- ♪ Here we go again, here we go. ♪

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- Happy Friday everybody, and welcome to our afternoon webinar, investor education, managing your money in volatile markets, this is the seventh week in a row that Constance and I, have joined you to spend an hour, and talk about your questions, and hopefully make you a little bit more comfortable about what's going on in the marketplace. Just as a reminder, what we do is take your questions, take your feedback from previous webinars, and that's how we put together our agenda. For many of you, you've joined us for multiple Friday sessions, but many of you, you may be joining us for the first time. So welcome and the reason you're joining us is My Secure Advantage is your financial wellness benefit, and not only do you have access to these webinars, but also you can meet personally with a Money Coach, and have a 30 minute conversation on any financial topic, and I'll talk more about that at the end. But in terms of introductions, my name is Mike Hackett, and I have been in financial services for over 30 years, and I spent about 23 years in investment management. And the last five years, I've spent managing the education team here at My Secure Advantage. And I spend a lot of time, the team spends a lot of time traveling around the country, meeting with employee groups from different organizations, doing a lot of classes, one-on-ones, we also love doing webinars as well. So very happy to be with you, and here's my colleague, Constance.

- Thanks Mike, I'm super excited to be with you and everyone today. just to introduce myself, Constance Foley, I'm an accredited financial counselor, I have a master's in education, I'm a Money Coach here at MSA, I've been a Money Coach for many years, and I coach too a lot of different topics, but tend to focus on retirement, and insurance, and investment, and I think that's what we're gonna talk about today investment, so let's get started Mike.

- Great, let's do a little bit of housekeeping first, in terms of Q and A, again we really value your questions, that's why we allow 30 minutes, roughly 30 minutes at the end of this webinar, to answer your Live questions, please submit those throughout, and then again, we'll get to them. In terms of a survey when you leave the webinar today, you'll be prompted to fill out a survey, that's very important, 'cause again, we go through each one of those, and we will use some of that feedback to build our presentation next week. Recordings after about 48-hours or so, from the end of this webinar, you'll get an email with a link, so you could get access to the recording, so feel comfortable to go back and catch anything that you might have missed. So with that, let me get into the agenda. So I'm just gonna repeat that, again, we re-build this every week, so we kinda look back and see what are the questions that keep coming in. A lot of the questions are somewhat the same, because we have some new attendees, versus people that have joined us for multiple sessions. But what we've decided to do today is this is kind of a good foundation, for the next four sessions that will follow. At the end, I'm gonna give a quick overview of what the next four sessions will be. But what we wanted to do is, kinda start by looking at performance, how do you manage your own market performance expectations? Many people seem to be surprised by what the markets are doing, but to be honest, if you look at the last eighty or ninety years, seeing volatility like this isn't really that strange. It's a question of you might be more shocked by when things get volatile, how did my accounts actually react to that? And those can sometimes be a disconnect, and not expecting some of the account volatility, as well as just market volatility. So we're gonna get into looking at markets, and just some history so you can get a better sense of, how to look at short-term versus long-term market performance. Then we're gonna talk about goals and timeframes, and not just goals and timeframes, but also, for each individual goal, what is your performance expectation? We all might set a goal, and expect to accumulate some amount of money by some period of time. But usually we set a target, and in order to get that we have to have some average annual rate of return, so we're gonna talk a little bit about that, when we talk through goals and timeframes. Then we're gonna talk about when and how you evaluate your account? So after you kind of have set up what my account should be, what are some disciplines that we recommend that you exercise. And then being ready for challenges and opportunities, anytime we talk to folks, and then you see a Dow market like this or a volatile market like this, that could be a challenge, but it can also be an opportunity, so we'll talk about how you might be able to have some powder on the side, in order to take advantage of times like this, and then of course we'll finish with an action plan. So with that, Constance, why don't you take us through kind of what's happened in the last week, and some other perspectives with, when we talk about market performance.

- Sure, so just to kinda give perspective to what's been going on, and take the long view a bit. This is a chart showing the last year, of the Dow Jones Industrial Average activity, and the Dow Jones is actually a simple benchmark that indicates the direction of the market. It measures stock performance of 30 large companies, on U.S. exchanges, and includes Apple, Boeing, Microsoft, Coca Cola, Exxon are some of the 30 stocks that are measured. And as you can see, the market in the last year was kinda rolling along, in an upward trend, and then boom, we had that , that seismic activity in this chart, reminds me of kind of what is, San Andreas fault seismic activity might look like. And, it's yeah,

- Can you tell we're from California

- Yeah we're California that's our reference so, and anyone living on that fault wouldn't find this very funny, I'm sure but anyway, the point being the takeaway here is that, we had a pretty good run for the last 11-years, a great historic, bull run in fact, and we're all kind of shaken up by the fact that, the market dropped so much, and so quickly. Let's take a look at a broader view, a bit more perspective on the next chart, we're looking at a history of the Dow Jones for the last 20 years. And as you can see, there's been some dips particularly in 2009, from 2007, eight, it started kinda rolling down, and then it started, a slow climb back up, and that's what we've been experiencing now until this, this impactful problem that we've seen in the market, that was event driven by the the virus, and the concern around that. So just to give you some historic perspective, in the last 20 years, we've had some volatility, and we have seen some down markets it's just, it's just part of the part of the, the risk reward return aspect that we'll get into a little bit later. And then let's take a look at the next chart, which actually breaks down the asset classes that you can invest in, now the lower line is, the lowest line is inflation, and so that shows, that it's lower than the other three on top of it, now we have bonds, stocks, we have real estate, real estate is the blue line in the middle, stocks are in the, at the top, and the green line would be bonds. And so the key takeaway here is that we need to have a mix of different assets, because we'll have some underperforming, some over performing, some kinda just fair middling, and it helps us balance out our rate of return. Plus, we wanna do better than inflation, and the only way that we can really do better inflation these days is by being in the market. Let's go on and talk about goals and timeframes.

- Okay, thank you for those perspectives when it comes to performance, and kinda setting some expectations, when you look at the market, so again, one year versus 20 versus 90, everything kind of flattens out, and the market does go up over long periods of time, but nonetheless, it is disturbing when there's these short term volatility stages. So what I wanna talk about is goals, timeframes, and then how you set expectation for your return, particularly to a particular goal. So let's talk about the most common goals, that we typically deal with when we're helping people as money coaches. So the first is emergency savings, this is something that's come up in so many conversations, that I've had with folks lately, because maybe they didn't have as much emergency savings, as they felt or wish they had had. 'Cause it makes you more comfortable, we often recommend you have at least one to three months of emergency savings put aside. So when we start working with somebody and they don't, that's one of the first savings objectives goals that we try to set, is building that up, so that if you don't have the income that you hope for for a month, two months, three months, that you can get by and your emergency savings will kinda help insulate you, till you can get back on your feet, and get your income back to where you hope it will be, so emergency savings is absolutely critical. But in terms of where you would keep that money really safe, you wanna make sure that, that's money that's always there when you need it. Now let's talk about a second very common category, we call it large purchases. So a lot of folks will come and say I wanna buy a car, I wanna buy a house, it could be I need to replace the roof of my house in four years, whatever it is, we typically look at a three to five year timeframe for these goals, and we try to frame it up as to, okay, what do you need to save? What do you need to put aside? An ideal world for large purchases, you'd have all the money put aside, but by the time you need to spend it, and get whatever it is you're getting. But oftentimes, it might just be having the right down payment, having enough, so that you don't have to take out too much money in terms of financing. The third category for common goals is college education, we work with a lot of parents that, wanna save and make sure that their child has the money that they need, given whatever college that they choose, and this can be kind of a one to 18 year goal. I have three daughters, they're they're all three in their 20s now, and I set up a 529 College Savings Plan for each of them, when they were born. So that gave me 18 years to try to save, and try to get other people to help me such as their grandparents, even siblings, a lot of kids don't remember those gifts in the first 10 years. So I was very encouraging for people to kinda contribute to those 529s. But regardless, college education is a great goal that many people have. And then lastly, probably the most common goal for all of us is retirement, in terms of how we wanna save for retirement, and typically it's a 20 plus 30 year goal that people are establishing. But even if you get a late start, even if you're in your 40s and 50s, remember, we're gonna be in retirement for probably two to three decades. So even if you get a late start, you still will be following a lot of the same disciplines, hopefully you'll have higher income, at the end of your career, so you'll be able to make up some of the lost ground than if you'd started in your 20s or 30s, but these are common goals. So now I wanna talk a little bit about how important understanding what your return is, when you build a portfolio to accomplish that goal, so you're gonna invest some money, you're gonna save and invest money, to try to accomplish it. So I like, I love talking about saving for a child's college education, 'cause it's an 18 year period, and I think it lets you tell some good stories. So first off, let's say that you looked at your budget, and you said, "I think I can sustain saving $130 "a month for probably this period of time, 18 years," what's that gonna get me? And if your target is around $50,000 to save, by the time your child starts college, then you can see if you get a 4% average, annual rate of return on that $130 a month, you'll end up with a little over $41,000. But if you get a 6% return over that same period of time, you end up over $50,000, and that gets you to target. But that's a pretty significant difference in just your return, so if you aren't paying attention to returns on an annual basis, and you think you're getting 6%, but in reality, maybe you're only getting three or four, you could really come up short. But on the other hand, if you're actually getting seven or 8% return, you could actually end up having more money than you anticipated, which is great. So we're gonna come back to this theme, but I'd like to go to the next important slide, which talks about risk tolerance. So as you start to go, "Well, of course, I'm gonna want "that higher return." Well, there's some things that are gonna keep you from maybe doing that, and one of those is your risk tolerance. So one of the first things we've recommended, we've mentioned this at many of our Friday webinars, is the importance of taking a risk tolerance questionnaire. Many of you will be able to do that through your employer-sponsored retirement plan, usually you have resources available, you can call us, a Money Coach can talk to you, and will make sure that you're able to find one, and take it as well. But we often recommend people take these when they're kind of have a neutral mind, and they're thinking about each goal separately, and take a risk tolerance for that goal, and there's a lot of things that can change over time, with respect to why you might feel a little bit differently. It could be your family dynamics change, maybe you have a child or in my case, an adult child returns home for some period of time. Maybe you go through a divorce, you get married, other things such as you change occupations, so your income goes up or down. All these things can start to influence your risk tolerance, when it comes to some of the investments you've done. Other things could be in a significant life event or simply you've, you're not reaching a milestone in the timeframe related to your goal. So I wanna go back to the education example, that I gave you, so if you're looking at that 18-year period, I tried to be a little bit more specific, in terms of as you take a risk tolerance questionnaire, you might find yourself I really wanna be aggressive or I might really wanna be conservative, reasons you might wanna be aggressive is maybe you're in the first 10-years, so this is an 18 plus year goal, and it's the first 10 years you have a lot of time, and you wanna get as higher return as possible potentially, so that could be a reason that you try to build a more aggressive portfolio. It could be that your income grows as well or that your contributions increase. Basically, you have more income to work with, you feel more confident if you come up a little short, you're willing to take some risk. Also, you might find that grandparents are willing to contribute, like I said, I was very encouraging of my parents, my wife's parents to help us towards our child's college education objectives. And then you might have younger siblings, you may end up if there's extra money leftover, you can just provide that to your younger siblings, you can change the beneficiary on 529 accounts. So those could be some reasons why you are trying to seek aggressive returns. Reasons you might wanna seek conservative returns is, somewhere along this 18 year period, you might take a risk tolerance questionnaire, and lo and behold, it says that you should be conservative, and maybe you've been investing aggressively, but now you're feeling, "God I'm not too comfortable with this," and that could drive you to wanna change your portfolio potentially. Others could be that, college is gonna start within a few years, as you get closer to the time when you think you're gonna be taking distributions from your 529 or whatever your college savings account may be, you might wanna get more conservative so that you aren't putting at risk that money, that you're going to be taking out soon. And then you might also decide to use some of the funds for other educational purposes. In the case of 529s, you now can use money prior to college for other education expenses, which is great. So again, you might wanna have some more conservative holdings, if that's what you choose to do. And then recent market volatility, that might be a reason that, it kinda strives you to think, should I be more conservative? So when you end up with is sometimes this rub, which we're gonna get into in a minute, and we're gonna try to give you an illustration of this, but it says, "I have time, and I know I should be aggressive to get as much in return as possible, but my risk tolerance isn't quite telling me that that's what I should be doing, how do I resolve this? So we're gonna get to that but let's first talk about how you kind of evaluate your accounts, and when you do kinda go in there and tweak 'em.

- Okay, thanks Mike, so let's talk about that for a bit, let's take a look at the three common types of portfolios, that you may be steered towards when you take the risk tolerance questionnaire, and so you may score as a conservative investor a balanced investor or aggressive growth. So, these are the three types generally of the portfolio's, and you notice that the more aggressive you are, then the greater the emphasis on U.S. stocks, with the light blue color, the more conservative, then the least amount of light blue color in the circle. So that's pretty much the difference between all three is, more aggressive you have more stock, more U.S. stock more conservative, and then the balance is kinda in between one. Let's go on to take a look at average rates of return for each type of portfolio. So you've got, you've got the annual average rate of return here for each portfolio, and you notice that it increases with the risk. So a conservative portfolio would give you around 6% on average, and the balanced would give you about eight, and then a little over nine, almost 10% for the aggressive growth. But of course, it's not all roses right, you've got the risk return kind of conundrum, because the higher the risk, the greater the, the higher the return rather, the greater the risk, the greater the volatility is, you can see here, data taken from 90 years of the U.S. stock market, and in any 12-month period for each portfolio, the best and worst numbers are listed. For the conservative you've got the best as 31.1%, the worst is negative 17, almost negative 18. Now you get a little more risk involved, the best is 76 and some change, and the worst is a negative 40 and some change. So that's quite a difference from the conservative portfolio, where you only see a little over 17 as the worst, in any 12 month period. Now, let's go a little bit higher on the risk dial, and you've got the aggressive growth, the best return in any 12-month period 136%, oh, my goodness, and then the worst is over 60%. Can you imagine having a portfolio drop that much, but in the meantime, if you were in there for a while, you were probably seeing some good returns, but could you handle the volatility? That's the main question.

- It's interesting Constance,

- Yeah.

- Before we move on.

- Aha.

- Because one thing about this slide that I love is it kinda goes back to that previous slide, that Constance walked through, which showed you the performance over 90 years, this is a 90 year data set as well. So although over 90 years, it looks like kind of a pretty straight line up, this really shows you in the best and the worst year, how volatile it actually can be. So yes stocks have performed the highest over long periods of time, but they are volatile, and this gives you a little better sense of how volatile that can be, and what you have to look forward to if you wanna take more risk.

- Yeah, exactly. So let's go on and take a look at if time was your only consideration, we've associated time with greater, taking greater risk, because you can cycle out of a bad market if you have more time, for your investment to continue to cycle through. And so if you're, if the time was the only consideration, then the logical thing would be to go aggressive growth, and then to throttle down, and within 10 years of your goal to balanced, and then if you're near term three years or less before you take money out of the goal or spend it for whatever purpose, then you really get into the conservative portfolio. Now this is just an example if all the things, the main thing was time, this is what you'd be looking at. But of course, it's not just time, it's the emotional component, how do you handle that risk as you experience it? Let's go on and take a look at the disconnect that can happen. And I was talking to a client Mike this this past week, and it was so interesting because she said, "You know, I did the risk tolerance questionnaire, "and I'm conservative and she was like, 'Oh my gosh,' "I'm so surprised," because she's a younger person right, and she expected that she would be more aggressive. But how do we meet that disconnect? We need to find some compromise, let's take a look at the next slide.

- You mentioned just so

- Yeah.

- It's funny because I was talking to a couple of clients, and it was the same thing. I talked to one client who, six months ago when they did a risk tolerance questionnaire, it came out they were pretty much aggressive.

- Aha.

- And now they took it recently and they were conservative, and so emotions play quite a bit into this.

- Oh yeah.

- And it's one of the most fascinating aspects of investing is, is how do you manage your emotions? Is it more important to stick to a plan or what are our emotions telling us to do? Often it's telling us to act, and that may not be the best idea.

- Exactly, so particularly now, be wary of your results, particularly if you, if it's been bothering you about the market and you listen to the news, and it kind of affects how you feel, then be aware that, that can color your results. But what if you truly do have an inconsistency here, a disconnect between your goal, which is you need to be aggressive to reach your goal, but yet your tolerance shows that you're a conservative type of personality. So some possible solutions to that scenario would be, get financial advice, have someone help you and really do a check in to see if that's truly the case. Or lower your return expectations as we talked about, more risk higher return, but maybe you just can't deal with the volatility. take more time to reach your goal if possible, and then also see if you can get some funding from other sources, to supplement what you're saving, and what you're earning are providing.

- Well one person, I actually was chatting with was, they were getting so kind of wound up about the market that, they're saying, "I don't mind, "I'm gonna get more conservative. "I'd rather work an extra year or two, "beyond when I plan to retire than to take more risk at this point.

- Yeah.

- And that's the thing, you have different levers you can pull as an investor, as an individual, in terms of what do you want your retirement lifestyle to be? Or depending on what the goal is obviously, but usually you can adjust things over time, it isn't just about risk, and the return that you wanna try to accomplish. Anyways, what we wanna get to is that's, that's probably one of the most important things here is, that we wanted to cover today is this kinda concept of what do you do when you need to achieve a particular return to hit your goal, versus your risk tolerance isn't quite there to build the portfolio that's required. So hopefully you'll listen to some of the things that we just recommended, But what I wanna talk about is once you've made the decision, you've decided I'm gonna go into, let's say it's a moderate portfolio or aggressive growth or it's conservative, the point is this we never think that you should just do that, and just not pay attention to it for three, five years, whatever it might be, and I've seen a lot of folks do that, we recommend one exercise, which actually you can do on an annual basis, in an automated way, which is to rebalance your portfolio. In many of your employer-sponsored plans, be a TSP, 401k, 403b, you can set it up so that on an annual basis, it'll be balanced. And so what does that mean? If you look at the the moderate portfolio we have on the left hand side of this slide, after a year, this might be after 2017 or something, where stocks had performed pretty well, and so now instead of your U.S. stocks being at 35% of your portfolio, they're at 38, and your international stocks instead of being at 15, they're at 17%, and so this means that you have less bond holdings, just because of the value increase in your stock holdings. So what you would do is you would adjust that, you'd sell some of the stock, and you'd buy some more of the bond to get back to that allocation of 35, 15 and 40, that you originally targeted, so if you do that on an annual basis, it keeps you in line. The reason it's so important is I know a number of people that didn't do that during this last 10 years, so every year, it got a little bit more out of balance, so that when we saw this volatility, they got, they had a lot more volatility in their portfolio than they anticipated, because they'd gone out of balance with what they thought their asset allocation was. So that's just why we think it's an extremely important exercise. A little further discussion on risk tolerance, we really wanna emphasize this point of beware of what your mindset is, when you take a risk tolerance questionnaire. The volatility in the markets can certainly influence you, so that's why you gotta look at your risk tolerance questionnaire, and what's the performance you need, and then figure out how you're gonna balance if those are inconsistent. You might get recommendations from a friend, I can't tell you how many people, even my own father did this, in terms of getting a recommendation from a friend, to make an investment in something that he really didn't know anything about. And it was the first time in my life, I saw my father actually not do the research, and he just kinda got emotional in the moment, made an investment, and it did not work out well for him at all. So be really careful with things like when you jump on your emotional response, it could be not just a friend, but it could be an expert, you read a book, you watch an interview. So there's a lot going on, there's a lot of information flowing towards us, a lot of it is emotionally charged, so we really recommend that when you're gonna make changes in investments, especially your long-term portfolios, you do it with a discipline. It's just so important to have an investment plan, and if it's rebalancing on an annual basis, if it's checking in occasionally, there should be milestones where you're checking in and maybe like that example that Constance showed you, where that kinda 18-year timeframe, where you went from a aggressive, to a balanced, to a conservative, that can happen, but at the same time it should happen according to a plan, not according to an event. So with that said, let's go to talking about being ready for challenges and opportunities, it's great when these, when you do get volatility, and you feel ready to act in ways that benefit you in the long term, what does that look like?

- Yeah, let's talk about that a bit, before I do, I wanted to just remind that there is an excellent handout, is part of the presentation that you have available, and it's called the "Risk Return Spectrum," and this will actually show you for each type of portfolio, what type of investments are appropriate for conservative, balanced and aggressive portfolio. So it helps you kinda fill in the blanks, to the circles that we've been showing you on the allocation, so check that out, if that's something that, that's of interest. Let's go on and talk about cash, and you've probably heard the saying cash is king, and sometimes it's really more true than others, particularly now, I think people are feeling that way, particularly with emergency savings, maybe, it's a woulda, coulda, shoulda kind of conversation. And we've all been there right, where we just didn't have enough, based on the event that happened, and we weren't quite as prepared as we'd like to be, so, having the opportunity now to revisit that, plan for the next potential rainy day, and start putting money aside as you can, I know that many people are furloughed, and their paychecks are not there. And so it is kind of an unusual time, but when things get back on an even keel for you, that would be maybe one of the first things to consider. The other thing is cash gives you flexibility, to increase your contributions when the market is down if you'd like to do that, if you see that as a positive thing to do, and it would work in the timeframe that you have for retirement. Also, it gives you extra money to invest when opportunities are present, and if you look in the in the granular part of your mutual funds, if you're invested in mutual funds, each portfolio manager holds cash, that's one of the assets that most fund portfolios have, as well as stocks, bonds, and all of the rest. There is usually a position in cash, to give the portfolio manager the flexibility to move in and out of the market, as opportunities present themselves, so it's a good rule of thumb for everyone as well.

- One thing I wanna add there is it's funny, but it seems like stocks are the only thing people don't wanna buy when they're on sale.

- Right.

- And if you think about your consumer mentality, I mean, think about most of the people you're talking to right now, most of our questions are should I sell? Should I be moving around? When actually this is a great time to be buying as stocks get low in value and as their prices drop, but it's just a, it's an interesting dichotomy, just in terms of the mentalities typically, anytime I buy anything else, I wanna buy it on sale, but when it comes to stocks we're often selling when they're on sale, which is not the right way to be doing it.

- No, it's kinda the way we're wired, unfortunately, we have to override the system a lot of times in that case. So Let's take a look at where to put emergency savings, because we are getting a lot of questions about this, because the rate of return is just not very good right now unfortunately. But it is still important to keep that flexibility, money readily available and safe. So not only, you get a low return when you have emergency savings, but the trade off is flexibility and safety, so you're looking at money market account, savings account CDs, which are certificates of deposit, you can even stagger those maturity, so one comes due every six-months. So if you have a six-month, 12-month, 18-month, 24 month CD, you always have some money coming due, you may have cash in an account that's just liquid in the meantime. And, you know, unfortunately that's, that's as good as it gets right now, because we need that flexibility and we need the safety.

- All right, well let's thank you Constance, let's talk about the next four Fridays in May, and what we've got lined up for you. Please be aware that, although we're gonna cover these themes, we're gonna cover these topics that I'm about to explain, we will use your feedback in order to weave in different questions, different comments as well. So we'll, we will be flexible, and we will modify these to some degree. But next week, we're gonna talk about choosing investment, so we talked about asset allocation, and how important it is to kind of choose an allocation. But then you need to decide what goes into those bands, the U.S. stock, the bonds, et cetera, what kind of mutual funds? What kind of other investments perhaps? So we're gonna walk through some steps, and disciplines around choosing investments, start by going through mutual funds, we're gonna do a little bit deeper dive into college savings accounts, and what different types are there, some different strategies as well. And then we'll talk about kinda doing it yourself versus advice. So hopefully, you'll feel more comfortable, kinda filling in those asset allocation categories with particular investments, typically mutual funds. The Friday that follows, we're gonna talk about prioritizing investments, it's interesting as we go through long timelines, hopefully you start investing in your 20s, when you join an organization, you maybe can contribute to an employer-sponsored plan. Maybe you set up an IRA, an Individual Retirement Account, whatever it is, hopefully you're investing over many, many decades, but as you start a family, as different family dynamics come into play. It really gets hard as to which investments should I be funding, and that's when the budgeting, and some of the things that Constance was just talking about in terms of emergency funds, and making sure to fund your goals first, before you live off what's left. Those are just some of the disciplines we'll go into in a little bit more detail, and then we'll even talk a little bit about estate planning as well. On the 22nd, we're gonna talk about retirement planning, there's a lot we can cover there, so we're gonna talk about when you have a lot of time to plan for retirement, versus not so much time again getting a late start, how do you, what are some key mindsets and disciplines, that you just need to follow? Making sure to understand what kind of a lifestyle you want in retirement, and what it's gonna cost you on a monthly basis to sustain that, is a really important component to knowing how much money, you need to save, how much income you need to be generating. It's, we often talk about it as in, you spend your whole life getting a paycheck, from an organization throughout your career, and then you're saving to create your own paycheck, when you get into retirement. But you gonna have different sources of money, so on the 29th, we're also gonna talk about how you generate income, and then what are some tax implications of some of those income streams from, whether you're in a traditional versus a Roth IRA or investment account. What are some guaranteed versus personally funded accounts, when it comes to generating income. And then just what are some flexible assets, I've seen a lot of people do different things with their home, especially if they've paid off their home, and the value of the equity in their home as they get into the retirement years, so we'll talk about some different options. In terms of an action plan, what we'd like to do is always end our presentations with an action plan, hopefully, you'll attend those four webinars going forward. I want to remind you, we also have 9 a.m., every Friday webinars, so I'll show you what those are for next week, but those are always gonna be around budgeting, and income constraints, and this will always be about investing, the 12 o'clock. We'll talked about creating a wellness plan, when we talk about an action plan, what does that really mean? Each of you has access to employee assistance program services that are pretty awesome, in terms of the different ways you can get assistance. We are your financial wellness guides, so we can absolutely help you on any financial questions. But oftentimes, you may have other questions, other needs, and again, your employee assistance program can help you put together a wellness plan. But lastly, speak to a Money Coach, every single one of you on this webinar today has access to get an appointment with us, have a 30 minute conversation with the Money Coach on any topic, no obligations, we don't sell anything, all we're here is to help you give you some good education, and advice, help you make better decisions. So in terms of a few reminders, you will get a recording, so again, probably on Monday, you will get an email, and then you'll have access to a recording, don't forget to do that, and then next, you'll be able to take a survey when you log out, and when you leave us today, so please make sure to give us your feedback, we appreciate that. And then upcoming events, so I mentioned a 9 a.m., and a 12 o'clock next Friday. So we'll focus on building your money confidence in the 9 a.m., really gonna talk about controlling spending, very core budgeting principles there. And then we're gonna talk about choosing investments after assessing your goals, and risk tolerance, we kinda talked about assessing your goals, and a little bit about risk tolerance today, now we're gonna talk about choosing investments next week. Other than that, we're gonna open up for Q&A now, so I'm gonna let Constance take the first one.

- Thanks, so Ellen asks, "Is it better to wait to re-balance after the rebound, "or should I re-balance now?" So Ellen, if you've got some time, I would recommend waiting a bit for the market to come back more, it's been it's in the last month it's really been doing well. It's been, there's been some volatility of course, but it's been overall coming back, so I think that's been on the hope that people have that hospitalizations and deaths are, are reaching a plateau, and experiencing a downturn there, as well as hopes for the virus to have an end result with a vaccine. So continued hopefulness in the market, although we'll have some volatility as these numbers keep coming out, showing that the unemployment rate is pretty, pretty high right now. So we've got kind of a mixture of hopefulness, and reality check every so often with the numbers that are coming out, but I would if you have a chance to just put a little bit more time in waiting, until the market kind of stabilizes a bit, I think you'd be in better shape.

- Okay, I've got a question from James, "What is a good rule of thumb on investment fees "for a certified financial managers per 10-K? "How much fees are too much?" And this is an interesting question, so I'm gonna take this in two parts, there's multiple aspects of fees that you need to be aware of, first of all, whatever you're investing in, especially if it's a mutual fund, you might be in an index mutual fund, which has very low expense ratios and fees. Or you might be in an actively managed account that has much higher that could go from anywhere from 10 basis points to 1%, so big difference in terms of fees, in terms of the investments that you're choosing, when it comes to having a certified financial planner or advisor, there's different ways in which they're paid. So you can hire someone for fees, for service. So they'll give you advice, they'll help you put together an investment plan, but they may, you may be paying them hourly, you may be paying them for a specific plan, there's different ways in which you might pay for services. And then other advisors you might pay on commission, as well as they might take a certain percent of assets under management that they're, that they're guiding or that they're making decisions on for you. So there's a lot of ways to pay individuals, and a lot of ways to pay fees, so this is probably best to talk to a Money Coach, kinda talk about what kind of investments are you thinking about? What kind of fees are you looking at? And a Money Coach can just be a good backboard, if you still have questions, if you're working with a professional or you're interviewing some financial advisors, we have some good questions we can give you, to make sure that you understand exactly how you will be charged and whether you feel that's appropriate for you.

- Okay, thanks so Howard asks, "What are the safest long-term investments "for more than five-years investment time? So, again, safe is a relative term, and of course the risk return analogy, that we've been talking about, but I think for safety, long-term, you could go with bonds, bonds are fixed interest rate investment, and so you've got, if you buy an individual bond, you buy that and hold it until it matures, and in the meantime, you're getting paid interest in increments of every six months, maybe you get 4% return. And when you, when that maturity date comes around, you get back the principle that you paid for the bond. So, that's it's fixed and it's, it's gonna be paying you back the money that you invested, as long as the stability of the corporation or the municipality is there, and that can be reviewed with the ratings you can look at Standard & Poor's, has a rating service for bonds. Also a dividend stocks are considered safer, and because you've got two ways to make money, you've got the potential for stock appreciation, buy low, sell high, but you also have the dividend which pays quarterly. And again, typically it's gonna be fixed, we've been seeing some companies reducing their dividends, because of the problems in the market, and with their own businesses, so I would be watchful of that and do your research. But you do get both risk, with the risk, you get a potential for stock appreciation, as well as income through the dividends, Mike.

- Okay, I've got a question from John, "Currently, I have a balanced bond stock retirement fund, "and will be retiring in the next three to six months. "Given the latest volatility, "I'd like to get a bit more conservative. "Can you speak to rebalancing strategies and timing?" That's a complicated question, John, and I don't mean to be glib, but I'm gonna be quite honest with you, typically, when I get a question like this, I probably ask an additional three to five questions, before I even feel properly equipped to answer the way that this was framed up. So let me kinda break this down into a few pieces. So if you have a balanced bond stock, retirement fund right now that's probably a pretty appropriate place for some percentage of your assets to be, but my first question would be, where are your other assets per se? So if this is a, if this represents one mutual fund, you're thinking of reallocating or is that how you're describing your overall portfolio? You still have some stock, mutual funds, and you have some bond mutual funds, again what's the allocation currently between those? And what is it you're considering doing? Other questions I'd ask is, when do you expect to start taking distributions from this fund or from this particular mutual fund? If it's not for a long time, then I would maybe hesitate to really move it at this point. I'd wanna see what's the historical performance of this fund or blend of funds that you've been in? And then again, when do you plan to tap into it? How much income do you hope to generate from this? To what degree does it play into supporting your retirement lifestyle. So there's a lot of different questions I'd wanna ask before recommending that you re-balance into maybe something more conservative. You might need the overall longer-term return, because I'm assuming you're gonna be in retirement for two or three decades. So that being the case, I'd wanna look more at how are you gonna sustain yourself for that? How much is Social Security gonna help prop you up? Do you have maybe a pension, some other means, other investment accounts, that you hope to tap into maybe the equity in your home? So there's a lot of pieces to when should you start manipulating a portfolio, when you are this close to retirement? And so much of it really in my mind comes down to when do you intend to tap into that money, and to what degree and how quickly? Therefore, do you need to get more conservative, to ensure that you'll get the streams of income in the near term that you need? So I think you might wanna talk to a Money Coach or a professional investment advisor on this one, but hopefully that gives you a little bit more guidance, of some other things you want to think about as you go into that conversation.

- Yeah, Money Coach can really help you customize your own approach based on what's going on, for you. Joyce asks, "If we have a target date fund in the 401k, "and also 457, do we also rebalance every year?" So Joyce great question, because the beauty of a target date fund is, the target date is based on the year that you anticipate retirement to start. And so that, that portfolio manager is going ahead and taking care of the rebalancing, moving from maybe aggressive to get to balance to conservative or any anywhere in between, and so that by the time you reach that retirement age, if it's a 2030 fund in 10 years, then your investment would be balanced differently compared to when you started. So no, you don't have to rebalance because that's a turnkey approach, and it's already being done for you.

- Okay, I've got a question from Anne, "Do you think it's a good time to get into the market "if you're already comfortable with your allocations?" So I'd wanna understand a little bit more what Anne means by allocations, but I've gotta be honest with you, if you are really comfortable with your income, with your contributions, with your goal, with, how you're saving for it towards your goals, but you do have some extra money that you could invest, I do think it's a good time to get into the market, because like we discussed earlier, stocks are on sale. I often think of Warren Buffet, if you look at a lot of the stories, especially going back 2008 2009, if you look at him now, who's who are a lot of these companies turning to oftentimes when they need funding, and it's often Warren Buffett, even more so than banks and other institutions. He's often there with money to lend, money to invest, when prices drop significantly. If you look at the amount of money that he's made for Berkshire Hathaway as well, over time, it's because of some amazing investments he's made, when the markets have been low. So if you can have money put aside, if you can afford to be investing, maybe just increasing your contributions, maybe you're contributing 5% today to your 401k or TSP and, but you're comfortable, because of your the security of your job or the your household income, and you might be able to push that to 6%, 7%, 8%. I do recommend that simply because you're gonna be buying more shares while the prices are lower, and if you have years, and years to go until you need that money, this is a great time to be buying when things are on sale. But again, it's in a much bigger context to say go ahead and do that, like I said, what's the status of your income, what's the status of your emergency savings, et cetera, so there's a lot of things that go into it, but it sounded like you were pretty stable Anne, so I think that it could possibly be a good idea for you.

- Great, okay Jason asked, "What book "or resource do you recommend on investing 101?" Well, we have a great on-demand video course, if you go to the mysecureadvantage.com website, you'll see where we have tools available and the website has an on-demand video called, "Investing Getting Started." And that would be an excellent video, also, there's a book by the author Jane Bryant Quinn, and she's also been a columnist with the Washington Post, but I really like her style, it's very straightforward, it's an easy read, you can use it like an encyclopedia, and just pick the topics that you wanna look for based on the index in the back. And so you can look for that under her author name, Jane Bryant Quinn.

- Awesome, there's a lot of great books out there, so I think those are definitely some good ones to start with. I have a question from Lisa, "How should we change our contributions for 457?" So this might be a question for 401k, 403b, TSP, typically you can go online, you need to see who go through HR, see how to get to your portal, whatever that is online, so you can go to your administrator for whatever your plan is. And when you do that, you can manage your investment choices, you can manage what percentage is you're contributing. So let's say you're contributing, like I was saying 5% today, you wanna change that to 7% absolutely, you can go in there typically, and do that online. If you wanna move some money between, like I'm invested in this particular fund, I'd like to put some percentage of that into a different mutual fund, you could do something like that as well, so almost all of those functions are things you can do online. One of my favorite things to encourage younger generations to do is, you can go online often, and just do an automatic 1% increase every year, so you don't have to really think about it. So maybe you get to, hopefully, you'll get a cost of living increased in your pay each year, and if that's more than 1% if you could just put that 1% in, you probably won't notice it from your paycheck, but it's amazing how over time that 1% really grows your contributions to your retirement plan, that's something I recommend, but almost all those things you can do online.

- Great, okay Larry asks, "What is the good way "to help a niece with her college expenses?" Larry you're true prince I appreciate the,

- [Mike] Write a check. Write a check. So there's a few options that are available if they're, if there's a 529 started, you can contribute to that. You can also help her help start a 529, also there's other expenses, that she may have besides tuition and books that you could help with, for example, a 529 you can't use to, to provide a vehicle. You can't use a 529 to furnish a dorm room or to buy a refrigerator for the dorm room, those kind of things, so check with the parents, and if you want it to be as surprise, you may wanna just check with the parents to see maybe how you can help in the best way. What are the immediate needs? And what are some things that aren't covered by the 529, maybe you can make a difference.

- This is a really interesting question, this is from Deborah, "I just took out a small loan against my 401k, "for five years. "A good friend of mine told me that I made a mistake, "what are your thoughts?" Well, I would never come to a quick observation of you making a mistake, as usual there's a lot of ways to look at this. In taking out a loan against your 401k, if you did it before the market went down, you're brilliant, but if you did it after the market went down, then you could be selling, when again stocks are on sale, so that could be a little bit painful. But nonetheless, it depends what you're using that loan for. So maybe you really needed that money to help a family member, maybe to pay off high interest rate credit cards. And again, let's say that you had a some 15% loan or something and you use the money to pay that down. Now you're gonna pay yourself back into your 401k, and to make that not worthwhile, you would have to get a higher return than 15%, which is what you were paying annually on that debt, so that might end up being a good idea. Typically, when I talk to folks, I try to talk 'em out of taking loans against their 401k, or their retirement plans, 'cause that's money that's put aside for their retirement, and when you take that money out, when markets start to recover, who knows what's gonna happen over the next, whatever the period is, it's gonna take you to pay that off, hopefully less than five years. But when you do pay that back, you'll be back to be fully vested again, and then you'll start going from there, but you might have missed some nice, some nice years of return. And so that's kind of a shame, but it really depends, when I was early in my career, I actually took a loan against my 401k, to help pay for a down payment on my home. At that time, I was, that was the last thing that got me from being able to avoid PMI insurance, so it's something that we did, and I kinda go back and forth as to whether that was a good idea, when I look at the performance, I missed et cetera, is probably was a wash. So I wouldn't come to a conclusion that this was a good idea or a bad idea , since again, it depends what you did with those funds, how the market performs over these years, when that money isn't in play within your 401k. But you will be paying yourself back, you will put that money back into play, and I'd say the sooner you can do that, and put that money back into play at these lower prices, it might turn out okay for you.

- Yeah, that's always a good question to talk over with someone, isn't it Mike? Because it's a trade off, it's a real trade off, and you have to figure out if it's gonna be a win for you. So Fred asks, there are some good state municipal bonds, what are the risks with these? So with a bond, you're loaning money to a corporation or municipality, a city, a state, a county government, and so whoever you're loaning the money to, then let's say it's the city of Sacramento or the city of Chicago, and you are gonna be paid interest on that loan, and so it's paid every six months, So the concern is, is the municipality, is the city in good financial shape, solvent, and able to pay back its responsibilities. So usually the tax dollars are what's funding, and paying the investors, but that's one question to ask how is the interest gonna be paid? Where's the money coming from? Is that a stable source of money for that particular entity to pay its responsibilities. And then also you can check with the Moody's or Standard & Poor's bond rating service to see if it's a triple A, double A, what rating and insolvency and solvency issues are present.

- Okay, I got a question from Susan, "Can company target fund allocations be changed "by an employee? "Or is the entire fund managed by the company fund manager?" So, I'm gonna interpret a few things, so I'm assuming you're talking about you're in a 401k or a 403b plan, you're in a target fund, and you're wondering, can you manipulate the allocations within that the answer is typically no. So when you invest in a target fund, you have the right to move that money out of the target fund, and then re-allocate it into whatever other fund options, that you have within the plan. But in terms of being able to within the actual target date fund, manipulate where it is you do not, that is professionally managed typically, and so somebody is gonna be creating that asset allocation, doing some rebalancing every year, what typically happens is when you are in the, the stage where maybe you have 20, 30 years, let's say that you're in a target date fund, that's 2050 so that's 30 years down the road. So the portfolio manager is gonna take a great deal of risk, be primarily invested in stocks, because you have 30 years to go, and they wanna get the highest return possible. But as you move down that timeline, as you get within 15, 10 years et cetera. They're gonna start changing the allocation, and it's gonna get more and more conservative, as you get closer and closer to 2050, and when you get to 2050, it'll probably be extremely conservative, they're anticipating you're gonna be taking distributions. So they are gonna be managing how they allocate amongst the fund options that are within your plan, you will not be able to do that, but you always have the option to go out of that, and choose your own funds yourself.

- Great, okay, so, Patricia asks, "How safe is it to keep my money in the bank? "Are there other techniques "to buy assets like U.S. Treasuries for retail investors?" So you're talking about retail when you're investing outside your retirement plan. And with every bank account, well, not every but most bank accounts, they're protected by what's called FDIC insurance, Federal Deposit Insurance Corporation, which insures each account based on the title for up to 250,000 if that bank becomes insolvent, so you have the government insurance on each account, so by title means, if you had an individual account under your name Patricia, you had a joint account with a spouse or significant other or you had a joint account with a sibling et cetera, so or you had an IRA account, that's at another account by title, so each of those accounts would be protected up to 250,000 for bank insolvency. Now you can buy Treasuries, you can go buy, go buy those at a website called treasurydirect.gov, you can buy them online. And so if that's something you feel more comfortable with, it would be another way to go about it. But you are protected for insolvency with the banking system through that FDIC insurance. And that's one thing you need to ask whenever you open a bank account, ask them about the FDIC insurance.

- All right, Michelle asks an interesting question, "What are the current thoughts "regarding recovery of interest rates for CD and savings?" I gotta tell you I know it's difficult when you look at savings accounts, when you look at CDs, and the rate of return that's available is very low. It's really tough to look at a crystal ball, and predict right now the Fed is taking actions, that I've never seen over 30 or 40 years. When you look back at the 2008, 2009 timeframe, and the actions that the Fed took are much more conservative, much more wait and see, they really didn't jump into the markets, whereas this time, they just went in with all guns blaring in terms of not just filling the market with liquidity, in terms of allowing companies, big banks institutions to get funding, but they're actually making loans to companies et cetera. They're helping to fund and make sure that the marketplace, the economy does not run short of cash. And, because of that, that's, I've heard a phrase many times, don't don't ever bet against the Fed. So right now the Fed is basically is saying, if money is needed in the economy, we're gonna make sure that it's there, so interest rates look like for the short-term, they're gonna stay pretty low. But I'm telling you everything, everything in life is a pendulum. So whereas we've kept interest rates low for some time, it is gonna swing back, you can't help it, it's just the force of nature, so I think at some point, all this liquidity flooding the market will start to make inflation go up, and we'll make interest rates probably start to rise as well, when I have no idea, but it's just, we have some interesting dynamics when it comes to interest rates, and monetary policy by the government, and how all this is gonna come out to play over the next three to five years, I think will be one of the most fascinating watches for many decades.

- Mh hmm yeah, and James kinda asks a similar type of question, "With CD rates being so low, "is the CD ladder really worth the time and effort?" So again a CD ladder, is when you're staggering your maturities out from six to 12, then 18 to 24 months, for example every six months, you have a CD come due and then you have one that's, farthest out at 24 months. So you're right, James, there's not much difference between six months and 24 months in terms of rates, however, you'll be in a good position when rates start to move up again, as Mike alluded to, rates are a pendulum things, are gonna come back and we're gonna have higher rates eventually we don't know. But you'll be in a prime position to take advantage as you renew that CD that just came due back to a two year, the rate probably at some point will be a little higher. And so you'll be able to automatically take advantage of that if you have a systematic plan in place.

- I know it sounds crazy, but I remember my parents in the 80s, they had some CDs that were like 8% or something.

- Yeah

- So it's it. That's a long time ago granted, but it's amazing how things can change over time. Okay, so the last question I'm gonna take is from Jennifer, "What type of IRA account Roth or traditional "is best amidst the current market conditions?" So it's kind of an interesting question because, in my mind, it doesn't really matter in terms of Roth or traditional in this current environment, it's really more, that's more of a tax question, so if it's more, if you're gonna go with a traditional, you're gonna do that with pre-tax dollars, and so you'll get a benefit in terms of a lower tax rate this year or with every paycheck. If it's an IRA it'll lower your taxes. If it's a Roth, you fund a Roth with post tax money, so therefore, you do not get a benefit now, but the benefit with the Roth is as it grows tax free, when you eventually take that money out, it's gonna be a tax free income stream, which is a beautiful thing. Also, a Roth IRA gives you some added flexibility, that if you ever needed to get at your contributions, to maybe help with a college education expenses, maybe a down payment on a home things like that, you'd have some flexibility. So I think your question is more relevant to what kinds of investments should I choose in the current environment? What if I were to open a traditional or a Roth? So I'd talk to a Money Coach about that. So on that theme, talking to a Money Coach, you all have the ability to go through your EAP, your HR department, make an appointment with a Money Coach, and you can have a 30-minute conversation. So we hope that you will do that, and I just wanna say thank you for joining us today, it's been a pleasure, I will look forward to the next few weeks, spending an hour with you as well, so please give us your questions in the survey, and have a wonderful weekend.

- Stay well everyone