

Financial Wellness (2021)

Mission: Return on life (ROL)



Otium Advisory Group, LLC

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- Past performance is not indicative of future results. Diversification and asset allocation do not ensure profit or protect against loss in a declining market.
- It is highly recommended that you speak to a proficient financial professional before making any decisions regarding your investments.

Agenda for today

- Defining financial wellness
- A six-step plan during uncertain times:
- Making smart decisions
- Executing the plan
- It's never too early to think about your financial future
- Mission: Optimize your ROL

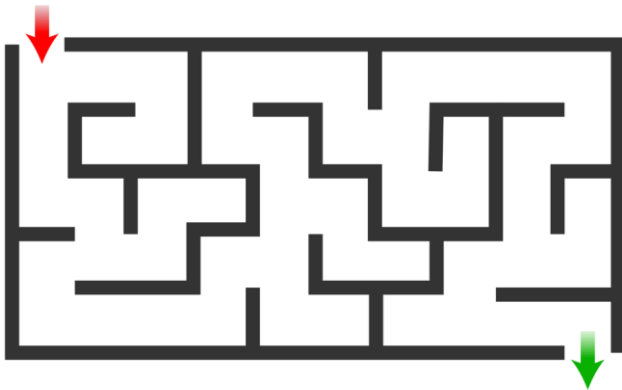
What is financial wellness?

- A state of financial preparedness that mitigates stress and poor financial decisions
- Being mindful about what your goals are and how to achieve them using money as your vehicle/tool
- Result: You make informed decisions that optimizes your financial life

A state of mind!



Where do we start?



It starts with self-awareness and the willingness to improve:

- Precontemplation (Not Ready)
- Contemplation (Getting Ready)
- Preparation (Ready)
- Action (Make the changes)
- Maintenance (Sustain the changes)
- Termination (Drop your old habits)



Think: Road Trip

Six planning tips during uncertain times

Revisit emergency funds

Adjust budget

Save and invest more

Update your estate plan

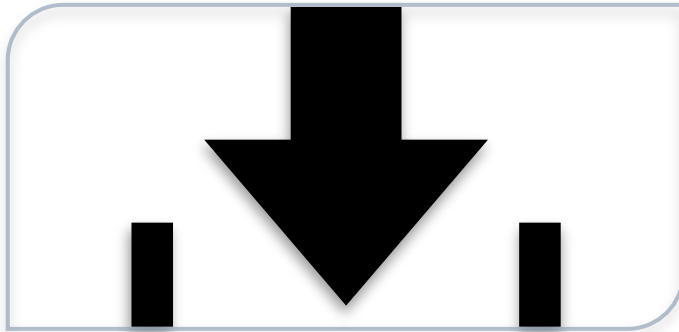
Take advantage of federal and state programs

Seek Guidance

Step 1 & 2: Cashflow management

Revisit your emergency funds and adjust budget

Income Statement



INCOMING CASHFLOW

Paycheck

Bonus

Awards



OUTGOING CASHFLOW

Fixed expenses

Variable expenses

Taxes



NET INCOME

Discretionary income

Direct towards savings

Fund short term and long term goals

Income Statement

Income

Salary
Side Hustle
Net Sales

5000	
	5000

Expenses

Rent/mortgage
Utilities
Cell Phone
Groceries
Car Payment
Dining Out
Credit Cards
Auto Insurance
Entertainment
Misc.
Travel
Total Expenses

2000	
35	
100	
350	
300	
500	
250	
50	
100	
50	
65	
	3800

Net Income

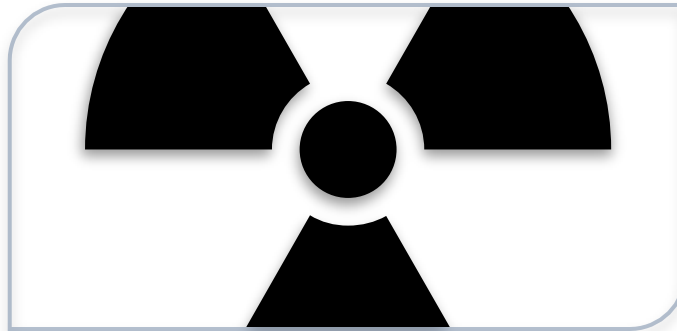
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Balance Sheet



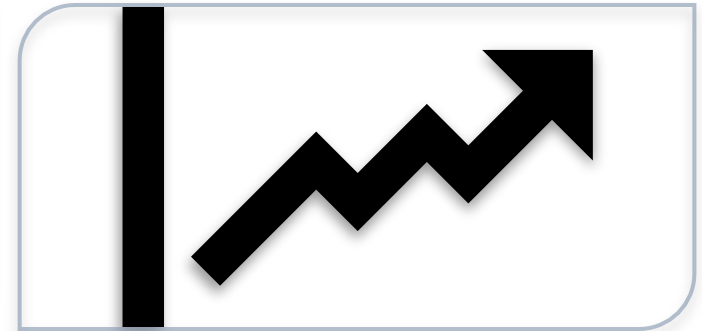
ASSETS

Home
Retirement Portfolio
Bank Accounts



LIABILITIES

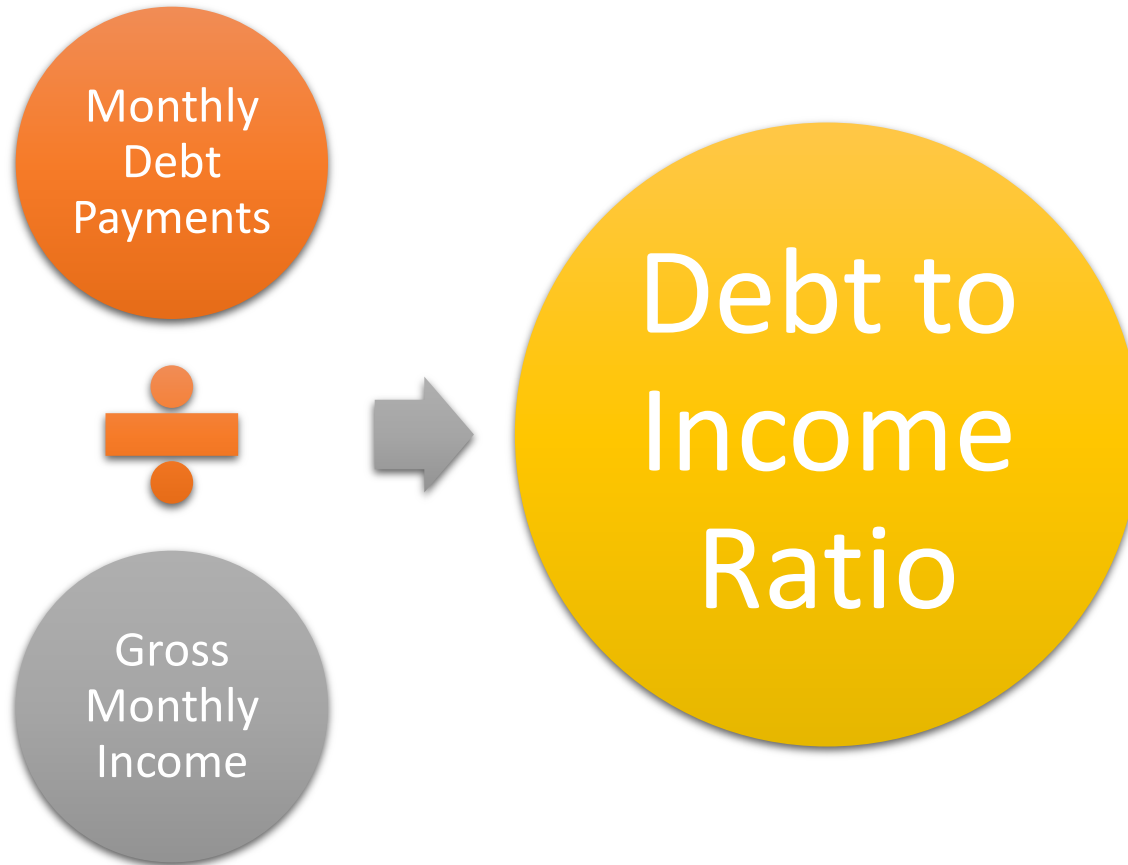
Mortgage Debt
Auto Loan
Credit Cards



NETWORTH

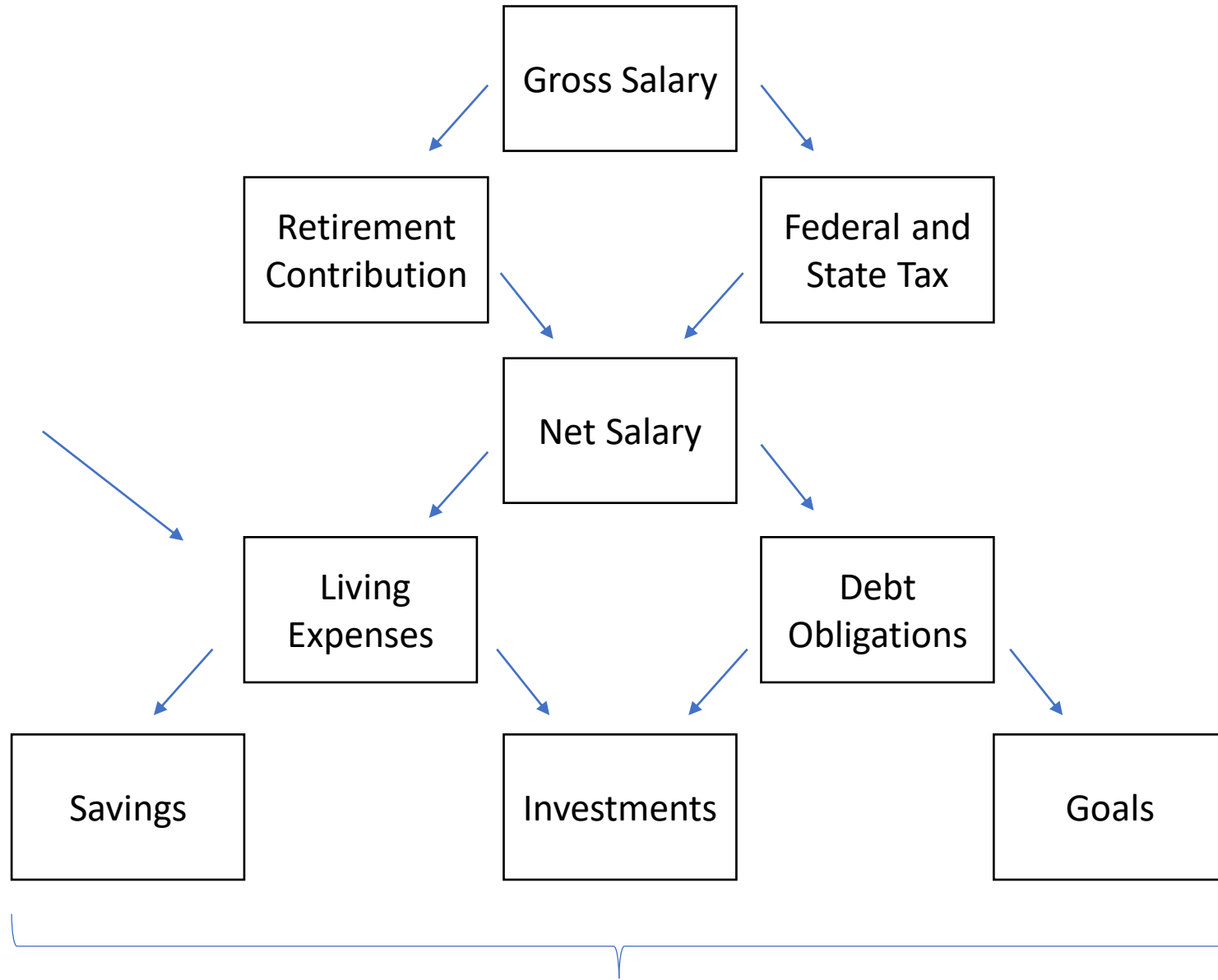
Balance Sheet

	FY-2018	FY-2019
Asset Type	Prior Year	Current Year
Current Assets	600	700
Fixed Assets		
Other Assets	0	0
Current Liabilities	500	350
Short-term Liabilities	0	0
Long-term Liabilities		
Total Assets	600	700
Total Liabilities	500	350
Balance	100	350



Debt to Income Ratio

**Shoot for
40% Debt to
Income Ratio**



60% of Discretionary cashflow funneled here



Helpful
Tips

Adjust your emergency account to reflect
12 months of monthly expenses

Step 3: Save and Grow

Invest in vehicles that will outpace inflation

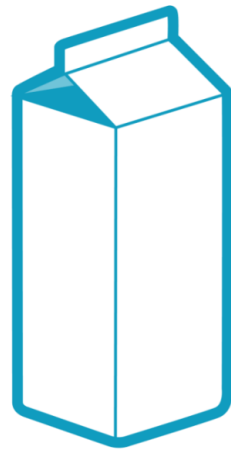


\$

In times of uncertainty, cash is king

Your Money Today Will Likely Buy Less Tomorrow

1916



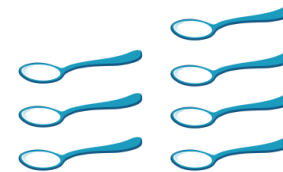
\$0.09 = Quart of milk

1966



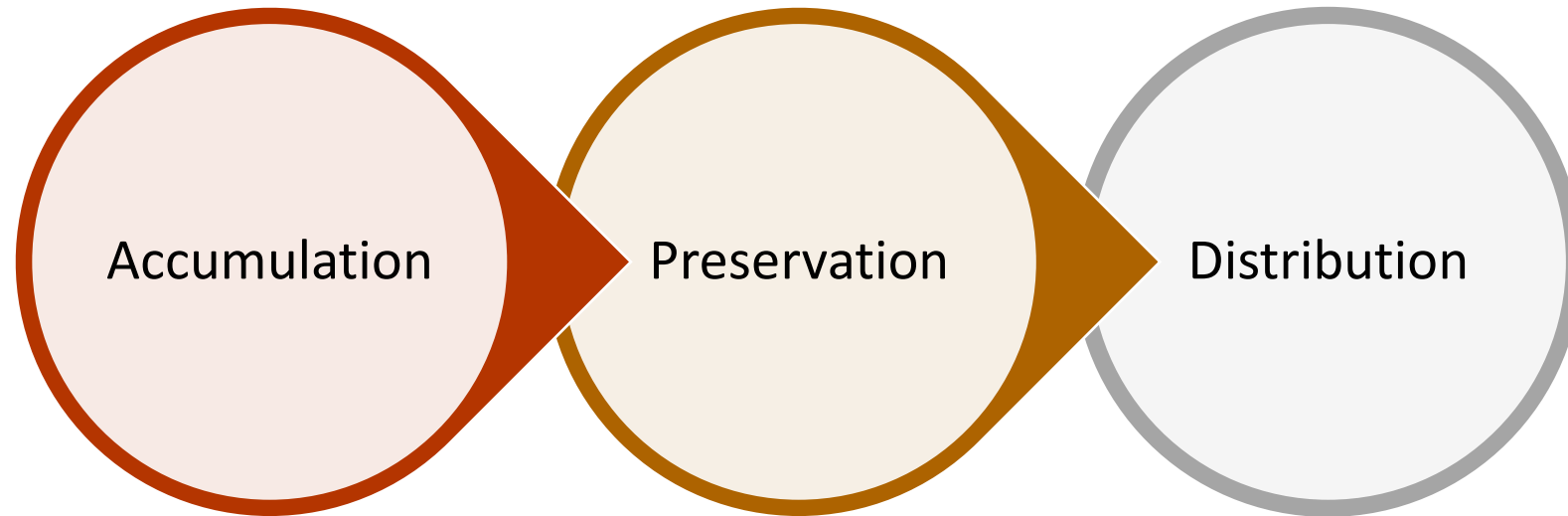
\$0.09 = 1 Small Glass of milk

2017



\$0.09 = 7 Tablespoons of milk

Financial Life Cycle



Organizing Your Retirement Nest Egg

"I Know So" Money

Safer Instruments

Checking
Savings
CDs
Treasuries
Fixed Annuities
Money Market

"Green Money" is safer.

This is money that you KNOW will be there.
There is always a minimum guarantee.

"I Hope So" Money

At-Risk Instruments

Stocks
Bonds
Variable Annuities
Mutual Funds/Exchange Traded Funds
REITS

"Red Money" is at risk.

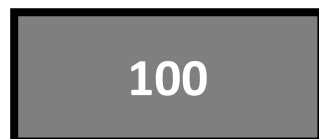
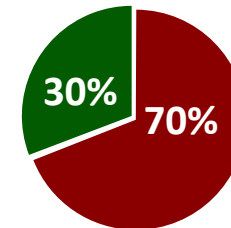
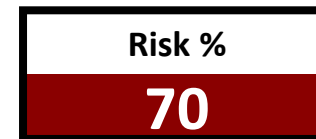
This is money that you HOPE will be there.
It can go up/down and does not have a
minimum guarantee.



Minus



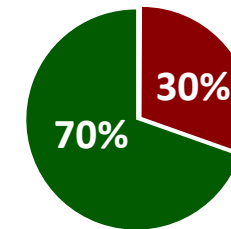
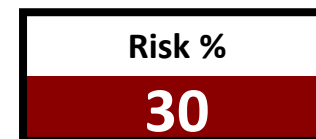
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Minus



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Risking Your Retirement Nest Egg

"I Know So" Money

Safer Instruments

Checking – Savings - CDs
Treasuries
Fixed Annuities
Money Market

"Green Money" is safer.

This is money that you **KNOW** will be there.
There is always a minimum guarantee.

"I Hope So" Money

At-Risk Instruments

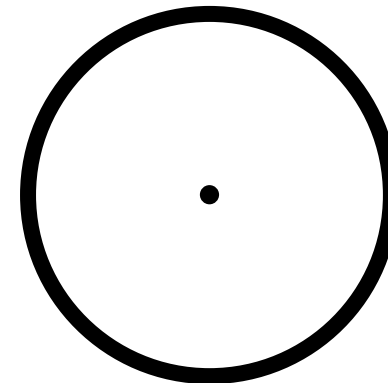
Stocks - Bonds
Variable Annuities
Mutual Funds
REITS

"Red Money" is at risk.

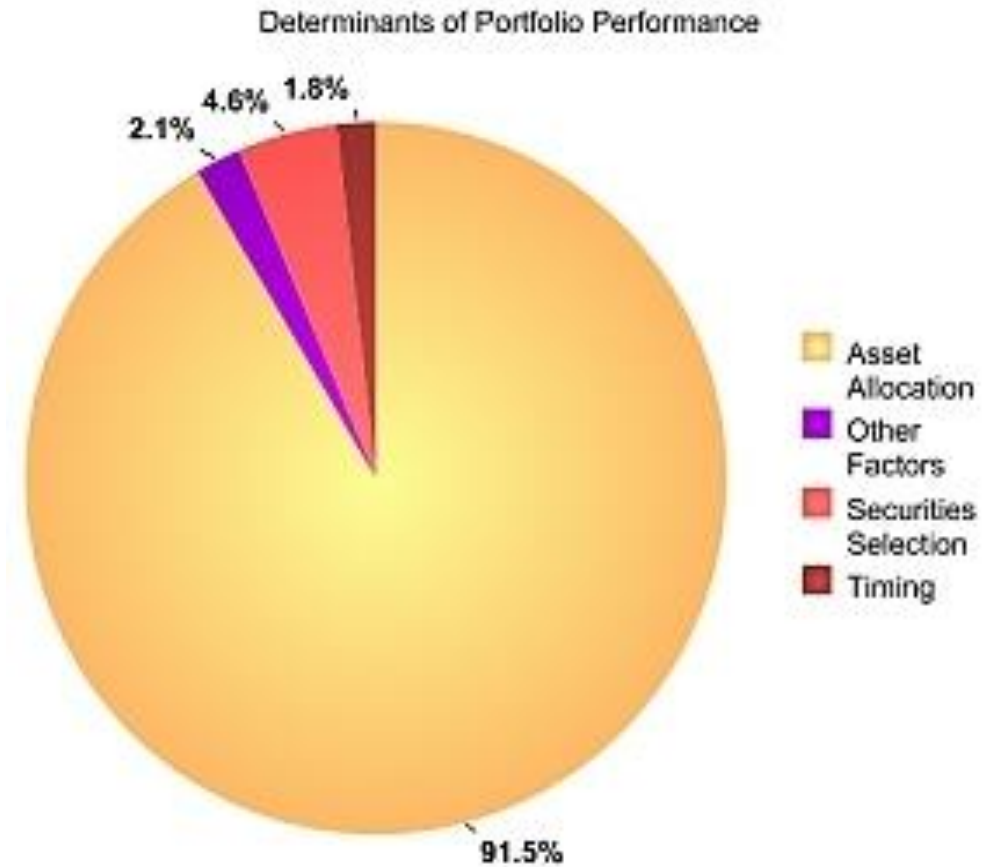
This is money that you **HOPE** will be there.
It can go up and down, and does not have a
minimum guarantee.

What is your rule of 100?

$$\boxed{100} \text{ Minus } \boxed{\text{Your Age}} = \boxed{\text{Risk \%}}$$

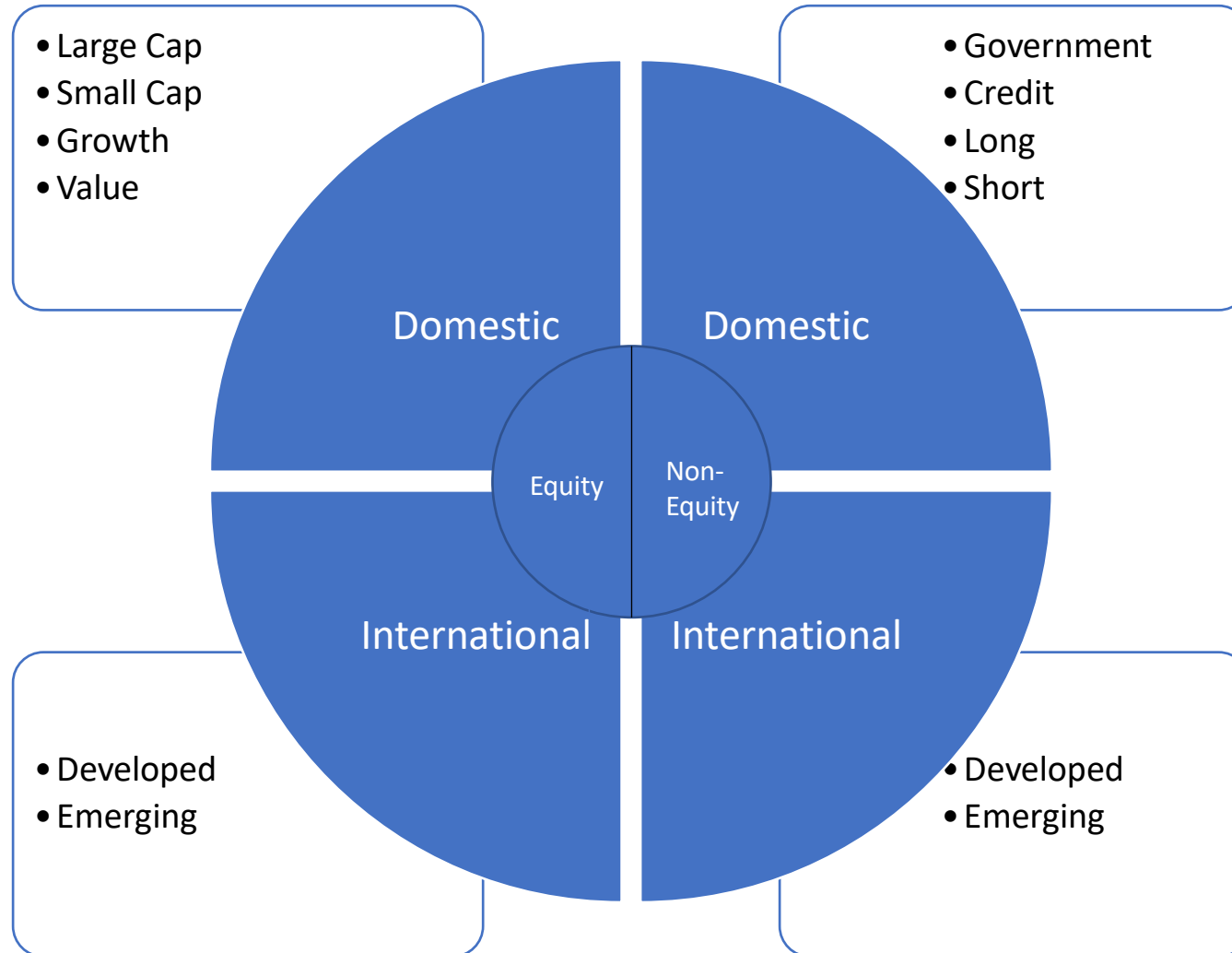


Why is Asset Allocation Important?



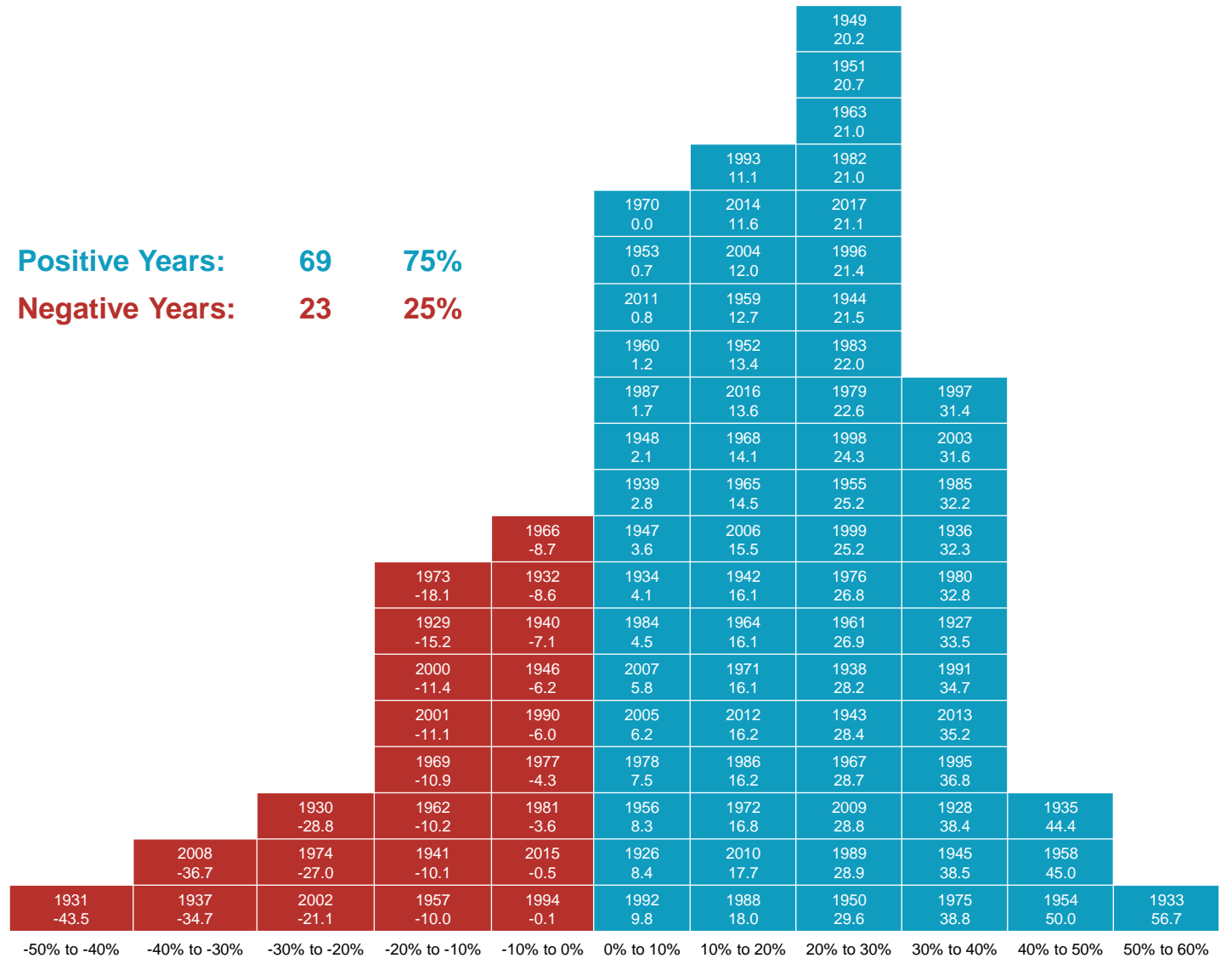
Brinson, Singer and Beebower, Financial Analysts' Journal, May-June 1991

What is Asset Allocation

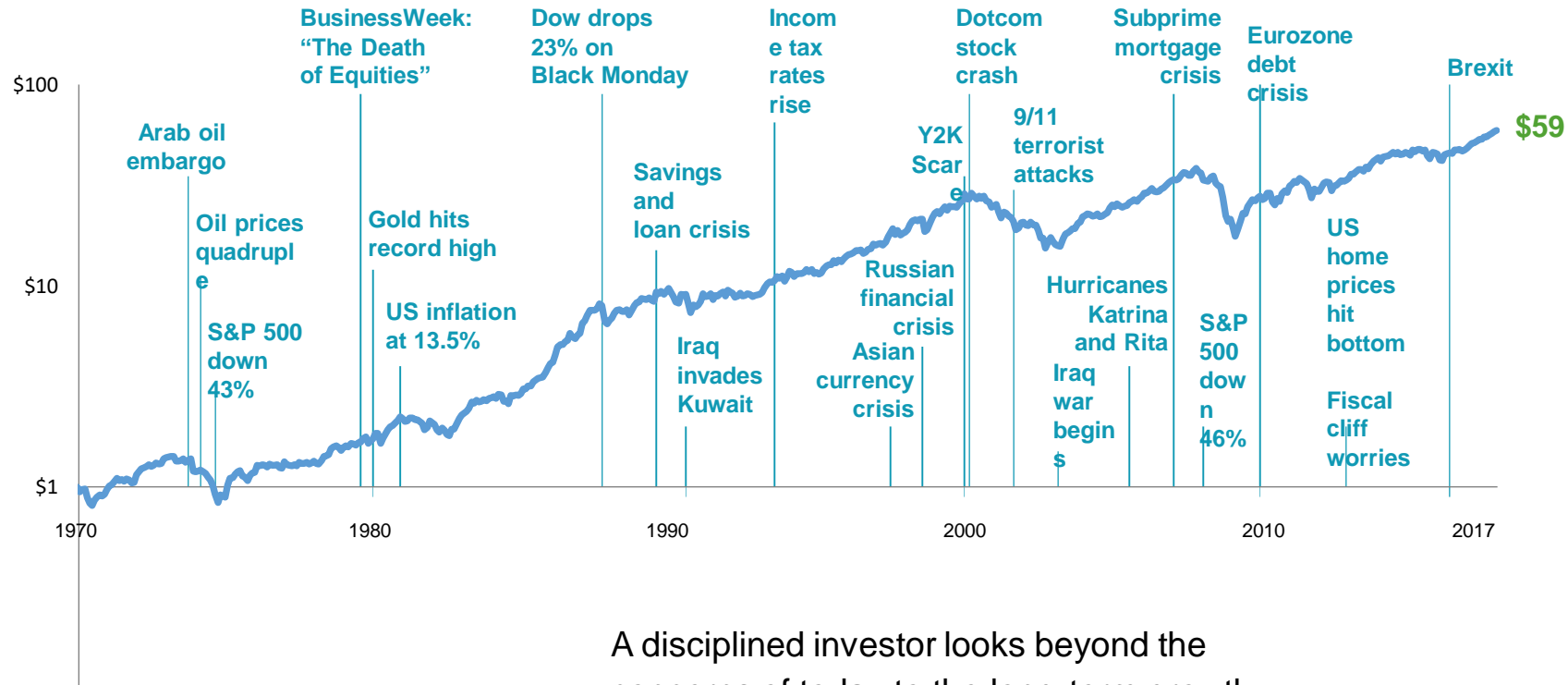


Index returns by year 1926–2017

Positive Years: 69 75%
Negative Years: 23 25%



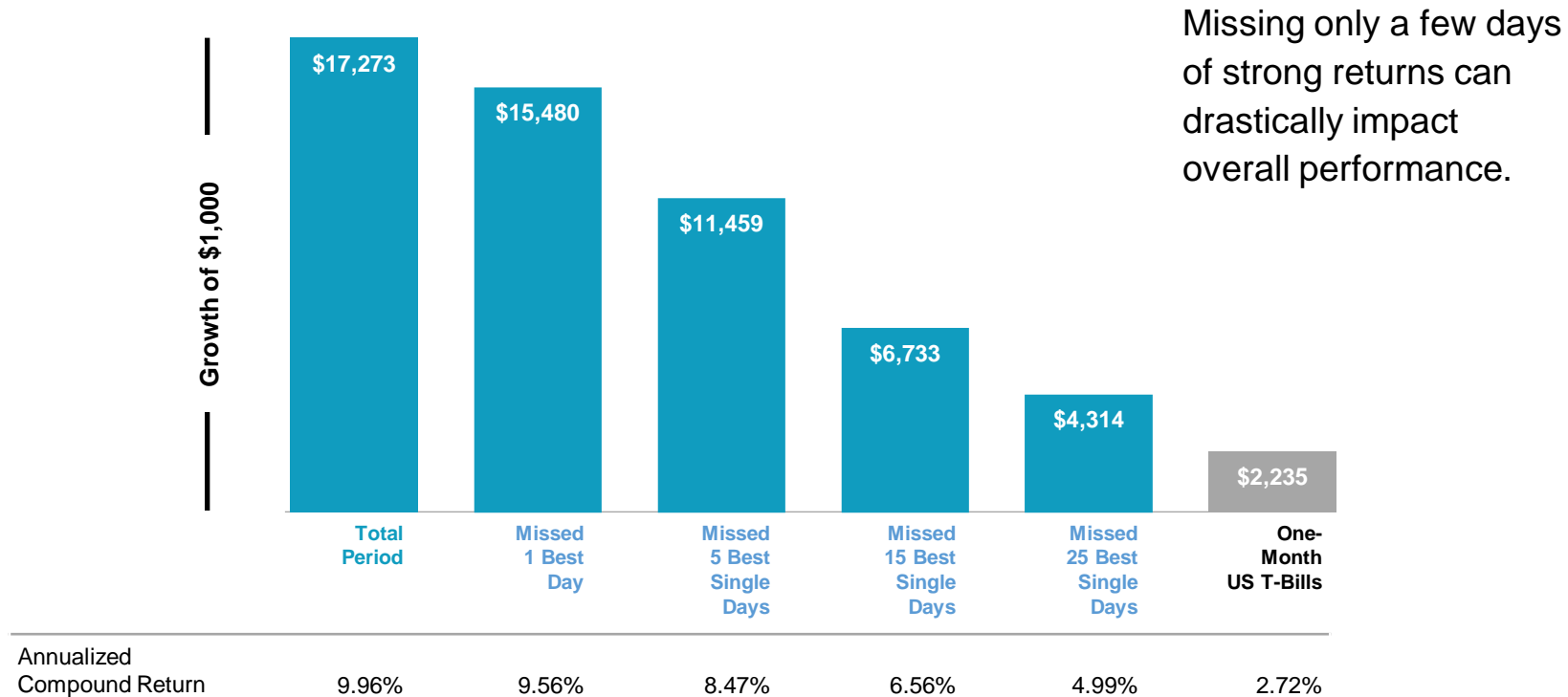
Markets Have Rewarded Discipline



A disciplined investor looks beyond the concerns of today to the long-term growth potential of markets.

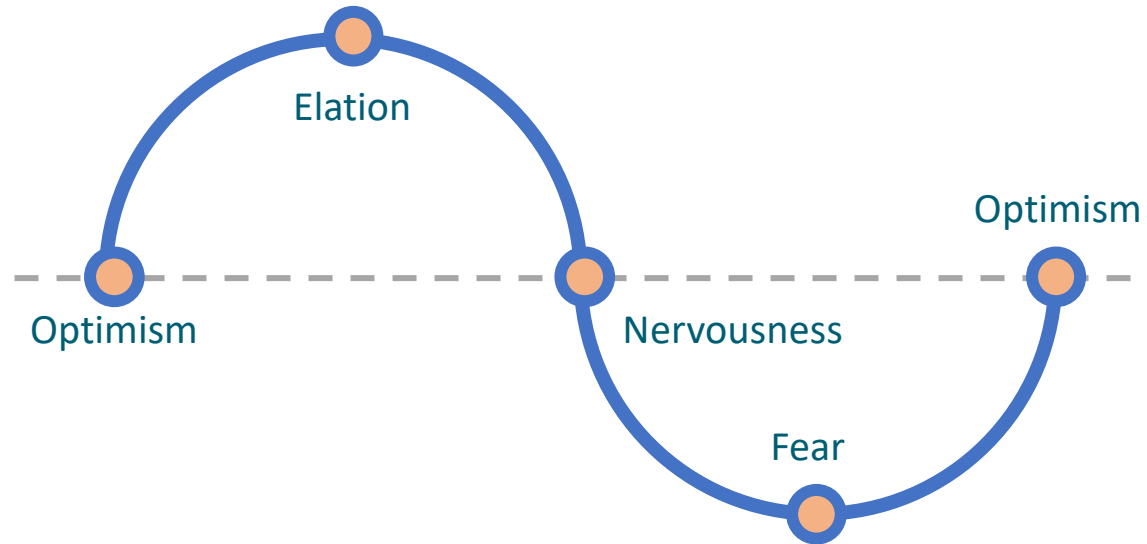
Reacting Can Hurt Performance

Performance of the S&P 500 Index, 1990–2019



- Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.
- In US dollars. For illustrative purposes. The missed best day(s) examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best day(s), held cash for the missed best day(s), and reinvested the entire portfolio in the S&P 500 at the end of the missed best day(s). Annualized returns for the missed best day(s) were calculated by substituting actual returns for the missed best day(s) with zero.
- S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. "One-Month US T-Bills" is the IA SBB1 US 30 Day TBILL TR USD, provided by Ibbotson Associates via Morningstar Direct. Data is calculated off rounded daily index values.

Many Investors Follow Their Emotions



People may struggle to separate their emotions from their investment decisions.

Following a reactive cycle of excessive optimism and fear may lead to poor decisions at the worst times.



Helpful
Tips

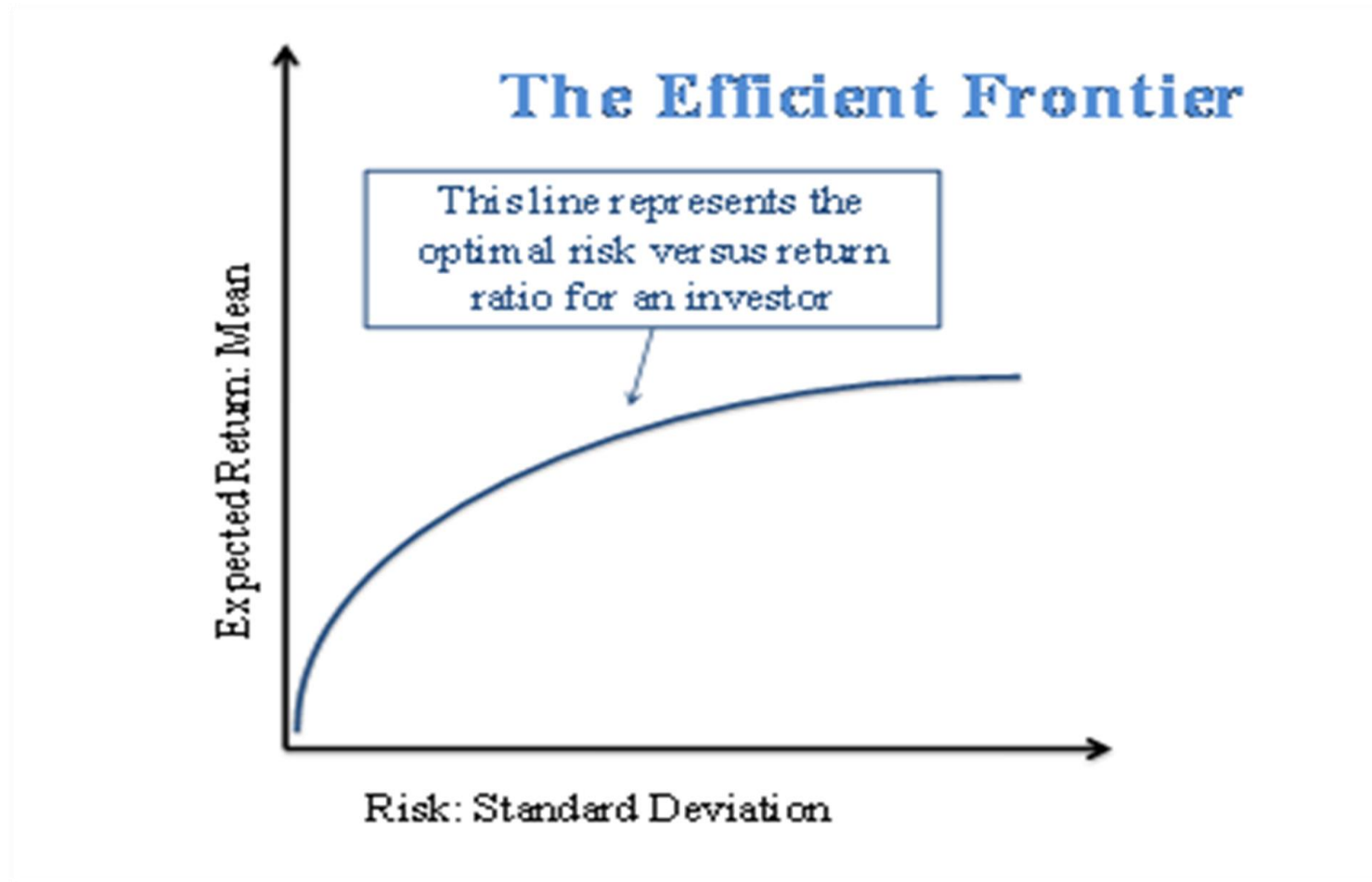
Finding investment options with low fees can help your returns just as much as finding investments options with good performance



Helpful
Tips

A balanced portfolio can perform just as well as an aggressive growth portfolio over time

Markowitz Theory



Step 4: Protect

You worked hard for your money, safeguard it.

Purpose of Estate Planning I

To extend your **intentions, values, patterns, and priorities** to future circumstances in which you may not be able to actively participate

Purpose of Estate Planning II

It produces a plan that will help **strengthen and preserve** financial security for your loved ones and yourself

So what happens if I don't use these common Planning techniques?



Your money goes to the State!



Ways to avoid probate

Probate can be avoided by having assets pass under...

- Contracts (e.g., beneficiary designation)
- Operations of law (e.g., JTWRROS, Community Property)
- Trusts
- Other will substitutes...payable on death, transfer on death, deed in escrow



Helpful
Tips

Update your Will, Living Will, and Power
of Attorney every



Helpful
Tips

The easiest, cheapest form of estate planning is by updating your beneficiary forms annually

Step 5: Financial Relief through Government Assistance

Know the available Federal and State aid, if financially affected by Covid19.

For Individuals

- Stimulus payments (Two rounds so far...)
- Extra unemployment payments
- Pandemic Unemployment Assistance
- Delayed Required Minimum Distributions
- Tax filing deadline extensions
- Student Loan Relief
- Mortgage/Renter Relief

Stimulus Checks AKA Economic Impact Payment – PART ONE



- Filing status Full payment if AGI below: *No payment if AGI above:
- Single, MFS \$75,000 \$99,000
- Head of household \$112,000 \$136,500
- Married filing jointly \$150,000 \$198,000

Stimulus Checks AKA Economic Impact Payment – PART TWO



\$600

- Filing status Full payment if AGI below: *No payment if AGI above:
- Single, MFS \$75,000 \$99,000
- Head of household \$112,000 \$136,500
- Married filing jointly \$150,000 \$198,000

Stimulus Checks AKA Economic Impact Payment – PART THREE?



\$1400

Sometime in Q1 of 2021...



The Cares Act

1. Borrow more from 401(k) through 9/27/2020; payments delayed.
 - Lose your job? Can't repay? Taxable income + 10% penalty for loan <math>< 59\frac{1}{2}</math>.
 2. Coronavirus-Related Distribution from 401(k), IRA
 - If not replaced in 3 yrs, tax but no penalty.
- Reduced value and loss of tax-deferred growth for retirement
 - Protected asset re: creditors, bankruptcy

Step 6: Guidance

Let down your guard and ask for help.

Four ways a Fiduciary Advisor can help



TAKE EMOTION OUT
OF MONEY DECISIONS



PROVIDE A NEUTRAL
OPINION



SHARE A DIFFERENT
PERSPECTIVE



TAKE ACTION

Will you make it to your destination?

