than the G Fund. And then, "Will I lose my biweekly contribution?" No, you, I mean, that's a completely different question in terms of your money that's in there that you've just moved into the G Fund, the answer to your question is it is very safe. And the only caution I have is I'd wanna from Howard as to how much time he has until he plans to start taking distributions from the TSP, so he's in this extremely... holding right now, but again, if his timeframe is really long, I would want him to at least consider reallocating across some of the other funds within the TSP. He also asked, "Is it advisable to reduce my TSP biweekly contribution from 18% to 5%?" In my opinion, if you can afford to sustain that, I think that's great and maybe you put more of your contributions back into either the S, the I, or the C Fund, because those are the funds that are invested in stocks of different markets, the S&P versus small cap versus international. And since those markets are depressed right now, you'll be able to buy more shares while the markets are down, so I think that's a good idea. But again, I'd wanna know your timeframe to necessarily recommend what you put those in. But whether you reduce your contributions is a factor of a lot of different things having to do with your budget, your timeframe, et cetera. So I'd talk to a money coach if you wanna get a better answer there for your specific situation. The last question I see is this from Joe: "Is this a good time more with the market? "And how with the TSP, I have a 20-year time horizon?" So if you wanna be in the market within the context of the Thrift Savings Plan, that would be the C Fund, which is tailored after the S&P 500 Fund, which is more small cap, or the I Fund, which is more international. All three of those funds into the stock market, which again, is volatile right now, and we've seen over long periods of time such as 20 years it's typically gonna perform than most other asset classes and it'll probably serve you well. You can also look at the target-date fund within the L Fund within the TSP that will probably, I'd look at the 2040 Fund. If 20 years is your horizon, then the 2040 Fund might be another good fund to look at. That'll just allocate the funds for you across the five options that you have. So couple things to think about, ways in which you might be able to get a bit more aggressive in the market with the TSP.

- [Constance] All right, so Laticia asked, "What's the difference between a money "coach and a financial advisor? "And if you have a retirement plan, "but you're late in the game, which would be better?" So we support each other, you could start with a money coach and get familiar with some of the terminology and some of the questions, the best practices to look for when you're looking for a financial advisor. Many of our coaches have been on the other side of fence, me included, I've worked in the securities industry as a stock broker. And so I kind of understand the mindset of the advisor but also appreciate how a client needs to feel comfortable with working with their financial advisor. So sometimes it can be intimidating. So what we can do is help you understand the process, feel comfortable talking to two to three advisors, suggesting questions to ask each advisor, and really understanding how to ask for what you want. And so a money coach can really be a good setup for talking to an advisor. We have to stop where, you know, we can't cross the line and recommend any kind of investments, so that's where the handoff would occur. And we can do everything to get you ready and feel confident in approaching an advisor, and then helping you determine, you know, what qualities you're looking for and how to ask for that. So we're not allowed to give specific investment advice, but we can help you get to the next step. We can also talk about allocation and that process and just provide a broad financial education to help you feel more comfortable with the next steps that you wanna take.

- [Mike] Great, this next question is from Alex. "As a younger investor who is concerned about the long-term "outlook of the market due to various reasons, "climate change, natural disasters, pandemics, "other catastrophic incidents, et cetera, "I have a hard time justifying investing in IRAs "due to the non liquidity of these investments. "Would it be better for me to invest with a liquid "brokerage account versus a 401k or Roth IRA?" First of all, when we get questions like this, you know, I don't wanna be too general. I'll answer this question in a couple different ways, but this is very specific to your situation. And again, that often warrants a more personal, one-on-one conversation either with a financial advisor or a money coach, but let me make sure you're clear on one thing. When you're thinking about investing in a 401k, yes, that's typically, especially a 401k plan through your employer, that money's gonna be in that plan. You can roll it over if you were ever to leave the firm, but you need to count on that money your saving and putting aside for a long period of time until you get to retirement. But when you do an IRA, so an individual retirement account, and you can set that up as a traditional or a Roth IRA. And when you set up a traditional IRA, and by the way, $6,000 is how much you can put into that on an annual basis. There are some income stipulations, so might wanna look into that, but just generically, if you were to set up a traditional IRA and put that money away, it would be difficult to get at that money if you were thinking about, before retirement, trying to access it. But if you set up a Roth IRA, that's different. So a Roth IRA is also, and we would always recommend that that's, hopefully, money you're gonna use in retirement years. But let's say that you have contributed for four years $5,000 a year to a Roth IRA, and then suddenly, you'd like to use some of that money for a down payment on a home or for some other reason that you'd like to use 5,000 of that Roth IRA. You could do that and you could have access to the money you've put into that Roth IRA. So again, you've put 5,000 a year for four years, so $20,000 that's in there are your contributions, you can take that $5,000 out, use it for whatever you'd like and there would be no penalty and no taxes, 'cause it was post tax money that you put into that Roth IRA. So just FYI, you do have some more flexibility with a Roth IRA versus a traditional IRA. Should you consider opening up a liquid brokerage account? I'd say that is definitely a consideration if you want to open an account and consider investing in mutual funds outside of a retirement umbrella or an IRA. That should absolutely be a consideration if you have the money to do such. It doesn't have to be just mutual funds, if it's stocks, if it's bonds, if it's whatever you'd like to invest in. I would just be aware that when you make transactions in a regular brokerage account, buying and selling be it the mutual funds or stocks and bonds, if you haven't held onto those for more than year, you may have to pay regular income taxes versus capital gains taxes, which is if you've held onto a security for more than one year and then you make a transaction, you might be able to pay the lower capital gains taxes if a tax bracket above . So a number of things to consider in terms of what you should invest in and what's best given that what your concerns are for the climate, et cetera. So I would definitely get some advice, but I think, again, that Roth IRA or considering opening a brokerage account would be some good options for you.

- [Constance] Great, okay, and Laura asked, "Is it best to freeze payments in our children's "college savings, they are 13, 11, "and nine, are we throwing money away?" When you have a college savings fund, I think, you know, your 13 year-old has five years or so, your 11 year-old has seven, and the nine year-old has nine. So you wanna be aware of the timeframe, again, with the risk for each child, and treat each child's savings independently based on how much time they have until they want to access, you know, you wanna start using the money for college. Typically, a good way to invest in college savings would be systemically, a certain amount every month or quarter, however often you wanna do it. Feed money into the market so that you're not buying all in one day and hoping the market doesn't drop the next day. You're buying systematically different times so that you're buying high, low, middle pricing. A lot of the college savings funds have target-date funds now, which are kind of like the retirement target-date funds. They're tied to the date where the child would, it's assumed they would need the money at 18. If you're feeling, you know, like you're not sure what allocation, that could be one way to get in the right allocation for the child's age. Do the risk tolerance with the time horizon for each child in mind separately, and keep in mind that prices are low right now. This economy's been driven by this event. Prior to this event we were doing pretty well. We had high, you know, good corporate profits, low unemployment, and, you know, things were going pretty well, and pretty low inflation. The other thing to keep in mind is we're gonna start getting some pretty negative reports on unemployment, because it's always delayed, and the last unemployment information was from mid March or so. As things have ramped up with unemployment claims, they've doubled in the last week or so, and so we're gonna see that playing out in the news. Don't let that get , get to you too much because of the fact that there's always a lag in the unemployment reports, and we're still kind of processing through those claims that we're now seeing, and the reporting will be delayed on that. So we will have some negative news coming up in the next few weeks, but keep in mind that these are reports from prior weeks when things really started to increase in terms of the number of cases of the virus.

- [Mike] Great, thanks, Constance, this question's from Ray. We actually have a number questions related to housing. We'll take note of that in terms of how we maybe weave that into future webinars. "How is the housing market "to a crisis like this in history? "Do housing prices change or just financing?" Good question, the reason I really wanted to answer this one is you kind of have to take a step back and realize that when it comes to the housing market, when it comes to stocks, when it comes to gold, when it comes to a lot of things that you might invest in or even buy day in, day out, it comes down to supply and demand. So when people want to buy stocks, the prices are gonna be rising, when people wanna sell stocks, the prices are falling and much the same with housing. The problem right now is with people not able to get out and look at houses, as well as people not being so sure about their income, and being a little uncertain about the future, then there's a lot less people that are probably, if they were thinking of buying a house, they're probably gonna hold off on that and just kind of sit on their heels for a little bit. The housing market is gonna respond to supply and demand, as well, so you can't really look at an event like this and compare it to anything in history, because there's never been, that I'm aware of, a pandemic, again, that with the population that we have today and the housing market we have today that you could make an equivalent analysis with. It's really hard to look at this and say, well, given what happened in the last housing crisis, which was, again, caused by completely different dynamics in our economy, will this act in much the same way? It's very unique, and so we still are gonna be kinda figuring out and watching over the next upcoming weeks and months how the housing market reacts to what's going on with this pandemic. So the jury's still out, but again, it really does come down to supply and demand. As you look at consumers and what they're doing, that can help kinda guide you as to which direction you might anticipate... the supply or the prices will go for housing. And you also see that the interest rates are dropping. So again, that's why a lot of people are refinancing, 'cause interest rates are at all-time lows. So definitely gonna see a lot of refinancing, but I think it's gonna be probably a much slower housing market for who knows how long.

- [Constance] Definitely true, yeah. So we're seeing some questions about, "Can you invest in an IRA, Roth IRA, outside of retirement, "and also through your retirement plan?" Yes, you can as long as you keep aware of the limits. The dollar limits for a Roth 401k would be 19,500. If you're 50 or over, you can do an additional 6,500. So it'd be 26,000 total if you're 50 or over. Outside of that, you can do a Roth IRA at 6,000 and then a thousand dollars extra at 50, but you do have to be mindful of your adjusted gross income. There are limits to contributing to a Roth IRA depending on your adjusted gross income. Yeah, you could do both, and if you have, let's say your 401k is part Roth and part traditional, you can do both, as well, in your Roth 401k and traditional 401k as long as you meet the contribution limits of 19-five or 26,000 if you're 50 or over.

- [Mike] Okay, this next question is from Aaron. "Any guidance for how much cash to keep on hand "in this environment, for example, is it better "to build cash right now instead of paying "off a three to 5% interest debt? "I have about nine to 12 months "cash for living expenses now." So great question, I mean, that's an awesome amount of cash to have on hand, nine to 12 months. I'll often try to get folks that I work with to target three to six months, 'cause you can kind of imagine that no matter what would happen to you, you could get back on your feet after three to six months, but nine to 12 is awesome. If someone has nine to 12, I would consider an action such as paying off a 3.5% interest debt. 'Cause if you think about it, given the volatile markets, given how low interest rates are, three to 5% interest, if that's what you're paying by getting rid of that or paying that down, now, you don't have to pay that interest anymore, and that's a pretty good return, not having to pay that three to five, let's say it's 4%. I would also be careful, though, in terms of the security of your income. So before you take actions like that, I'd wanna kinda look at the household income, look at your budget and make sure that that nine to 12 months of cash isn't at risk for other reasons, be it just not only income but maybe other expenses that you have coming up over the next 12 to 24 months. So I'd want to look at a few more things before more confidently saying, yeah, you should definitely put money towards a debt that you might have. But nonetheless, that can often be a really good use of cash that you have available to kinda lock in that return, 'cause by paying off that debt, you don't have that three to 5% obligation that you're gonna have to be paying on an annual basis. With that, I think what we're gonna do is wrap up. I really wanna thank everybody for attending today, both Constance and I have enjoyed spending some time with ya. I wanna remind you, as well, that if you want to reach out and make an appointment with a money coach, we'd love to talk to ya, love to help ya. We are open for business, so all of our money coaches are taking calls, and again, we know that there's a lot of uncertainty out there, and we'd love to help ya. And also, hopefully, when you take the survey, and when you leave this webinar, please give us your thoughts, your questions. We will take that into consideration as we put together our thoughts and put together an agenda for next Friday. So with that, thank you so much, and I'll let Constance say some farewell words, but it's been a pleasure spending an hour with ya.

- [Constance] My pleasure to be with you, Mike, and everyone, and just good thoughts and best wishes, stay healthy, and thanks again.