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

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- [Vivian] Welcome everyone to today's webinar presentation, prioritizing savings. Today we're gonna be covering part three of four ways to rebuild money confidence. Now, over the last couple of weeks we've been covering a lot of content and so today we're just really gonna zone in and focus on savings. You know, because this pandemic really shifted a lot of our finances, literally everybody's been affected. I don't care what financial situation you had to begin with, everybody's been impacted in some kind of way. So today we're gonna cover a lotta goodies, a lotta tips, ideas, things that could help you to really build for emergencies and all types of things that you have as a financial goal by savings, okay? And so before I get started first I wanna introduce myself, my name is Vivian Perez and I'm one of the MSA Money Coaches here, I've been working with the company for several years and have been in financial services for about a decade now, certified financial educator and credit counselor. And I love this work 'cause ultimately it doesn't matter where you come from, what you've been doing, what went wrong, what was good, you can literally change the whole dynamic of your finances just by planning, foreseeing, and just making some things happen, right? And so joining me today is my lovely cohost Tiffany. Tiffany you're on the line, yes?

- Yes I am, thank you so much. So wonderful to share another Friday with you as you know, and as pretty much our audience can figure out Vivian and I are just each others favorites, we love working together. So wonderful to share another Friday with you Vivian. Hello everyone, my name is Tiffany Willis and I am a financial wellness specialist with My Secure Advantage. I started out my career in 2001 in the federal funds market before teaching college level economics and personal finance for 11 years, and then becoming a Money Coach. Vivian and I tend to do the same thing, we actually travel, in our normal every day we travel and we would see person to person, face to face on site. But this pandemic has changed things. So we're delivering this content through webinar and we really hope that you get a lot out of it and hopefully a lotta good nuggets as Vivian said, and strategies. And before we get started on today's session let's go through some housekeeping items first. First we wanna let you know that if you have a question go ahead and feel free to type it into the question box. We are going to try our best to answer as many questions as we can, but please know that this webinar is offered to many different employers across the United States so we might not be able to get to every question. If you want you can always go to our website mysecureadvantage.com and click on the banner update to the COVID-19 pandemic and you will see a list there of frequently asked questions, investing questions, and budgeting questions, so your question may be answered there. Also if a question is extremely personal or there might be more context that we need to answer that question we would encourage you to make an appointment with a Money Coach to discuss your question one on one. Also if you've missed something don't worry, you are going to receive an email that lets you know that this recording has been sent to you. And you can listen back to it at any time that you want, with other people if you want and take some additional notes if you need to. So in the near future you're going to receive an email that is a recording of this webinar. We also have a playback on our website of all previous webinars that we've done because we've been working on this case study. So for some people it might bring it into context of how we've helped this couple through different goals. So if you want you can also go back and listen to the playback there and there's also investing webinars on the playback on our website. Most importantly, your opinion matters to us. Please, please, please if you could fill out the survey that you get at the end of this webinar that ask us how we did and what we can improve on. We take and look at every single one of those comments. So first I wanna thank all of you that have been with us over the past several weeks, we have seen your comments, we love them. Our manager has even made note of them and our assistant manger, thank you so much for appreciating in what me and Vivian do on Friday's, but we are here for you. So take that survey and please feel free to write in your comments and your opinions and we will incorporate it in what's going to be our last webinar, our last weekly webinar is next Friday. Ah Vivian what are we gonna do?

- [Vivian] I know, I know, I'm sad.

- [Tiffany] So let's talk about what we've been doing here over the last couple of weeks. We've been working on four ways to rebuild money confidence. And as Vivian so eloquently said, this pandemic has affected all of us. And we want to figure out how do we go into what could be a new normal? As we have started to see states are starting to reopen, businesses are starting to come back up, maybe at a limited capacity. So how do we as consumers go into this new economy and still accomplish our goals, still get our needs met, and still feel like we're building well. So we're working on this series, on the 8th of May we did controlling spending and working with a budget and seeing where expenses could be cut. We are big fans of not taking everything to zero but seeing, waiting, and measuring and seeing where cuts are appropriate. Last week we worked on managing debt, how to develop a debt strategy. Today we're gonna focus on prioritizing savings and how to look at different strategies for savings accounts. And then next week we'll work on maintaining excellent credit. So Vivian, what is on the agenda for today?

- [Vivian] We definetely are gonna cover a lotta good stuff but I don't wanna forget about, if you noticed on your dashboard there are a couple of handouts that are really good tools that you can use to compliment today's presentation. So take a look at those, you have an actual budget worksheet in there and just a couple handouts around just savings, right? So take a look at those, download them, use them to help you do this process as well. But just like Tiffany said, yeah, we're really jumping into this new norm and it doesn't have to be a bad thing, right? Because ultimately I'm a firm believer that breakdowns lead to breakthroughs, right? So I know in these last couple weeks even for myself personally I've been really looking at how can I be better? How can I get out of this situation to be on a different level financially, mentally, spiritually, all those good things, right? So it's a great opprotunity to look at even these kinda things. One, your priority goals and analyzing your budget. We're gonna talk about just what are the different types of savings accounts that you should be mindful of and timeframes. Then we're gonna go back to the Joneses, we've been talking about the Joneses over the last couple weeks and just what their savings plan is gonna be based off of some of the things that we're gonna share today. And then lastly we're gonna wrap up with the action plan, okay? And so in getting started we've been talking a lot the last couple of weeks about ultimately when you're planning for your finances you really wanna think about the bigger picture, right? Thinking about what is it that I want to achieve here? Whatever was that kinda jumped at you in these last couple of weeks you wanna take that as note. Like "Okay, well in these last couple weeks I realized "that I just don't have an emergency fund in place "for situations like this." Because the fact of the matter is that even though this pandemic, no one expected this, there are other things that do come up that can throw us off financially if we're not prepared for it, right? And so you wanna kinda think about just what's been the lesson over the last couple weeks? So you could think about what are some things that I wanna focus on? But for who we've been talking about, the Joneses, they had a couple of goals, right? So the first one was that they wanted to build an emergency fund because they had their firm, steady income, but they also had unemployment income. So being that they had unemployment income they realize "Well this is gonna run out "at a certain timeframe so we need "to save as much as we can just to hold us over "for the next couple of months." So then from there they also thought about paying off consumer debt, they had some credit cards and things that they wanted to take care of. And then lastly paying down their student loans, right? So you wanna think about your position, what has been going on for you, with no judgment, just really more looking at like "Hey, what do I need "to setup?" And from there, that's when you start looking at your budget. You start looking at your budget so that you can then start crafting the numbers and basically working backwards, right? And so now that we start looking into the next slide which is the budget, well actually the savings buckets, we're gonna talk about just how you start kinda dispersing those savings accounts, right? So how do you start thinking and setting yourself up when it comes to savings, right? So there's typically three buckets, I call it the bucket saving system. There's short-term, mid-term, and long-term, right? So the short-term is based off of goals that you have that are upcoming, so one to five years out, right? Medium or mid-term would be for goals that you have five to ten years away, right? So then lastly long-term would be more those 10 plus years out, things like retirement and such. But you wanna start thinking about first those goals so then you can think about how do I break that down into monthly savings and where should my money be going in these buckets, okay? From here now start kinda breaking things down, so jumping into the budget you wanna look and fine tune your numbers, right? So here with the budget they have a surplus of $733, right? So now is utilizing the concept of paying yourself first, as you saw the arrow quickly jumped up to the top because we wanna have people think about just taking the money, setting it aside, you don't see it, you don't spend it, it just becomes the first thing that is working for you, right? And so in this monthly savings you wanna take advantage of as much as you can, and in this situation they basically broke down the numbers even further where their emergency fund, you're taking $650, the bulk of it, to sit here and put towards emergency, right? So they took the $700 and then from 700, 650 is going to emergencies, and then $50 is going to college savings. Now as things start to change and maybe there's a little bit more stability on the income, then you'll probably see a difference in just how much more they could add to college savings. But ultimately because they have just a idea of like "We don't know how long this situation is "gonna be happening with this whole pandemic. "We have unemployment income that is not steady." So ultimately that focus is on emergency funds, right? So we wanna do as much as we can, and a lot of us, I was watching a podcast yesterday and they were talking about it should be even longer now. Having a longer emergency fund, almost a year. So you wanna think about what you wanna set up for yourself and just stashing as much as you can so that you could have liquid cash money available, because things always happen, right? And it's taking a little bit longer now, especially with this whole situation with employment, right? A lot of companies out there are taking longer to jump back into regular business, there's also the fact that it could take longer for a person to just stabilize their income. So I could understand why in the podcast they were saying "Hey, you should have at least a year "of emergency funds." And so let's jump into what short-term income looks like, or short-term savings rather. So there's a couple of things, the first one is emergency savings, we typically hear often that rule of thumb that you should be aiming for at least three to six months of your living expenses. That is ideal, but like I was saying, the more that you have the better, right? You actually, and I think Tiffany mentioned this in the last presentation was that the more that you save you walk taller, you feel better, there's just a certain air that you have that's different when you know that you have a good amount of money tucked away. And vice versa, there's also a lot of stress and I know people, I have personal friends that been really impacted by just what's been going on where they don't have the savings and they are very stressed out right now, right? And so the more that you can set yourself up, the more financial wellness that you will have. So think about just what your target is, right? So thinking about what is your expense monthly so that from there you can secure and figure out how much is it that you personally need so that then from there you can start working towards saving up for it, right? Start from increments because if you think about three to six months, or even a year of your living expenses you're gonna be like "Oh my god, "I can't save that amount of money." So you wanna think about just bite size, start in increments, 500 to start, then 1000, then 1500, then 2000, then one month of living expenses, then two, and so on and so forth, right? So do it bit by bit, I always say that to sit here and eat an elephant, which nobody's gonna eat an elephant, but if you do it's bite by bite because an elephant is quite large, right? So you wanna start in increments, don't overwhelm yourself, don't get stressed about it, just focus on the small pieces and eventually you'll turn around and be like "Whoa, I have 20, 30, $40,000 saved." Now when it comes to emergency savings you wanna establish some type of liquid account. And what I mean by that is an account that actually you have access to right away. Not a liquid account like money's just gonna start flowing out, it's more liquid account in the sense of that if you need to access it right away that you can, because a lot of types of investments you either have to wait a couple of days for the money to be available to you or there's penalties and fees to have the money be taken out. But a true liquid account is you have access to it right away, no issues, right? So typically that's like in a savings account, some type of bank institution, right? So do some shopping around, there's actually websites out there that you can utilize to shop around for highest yield, or you can look in your neighborhood. Typically the credit unions, also community banks, have really competitive rates as well. But just understand that bank savings accounts really are not meant to grow money the way investments do. So it's really more about having the safety and liquidity, right? Because if you have your emergency fund in an account that's in the stock market and something happens like what happened in march and an emergency comes up, you lose a lot of value and then you don't have the money that you need in order to take care of that emergency. So you wanna have it safe, you wanna have it liquid, okay? Now, the other type of short-term accounts that you wanna think about. So basically on the next slide we're talking about other short-term goals, right? So these would be irregular expenses, which we accounted that in the budget for the Joneses, there's different things that come up when it comes to irregular expenses. That could be property taxes, that could be maybe a registration for the car, there's so many different things, right? So you wanna think about what are some of the irregular expenses that come up throughout the year that I need to have a separate savings account for. Maybe there's a vacation, soon enough we'll all get to venture out and actually have a vacation, I'm so excited for that. But there's also savings accounts for a home down payment. People have been asking us, "Is this a good time to purchase property?" And maybe there is a deal that's available that you could jump into, this would be a great opprotunity of where you would put this savings, it would be in a short-term savings account like that to go towards the home down payment. A wedding, starting a family, there's so many different things but it's about that timeline. Do you have things coming up in this next upcoming year to five years that you're thinking about that you're like

"Hey, I wanna start "working on saving towards that." Then this is why you would set up the short-term savings account. Now you wanna layer them, you don't wanna have just one account 'cause it can be confusing. So maybe finding a bank institution that you can layer your savings so that you could have your emergency fund in one account, irregular expenses in another, and maybe like a vacation fund, right? There's some credit unions that I know that they do have vacation funds, Christmas Club they call it. So try to find the bank institution that can fit your needs when it comes to savings, but you wanna think about that timeline because that's ultimately how you start really designating your dollars to go towards these savings accounts, okay? Now when it comes to mid-term, now Tiffany's gonna jump us into what mid-term kind of accounts and things to look out for.

- [Tiffany] Awesome, thank you so much Vivian. I just in listening to you I get the privilege of working with you all week long and just in that first half of the presentation I'm like you gave us so many great nuggets. I'm like this is great, you are just so excellent, so thank you for that.

- [Vivian] You're welcome girl, you're welcome.

- [Tiffany] So let's talk about medium-term savings, and this is savings for life events. And the first question that Vivian answered for us is what is medium-term? And here we're talking about in the five to 10 year timeframe. Once your emergency fund is properly funded then you can start allocating more in savings dollars towards other important life goals. And that might be a car purchase, or a home purchase, or college savings. Now here's the main kind of obstacle when it comes to medium-term savings, is that most people have more savings goals than they have savings dollars. And so there's a ongoing challenge to try to prioritize which goals actually get funded, and this crisis may have definetely had an impact on those medium-term savings goals. So let's talk about these medium-term savings goals and how it applies to our case study of our family known as the Joneses. Now remember that the Joneses have two children, or two kids, and so what we normally hear from clients is that they want to fund some or all of their child's college education. So we put that in as a medium-term goal for this family. So we've incorporated that in and the first thing that we've done here is to figure out well what steps do they need to take in order to do that. Now remember, this is a slightly uncertain time for this family, we have one spouse that is unemployed, there's two kids, we don't know what's going to happen with that spouse as it pertains to entering the workforce again. So it's putting this as a priority yes, but figuring out how does this balance with the other aspects of the budget. So what should they do? First things first, run a college cost calculator. There are plenty online, savingforcollege.com has one. And when you do this you wanna think about how much of the education cost the family wants to fund. When I was talking with clients over the phone as a money coach that's one of the first things I ask is "How much do you wanna fund "of your child's college cost, "do you wanna fund 60%, 50%, 100%?" And what I found is that the answer to that question tends to be highly subjective based on the parents college experience. If the parent struggled, if they had no help the allocation tended to be higher because they didn't want their child to experience that same stress. So I would say decide how much will be funded and talk with your spouse too about that, because your spouse may have had a different experience when it comes to college and they may want to fund more for their retirement than they want to fund for the kid's college cost. So run the college cost calculator, decide how much is going to be funded and get on the same page with your spouse. Another thing you wanna do is evaluate multiple scenarios. I know personally I've asked my children to think about community college, I'm a former community college professor myself, I know the value that that can bring. Evaluate do they wanna go straight to a four year, what if they went to a state school versus a private institution? What if they went to a trade school? Evaluate those scenarios and you can do that in the college cost calculators. And then decide what type of account would be a best fit for that saving for college. On the right side there we've listed some common types of accounts that we're gonna go through in a moment. But then you decide, "Okay, this is the type of account "that's best for me." And then of course it's best if you can start saving the earlier the better, right? If you can start saving once your child is like one or maybe their coming, they're not here yet but you've got a spouse that's pregnant, then the earlier you can start saving the better. However, if it's the case that other things got in the way and you started late, that's where I say deciding how much will be funded and getting on the same page with your spouse, and also letting your child know the capacity of your budget. This is why my budget can do, this is what my budget can't do. I've that that conversation with my child and I said "My budget can pay "for you to go to a state school in Florida, "anything else, you are going to be responsible for." And my daughter is nine. I want to be clear with you what I aim for here. And of course she wants to be rebellious and she's like "I'm going "to a private institution in Boston." And I'm like "Good luck, go for it, "you'll be funding some of that." Here are some examples of some educational accounts. You've got the Coverdell Savings Account, there's a limit on that, usually it's $2,000 per year that you can contribute to that. And everybody in the family can contribute to those, parents and grandparents, aunts and uncles. But usually there's a limit on how much you can contribute to the Coverdell. The 529 is oftentimes the post popular option and what most clients ask us about. There's a 529 pre-pay that usually what that means is that it's sponsored by the state and you are taking today's tuition prices and pretty much paying at today's prices and contributing to the savings to that account on a pre-pay basis. Basically buying credits now at today's prices. And then there's the 529 College Savings Account that a lot of brokerage houses offer and what you're just saving and contributing to a college fund and the child can go anywhere they would like. There's also, a lot of people don't know about this but the Roth IRA can be an option for a college savings tool. The benefit is that the contributions and the earnings are going to grow federal and state tax free. Right now you can contribute $6,000 per year per person and an additional $1,000 if the owner of the account is above the age of 50. And you've got multiple account choices and investment options. But usually your contributions that you make to a Roth can come back to you tax free. So that can always come back to you and you don't have to wait until you're 59 and 1/2 to do that. Now when you start to dip into the earnings portion of this account, that's usually what's subject to the ordinary taxes and a 10% penalty. But that penalty is going to be waived if the distribution goes to pay for educational expenses. So that is where this family can kinda utilize the strategy of incorporating a long-term goal in with a medium-term. And that's gonna get us right into those long-term savings. So with long-term savings this is just kinda some general things here, what do we usually see for our clients in long-term savings? Retirement accounts, that's usually what we see. Some type of retirement account that's payroll deducted, So you've got your examples there, 401k, 403b, TSP for government employees, and that could even include a health savings account known as an HSA. So oftentimes these contributions are taken by a payroll deduction and that makes it nice and easy because you don't have to think about it, your money's automatically taken out and you don't to worry about your monthly contributions, it's already taken out of your paycheck. Now one decision a lot of plans offer is whether you want it pre or post-tax dollars. And if you choose the pre-tax dollars then your taxable income is reduced with every paycheck. So when you eventually retire those distributions are going to be taxed at what ordinary income tax rates are at that time. If you choose post-tax dollars to contribute to an account, usually that's known as a Roth, you're going to pay a little more in taxes now with every paycheck but when you take distributions in retirement it's going to be tax free, okay? So regardless of whether you allocate pre or post-tax dollars to your retirement account, your money will hopefully grow in value over the years and it's not going to be taxed. That's the concept of deferred grow, and that's why it's beneficial to contribute to a retirement account because you get that benefit of deferred growth, you don't have to pay taxes until the money is distributed. And last, if your employer offers a match then the biggest thing we would say is get the free money, making it nice and easy, get the free money. Usually sometimes employers will say "Okay, we will match up to a certain percentage "of what you contribute." So if you do that, if you get that then try to take advantage of that if it's available. Now let's see how this can apply to our case study known as the Joneses. How do we incorporate these medium-term and long-term savings into their plan? I think a big trap that most people fall in is that when times get difficult the first thing I have found my clients to do is say "Well I'm gonna stop retirement contributions." And what I love about what we've done here is we've really looked at the budget to see where changes would be made as opposed to that being the first default that we do, right? Because if it's the case that we can make cuts in other places then it makes it so that we can still contribute to the retirement account. As a former retirement coach I have see what a couple of years of taking off in terms of contributing to retirement leads to in terms of more working years. And for most of my clients when they were ready to retire, the were ready to go, I can't emphasize it enough, they were ready to go. So these years of contributing are so important. So even though during this pandemic income can be tight and it would be easy to stop distributions, really take some time and think about that before you just jump into it. What we would say with this couple is for the employed spouse, the spouse that is still working, they wanna check and make sure that if they have a matching contribution from their employer hopefully they continue to contribute to that. Again, they have a surplus so there's room for them to do that, make sure that they get the match. And hopefully a general guideline to follow for retirement contributions is 10 to 15% of your gross income towards retirement. Now if your employer does a matching contribution you wanna include that into the ratio. But if they're not there yet with the match, that 10 to 15%, eventually just work their way up to it, right? So that's what we would recommend for the spouse that's still working. Now for the spouse that is unemployed, they want to remember that they may have an employer plan, a retirement plan that's left behind now that they're unemployed. So if you have an old 401k you wanna keep in mind what are your options, you can roll it over potentially into an individual retirement account. If you are employed by a new employer you can sometimes look into can you roll an old plan into your new employer's plan. Another thing that you can do is look at if you wanna cash it out. With the CARES Act there were multiple options in cashing out 401ks now. So you just wanna evaluate your options to see what's best for you. And remember, they can use a Roth IRA to serve a dual purpose here. Save for retirement and save for the kid's college education. The great thing, and I know all parents have told me that this is a great bonus, is if my child gets a scholarship and they don't need that money, guess what happens to it in a Roth IRA, it stays right into that Roth and it continues to grow for your retirement. So that's the dual benefit there and that's the dual purpose. So what have we done with this family in terms of their overall COVID-19 budget as they've reacted to this pandemic? One thing that I love about this case study, and Vivian you said this earlier and I thought it was so key, using breakdowns to lead to breakthroughs.

- [Vivian] Yes.

- [Tiffany] Yeah. There was still an opprotunity for them to exercise strategy given that one spouse was unemployed. And that's what I really love about this case study. I wish I could shop my way out of this pandemic, right?

- [Vivian] Right.

- [Tiffany] We're Money Coaches but we are not perfect, right? We have our own biases and I wish, I mean I wish I could shop my way out of this pandemic and get everything I want but what I have to tell myself is that every time I'm paying a bill and every time I receive a paycheck I tell myself "Tiffany, this is an opprotunity "for you to exercise strategy to get where you want. "Use this opprotunity well." That helps me, it still hasn't helped me with the Cheez-Its problem that I'm having but it's helped my pay the bills.

- [Vivian] Those Cheez-Its.

- [Tiffany] Those darn Cheez-Its on the end cap, right? So what have we done here? Well we've put in their emergency savings, we've prioritized it. Notice that that's first and the biggest chunk is going there at $650 a month. Now what Vivian mentioned earlier, this is increments. We understand that after three months they're gonna have $1,950, and no, that is not three to six months of living expenses, but just like Vivian said earlier it's about increments, it's about eating the elephant a little piece at a time. So at least we've given them the start there. We allocated in the budget for the irregular expenses so that just in case something does happen or they've gotta plan maybe a family vacation they don't have to dip into the emergency savings or take on debt. They've got an irregular expense account that they will allocate and take from that pot when that irregular expense comes up. Just by incorporating a debt snowball strategy and adding $200 a month to their credit card payments they'll be out of debt in one year and seven months. Now with the student loans they can take advantage of the forbearings, right now no student loan payments are due, no interest is accruing, and no penalties happen there. But that may change after September 30th of this year. So this is where we want to be prepared for any shocks that may happen there and that's where a money coach comes in real handy, because then we back, we revise the budget again and we incorporate those new higher student loan payments. But for right now at least $50 a month is going to straight principal on the student loan payments. And then last they can utilize their college savings at $50 a month, whatever account they decide, whether it's 529s, whether it's Roth, they can put $50 a month there. So how does the end of the budget look for them Vivian?

- [Vivian] It looks nice and full. But really because they're making every dollar work for them, and that's the goal here, the goal here is to really play with your numbers, look at your situation and see how you can maximize your income, right? So try to look at those expenses, do you really need them and redirect that money into something that's more important to you, right? So here yeah, we talked about how they had that extra $733 but they took the 700 and they started really prioritizing that savings, right? The wealthy use that strategy all the time, they call it pay yourself first, and you wanna get in that same type of habit. And just like Tiffany was saying, we're all human, right? So a lotta times we could be distracted and wanna spend money elsewhere. But if you automate it, you just see this money come out of your account and out of sight out of mind, you won't see it you won't spend it either, right? So that'll give you more opprotunity for that money to grow really quickly. So look at opportunities like that to automate, look at opportunities for savings accounts. I mean we talked about a lotta different ideas as far as savings accounts, investments and things like that. And it is a great opprotunity of why you would talk to a Money Coach so that you could see like how could you set yourself up the best so that you can make every dollar work for you, set yourself up, have a good financial foundation so that whatever comes your way you're not even impacted as you are now, right? So that's the ultimate goal, right? And so that's why it's important to one, keep coming up to these webinars, we have one more really but there's gonna be other webinars that we're gonna be presenting throughout the year. So make sure that you attend these webinars as soon as you get messages that something's coming up, jump into them. Keep learning, keep hearing the language 'cause that what's gonna make you smarter and savvier around money. I mean that's what it took for me, to literally immerse myself in this work, right? From there you can create your own wellness plan and take a look at some of the things we talked about today. What are some of the goals that are important to you that you want to establish, start looking at your numbers, your budget, what can you cut out, trim the fat as I call it. From there you can utilize all those extra funds, redirect them to things that are more important. And if that seems just too daunting, like "Oh, I don't want another thing to do." Then leverage your Money Coach, it's part of what you have with your employee assistance program. And so in that the way you get in contact with a Money Coach is if you don't know what your employee assistance program is then you wanna talk to your HR department and ask them like "Hey, I listened to a webinar today "and they talked about an employee assistance program "and I wanna talk to a Money Coach." Then chances are that they'll give you more information about that program. And typically that program has a lot of other benefits to it, but this is one of the benefits that you have as well, is having access to a money coach. And I always compare having a money coach to a personal trainer. A personal trainer is always gonna help me get in better shape than what I can do on my own, 'cause I work with what I know, right? But having someone else to push you a little bit harder, that's gonna give you better results, same thing with a Money Coach. So definetely take advantage of the program because you can get a lot of good tools and nuggets that could help you through your financial journey. Now before we jump into Q&A I want you to first hang tight because that's the best part and everybody waits for the Q&A 'cause you have me and Tiffany answering your questions live. But just keep in mind that next week like Tiffany mentioned, and I'm so heartbroken about it but it's our last week doing these weekly webinars, for now, right? But ultimately that next conversation is gonna be about maintaining excellent credit, it's part four of four. That'll be at nine a.m. Pacific Standard Time next week on the 29th, and there'll be a follow class but more around investing. So that'll be creating your retirement paycheck at 12 noon Pacific Standard Time. So take advantage of these classes, so sit here and warp up the series so that you can start taking these tools and put them into action, okay? Now don't forget that if you didn't catch everything and you missed something that you do have a copy of the broadcast that's gonna be available next week, so do look out for that. I know things happen or just even sometimes you wanna listen back, maybe you missed a note and you wanna jot that again, or whatever may have you, right? So that's one thing to remember is that there's gonna be a copy of the broadcast notes this week. And the other thing is that once we complete the webinar today you're gonna get prompted to do a survey. So your opinion matters, ultimately like Tiffany said we've been getting some great feedback so we're very grateful for that info that you've been sending to us. Bet let us know, what do you wanna hear more about? Or if there's anything that stood out to you today that you learned, something that you wanna share with us, whatever that looks like, let us know, we appreciate all the comments because it does matter to us, okay? So now for the time of the hour. So we are here on the Q&A and checked and I was like "Whoa, we have a ton of questions." So we're gonna do our best to do everything today because it is a few hundred people that are on this presentation with us today. So let's just jump into the questions, let's take a look.

- [Tiffany] I'll go ahead and tackle the first one, we one one from Quentin that says "I'm trying to save as much as much as "I can towards retirement," and I think it's the kid's college education, "I can only contribute so much up to the max every year "to maximize profits in 20 years, "is there a way I can combine a Roth IRA "and an educational savings account together as a way "to surpass the max yearly contribution limit "to both separately?" Usually Quentin unfortunately it's whenever you're combining any type of account that has an annual limit the IRS wants to see apples to apples and oranges to oranges. And unfortunately the Roth IRA and an educational savings account is going to be separate, it's like an apple to an orange and they're going to be separate. Right now you can contribute $6,000 per year if you're underneath the age of 50 to a Roth IRA, an extra 1,000 if you're over 50. But with an educational savings account, a Coverdell is also different than a 529 plan. Coverdell has a limit, the 529 plan you can contribute up to $15,000 without having to report to the Internal Revenue Service of a gift, of making more than making more than that in terms of a gift contribution. So unfortunately you can't combine those two types of accounts to try to surpass. But here's what you can do, and this is why savings is so important, because if you have liquidity and if you put it away in another type of investment account or savings account then you can take from that when it's time for whatever goal it is, whether it's your retirement, whether it's the kid's college education, and you can take from that. So I would look at other types of savings accounts that you want to contribute to to supplement either your retirement or the kid's college education.

- [Vivian] Yeah, definetely, those are good nuggets. And just like I was mentioning too in the presentation that a lotta times your local banks, your local banks, your credit unions, a lotta times they have high yield savings for college. So take a look at those as well 'cause you may find some opportunities there if you look for them. So that's a good question, let me jump into one I see, and we get this question all the time. When I tell you all the time, all the time. So Jean wants to know "Should we pay off debt first "or save for an emergency fund?" Now a lot of how I coach people is I tell them to find a balance between the two. And the reason being is that if you focus on paying debt and you don't increase your savings, if something comes up and you've already paid your debt but you never saved you're gonna put yourself back in debt again, because you didn't have any savings to go to. So if you could find a happy balance of doing the two things, and that's why it's so important to really look at your budget numbers and really see what you're working with. And if there's anything that you can reduce or change so you could free up as much as you can, so that you can do a bit of both because you don't wanna just focus on one thing, especially cause' you can put yourself in a position where the other might suffer, right? So that's my personal take, and a strategy that I even use myself is just finding the happy medium to do the both things.

- [Tiffany] Great, yeah, good answer thank you for that Vivian, that was very good. Got a question here from Jessica, "Is cash credit?" Or I think it's credit on your credit card is available cash I think it what it's asking, "Is available cash considered liquid funds?" No. No, I wouldn't use that as an emergency simply because if you take it the interest rate that you're going to pay on that is so high when you take out cash.

- [Vivian] So high.

- [Tiffany] So high, I mean I did that a lotta times in college and when I tell you the interest rates were just out of this world, it took a very long time to pay off that debt. No, you wanna take it from your paycheck, from your wages, see what you can set aside, look for the highest yield. You want to be able, liquidity by definition is the ability to access cash with little or no loss in value. And in this case I would also add in without having to pay interest. So no, we wouldn't consider that liquid funds.

- [Vivian] That's a good one. And people don't realize because the interest rate is in fine print, but those interest rates when you sit here and take cash out is so high. I mean ultimately liquid funds is really more about just actually cash in the bank. I wouldn't even say money in the couch or the sofa. But it's cash in hand, that's what it is, not anything that's tied to a credit card or tied to anything that has some type of penalty or fee. So cash on hand is ideally liquid. Okay, let's take a look here. I have a question here from Jessica, says "Is it better to have "your savings accounts at separate banks, "financial institutions?" I personally wouldn't, that's too confusing. To have accounts scattered through different bank accounts all over town, I'd rather just find one institution where I can layer my savings. And a lotta times credit unions and community banks, they tend to offer that a little bit more than your traditional banks, like your Bank of America, Wells Fargo, Chase, so on and so forth. But even with those kind of traditional bank accounts or bank institutions, a lot of them, you can open up multiple savings account but they typically have fees and things that you wanna be mindful of. Or like they want you to have basically a certain amount in the account otherwise you have to pay a fee. So you have to do a little bit of homework really on your end to kinda take a look at what kind of accounts are in your area. But I would go to one specific place and layer the savings, versus having multiple all over the place. I've literally had clients do that and I could tell that they were overwhelmed themselves about just how to manage everything. And honestly it overwhelmed me, I'm like "Wait, this is just too much." But if you think you're, kinda like we had on the slide that you saw the bucket and then the bucket was pouring into the different buckets, it's almost the same idea. If you have your savings account and you have them layered you can have that monthly income that's kind of dispersed to all your different savings account. So much easier if you have just one place to go to. Thank you for that visual, Chris.

- [Tiffany] Yeah, Jessica I would say look for yields and relationship, yields and relationship. What are the interest rates that they're paying, and across multiple accounts sometimes a money market account is gonna pay different from a savings account. So look at the yields that they're paying on each type of account and also what gives you the best relationship. I know that for if I have several accounts with one bank, I wanna know the access that I have and when I need the funds what's the ease of the process of them getting the funds to me so that I can then fund whatever the goal is when it's come up, so yields and relationship is important to me.

- [Vivian] Right, 'cause a lot of the times, even with CDs real quick, a lotta times they have maturity dates and dates that you can't access or you have to pay a penalty or something like that. So you wanna be really clear on just what you're setting up, the liquidity of it so that you don't sit here and have a situation come up where you're trying to get the funds and then you're having a hard time getting the money.

- [Tiffany] Absolutely. Got a good question from Yvonne here, "Should you set up joint savings account when "you're planning a wedding "and buying a home shortly thereafter?" That is such a good question and we have on our website, if you have access to the My Secure Advantage Benefit we do have some on demand classes on content there. A big part of what we do is around relationships and money, right? And I say this question has some layers to it in terms of the answer because you wanna think about it's great to have a joint account together as long as everybody's on the same page. If I have one person that keeps using that fund for their own emergencies, then we might not be on the same page. It's like it was an emergency, they needed to go have coffee, they needed to go get this. And if I'm always gonna have to kind of go at war with the person that I'm about to marry over money, this is telling me something before I get there. So on the other hand this could be a good time for you to see how you work on financial goals together. If you're discussing with your fiance the goal of this account of this account is to pay for the wedding and purchase the home, here is what the parameters are around this account, here's what makes me feel financially secure about this account. And discussing that from both sides and seeing how you can work on the goal together, it may be a good venture to do it as a joint. But more than anything you wanna make sure you're on the same page and when are the parameters to take money out of that account versus we didn't discuss that. I've had plenty of husbands say to me "I'm not even going "to my own wedding unless there's an open bar." And so they're taking a a big chunk out and the wife was like, "Uh no, we're not doing that." So again, you gotta be on the same page. So think about first are you on the same page, do you need to have a consultation with a Money Coach about that. And you can bring them on the call and talk about it and discuss it and kinda start out like Vivian said earlier, so perfect, little bit by little bit, increments. Little bit by little bit. So that's what I would say to that.

- [Vivian] Good stuff. So let's see here. We have another question from Anjelica, she basically is saying "Ideally the child will go "to college but what happens with the money "on a 529 if the child decides not "to go to college." And that's a good question that comes up a lot. So pretty much with a child, if they decide "You know what, I'm not gonna to go college." There's a couple of things, there's either A, like if you don't have another child that that could rollover to, then you still have access to the money but it would just be considered regular investment and you would have to pay taxes on the funds that you pay out, that you basically take out. Because what it is is that it's tax free if it's for a child going to college. So if they decide to go to a trade school or do something else it wouldn't be treated the same. So it's just treated as a regular investment. But on the other hand like I mentioned, if you have another child that there's a possibility that they may go to college, then you can change that account if I'm not mistaken to sit here and have a child utilize the account instead.

- [Tiffany] Right, you can rollover the beneficiary on the account and you can make another child a beneficiary. You can even make yourself a beneficiary if you wanted to, sometimes parents will, all of their kids have some other ways to pay for college you can make yourself the beneficiary. It has to be a close relative but yeah, you can roll it over. And you're gonna pay taxes on the earnings portion, so your contributions can come back to you. But if you withdraw from the account you're gonna pay taxes as whatever was the growth on that account if the child decides not to go to college. I've often told parents you can back to school, make yourself the beneficiary and you back to school. And they're like "I'm 40 something years old, "I'm not gonna fit in a college classroom "with young kids." Another thing is I know for myself, both of my kids have 529 accounts and I have a lot of nieces and nephews so I've always thought about okay, can I change the beneficiary if my kids are so wonderful that they decide they're not gonna go to college, which would be the death of the former college professor, right? Rolling it over to maybe nieces nephews and being a great aunt, so there's a lot of options there. Yeah.

- [Vivian] Good question though.

- [Tiffany] Yeah.

- [Vivian] So here I have another question from Katie, "Can contributions in 529 savings accounts be "used to pay for childcare, "if not what are some tips for savings ahead "of time for daycare?" So 529 is not for childcare, I don't know if your employer offers it but maybe something to look into is the flexible spending account and see if they offer that, that could be an option for childcare. Outside of that basically saving ahead of time is really knowing what the cost will be so that you could start saving in addition, again looking at the budget, looking at your numbers to then start kinda thinking about "All right, well I know "that this is gonna be the yearly expense for daycare." So you start back engineering those numbers to know what you would need to save on a monthly basis for that daycare expense. Any other ideas on that, Tiff?

- [Tiffany] Yeah, I think that you're totally right. Unfortunately childcare is expensive, it's like you wanna take on a another mortgage payment? Pay for childcare, it's expensive.

- [Vivian] Right, yeah.

- [Tiffany] But I think what you offered was perfect. Unfortunately 529 distributions, the just made a change to the 529 account where now it can be used for secondary education, so you can use it to pay for school before college. Previously the 529 was only for college expenses only so they've just changed that. So unfortunately that's as far as the 529 goes is for educational expenses and not for childcare. But yeah, the FSA is a wonderful option if it's available through your employer. All right, good question here from Anna, "When you open an account "for your grandchild for college, "would the child get taxed when they turn 18 years old?" Now Anna it depends, the key here is it depends on what type of account you open for your grandchild. Usually on 529s the child is not taxed, but if it's some type of other account, and commonly we see uniform transfer to minors account or uniform gift to minors account, UGMA or UTMA. Usually the child would get taxed on those types of accounts, so the key to answering that question is it depends on the type of account you open for your grandchild. And usually anything other than a college savings account usually will have some type of tax impact.

- [Vivian] Good question.

- [Tiffany] Yeah, very good question.

- [Vivian] I have a quick one, it's not about savings but it's about credit reports, I'll answer it really quickly. But they wanted to know, from Deirdre, she wanted to know "What's the website "that you obtain your three credit scores "from TransUnion, Equifax, and Experian?" So a lotta times you can go directly to the bureau and ask for it. What's mostly available is the credit report but they can give you access to the credit score as well. But there's apps like Credit Karma, there's also Credit Sesame where you can get your credit scores as well for free. So those are a couple of the options, annualcreditreport.com is more so again for credit reports. And like we mentioned before, they're actually allowing people to have access their credit report weekly right now. So you wanna take advantage right now to look at your credit report because you have more access now than ever when it comes to your actual credit report, for free, right? So you could take a look at a couple of those options to get your credit score as well. But you could go right to their website like I mentioned, experian.com, transunion.com, and pull the information there as well.

- [Tiffany] Yeah, I think we have time for one more. We've got a question from Kathy, first she said last week so that tells me you've been with us last week, thank you Cathy.

- [Vivian] Yes, thank you. Thank you for supporting us.

- [Tiffany] Thank you. You heard and this was I did, I mentioned splitting the monthly mortgage payment into two payments as a way to save money, how does this work? Each of those payments, splitting up the mortgage payment into biweekly payments helps the mortgage to be paid off sooner because one payment has more power towards the interest while another payment has more power towards the principal. So it's not changing the mortgage payment, it's just splitting it up into two. Each payment has a different job, and as it has a different job, as you have more of a chunk going toward the principal that's going to pay down the mortgage faster. What I have found is that, like I said lat week a lot of mortgage companies are now onto this and my biggest gripe was a lot of mortgage companies are now saying "Well you can do that "and we'll automatically deduct it from "your checking account or whatever account "you want to designate it from." However, there's a fee to enroll in it and that fee could be anywhere from, I had a colleague who said it was $50 for here, it was $200 for me. So you wanna put that into balance and see if you can do it, but it gives each payment more power to address basically principal and interest. And it tends to shave off years off of a 30 year mortgage.

- [Vivian] Yes, you're so good Tiffany.

- [Tiffany] Thank you, I get it from you.

- [Vivian] Well that's our time everyone, thank you so much again for the support, we love doing these presentations with you guys. But I hope that this gave you some insight, some things to think about, just how to set yourself up better moving forward. Definitely take advantage of your Money Coach program, if you have questions around just how to save better or what types of accounts, so on and so forth. We'll definetely catch you on the next week's presentation, remember, we're gonna talk about maintaining excellent credit and why it's so important.

- [Tiffany] Absolutely, stay safe everyone, stay healthy and there's always a chance for you to exercise strategy with your money. Hopefully we'll see you next week.

- [Vivian] Yes, have a wonderful holiday weekend.

- [Tiffany] Yes.