- ♪ So here we go again, here we go. ♪

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- Hello and welcome to another MSA Investor Education broadcast. Very excited about today's topic, this is our ninth consecutive week. And we haven't really gotten into family dynamics and how that influences our investment goals. We often kinda get into the nuts and bolts of what investing is all about but it's actually continuing to fund our investments and some of the challenges we have when we have so many demands on the investible dollars that we bring into the household. So looking forward to this, but let's first do some introductions. So my name is Mike Hackett and I've been in financial services for almost 35 years now. And I've been with MSA for about nine years and running the education department for about five. I really enjoy traveling around the country meeting with different groups of employees with different organizations, but we're not doing too much of that right now, so I really enjoy webinars. We have a great team on doing education and one of my colleagues is William, so Introduce yourself William.

- Hey Mike, glad to be here. I'm William Wesley, I am a financial education specialist. I do a lot of the seminars, but I've also worked as a coach and in the financial services industry I've been a financial advisor, a bank branch manager, and a regional Investor Education Manager. Glad to have you with us today, I think we can share some things you might be able to use.

- All right, in terms of a few housekeeping items, wanna make sure that you submit questions, some of you submitted questions when you registered, that's great, we'll be answering a few of those. But if you want some live questions answered, please, throughout this broadcast, go ahead and submit those questions. Also, when you probably on Monday you'll be getting well, actually, now let me talk about a survey, you will be asked to complete a survey when you leave this broadcast, please complete that. And if you wanna put a question in there, we'll address that next week, we create a fresh agenda every single week so we look at your feedback so please provide that on the survey. And then lastly, you will have access to a recording, which you'll probably get on Monday on email, you can click on the link that will provide you and you can go back and listen to whatever aspect of this broadcast you might have missed. So with that, let's get into the agenda. So again, many of your questions over the weeks have kind of had to do with family dynamics and and how do you sustain your investment goals when there's so many demands on the dollars that you might be putting towards those, those particular goals. So we're gonna talk about some of that rub some of that the difficulty of doing that in managing the different goals that you have, when you're not just growing a family, it could be your parents creating some of the challenges. It could be siblings, it could be a lot of different family dynamics that lead to this type of a challenge. But we're gonna talk about how it isn't too easy, we're gonna talk about how you understand the implications of decisions. Sometimes we react pretty quickly when put into some of these situations and then when we think about it afterwards, we kind of wish we'd done a little bit more analysis in order to see what the longer term implications are of these decisions. So we're gonna talk about and give you some examples of that. Then we're gonna talk about the importance of communication, I can't emphasize enough, oftentimes we get when it comes to family, we get kind of emotional on some of the things that we have to deal with and that can break down our communication. So we really wanna talk about some disciplines you might put in place when it comes to communication. That'll help you kinda think ahead and plan for some of these dynamics that that might be coming down the pipe maybe aren't on your radar yet. And then we'll talk about an action plan, we always hope that you'll take action and kinda look at the things that we've talked about, put together a few goals, if not just some simple steps of talking to a Money Coach. With that, I'm gonna let William tell us about kinda the last week we always lead off by talking about the markets and what they're up to.

- Thanks Mike.

- So what are they up to William?

- Well the markets are up to some interesting things but these aren't brand new things. So I wanna talk a little bit about the Dow Jones Industrial Average, give you an overview, the S&P 500 and the NASDAQ, these are the three main averages or indices that folks use in terms of the market. But I do wanna stress one key point, the stock market is not the economy. Last week, we had awful unemployment numbers, but on that day the stock market actually went up, right. So the stock market is sort of this anticipation of what people think is going to happen in the future. So let's take the Dow Jones, Dow Jones Industrial Average is simply the weighted stock price of 30 large companies, Apple, Boeing, Microsoft, and what they're trying to do is say okay, over time, that the companies continue to deliver their product to the marketplace and make profit et cetera, their stocks may be more valuable and over time, we're trying to infer that if this average is going up, these companies are doing better and business is being done. Another big indice is called the S&P 500, that's a Standard and poor 500. 500 large US companies, a lot of folks refer to this one as the broad market, where it gives a bigger sample than the 30 companies in the Dow Jones. Then just one other very quickly, and that's the NASDAQ-100, now these are the top 100 tech companies. So those are the three main indices that we look at when we're trying to say what is the stock market doing? Now, if you look at the chart, it shows we had a tremendous drop, as you will know, right at the end of March, basically COVID led this, this Dow Jones down and then let some of the other industry indices down too, and how does it go down? Why does it go down? Well there are a lot of factors but the biggest factor is the consumer. Roughly 70% of our economy 70% of every dollar spent is a consumer dollar. So when the consumer is not spending, the companies are doing business in the stock market in time will go down, but we got a big drop and now we've come back some and we're hovering around 23,000 to 24,000. But long term keep perspective, long term as you've been to our other seminars, you know that over time these are some of the things that happened but the overarching theme is, over time the markets tend to go up. So that's an overview of the Dow, Mike.

- Now just just real quick, it's it's funny, because you said that, basically one indice is not a reflection of the market because if you just look here today, the Dow is down like 18%, the NASDAQ is actually flat, and the S&P is down 11%. So there's, there's a pretty good variance just there and if you were to look at international indices or more regional indices, maybe Europe again you're gonna see very different numbers. So it's really, this is a very unique event and that certain industries are being impacted more than others such as oil or, or airline industries or just travel industries in general but then you look at some consumers, you look at companies like Amazon they're doing phenomenal. So really an interesting dynamic that we're in, and we'll just, you know, we're right now where they're projected to have I think, in June, maybe a 70% unemployment rate. So we haven't seen that for decades, unemployment that high. So it's, it's really kind of unprecedented time. So we'll, we'll keep talking about it a little bit each week. But anyways, let's get into the family dynamics.

- Excellent, so family dynamics, right. If you have a family, it is dynamic. There are people in that family who are different from you. Now you love those folks, but they are their own person. That being said, there are sometimes competing goals as we begin to establish, so what are we gonna do? How much are we gonna save? How much we're gonna invest? What are we gonna buy? All of those factors. And what we have to realize is, there are components inside of the family, you may have a household where you have the grandparents and yourself or maybe your parents and then your children, right? So they're competing goals they're competing desires, some person wants this and other person wants it that another person says we should go on vacation, right? So we take that and say okay, first let's acknowledge the existence of each person, secondly, whatever we agree to do we have to create a plan. So we have to say first, what do we wanna do? Let's say we're going on vacation well, that's a start, let's say that's a goal but that doesn't get us on vacation, right? So now we have to create a plan saying, where are we going? How much will it cost? How will we get there? How much money do we have? What in our budget to do it? How much do we have to save? All of those things have to be put together. And one of the things we talk about when we're talking about creating a plan is paying yourself first, making sure you're putting yourself in position to deal with the uneventual emergency that periodically happens. So I don't wanna have only a vacation fun, because yes, I want to go on vacation but I should also have a separate emergency fund, I paid myself first to try to set that type of thing aside. So we're gonna talk more about that type of thing as we go forward. Mike, talk to us about goals and setting funding.

- Well much like you said when, when it comes to, first of all you gotta understand what are your needs, what are the most important goals that you need to fund. And the reason we put these together is often when I work with folks, and especially folks that maybe have young kids, this might be what it looks like. So there's there's three non negotiables, they wanna make sure that their emergency savings and sometimes I have to negotiate with them myself just to get them to prioritize, prioritize emergency savings this high, but I think we've all gotten a good taste of why emergency savings is so important with this pandemic. So that's one of the things we always try to make sure that gets funded at least try to get up to three months so that if you didn't have any income for three months that you could cover your expenses, that takes a while to do took my wife and I about 10 years to get all the way up to three months. We never fell below one month but it's it's tough when you have three daughters in our case and there's so many things going on, we lived in an expensive place as well, so emergency savings, that's important. Then we felt that retirement and then college savings, those are the three most important goals. Now, we put everything else into another bucket which was wants and so many different things can be in this bucket. So when it comes to, and this is really where the negotiation and where you really have to have a means by which you talk and you decide what are the prioritization of these different ones, and then what are the funding targets associated with them, because we're also gonna get into that. Often you can spend on a vacation like William was saying, you can spend a couple thousand dollars you could easily spend 10,000 Plus it depends what you wanna do and how extravagant you wanna get, for how long you want to go on vacation, so a lot of these negotiation items, but they have a lot of implications in terms of being able to fund other goals, those individual decisions. So let's talk a bit more about needs and wants because, again, this is often what I what I get into. I've broken this down to where I'm thinking about needs versus wants no matter what I'm doing, so if I'm going into Costco and I'm going there to get meat because I love to cook and that's where I get my meat, I have to go all the way to the back of Costco in order to get that. And that's, that's difficult because I have to walk by so many things that my eyeball suddenly decide I want. So it's very hard to get back to the meat section and not have my cart have a number of things in it. So whether I'm at the grocery store at Costco, again back to the consumption point that William made, they build their store so they know why you're coming in, and they make it so you have to go buy a lot of other things in order to get to that point. So every day it's a challenge needs versus wants, but when it comes to our goals, again we talked about need sometimes there's short term, sometimes they're long term. We talked about building emergency savings as something that's so important, but you might also have shorter term needs such as your air conditioners on the fritz and you need to you need to replace that, or your backyard fence is about to fall down that needs to be taken care of. Versus you have these wants such as a family vacation, maybe replacement car for spouse, and you wanna increase your retirement plan contributions, all these things kinda get mixed together as to what are we really going to do? Do I have to get that air conditioner system? Can we wait on the car for the spouse? Or can we just take less of a family vacation not spend quite so much and I can actually get to the backdoor, backyard fence. So again, these things are not easy negotiations or things to to navigate, which is why you have to have some great communication disciplines in place. But let's get into a little bit more about the implications of these decisions because it's really thinking through each of those individual goals and your commitment to funding them that influences how many goals get funded.

- Good stuff, and there's a concept called opportunity cost to Mike's point, and that is, if I do this thing with the money, I can't do this other thing. So that's where the priorities come in. They're all relatively important, some are extremely important, but trying to do that negotiation, have the communication and prioritize. So there are a lot of things, there's the family vacation, there's a garage rebuild, there's repairing the backyard fence as Mike mentioned. So it's sort of like who's on first, what's on second and so we have to take that information and say, okay, based on everything we have to do, and we run these parallel universes our lives are a lot of things. Well, same story here, one we have to have some emergency fund So that is probably one of the main things we've put our arms around. Some folks don't have kids, some folks don't plan to pay for college, whatever. So that might not be your second choice in terms of your list but let's look at how this breaks out into short term, medium term and long term goals. So as we break these things out, and it will pop up in just a second. So what you'll see is we've taken those goals and taking those topics and put them in categories, one to three years, so that's emergency savings, we have to have some money in the next three years, two years maybe we're taking a family vacation. It's 23rd year of our 25 years of being married so the anniversary is coming up, those might be one to three year goals. Then three to 10 year goals, as you can see the list there, it all depends your list may be different, the point is prioritize, qualify and determine what makes the most sense. And then the last goal, or the last longer period goals. Normally they're saving for retirement, paying off the mortgage and would be nice to move into retirement without your biggest monthly expense. So all of these things can be important, all of them have different value depending on you and your family and your structure and your timeline and your income. But listing them out and having a consultation with one of our Money Coaches can help you and your family identify what's next, who's on first, what's on second, that whole deal. Now let's take an example. So let's say you're 35 years old, and you have a 401 and in that 401 you have 150,000 dollars and you and your spouse are looking at the kitchen saying you know what we should remodel this kitchen. And there are a couple of ways to do this, there are a number of ways but let's take two ways. One I take 50,000 dollars from my 401 and I do the remodel. Now, this is important back to the opportunity cost point because if I take that 50,000 now that 50,000 cannot work in my 401 . So here I am, I've taken 50,000 of my 150, now I'm not contributing to my 401 and I used to contribute 8,000 dollars a month, or 1,000 dollars a year.

- That's generous.

- That's a huge amount, I used to contribute 8,000 dollars a year. So what does that do? And by the way, now you can take up to 100 as a result of COVID, I'm not saying take money out of your 401 I'm just saying the door has opened, and if you take now instead of 50 if you needed 100 you can do that for necessaries. And long as you pay it back within three years, you're not subject to the additional 10% penalty. So let's say this person did this, at the end of the day at age 67, which is not the end of the day, but at the end, and let's say the person decides to retire, they would have 1.23 million dollars, which is a lot of money. But let's take the item.

- Then they got three years of having that kitchen. So three, three more years in the next one year we gotta talk about.

- So let's say the person says, or the couple says, You know what, we can wait, let's wait a bit, let's leave our money in the 401 and go on a savings plan of saving 1500 dollars a month to build up enough money to basically pay for the remodel. Well, in three years we'd have 54,000 dollars, we have delayed the gratification of having the newer kitchen, but we've also made more money so fast forward to 867. And by the way, a couple of assumptions again, we're putting away 8,000 dollars a year and two the market is giving us 5.5% return. Okay, so now, instead of having 1.23 million dollars, which again is a huge stack, you'd have 1.37, 144,000 dollars more. And here's the point, there's no right or wrong in this scenario, you may feel that you know what it's so important to remodel the kitchen will get so much more enjoyment and it's okay to be 144,000 dollars lighter at the end of the road. Or you may say, you know what, I can't afford to do that, I want to save it, pay cash and have a bigger 401 . It's your decision, the key here is cycle through the decisions in order to prioritize and make the determinations. Mike, tell us about health savings account.

- Okay, this is another scenario I love talking to people in their 20s or 30s that are healthy, they may not they may be single as well and they have this option of being able to get a high deductible health savings account. And so we'll discuss it, and again this is not to say that's the way you should always go it's it's really a year by year decision with many families or individuals. But let's say that this individual decides to do a high deductible health plan, opens up a health savings account and from ages 25 to 35 puts the maximum in so you can put over 3500 dollars in to an HSA this year, and maybe you get some of that put in by your employer, maybe not. But regardless, let's say that you are gonna be committed to putting 2500 dollars a year of that into a savings account which you can put into investments, mutual funds, and that's what you're gonna you're just gonna be disciplined about 2500 dollars a year. So from age 25 to 35, you put 25,000 dollars into a health savings account, but again, it's growing so that first 2500 is growing each year going on. So basically, let's assume that once you get to age 36, after 10 years, you decide to move to a different type of a health plan. You stop funding your HSA, but it does continue to grow but again, that you just moved health plans for whatever reason. Now comes age 40, you have some type of a health issue that you need to come up with 30,000 dollars in order to cover it. That's a big expenditure, but you might be going wow, how am I gonna pay for this? You look at your health savings account, and because you've left that alone from the time you started contributing to it, and from age 25 to 35, you never touched it from 35 to 40 now suddenly you have over 45,000 dollars in this health savings account that you can apply towards this 30,000 dollar expense, if that's what you'd like to do. You could also just leave it alone and let it keep growing and that's gonna be available for you another 10, 20, 30 years down the road and this can be extremely valuable, especially the older you get, the higher your health expenses are going to get something like this can be invaluable. So it's, again, one more source of funds to go to. And I just wanna talk a little bit more about health savings accounts and why they're, they're kind of unique and that they have kinda triple tax savings. You pay no taxes on the money you put into a health savings account. It's able to grow tax free in terms of as it's compounding on an annual basis and then when you take the money out as long as you're using it for quite for health expenses, then there's no taxes when You take it out. So it's really one of those rare, we kinda compared it to a pre tax, where you're paying taxes, you put money into say a 401 , you put pre tax money and then the money grows, but then you pay taxes when the money comes out, or you pay taxes out of your paycheck, and then you contribute to a Roth account but then you don't take pay on the distributions when you get to retirement. You still have to pay taxes at some point there, either on a traditional or a Roth retirement account, with a health savings account it's tax free across the board. So it's, it's really a nice option if it makes sense for you. So again, you have to look at your own family dynamics, how much you anticipate spending and which healthcare plan on an annual basis is gonna fit the bill the best for you. But if you're able to do a scenario like this, we just wanted to show how allowing that money to grow could serve you so well on that day that you really need to have an expenditure. So let's go into another scenario. So this one's near and dear to me in terms of, you have a 25th anniversary celebration coming up and you have kinda two options you can decide, a week spend my lovely wife 2,000 dollars and just have a great weekend? Are we gonna really have a great time? We're gonna spend over $10,000, maybe go to Europe and do some of the things that are on our bucket list right now and we wanna do it more when we're 50 years old and kinda younger and can enjoy more of what we do, or do we wanna save some of that till we get to 65 and retire and have a bit more money to spend as well. So again, nothing, no one's gonna judge as to what the right answer is on the left hand side, you decide just to have an amazing weekend and you put 8,000 dollars into your retirement plan. So what's great about once you turn age 50 is you can add an additional 6500 dollars so let's say you have a 401 and you can put up to 19500, which is a large amount of money to put on an annual basis into a 401 or 403 but once you turn 50 you can put another 6500 in. So let's say that they were a couple shy, a couple thousand shy of that 19,500 and so they put this 8000 into their retirement account, when that person Turn 65, that Money at 8000 is going to have grown to 16,000. So now at age 65, they have 16,000 dollars for that trip rather than just the 10,000 they spent when they were 50. And then on the right hand side again, they decided to spend the money so they're not gonna have as much money perhaps when they get to retirement. But nonetheless, they may not really care because they had such a great time when they're 50 and they decided to do this. But this is just the rub as to how much do we wanna spend? What are the implications? And two different couples can come to different decisions. It's just that you had a discussion and you did the analysis, and then you came to a decision. So let's talk a bit more about the importance of communication.

- Good stuff Mike, thanks. So here's what we know, all the studies telesis the most important component of a relationship is actually communication, and the most important component of communication is listening. So and understanding fundamentally that your spouse may have been raised, possibly in a different household from your household, right so as you came up, depending on how your family, your mom, your dad, your uncles and auntie's, how they treated money, how they talked about money, how they educated you about money, maybe different from your spouse. And that's where we really wanna get inside of some key things. One, schedule routine meetings. It could be weekly, it could be monthly, but you and your significant other and the family for that matter, sit down and sort of review things. What's the state of the family financially, imagine doing that once a month, Saturday morning. Also recognize tendencies, some folks have a tendency to save. So they may have come up in a time or at or at an income level where there was very little money so their big big driver is making sure they have some money set aside. Others want the immediate gratification saying you know what, you only live once, let's do it now because who knows what's going to happen? So it all depends, and there's some give and take in those relationships. Now, imagine a family meeting, we have children, we have grandparents and all of that and in the family meeting some folks wanna do one thing some folks wanna do another, we have to understand, at some point there has to be a decision and how is that decision going to be made? How do we agree to disagree, and obviously, still be a family, and acknowledge the pull of friends and online and marketing. You've been online, I've been online, I might have looked at some sunglasses, and then all of a sudden I log on to my Yahoo account to go and check my email and all of a sudden there's some sunglasses, well, I'm being tracked just like you're being tracked. The point is this we're being tracked, we're being advertised to, but we want to still control the buy decision based on our income and our timeline and all of that. Now, if you take 90% off of something, I'm probably gonna buy it but in general, you wanna be aware of the pull. Okay, so let's talk about some examples of compromises. Well, It's all about the give and take because not and I, as I mentioned earlier, this whole idea of parallel universes, there are a number of things I'm trying to do, I have a life, I have a wife, I have family, I have friends and there are things I wanna do, I want to play golf, I play tennis, I wanna fund this education, I want to fund that education, I want to take all of those things.

Well, sometimes we have to put one of those things on hold, it's just like being a politician, I may want this particular bill but I need to vote a certain way on this bill in order to get this person to vote for me on the other bill. So it's about priorities, it's about communication and it's about agreeing that at this point, this thing may be the most important thing we wanna do and know that the other thing should now be on the list respectfully on the list, and we've agreed to do it so when that point comes we've already agreed that two years from now we're doing that thing.

- We had talked about in the past slides, you know that 25th way anniversary bucket list version and that may not be off the table simply because you wanna put the money into retirement, it might be off the table because you have a child that's gonna be going to a private high school and they need a car because it's not close by and so forget the retirement now it's gotta go towards towards a car. So it's, it's different for each couple or each family.

- Indeed, and so just to wrap that point up, in our other discussions over the last nine weeks, we talk more I call it about the hardware. So we talked about a lot about accounts and investing and profile and all of that, well, this is the software this is the thing that determines how you feel about money, which will often determine what you do with money and various feelings will cause people to have friction unless they communicate about what's going on and what their drivers are so they can prioritize, Mike.

- Okay, so in many, I'd say over the last eight weeks every week we get a couple of questions about college savings accounts. So we have been able to kind of weave it in so we wanted to make sure to cover it today. So this is one a very important family dynamic in the sense that if you have children, we often recommend that you start from the moment they're born saving for that ultimate college education, which might be 18 years down the road. Now I'll talk in a minute just about how some of these dynamics are changing, but historically, it's expensive to send a child to college. So it's really in your best interest to try to save as early and as often as you possibly can. And we've put up some of the more conventional ways in which you might go about doing that. So Coverdale is something that's been around for a long time, this is really an effective way to save for our education costs and the good thing is, it's not just college education. This is if you wanna save for kindergarten through college, you can apply these funds towards that, very flexible and that you can invest in almost anything from mutual funds, stocks, bonds, real estate, you can do a lot of different things with with this with this contribution. However, the bummer with it is you only can contribute 2000 a year. So that's that's a bummer but at the same time the way I've used it and recommended some people use it is we teed it up my wife and I to our, to our parents that how about if each of you maybe takes a piece of that each year, if you wanna contribute to our kids future education, you know, 2,000 dollars 1,000 dollars, a couple, it was one thing that we were able to talk to some members of the family and they actually took on the responsibility of funding that. And then some years I actually took it on because what I wanted to do is teach my daughter or one of my daughters about investing. So I said for your 2,000 dollars this year we're gonna invest it. So we would talk about how do you invest? What are some things you might want to invest in? We would research some stocks together, and then actually invest some of their college education funds in stocks, again, not the lion's share of what we were talking about. Most of that was in a 529 account, which I'll talk about in a second. But Coverdale can be an effective tool, again due to the flexibility and how it can cover costs from K and from kindergarten on, so a good tool. 529 savings accounts is something that I've recommended, I've used them myself for my three daughters, there's actually two types. There's a prepaid tuition type of 529, I'm not going to get into that but that's where you basically many states and then public universities within that state will have a program such as this, not as many are doing it as they used to, but what you are doing is you're buying basically credits towards semesters in advance. So you buy it today's dollars, and if your child isn't gonna go to school for let's say, 10 years, then you're buying it today and then they're gonna be able to use those credits in 10 years, and you can imagine there's gonna be inflation of cost, so that could be a pretty good deal. But you still have to make sure your child goes to that college so there's some stipulations that again, if you wanna talk to a Money Coach about that, by all means please do but the 529 savings account has been a much more popular option. Almost every state has one. And what you'll have is you can have different mutual fund as the Mitchell one complex as the administrator is on these, so it looks a lot like a 401 and that you might have 10 to 15 investment options of mutual funds. You put your money in, you choose the mutual funds you wanna invest in, that money grows tax free over time and then when you get to the point where you need that for education purposes, you take the money out and you apply it towards college education. It's actually becoming a bit more flexible, you can put 10,000 dollars now towards pre college expenses, so it's kind of nice. There's other things such as you can basically, if you don't like the 529, you can transfer to another, another 529 plan in another state, you can change the beneficiaries if you want, maybe a child decides they wanna go into the military or they don't wanna go to a college that's going to cost that much, so there's a lot of flexibility as well. So 529 plans is something that I've seen a lot of folks have a lot of success with, so it might be something you wanna consider. The third thing we put in here is a Roth IRA. This is kind of a unique vehicle in terms of considering using this, as I always say, as a supplement to college savings, so I'm gonna let William tell you a little bit more about how a Roth IRA works.

- Good stuff, a couple of quick points also in terms of funding, Coverdale, 529, or whatever, one, be incremental, you may start at a certain amount, but then slowly but surely increase contributions. What we've done, we've had our siblings, okay, like, you can give us a toy for the child or a little toy because they're not gonna remember their a year old, they're two years old, and 25 dollars on their birthday and 25 at Christmas and 50, right, that kind of thing. And over time, it can do incredible things. One other key point in terms of 529s, you can use that for vocational schools long as it's an accredited vocational school. So what if your daughter wants to be an electrician? Fine, we built some money to do that. And if no child connected to you wants to go to school, you can actually use it for yourself and go back to school. Now let's talk a little bit about a Roth IRA, why would we include a Roth IRA in the discussion around college savings plans? Well, there a couple of many very key points. One, I can make contributions and as that money grows, obviously, I don't pay tax on the growth of the money, I've already been taxed when I put it in. But here's the kicker, there are two major kickers one is I can take my contribution what I've contributed, I can take that out without a tax penalty. So imagine, my child is five, and for the next 5, 7, 9 years, I contribute 2,000 dollars a year and I end up with 15 or 20,000 dollars and it's grown to 30,000 dollars. Well, I can take the amount I put in and use it as money to do college or do whatever I can buy a car, do whatever she or he would need. Another big big thing is the fact that when FASFA when you're doing your college application, many of you have done this and done this for your children, when they look at your financial footprint, they do not include retirement accounts. That's powerful but with your 401 you may not be able to take it because you're subject to a penalty, but a Roth IRA, they're not conclude including that in your financial footprint and you can still take it. And why is that important? Because if you build up enough in terms of assets, your financial footprint may be to the point that when you receive contributions or when you receive a scholarship or a grant, it may be connected to a condition. So you've got the 50,000 dollar grant, but by the way, we're gonna require 20,000 dollars in parent participation, what that means is you have to put up 20,000 because your footprint was so large. A couple of other things, flexible options, I can buy any stock and find any mutual fund, contribution limits 6000 If you're under 5O, 7000 if you're over, you can have multiple beneficiaries, all kinds of account choices. So we think it's a very good tool that could be used for college savings.

- Okay, so let's look at some considerations and so one thing we wanted to do was, was take a look at this kind of changing landscape, and both William and I will speak to this slide because I know I just I just finished, my youngest daughter finished her final year in college. And again, I have three daughters so I've paid for three daughters to go to undergrad, so brings a tear to my eye that I no longer have to pay tuition, I gotta tell you, and we pay quite a bit for tuition. So you can see from this chart that in terms of what it costs for a private four year versus a public, but I'm telling you what, especially in these days right now, where we've just learned that in fall, most colleges are gonna be going online. So a lot of the experience a lot of the things that you might be going to a four year institution or a more traditional college for you may not be able to get at least in the near term. And so it's gonna bring to question this kind of value, cost relationship when you're thinking about college, so I'll let William speak to kind of that the old school perspective versus the new thinking.

- Yeah, there's some interesting things going on, and we don't know how the world's gonna look post COVID. But we see some key indicators. One, there's a lot more online, right? Every university, every major university, every Junior College, every elementary school is doing online instruction. Well, a lot of that is not going to go away. And at the college level where you can pay room and board and physically get to the class, and that has its value. Don't get me wrong, being in a dorm and living on your own and hanging out with your friends and seeing what you can consume and still go to school, I get all of that. But there's another piece of that and that is the cost, right? If we remove that cost and still get the same quality education that may be the new model or some hybrid that says maybe you go to school one day a week, and then everything else is online. What we see with that is possibly over time, a great reduction in the cost of college education, no one can predict, but if every college is doing online, then the value and the cost of doing online may begin to drop. There are a lot of things to consider. And this is all brave new world stuff, as I say. But it's very interesting as we now look at the landscape for college.

- yeah, now it's going to have a huge impact on colleges and how they price their their services and just the decisions that consumers are making. So okay, so that concludes what we're gonna say about college savings. And what I wanna do is quickly talk about what's coming up over the next couple of weeks. So we kind of mapped out everything we were going to do in May and so next week, we have retirement planning, and that's gonna be on May 22 and so we hope you'll join us for that, again, we're gonna really focus in on what are some of the most important things that you need to do regardless of mindset, even if you haven't really saved much for retirement and maybe you're 50, 55 remember, you're gonna be in retirement for a couple decades so there's still a lot of the disciplines a lot of the same concepts we'll discuss, apply no matter what your age ages or how far along you are. And then lastly on the 29th we'll talk about income and taxes in retirement. This is such an important component of understanding where you're gonna get your income streams. Basically, when you get to retirement, you're trying to replace that check you received in your during your career. And so it's really important to understand what are the different sources of income that are gonna do that for you. So with that, let's talk about the action plan. So we hope that you got a lot out of what we've talked about so far, we hope you'll attend our weekly webinars that we just kinda reviewed there with you. But also the second points important, we would like to emphasize this every week, we know there's a lot going on with the pandemic that we're in, there's a lot of services you might wanna be tapping into, that might benefit not just you but your family. So every single one of you has probably some pretty amazing benefits through your employee assistance program at work, we really recommend that you look at that through HR and understand not just the financial wellness benefit that you have, but what other benefits might assist you in this in these kind of trying times. But also please take the take advantage of speaking to a Money Coach, you can by going through your EAP or going through your HR, get ahold of us make a make a phone call and make an appointment there 30 minute conversations over the phone, we love working with you, if you're single or if you're a couple, we can talk about anything. So no matter what the topic we won't sell sell you a thing I will do is advise and be a backboard from an education standpoint. I wanna remind you that you're gonna get a recording of this probably on Monday so look for that email if you wanna go back and check on the recording. And then also in terms of after that the survey, please take that survey when you leave this broadcast. We wanna make sure we get your comments and please remember to write some questions if you want us to address them next week in the context of retirement. Also, we haven't really mentioned the other Friday webinar that we have. So every Friday at 9am pacific time, we talk more about budgeting we talk more about income concerns within the household, we're going to talk more around prioritizing savings next week. And then again, we're gonna talk about retirement in terms of upcoming events. So with that, let's get to QA. I'm gonna let William handle that first and so one second here, and we will get some of those questions up on the board, but.

- Well good stuff there, Mike. And as the question comes up, I just can't emphasize enough the Money Coach is a great resource. No pressure, no worries, no guilt, right. Whatever has happened has happened, but going forward, we can help you with what's going on in your life. Okay, we have a question from Roxana. Should I put more money on my Roth 401 even though the market is not doing that well? Well, that's an excellent question and that is the essence of the question. What should we do right now with the market? Well, that leads to several looks we have to look at, one what's your timeline? Do you plan to retire in 10, 15, 20, 30 years? If so, two how do you make money in the stock market? Well, history says you buy low and sell high, when is the market low? When things like this happen like in 1987 where the Dow Jaw dropped 22% in one day, or 2001 or 2008. So here we are, again caused by COVID-19, no one knows exactly what's gonna cause it next time, but we know periodically it drops. And when it drops, it's like a bay in the tide going out. So all the boats, the big luxury yacht and the tugboat have all went down, that is the great stock and allows the stock have tended to go down since the entire tide went down, wouldn't it be wise to continue to purchase because now your per share costs and your mutual fund is probably lower than it was five months ago? So to answer your question, depending on your timeline, and your risk tolerance and all of that, in general, I would continue to contribute and possibly even increase my contribution to my 401 .

- Okay, so we have a question from James for future health care costs, what options would you recommend if HDHP is not an option? That's a I view that as a kind of complicated question because what I would typically do James is ask you a lot more questions as well as to how old are you? What options are available to you? And what other forms of savings are you already taken advantage of? So, in terms of a Roth, I think that could be another great option. So you put money in towards your retirement in a Roth but if you need to use it, much like the example we showed, you might be able to take that money out and apply that towards a future health care expense. But there could be other things, if you wanted to open up an investment account and simply grow your wealth that way and then be able to tap into something other than a health savings account in order to cover your expenses that might be something available to you. Something else that I saw, that really worked out great for my parents, just to be honest, they made sure to pay off their their home so that when they were in retirement, they didn't have a mortgage, which was one benefit but then when they eventually sold their home and downsize, they made a significant amount of money and that money was actually what sustained them and paid for their health care costs for the remainder of their years, so I'm not saying that's what you do with the equity in your home. But I'm saying there's different ways you can go after it in order to have a few buckets in which to maybe pay for those health care expenses in your later years.

- Good, good job. Patricia asks, how much should we have in savings to retire? And that's a complicated and it really depends, right? It depends on what is your retirement target? In other words, what's your budget in retirement? How much do you need? And what do you need it for? Of course, insurance and clothes and food, et cetera but also entertainment and enjoyment. Maybe you wanna travel visit relatives, and all of that. So we wanna look at crafting a retirement budget and the Money Coach can help you do that now from this vantage point, what do I think retirement looks like? Will I have the house paid off by then? Will I'll still live in that house? Will I be downsizing, right? So I can sort of take a picture of where we are now and take those numbers and try to extrapolate and that should give me an idea, so I'll look at what my goal is then I look at what do I have? How much do I currently have? How much will Social Security be? Or do I have any other guaranteed amounts of income like a pension? Or an annuity or something that's sort of guaranteed all I have to do is wake up and the money comes. And sometimes that may be enough, your monthly may be 4000, that may give you 4000. But what if your monthly is 4000 in those guaranteed sources are 1800? But that's where we dip in the 401 et cetera and then maybe we do the math and say, okay, based on that, I need this much more from my 401 to complete the picture of 401 , IRA, whatever my retirement plans are. I hope that helps.

- Okay, I am gonna go with Lisa, you know, what types of financial goals should every household decide on? And how do you know if your goals are realistic or not? That's a that's an interesting question in terms of what types of financial goals should every household decide on? I'd say, start with emergency savings. And that's trying to decide what are the risks and how much of, how much do we want to have in reserve should anything happen to our household income, and therefore we need to cover that for some period of time. And then again, when you say household, it depends how if you have children, how old those children's are, what types of programs they might wanna be in, what kind of goals you wanna set, if it's for education, if it's for other means, for around your kids. And then again, I always feel it is so important that your own retirement, taking care of your own future, I hope that and this is something I've told my I've told my kids and they've been good at it so far, from your first paycheck, start saving for your retirement and try never to stop. Dollar cost average doesn't be that, especially when you start early doesn't have to be a ton of money that you put in with every paycheck hopefully, though, it'll grow over time, so you increase it by 1% a year, you can do that automatically within most programs. So it's little disciplines like that, but I really recommend that you look at one of the most important goals and that probably starts with a just having a good meeting to say where do we wanna be a year from now, three years from now, 10 years from now. How important is a is a big family vacation, versus getting our next car, versus upgrading our backyard versus, you know, it's gonna be different for every couple, the important thing is to really try to map out your future a little bit, what's really important, and then prioritize that within your budget, fund those goals that are most important to you. But I like I said, I'd always start with that emergency savings, make sure you've got that protection, because if you start something to fund some of these other goals, and then you get a curveball in life and therefore you gotta come up with money somehow, when you can cover that with your emergency savings, that's awesome. But when you can't, you might have to stop your contributions to some of these other goals or even take money out. So we're talking about a 401 loan or there could be other things, taking money out of the equity in your home, there could be things you have to think about and consider where ideally you wouldn't do that if you had enough emergency savings.

- Good job. I'm gonna take Yvonne and Manova's question, They're both around 529s, one can you open a

529 plan through credit union? and two, do you recommend any companies that I should look into to open a 529? Yes, you can open a 529 at credit unions, banks, brokerage houses, et cetera. No, I can't recommend a particular company but I will say in your state go to, it normally will say 529 plan for Texas or 529 and that will start you off, so you can Google that for whatever state you're in and what will pop up is the state administered 529 plan, a lot of information and even companies that you can then look at, but no, we don't make specific recommendations about particular companies for investing, or 529 or Roth IRAs or any of that.

- And I and I gotta be honest with you, I will often just start with looking under Google top rated 529 plans in the country and see what you get because you'll probably find some really nice write ups, maybe in USA Today, Forbes or other organizations, other media outlets that have put together some really nice analysis of different 529 plans. You can see what they've compared, something that's really important is to look at the expenses, look at the investment options, look at the different mutual fund complexes that are associated with those 529s, you may prefer to invest in Vanguard versus a fidelity versus a platinum versus a Franklin Templeton, whatever it might be, typically you're gonna have a set number of investment options so that might be something that that drives the decision as well. But don't forget, you can invest, you can live in Florida, invest in the Texas 529 plan, and then fund your child's education in California. So it doesn't really matter which one you invest in, although there may be some tax benefits in your own states. So you wanna at least look into that to see if your contributions get some tax benefits. So let me get to another questions. Stephen, I have 20 years until retirement and 28 years left on my mortgage, should I pay down my mortgage first or max out my retirement account each year? That's kind of an interesting question. I would kind of lean towards maybe trying to do better both, maybe you change the timeframes around that. You have 20 years until retirement and 20 years on your mortgage, maybe you start speeding up adding a little bit and paying paying some principal to get your mortgage to the point where, in 20 years, you're on the same, you're on the same target so basically, you pay off your mortgage in 20 years as you go into retirement. Because probably between now and those 20 years of retirement, I would hope you would get some pay raises and you can probably start to increase your contributions and maybe catch up on your retirement account during those years. But it's really kind of an analysis and again, a Money Coach can maybe help you run some of those numbers, in terms of what's going to pay off. If I put the money into retirement and let that build for 20 more years, what's that gonna get me? And then I'd also wanna know if you have other sources of income, maybe you have access to a pension or your spouse does, maybe you have some other investment accounts so those are going to help you help fund your retirement and if that's the case, then I would maybe go to for the mortgage. My last point is there's a there's a sense of pride when you pay off your mortgage, maybe it can be more so for other people in terms of versus having a little bit more money in retirement as long as you do you feel you have enough money, it could really be a great feeling of pride when you go into retirement to pay off that mortgage. So consider the kind of emotional element of it as well.

- Okay, good stuff. Vance has a question is the early withdrawal penalty a major downside to using a Roth IRA for funding college? Well, as we talked about it, we weren't saying use all the money and be subject to a withdrawal penalty. We were saying set some money aside in the IRA, and that's the money you can go and pull out the money that you put in so the principle you can take without a withdrawal penalty. Now, if you have to use the IRA for funding college, I would opt to make sure I'd be in other plans, right. So I'll do the 529, maybe the Coverdale I'll build money where when I take the money, there's no penalty because that's what those things are designed for. So I don't wanna touch penalty money in my Roth IRA, I wanna touch principal and principal is the amount I put in, not the profit. If I take all the profit out, and I take it out before age 59 and a half, now I'm gonna be subject to a tax penalty on that profit. So let's try to plan to not touch the profit.

- Yeah, just your contributions, you're not gonna pay a penalty if you touch your contributions. Okay, so what's the this is Tom, what's the maximum you can contribute pre tax to a retirement fund if you are over 50? So again if you're talking about a 401 or a 403 you're talking about 19,000 through an employer 19,500, under 50, and then an additional 6500. So up to 26,000 on an annual basis, you can put in if you're over 50 within a plan. Now, if you wanna put some into a traditional or a Roth IRA, then the limits are 6000 a year and then an additional thousand, so 7000 for those people that are over 50. Now, there's some income stipulations too so you need to maybe look, talk to your tax advisor just to make sure that you don't have any issues with the Roth or the traditional IRA. But again, if you have access to a 401 or a 403 then those are the limits and you can get up to 26,000 if you're over 50, which is a great deal of money to be able to catch up and hopefully get you where you need to be when you get to retirement.

- Okay, I'll take Jennifer's question. How do you say no to family requests for loans? That's a tricky one. I don't know your family, I don't know if this particular person in the family periodically comes and request loans. But in general loans tend to cause problems a lot of times in families just like renting a house to a family member often cause causes problems because we have a relationship. So in general, I'd opt not to do it, but if you decide to do it, it's a one off and make sure it's written just like any other loan, there is a document even have it notarized and sign, there's a payment schedule if you feel you have to make the loan. In general, loans tend to, if I loan someone some money now they are beholding to me and every time we see each other, we may think about that that may change our relationship. So my dad used to say if you're gonna give someone some money as a loan, just give them the money. So how much can you afford to give them and assume it's never coming back, right? So if they want 1000, and you have the ability to give them 250, give them and that's that but make it a one time gift. Now, that was just his opinion and I sort of liked that because I've seen in the course of my life people borrowing money from friends and family tends to go sideways more often than it goes well, so that's just my opinion.

- And I wanna weigh in on that because I have some personal experience with this, so I have a brother in law, so my wife's brother started a restaurant and he needed some help in order to get that restaurant started. So he asked for a loan and again, this was based on history and just knowing where the odds are, we were not that keen on providing a loan but my wife and I talked about it and we felt he was so passionate, and he's, he's an amazing cook and so we, we felt this is something that means so much to him and if it is successful, that'll be great. Maybe we can get something out of it, such as a meal a week for free and get some other benefits as well so what we did is we decided we were gonna give them a loan, but we were not going to expect that loan to be repaid. We didn't tell him that but nonetheless we agreed that that was gonna be our attitude so if something went sideways, it was not gonna impact our relationship, we're not going to hold it over his head, et cetera. So we did it and to be honest, I think it's been a good investment, it has not worked out as an investment in terms of us getting back what we thought we would, but we've gotten that meal a week for now 10 years, and ultimately it might pay back we don't know, but it's we feel good about we know that we help them, and it's something that again, we had to be on the same page, if we had not been on the same page when we decided to do this, this could have really become a rough point without with our relationship. So you really have to communicate when you're talking about family loans and just agree to disagree, but figure out what you're gonna do and then stay as a united front when it comes to how you're gonna react if it goes sideways. So now I gonna answer a different question, which is, Howard had asked you a 401 and real estate or gold investments, and that's kind of interesting. So when you're talking about a 401 , typically, you may not have really real estate or even gold investment options, what you might have is a REITS, which is a real estate investment trust, which is a mutual type of a mutual fund. It's kind of a setup like that where you can invest in different types of properties. There's different types of REITs that might be mutual funds available to you, that does just invest in real estate. So that might be an option and I think that is a good diversification play as a percent of how much you're investing within your 401 and in terms of a gold investment, you might have like a natural resources or just an energy type of a mutual fund that only invests in those types of in that industry. So that might be an option for you, you could invest again, I would recommend a small amount since it's in such a specific industry. But what you're typically gonna find is if you want those types of investments, maybe if you were to leave a company and you did an IRA rollover, then you would be able to take, take your 401 put it into an IRA rollover, establish that maybe at a mutual fund complex, or at a brokerage firm, and you'd have pretty much any type of investment that you want that you can choose from, so I've seen a lot of people do that. But within your 401 , you're pretty much stuck with the investment choices that you have. So you'd have to do your research to see if either gold or if it's real estate, how they're represented within the choices available to you.

- Good point and so again, staying with the 401 but let's just say you did want to invest in those things, continue your 401 investment and maybe you do open a brokerage account. And or maybe you open an IRA, and then begin to invest there even before you retire or rollover. State let's see, what do we have? We have Michael saying estate planning considerations for families with young children first of all, do it. You have four key parts of an estate plan. One is a will which speaks from a grave and tells folks what you'd want to happen. You and your spouse get together and agree on what's needed if you have real estate add a trust, because now what we wanna do is make sure that house is protected inside of the trust, make sure we don't have to spend the expense and the time and the all the things connected to going through probate, let alone it being a public proceeding, I can give my house to my son, right now, I'm alive, I'm competent, signed notarized, the deal is done. I can declare who the beneficiaries are, I can list the items, I can even have other items distributed that way based upon the clauses put into the trust, so the will can be for little things I wanna give my golf clubs or this watch or something like that. If you have a house, look at the estate, make sure you have a trust for the estate plan, then there are a couple of other considerations, maybe not as a young father, you may not need to have the medical directive or the durable power of attorney but those four things pretty much make up the the estate plan. It's the will, the trust, the medical directive and the durable power of attorney, young family, young kids minimum will interest and obviously insurance.

- So the question, this is a good question from John, should I open a 529 plan for each of my children. I opened them for each of my children, but there is a definite, some strategy I put into that. I made sure to have more money invested in my oldest child or more in her plan, because I can always change the beneficiary. So if she didn't use all the money that I put aside, I could then change the beneficiary and use it for one of the younger kids. So I also made sure not to have my target was not to have as much as maybe I would end up paying, so if I had to tap into some of my own savings in order to finish off their college expenses, then I wanted to plan to do that or if I had to tap into a Roth IRA, then I would plan to do that. I didn't want to save too much money in a 529 so that I had to figure out how to use it myself or with for my wife, or, you know, figure out how to change it over time I just didn't want to have to deal with it after they were in college. So I underfunded them a little bit per se, with an understanding of I also monitored how I thought they were thinking and in reacting to the concept of going to college, did I really think they were still gonna stay on a path that influenced me as well as to how aggressively I kept funding, all three of them went to standard four year universities and I did use that use up all the funds that I put aside, but that is something well worth considering in terms of whether or not you open up for each individually, or, again, just change the beneficiary put a lot into one or two, and then just change the beneficiary if you have a third, somewhere down the line. So there's a few ways you can go after that. So okay, we've got to the end of our questions. So again, this is one of my favorite things to talk about. Because I know there's so many dynamics, I've gotta say, this is a great way to use a coach. And if you wanna use a Money Coach in the future, I recommend that you consider making an appointment just use this as a back board when you have some of these discussions, when you're trying to prioritize and figure out what is the best thing for us as a family and for us as a couple potentially, or even as an individual in terms of prioritizing our goals. So thank you for spending time with us and we look forward to seeing you hopefully next Friday as well.

- See you next time. .