



YOUR FINANCIAL DREAM HOUSE

CREATING ABUNDANCE THROUGH SMART
PLANNING AND INVESTMENTS



Chad Coe

FOUNDER, COE FINANCIAL GROUP



Build a Strong Financial Foundation for Life

Most people dream of financial security, but few have a clear roadmap to achieve it. *Get Your Financial Dream House in Order* takes the complex world of financial planning and simplifies it into a step-by-step guide that anyone can follow.

Just as a well-built house needs a solid foundation, your financial future requires careful planning, strategic decision-making, and the right tools to weather any storm. Chad Coe, a seasoned financial expert and entrepreneur, shares his journey from overcoming personal challenges to managing a multi-million-dollar financial firm. Chad lays out a practical framework—using real-life examples, expert insights, and actionable strategies—to help you:

- ✓ Define your financial goals and build a realistic budget
- ✓ Save effectively and invest wisely for long-term wealth
- ✓ Manage debt and protect your assets with the right insurance
- ✓ Plan for retirement and create a lasting legacy for your loved ones
- ✓ Adapt to life's changes while maintaining financial confidence

Whether you're just starting your financial journey or looking to refine your wealth strategy, this book is your essential guide to achieving financial independence and peace of mind.

Are you ready to design your financial dream house? If you want a pragmatic blueprint, then this is the book for you.



**YOUR
FINANCIAL
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HOUSE:**

CREATING AN ABUNDANT FUTURE
THROUGH SMART PLANNING
AND INVESTMENTS

Chad Coe

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PREFACE

“Get your financial house in order” is a common phrase. Your parents probably gave you that advice at one time or another. But what does it mean?

As I write this, I’m working with a family whose net worth is literally in the hundreds of millions. But the holder of all that wealth never talked with his heirs about his estate plan. There was a lot left undone that the family must now figure out. Leaving financial loose ends happens frequently. Everything from funeral arrangements to disbursement of assets is not thought through. That’s why, way before this stage, when families are either bewildered about your intentions, fighting over your legacy, or both, having a financial plan in place is so important.

Having your financial house in order means taking care of your and your family’s needs now, into retirement, and through the end of your days. I started in this business to help people navigate financial challenges by having a plan to face the expected and the unexpected.

My Path

My earliest school memories are my days in isolated special education classes. I have one particularly jarring memory of

being in a class with three other students. There was a cattle prod in plain view that seemed to symbolize the way the teacher kept order in the classroom. There were padded walls and no desks. In fourth grade, I was set for mainstreaming into standard general education classes. Two months before this, I broke my femur. Eight weeks in the hospital and six weeks on crutches were not the obstacles I planned for my start in mainstream classrooms.

At age sixteen, I took my ACT and SAT. Any guess what I got? My ACT score was 13. My SAT score was 720. These scores don't exactly open doors at Ivy League institutions. How did I get to where I am today from these inauspicious beginnings? I had to find my way and make it happen.

I attribute my path to success to many teachers and volunteers who took the time to guide, tutor, and care about me and my future. Here's an example: I learned early on that I enjoyed being the class clown. In fifth grade, Mr. Radzinski would take time to have us share jokes. He encouraged me, even if I wasn't getting the highest grades in class.

I got bitten by the entrepreneurial bug early on. I was in the Boy Scouts selling popcorn door-to-door, winning the bike they awarded the top seller. I thought, "Wow, this is easy!" In my mid-teens, I applied for jobs but was not getting anywhere. I had to make my own success. At sixteen, I got my driver's license and started a company washing windows. I would caddie at the golf course my dad belonged to when I had no window cleaning jobs. My first trip around the links was with the CEO of Bally's Gaming. I immediately saw how connections could be made.

I sold jewelry and accessories at flea markets during college in Champaign, Illinois. At the first market, I saw a beautiful display case in an adjacent stall, so I ran to the hardware store and

built one just like it. My initial strategy was to take the earnings and invest them back in the jewelry business.

Soon, I landed a spot in Buyer's Market Flea Market in Chicago. It was a big deal. At the time, they averaged 15,000 people every weekend looking for that unique find. After trying out some lesser known, more out-of-the-way markets, I saw the value in a place with a lot of steady foot traffic.

After college, I found a job at a family accounting firm. Through successes and failures, an abundance mindset had taken me this far. Then came a real turning point. After ten years in the accounting firm—working in marketing, sales, and relationship building—I was ready to shift into financial planning. How could I, a famously bad test-taker, sit for a six-hour exam? I studied for a year, took the exam (twice), and was ready to make my mark in the industry.

I started at Paine Webber, but my style didn't fit their culture. I had a business plan and knew I couldn't fulfill that plan if I stayed. On January 1, 2000, I started Coe Financial Group. Today, we are a full-service financial planning and money management firm.

A Values-Based Blueprint

As I grew my business, I learned a lot from Bill Bachrach. Through his inspiration, I came upon the concept of building a financial house using a values-based roadmap that Bill came up with many years ago. Building your financial house is a simple metaphor we've all heard. Getting your house in order happens by implementing a step-by-step guide to retire and remain comfortably retired.

It starts with a simple set of questions: What are your most important goals? What are your deeply held values? What is

your risk tolerance, and why is that important? I approach life with an attitude of abundance, and I want my clients to experience and live life with that attitude as well. I define abundance as personal, professional, and financial success. Make sure you do your best to achieve your goals in each category.

Get your entire financial house in order and keep it that way forever. Have a 10 confidence level that you will achieve your goals no matter what happens in the markets, the economy, or the world. When you use the blueprint and detailed strategies presented in this book, you will be giving yourself the highest probability of achieving your goals.

How do you want to spend your time? What are your most important goals? What are your most deeply held values? What is your risk tolerance, and why is that important to you? At Coe Financial Group, we aim to help you coordinate, consolidate, and make a comprehensive plan to simplify your life and hold you accountable. As Bill Bachrach says, “This is one thing in your life you can delegate. This is one thing you don’t have to worry about because you have a fiduciary caring about you.”

PART I:

WHY FINANCIAL PLANNING IS LIKE BUILDING A HOUSE

“The best way to measure your investing success is not by whether you’re beating the market but by whether you’ve put in place a financial plan and a behavioral discipline that are likely to get you where you want to go.”

- Bill Bacharach

CHAPTER ONE

SOLID GROUND AND OTHER METAPHORS

Greek storyteller Aesop told the following tale: There was a dog who was cold in the winter months and thought about building a home. He gathered some sticks and materials for a house but never quite got around to building anything. Then summer came, and the dog forgot about building a house. He might have even buried the sticks he had collected. “I am warm and happy; what do I need a house for?” the dog thought.

Then the next winter came, colder and harsher than the last, and the dog wished he had built the house. The moral: It’s easy to put off today what can be done tomorrow.

I often use this story and others with my clients to describe the process of financial planning. For so many of us, putting our financial house in order is one of those tasks that is far off in the future. We have good intentions, but all of that is way in the future. If your basic needs are met and the sun is shining, it is easy to put off thinking about your future.

The Ant and the Grasshopper

Preparation and discipline are important pieces of a successful financial plan. Another fable demonstrates this: In the summer, the ant works hard, gathering food and preparing for winter, while the grasshopper plays, sings, and enjoys the moment without worrying about the future. When winter arrives, the ant is well-prepared and survives comfortably, but the grasshopper suffers from hunger and cold, having made no preparations.

The ant represents a person who thinks in the long term, working hard and saving up for seasons of uncertainty. The grasshopper lives in the now, lacking the foresight to collect resources for a harder time. This story highlights the power of planning, saving, and investing versus reckless spending and living paycheck to paycheck.

Successful individuals operate with the ant's mindset, preparing for downturns, saving for the future, and investing in personal growth. Those who neglect these principles often struggle when unexpected challenges arise.

The Three Little Pigs

The importance of sturdy shelter is a popular theme throughout history. The story of the three little pigs has an oral history that stretches way back, and a long history is also in print. The best-known English version was published in 1890 by Joseph Jacobs in *English Fairy Tales*, crediting James Halliwell-Phillips as the source. You know the story: Three little pigs are trying to protect themselves against the big, bad wolf. The first little pig builds a house of straw, but the wolf blows down that house and eats the pig. The second little pig builds a house of sticks. The big, bad wolf blows it down, and little pig number

two suffers the same sad fate. The third pig builds a strong house of bricks, so when the wolf comes to the door, he can't blow the house down.

Good intentions for building a shelter are not enough. You need to build your financial house the right way to withstand any forthcoming dangers.

Fables, Parables, And Tall Tales Serve A Purpose

There are dangers in the world and lessons to be learned in order to weather the storms and other outside forces we can't control. What we can control is how we prepare in order to face and fend off those dangers.

Building a strong financial house means paying attention and making good decisions. Setting clear financial goals lays the foundation for your financial house. These goals provide direction and motivation, helping you make informed decisions and stay focused on your broader objectives. In the next chapter, we'll outline how to create a realistic budget that supports your goals and helps you track your spending.

CHAPTER TWO

BLUEPRINT FOR YOUR FINANCIAL HOUSE

I like to watch a reality show competition on the HISTORY Channel, *Alone*. From the comfort of my couch, I can watch ten seasoned survivalists battle the elements in some of the most brutal conditions in the coldest parts of the Canadian wilderness. It's all about food and shelter. Those who create a functional shelter—with only what they find in the wild, along with ten survival items they are allowed to bring with them—sooner than later tend to last longer in the competition. Out of forest wood, maybe a tarp brought with them, and a bit of ingenuity, contestants survive anywhere from a few days to almost 100 days. Whoever survives alone the longest with only the barest essentials is the winner.

Most of us want to do more than survive; we want to thrive. To do that, you need more than a few sticks lashed together and a tarp overhead. You need a house that has been carefully constructed. You need a blueprint to build a house that will stand the test of time.

For the same reasons—longevity and comfort—having a financial blueprint in place is important to keep your financial house in thriving order. The financial blueprint we have developed is the Abundant Life Roadmap:

1. Understand Your Financial Goals
 - a. Short-term vs. Long-term Goals
 - b. SMART Goals
2. Build A Better Budget
 - a. Creating A Realistic Budget
 - b. Tracking Your Spending
3. Save For That Rainy Day: Emergency Fund Essentials
 - a. Importance Of An Emergency Fund
 - b. How Much To Save
4. Manage Your Debt
 - a. Types Of Debt
 - b. Strategies For Debt Repayment
5. Invest Wisely
 - a. Basics Of Investing
 - b. Diversification And Risk Management
6. Protect Your Assets With Insurance
 - a. Types Of Insurance
 - b. How Much Coverage Do You Need?
7. Plan For Retirement
 - a. Retirement Accounts
 - b. How Much To Save

8. Create Your Estate Plan

- a. Wills And Trusts
- b. Beneficiary Designations

That's the basic framework. Laid out in this straightforward way, it may look fairly simple. Getting a house from blueprint to move-in ready is, of course, anything but simple. Throughout the rest of this book, I will share with you how to take this blueprint and, like designing and building your forever home, bring a strong financial house into reality.

Of course, we are more than our money. When you look at every aspect of your life, how are things going? On a scale of one to ten, how are you positioned financially, spiritually, physically, and relationally with family and friendships? How are you positioned in work? Most people are positioned with one or two aspects of life where they score themselves at a seven or an eight. Very few people feel they are at an eight, nine or ten. I may not be able to help with every area of life, but I want to help people who feel at a five, six, or seven in terms of their financial house and get them closer to a nine or ten.

Start Working On Your Blueprint With An Abundance Mindset

The truth is, you might be at a ten and not even know it. I would love to help you find out. Half the universe has a mindset of scarcity. I work with high-net-worth clients, yet many of my meetings are about learning how to fly first class. What is it like to get the suite on a cruise ship? What is it like to be able to do a family vacation every year and be able to afford it? What is it like to be able to own the car that you actually want instead of one that's in the shop all the time? If it costs you a hundred

grand to remodel your kitchen, and you're worth five million, what are you waiting for?

What matters is your definition of abundance. Abundance, as I've described it, is personal, professional, and financial. So, what is your personal abundance? What is your professional abundance? And what is your financial abundance? And if you were to look at the next three to ten years of your life, what would it look like for you to be happy with the progress you made?

I'm the guy who encourages and trains you to live more abundantly and enjoy your money because you don't have to live in a world of scarcity.

A friend told me about a conversation he had with a man in his seventies. He sells food at the farmer's market and has a net worth north of two million dollars. After a lifetime of spending time away from home and not being with his family the way he would have wanted, he expressed regret. He took a week off and treated the family, kids, and grandkids to a vacation in Hawaii for \$20,000. He will never regret spending that money. The grandkids will always have their memories about "when grandpa took us to Hawaii for a week." What's that worth? A helluva lot!

PART II:

LAYING THE FOUNDATION

“When your values are clear, your decisions are easy.”

—Bill Bachrach

UNDERSTANDING YOUR FINANCIAL GOALS

The first step in building your financial house is understanding your financial goals. Goals are the foundation that you build on. How you think about goals can determine how the rest of the process goes. Goals should be both realistic and aspirational. How is this possible?

You were probably taught at an early age the importance of saving money for the things you want. Maybe you had a piggy bank that you would put spare change in, or you saved your weekly allowance for the newest thing you had to have. Having money is something that affects you and what you do throughout your life.

But when you look at the big picture, money is not really *that* important. It's significant only to the extent that it allows you to enjoy what you want. If you want a life that excites you, nurtures those you love, and fulfills your highest aspirations, then you need to learn to *not* worry about your finances and plan a financial strategy that works for you.

When planning your financial strategy, realize that you *can* have it all, at least almost anything you want. Seeing your goals as they relate to your current financial situation may make you wonder whether you can realize them. The big question financial planners face is whether and how the available assets can meet their client's future goals.

If you prefer to make your income match your goals rather than fit them within your income, you can learn how to have it all. Suppose you have control over your income, which everyone can. In that case, you can create an income strategy to realize a fabulous lifestyle today and establish a secure and fantastic financial independence for the future. To do this, you have to be willing to earn a lot more money than you actually need today. Follow these steps to create an income strategy that will help you get everything you want.

1. Decide how much spendable income you need for your current lifestyle.

How much do you really need to enjoy yourself today? What are the things you need and want to make your life comfortable and enjoyable? How much would it take per year for you to feel like you don't have to worry about your finances? For illustration purposes, let's say the amount is \$200,000 per year.

2. Figure out the amount of assets you need to generate the income your lifestyle requires.

When you retire, you'll want to maintain your current standard of living. Therefore, you must determine the amount of assets you need for your future. A five percent after-tax return on investments is, I believe, conservative and realistic. So, divide your lifestyle figure by five percent ($\$200,000 / .05 = \$4,000,000$). This

means you will need assets worth \$4 million dollars to fund your retirement years. You could choose some other percentage, but be careful not to be greedy or unrealistic. Realism is more important than optimism because it's better to end up with more than less money than needed.

3. Recalculate your income goals

You have to account for income taxes and your living expenses. Then, ask yourself how much gross income you need to earn each year to save/invest for financial independence, pay your taxes, and pay for your current lifestyle. If you want to spend \$200,000 per year on your current lifestyle *and* save/invest enough to have a \$200,000 annual income without working (\$4 million), you need to earn a gross income of about \$500,000. This figure comes from \$200,000 for your current lifestyle, \$300,000 in annual savings, and \$350,000 for taxes. This is not an exact number, but it gives you a rough estimate. These numbers are important because you may want to know what to do with what you have, or you may want to know what you have to do to get what you want.

Short-term vs. Long-term Goals

I like to think of this seeming dichotomy in terms of short-term and long-term goals. Short-term goals are those you hope to achieve within the next few months to a couple of years. You have a clear picture of what is happening in the present, so these tend to be realistic goals. They might include saving for a vacation, paying off a small debt, or building an emergency fund.

Long-term goals, on the other hand, are those that take several years or even decades to achieve. These are the things you want to stretch to achieve. They are inherently aspirational.

These might include buying a home, funding your children's education, or saving for retirement.

SMART Goals For The Short-Term

To make your financial goals more achievable, it's helpful to use the SMART criteria. SMART: Specific, Measurable, Achievable, Relevant, Time-bound.

- **Specific:** Clearly define what you want to achieve. Instead of saying, "I want to save money," say, "I want to save \$5,000 for a down payment on a car."
- **Measurable:** Ensure that you can track your progress. For example, "I will save \$500 each month for ten months."
- **Achievable:** Set realistic goals that are within your reach. If \$500 a month is too ambitious, adjust the amount to something more manageable.
- **Relevant:** Your goals should align with your broader financial objectives. Ask yourself why the goal is important to you.
- **Time-bound:** Set a deadline for achieving your goal. This helps you stay focused and motivated.

Why Goals Matter

Setting clear financial goals provides direction and purpose. It helps you prioritize your spending, stay motivated, and measure your progress. When you have specific goals in mind, it's easier to make decisions that align with your broader financial objectives.

Action Steps

1. **Identify your goals:** Take some time to think about what you want to achieve financially. Write down both your short-term and long-term goals.
2. **Apply the SMART criteria:** For each goal, make sure it meets the SMART criteria.
3. **Create a plan:** Outline the steps you need to take to achieve each goal. Break down larger goals into smaller, manageable tasks.
4. **Monitor your progress:** Regularly review your goals and track your progress. Adjust your plan as needed to stay on track.

A Foundation For Your Long-Term Aspirations

What is a strategy for more long-term goals? To be clear, the SMART framework can be used for these as well, but these goals are obviously more fluid in nature. Sabina Nawaz, in the *Harvard Business Review*,¹ writes about the importance of “micro habits” in tackling larger goals. Nawaz suggests five steps in developing these habits:

1. **Identify a “ridiculously small” micro-habit:** The example Nawaz gives is, for instance, reading a paragraph each night, not reading for an hour each night.
2. **Piggyback on a daily task:** To settle into the habit, do it before or after an already established habit.
3. **Track progress:** Just as you would do with smaller goals.

4. **Hold steady:** Don't try to progress beyond the micro too fast. This is a habit killer.
5. **Seek accountability:** This is the perfect agenda item for your Mastermind Group or other accountability group.

Starting small, you can build the habit into what you aspire to. Saying, "I want to save one million dollars in the next ten years," is an excellent goal. Starting small and building up the habit will eventually get you there. As Nawaz said, "When you want to change behavior, jumping headlong into a major goal with both feet is often a waste of time. Instead, make tiny, incremental adjustments until they are part of your muscle memory. By starting small, you can attain big results."

Financial Planning Success

Money is as important as you make it out to be. So, decide today what is important to you and what type of lifestyle you want to have. When you follow these steps to figure out the amount of income you need for your lifestyle and do the math to plan ahead, you'll realize it's possible to have it all, or at least everything you want. With a realistic financial planning strategy in place, you can live a life that excites you, nurtures those you love, and fulfills your highest aspirations.

By building a firm foundation of short- and long-term goals, you are creating the key infrastructure needed for a solid financial house.

BUILD A BETTER BUDGET

If you have been a high earner, a budget is less about making sure your money stretches to the next paycheck. When helping high net worth individuals think about a budget, I help them focus on paying themselves first and planning for the future.

There are many approaches to creating and maintaining a family budget.² Whatever method you use, it comes down to a few basics. What are the mandatory expenditures? What are the various sources of income? What are the short-term wants and needs? What are long-term goals?

How To Budget As A Couple

Conversations about finances aren't exactly romantic, and budgeting can be a touchy subject, especially when you have different views about spending and saving. Before discussing how you'll handle your bills and other expenses, be sure that you agree on how to go about combining your finances as a couple, then consider the method that works best for you. That might include combining all, or part of, your income. For some couples, this

“what’s mine is yours” approach can work especially well if you share the same saving, spending, and tracking habits.

Other couples may prefer a “yours” and “theirs” method. For example, one person might pay the mortgage, while the other covers utilities and other household expenses. Individual expenses, including car repairs and shopping, could also be handled individually. An advantage of this method is that you don’t need to agree on an adjointed or shared budgeting approach.

Whichever approach you choose, here are some steps you can take to make budgeting together a positive and helpful experience.

Calculate Your Combined Monthly Income

An alternative to splitting your bills fifty/fifty is to split your bills based on your respective incomes. This is especially useful if one person earns more or less than the other.

Here’s how to calculate your monthly income. If you have an annual salary, start by dividing that number by twelve. Even if you expect to receive annual bonuses that increase your take-home pay or your salary is commission-based, calculate the lowest number on your paycheck over the last year, then budget according to that number. (Calculating your income based on your highest earning month could mean that you have a month where you’re spending more than you’re bringing in.)

List Your Shared Expenses

There isn’t a “right” or “wrong” approach to budgeting as a couple; however, one method might work better than another. In

any case, one important step is to identify your shared expenses. Some common examples include:

- Groceries
- Utilities
- Rent or mortgage
- Streaming services
- Cell phone and Internet

If dividing your expenses, determine who is responsible for each expense. You may consider dividing expenses by income, especially if one person earns more than the other. For example, if your partner has a lot of debt, you might offer to help out with some or all of their payments. Another option is to cover a larger percentage of the household expenses to reduce the financial strain on your partner. Depending on your preferences, however, you may decide to combine all of your money and manage your expenses holistically.

Determine Your Shared Goals

Whether your shared goals are more practical, such as paying off debts or padding college funds for the kids, or you're dreaming of a vacation, a second home, or a remodeling project, here's your chance to plan what you'll do with any leftover money after you've covered the essential expenses.

Although it can be exciting to discuss your shared goals, it's crucial that each person has equal input in this conversation. It's also important that you both agree on these goals and commit to a savings plan you can afford on a short- and long-term basis.

Set Up Times To Meet And Track Spending

Set a specific time to talk with your partner and identify what you want to talk about beforehand. Meeting at regular intervals can also keep you on track with your financial goals and can give you the opportunity to discuss any potential issues. Valuable topics to cover during these meetings include whether you're overspending or can save more, or can reduce debt to minimize interest charges, for instance.

Budgeting isn't the most exciting topic, but it can help create a solid foundation for your relationship. To discuss strategies for combining finances and budgeting together, contact our office today.

Budgets Are Not One Size Fits All

Everyone has a budget that is unique to their situation. Maybe some people have paid off their house. Maybe you like to travel, or maybe you don't. Income is different, monthly bills are different, and spending priorities are different. Whatever the line items are, whatever the numbers are, it is important to have a clear sense of what your budget is.

If you've been on the London subway system, you have heard the recorded plea to "mind the gap." As people approach retirement, there is often a gap between the budget and sources of income. I recently worked with a client who needed \$10,000 a month to retire. I asked about income streams – what do you have? Maybe it's Social Security or a pension. This person is getting \$5,000 a month from their pension and their social security. That's a \$5,000 gap.

In traditional financial planning, the gap might be filled with 401(k) or a Roth, SEP, or traditional IRA. You might also mind

the gap by continuing to earn some income. This might be as a consultant in your profession or selling something that used to be a hobby, like woodworking. Maybe you have or can build a portfolio of short- or long-term rental properties. The point is there are many ways to fill in that gap, today and as you look toward retirement.

Take a moment to go to the appendix [or at a link in a digital book] where you will find a budget planning worksheet. Use this to develop your own budget, so you have a clear sense of what is incoming and outgoing. The next step is to take a closer look at spending.

SAVING FOR TODAY AND TOMORROW

How Wealthy People Save

When it comes to spending and investing, it's not surprising that the wealthy have strong opinions about their money and how to best manage it. Case in point, a recent study from Wharton shows that nearly four out of five of the wealthy, 78 percent, attribute their happiness in large part to the wealth they've accumulated.³

Interestingly enough, nearly 85 percent of those with a high net worth report greater satisfaction from saving and investing wealth than from spending it. That figure rises to 92 percent for those with a net worth of \$125 million or more. That said, the wealthy don't simply hoard their money; how they spend it really might surprise you.

More than 20 percent of these investors don't spend a single dollar on many items commonly associated with the wealthy. The media presents wealth through things such as cars, boats, jewelry, collectibles, gambling, or political contributions. Most people in the category of wealthy are not doing a whole lot of

that. Charitable donations are at the top expenditure, with slightly over half donating at least \$25,000 annually to charity. One in eight, around 15 percent, donated more than \$100,000 in the past year. Travel spending came in a close second, with about 47 percent of people spending at least \$25,000 a year on seeing the world. Home improvements came in third, with 42 percent spending at least \$25,000 or more over the past twelve months.⁴

Research shows that people at every income level report greater happiness when they make experiential purchases, such as vacations⁵, much more than when they buy physical items like clothing and furniture. Other research shows that pro-social spending, such as charitable contributions, is linked with higher levels of well-being and satisfaction. At the end of the day, I believe we all can potentially learn a great deal from each other. When it comes to issues such as living our best life, spending wisely, and addressing significant concerns, knowing what the ultra-wealthy are thinking and doing serves as a roadmap for our decision-making.

Consider your own preferences when it comes to investing in wealth and managing it in other ways. Are you as involved in wealth management as you'd like to be, or would you prefer to take a more hands-on approach? Conversely, would you rather hand off the duties to professionals?

Here's a thought exercise: Let's say you have a portfolio of \$1,000,000. With no investment or interest of any kind, you could take out \$80,000 a year, and it would last about fifteen years. If you take out \$40,000 a year, that will last a bit longer. When you structure a portfolio, know what your spending patterns are so that you will know what kind of income

you need each year. The goal is to live on interest income, not principal.

Ask yourself, am I spending my money in ways that are meaningful to me? Are these ways that bring me closer to living what I define as my best life? Watch the affluent; I really think that they may be onto something with their spending patterns.

Having An Emergency Reserve

An emergency fund is money set aside in accounts you can easily access when needed. These funds cover the financial surprises that life inevitably throws your way. These unexpected events can be stressful and costly. This could include a medical emergency, loss of a job, costly repairs to your home, or auto repairs—to name just a few.

Emergency Fund FAQs

How much should be set aside in an emergency fund?

I generally suggest having three to six months of income for an emergency reserve.

Where should emergency reserves be set aside?

A savings account is the most common way to place money to be easily accessible. For an instrument that gains higher interest rates, consider a Roth IRA, where money can be withdrawn penalty-free. Also, consider a taxable brokerage account for potential growth while the money is set aside.

By being ready for unexpected expenses or income dips, you are laying a strong foundation for the next steps in building a solid financial house.

Planning, Saving, And Spending Over A Lifetime

Trying to save over a lifetime can sometimes feel a bit like a tug-of-war between the present and the future. You have immediate needs now. But you have long-term goals, too. The challenge is to find a healthy balance. The good news is that it is possible to save, plan, and spend in a way that positions you to provide for a lifetime of needs.

Spending might sound rather more exciting than saving, but it's all about perspective. Don't think of a savings account just as an "in case of emergency" wallet. Instead, think of it in terms of the opportunities it represents. Setting aside money each month can feel much easier when you focus on saving for the things you're excited about. When you systematically save over the course of your lifetime, you're creating future opportunities for yourself and your family that might not otherwise be possible—at least, not without debt.

Careful planning, proactive saving, and strategic spending form a three-pronged strategy that can help you save for a lifetime. While it can be tempting to start with spending, planning is paramount and should be your first step, as it sets the stage for saving and spending.

Planning Your Finances

The only sure way to gain control over your spending and saving is by planning. Planning requires intentionality, proactivity, and agency on your part. It means figuring out your finances for the present while also setting goals and making preparations for all the major life events you'll face in the future. This is where the help of a financial professional is especially key, as well as

prioritizing your immediate and long-term goals and deploying strategies to help you pursue them.

Saving Money

The second strategy is all about saving money—and also investing. Perhaps you already set money aside each month. This is an important first step. When you dig into this strategy, however, you'll see a need to save and invest for various purposes. You'll likely identify both short-term and long-term goals, ranging from holiday shopping to an emergency fund to retirement and more.

Working with a financial professional to form a strategy for your savings and investments can help you get your money to work for you over time and help you find a balance between short-term and long-term goals.

Controlling Your Spending

Perhaps your first inclination concerning money is to spend it on the goods and services your family needs and wants. Without planning, many people end up spending money as a reaction to circumstances and pressures. But with planning, spending becomes an intentional, strategic action toward your goals. Planning can also take the stress out of spending because, if you stick to that plan, you can spend with confidence.

Practices To Help You Spend And Save Intentionally

When you plan *how* you will save and spend for major life events, there are three specific practices you can employ to help you pursue the goals you set. These practices are typically relevant to any age and stage of life.

Identifying Your Risks

One practice is to identify critical costs and risks. These will differ depending on your life stage and any major life events expected or otherwise that you may face in the future. Someone living in retirement, for instance, faces different risks than a young family that's just starting out. Examples of risks are changes in the cost of living, loss of job or income, and the need for long-term care.

You can leverage different insurance policies to mitigate risk. Insurance needs vary by life stage as well. An experienced, knowledgeable financial professional can help you assess your risks and secure appropriate coverage.

Navigating Major Life Events

Although this is not an exhaustive list, the following are some common major life events. All of these events necessitate an effective strategy around planning, saving, and spending in order to navigate them successfully.

Buying A House

Other than perhaps a first car, buying a house is often the first major life event that requires long-term planning, intentional saving—and significant spending. Lenders are more likely to approve a mortgage loan with favorable terms if you have a regular income, a good debt-to-income ratio, and a good credit score.

In order to secure a best-scenario mortgage loan, you might have to save up for your down payment or take the time to improve your credit score. Depending on your financial situation, preparing to purchase a home can take years. The key is to plan ahead, setting goals and working steadily toward them to create the future you want.

Having A Child

Having a child can be one of the most joyous occasions of a lifetime. But it can also be one of the most expensive. The cost of raising a child in the US from birth to seventeen for the average middle-income family is approximately \$310,600, excluding transport, recreational activities, and college.⁶ Child and dependent care tax credits can help offset these costs to some extent, but the arrival of a child makes strategic planning, spending, and saving all the more important.

Sending A Child To College

One of the biggest expenses many families face is higher education. One popular college savings vehicle is the 529 plan, which is a tax-advantaged college investment account. These funds can be used for education and other qualified expenses. Additionally, per legislation passed in January 2024, 529 plans now have greater flexibility as they can be rolled over into a Roth IRA.⁷ Whatever savings and investment vehicles you choose, you'll need to plan for these contributions in your budget. A financial professional can help counsel you on how to balance saving and paying for your child's college education without compromising your financial outlook for retirement.

Entering Retirement

Retirement is typically marked by a transition from living on an earned income to relying on a wealth drawdown strategy and other fixed sources of income. At this stage, you'll likely see and enjoy, to a greater extent, the fruits of your long-term planning, saving, and mindful spending.

Making consistent contributions to your retirement savings and investment accounts from early on makes hitting your

retirement goals much more probable. If you feel unsure about how much you'll need and how much you should be saving, and if you're on track, consult a financial professional who can help you work toward the retirement you want.

Estate Planning

Although many people associate estate planning with final life stages, it is important to make clear and comprehensive plans for the transfer of your estate at any life stage. Having an estate plan can reduce the administrative, financial, and tax burdens left to your loved ones and beneficiaries. Consider securing the services of an estate planning professional and legal counsel to help you develop an effective plan.

Enjoying Your Life Now And In Retirement

After decades of strategic planning, saving, and spending, retirement should present an opportunity to savor life and relish what you've achieved. Nonetheless, in order to form sustainable, healthy financial habits, it's important to remember that you don't have to wait until retirement to enjoy the benefits of saving for a lifetime.

Saving at every stage and planning strategically can produce financial confidence and help create opportunities throughout your life. Not only can you be better prepared to face emergencies, like car and home repairs or medical bills, but you'll also be better positioned to pursue your goals and seize opportunities. When your child gets into the dream school, when your business partner has a new idea you want to invest in, or when you're ready to upgrade your vehicle for your growing family, then all your strategic planning, saving, and spending can pay off in the form of the opportunities you've afforded yourself.

Most importantly, when you can spend without worry because you've intentionally saved and prepared for major events, you can focus on, enjoy, and savor the good moments in life alongside the ones you love.

Investors should consider the investment objectives, risks, charges, and expenses associated with municipal fund securities before investing. This information is found in the issuer's official statement and should be read carefully before investing. Investors should also consider whether the investor's or beneficiary's home state offers any state tax or other benefits available only from that state's 529 Plan. Any state-based benefit should be one of many appropriately weighted factors in making an investment decision. The investor should consult their financial or tax advisor before investing in any state's 529 Plan.

PART III:

BUILDING STRONG WALLS

“Learning was of two kinds: the things we learned and knew, and the training that taught us how to find out what we did not know?”

— George Clason,
The Richest Man in Babylon

MANAGING DEBT

There are so many reasons for debt. When debt gets out of hand, there is usually a long list of reasons. Early in my career, I fell into debt when business ventures did not turn out the way I had hoped.

I invested in a water filter venture, losing a \$5,000 investment with literally no buyers. That one stung, but later I started a gift store. It was in a space that suffered due to an unexpected, major road construction project and ultimately ended up going out of business.

Then I took a big swing with Bingo City. While still working at the family accounting firm, I opened a 50,000 square foot flea market, bingo hall, and restaurant space. Guess what? It failed miserably. I had to learn quickly to manage my debt.

Managing Stress And Debt

Humans have an innate response called “flight or fight.” It is nature’s way of launching our bodies into action; consider the physical responses we feel during moments of stress—faster

heartbeat, accelerated breathing, tightening of muscles, and increase in sweating.

These are response mechanisms that prepared our ancestors to run from or confront danger on the savanna. But they can be less useful in more modern times.

In the short term, stress can manifest itself in physical symptoms, such as headaches, fatigue, difficulty sleeping or concentrating, upset stomach, and general irritability. These brief episodes of stress usually do not cause lasting harm to personal health.

However, debt—and the stress it causes—is often a persistent problem. If your stress system stays activated over longer periods of time, it can lead to serious health problems, such as weight gain or loss, fatigue, anxiety, depression, headaches, and sleep issues.⁸

If you are experiencing debt-related stress, you should consider attacking the root of the problem. Generally, it takes time to work down debt, but that doesn't mean you can't manage the stress during the interim period.

Developing a strategy to eliminate your debt is the first step to lowering stress since the sense of control that a strategy gives you might furnish you with hope and optimism.

It's also important that you keep your debt worries in perspective. Remind yourself that debt may not permanently ruin your life. Journal writing can be helpful as an outlet for the worried thoughts that can cycle endlessly through your mind. Seek social support—knowing that family and friends are in your corner can be a great source of strength.

Finally, find time for laughter and extending small kindnesses—each unleashes wonderfully positive chemical reactions that are good for the soul and the body.

Types Of Debt And How To Manage Them

In a 2022 Forbes article, author John Egan writes⁹:

All debts are not created equal. Generally, there are two main types of debt: secured and unsecured. Within those types, you'll see revolving and installment debt. Aside from the fact that you owe money, these types of debt are different. For instance, your mortgage is an example of secured debt, while an example of unsecured debt is your credit card. How best to handle each kind of debt varies.

Secured debt is a loan with collateral put up against it. The home is the collateral for a mortgage. When payments are late or completely cease, the lender has the option of seizing the collateralized asset.

It is better to let the lender know when you are having trouble making payments. The lender may provide short-term options or even restructure the loan to give you some financial flexibility while keeping the debt out of collections or worse.

An example of unsecured debt would be credit card bills. In exchange for having no collateral put against the loan, unsecured debt often comes at a much higher interest rate. Getting behind on unsecured debt can become very costly as interest continues to accumulate over time. Student loans are another example of unsecured debt. While interest rates are lower, the remedy for the creditor is to report late payments to major credit bureaus. The debt may go to a debt collector, or the lending entity may seek a court judgment to satisfy the debt.

Strategies For Debt Repayment

The steps in Part II are the best ways to help you manage debt—start by establishing a budget and build savings. But saving is hard when debt is in the way. To get debt under control, consider the following strategies.

Avoid credit card debt like the plague. Credit card rates are in the mid to high 20 percent range, which is higher than the rate at which Warren Buffett has been able to compound money. It is impossible to get ahead when you are compounding more and more debt at such astounding rates. Paying your credit card off each month is the solution. Spend less so you don't carry a balance. If you are running a credit card balance, prioritize that repayment first.

The Wall Street Journal's Amy Boyington offers this advice¹⁰ for managing debt, using the following methods:

The Debt Snowball Method

This debt reduction strategy involves making minimum payments toward all of your debts, focusing on paying down the smallest debts first. So whether it's a mortgage, a Parent Plus student loan, or credit card, make minimum payments, but make an extra payment to the debt with the smallest balance. Then take on the next smallest loan, and so on.

This way, you see progress being made and can watch the debt dominoes falling one by one until they are all taken care of.

Debt Avalanche Method

You can also go in a more strategic direction, targeting the debt with the highest interest rates. If you have a lot of credit card debt, consider this method, which takes on the highest interest rates first, so you are not adding insult to injury by paying those

high interest rates into the indefinite future. Once the largest interest rate debt is paid off, you move on to the next highest.

In her article, Boyington adds this tip: “With the debt avalanche method, you may find that you’re able to pay off your smaller balances just by making the minimum payments toward them.”

Debt Consolidation

Putting as much debt as possible into one instrument can be advantageous and streamline the repayment process. Boyington gives the following example:

“...if you carried \$8,500 in debt across three credit cards with APRs of 24.99percent, and you paid \$300 each month toward your balances—\$100 per card—it would take you about four years to pay off your debt and cost you over \$4,200 in interest. If you took out a three-year personal loan with an APR of 17.99percent to consolidate this debt, you could pay off your debt a year sooner by adding just \$7 to your total monthly payment and save over \$2,000 in interest.”

INVESTING WISELY

Along my career path, I have taken risks. Some, like taking the time to learn and earn my credentials in financial planning, have been worth the challenge and sacrifice. Others have been learning experiences, which I still count as wins. When it comes to investing wisely, measured risk—understanding your stage of life, your risk tolerance, and being knowledgeable about the investment you are considering—is what I counsel my clients on.

Four Keys To Successful Investing

When you consider investing, the goal is to expand on your accumulated wealth through hard work and good decision-making. You certainly don't want to lose everything either. So, how can you find the middle ground and invest to meet your goals?

While investing is complex, you don't have to be an investment professional to do it wisely and successfully. You can use the following four keys which may help you reach your financial goals.

1. Avoid Common Investment Myths

The investment world is filled with fads and myths that provide a false sense of security and inspire poor decisions. For example, “Playing it safe and moving to cash during volatile times will benefit me in the long run,” “I know when to get in and out of the market,” and “Yesterday’s ‘hot’ funds will definitely be tomorrow’s winners,” are all common beliefs that inexperienced investors hold dear.

2. Invest Like An Institution, Not An Individual

Institutions approach the investment process differently from individuals. While individuals tend to chase returns, institutions consider risks as well. Institutions tend to make purchases for the long term, but individuals often buy and sell in the short term. Institutions also use the advice of a professional investment manager to develop a diversified portfolio, while individuals tend to make decisions themselves that concentrate on individual positions. And many times, individuals base their buying and selling decisions on emotions rather than a scientific process.

3. Seek Guidance From A Professional

Professional advice and insight can improve your investment decisions and may help you reach your goals. The right advisor will keep you from making emotional decisions that may hurt your long-term goals. He/she will take the time to update you on your portfolio’s progress, provide you with customized monthly reports and quarterly and annual statements, and keep you on course with your investment objectives.

An advisor will keep you abreast of any additional opportunities in the market, continuously monitor your portfolio, and,

if appropriate, take advantage of tax reduction techniques. Perhaps the best benefit of a financial advisor is that he/she will develop an investment plan using an institutional investment process based on your needs.

4. Utilize a Disciplined, Scientific Investment Process

When you enlist the help of a financial advisor, he/she will use a specific process for dealing with your portfolio. This scientific investment process generally will include the following six steps:

1. Design a customized portfolio based on your personal objectives, time horizon, and willingness to take risks.
2. Implement the portfolio with “specialist” money managers who specialize in very niche areas of the market.
3. Regularly monitor these managers and make changes as necessary.
4. Reduce taxes as much as possible.
5. Report your results in detail on an ongoing basis, with analysis and recommendations.
6. Review your portfolio whenever your objectives, time horizon, or risk tolerance change.

These steps are crucial to building the financial future you want. And a financial advisor can help you through each one.

Your Future As A Successful Investor

Investing can be confusing and intimidating to people outside the financial industry. But with the right guidance and education, you can use investing as a tool that may lead you to successfully reach all of your financial goals.

Avoiding the common investment myths may help prevent poor decisions. Investing like an institution rather than an individual helps to put your emotions aside. We believe every investor should enlist the help of a professional financial advisor to effectively diversify the portfolio, consistently monitor the results, and educate the individual about new opportunities. A financial advisor will also guide you through the six steps of the scientific investing process. This process is designed to cover all of the critical aspects of good investment practices.

When you use these four keys to successful investing, you may be able to reduce unnecessary risk and create a strategy conducive to your financial goals.

Diversification, Patience, And Consistency

Regardless of how the markets may perform, consider making the following an integral part of your investment philosophy:

Diversification

The saying “don’t put all your eggs in one basket” has some application to investing. Over time, certain asset classes may perform better than others. If your assets are primarily held in one kind of investment, you could find yourself under a bit of pressure if that asset class experiences some volatility.

Keep in mind that diversification is an approach to helping manage investment risk. It does not eliminate the risk of loss if an investment’s price declines.

Asset allocation strategies also are used in portfolio management. When financial professionals ask you questions about your goals, time horizon, and tolerance for risk, they are getting a better idea about what asset classes may be appropriate

for your situation. But like diversification, asset allocation is an approach to help manage investment risk. It does not eliminate the risk of loss if an investment sees a decline in price.

Patience

Impatient investors can get too focused on the day-to-day doings of the financial markets. They can be looking for short-term opportunities rather than longer-term potential. A patient investor understands that markets fluctuate and has built a portfolio based on the time horizon, risk tolerance, and goals. A short-term focus may add stress and anxiety to your life and could lead to frustration with the investing process.

Consistency

Most people invest a little at a time, within their budget, and with regularity. They invest \$500 or \$1000 or more per month in their retirement account or similar investments. They are investing in “autopilot” to help themselves attempt to build wealth over time.

Consistent investing does not protect against a loss in a declining market or guarantee a profit in a rising market. Consistent investing, sometimes referred to as dollar-cost averaging, is the process of investing a fixed amount of money in an investment vehicle at regular intervals, usually monthly, for an extended period of time, regardless of price.

Investors should evaluate their financial ability to continue making purchases through periods of declining and rising prices. The return and principal value of stock prices will fluctuate as market conditions change. Shares, when sold, may be worth more or less than their original cost.

Investing For Impact

Many investors are looking to build a portfolio that reflects their socially responsible values while giving them the potential for solid returns. That's where SRI, impact investing, and ESG investing may play a role.

In the past, some investors regarded these investment strategies as too restrictive. However, over time, improved evaluative data and competitive returns made these strategies more mainstream. Even though SRI, ESG investing, and impact investing share many similarities, they differ in some fundamental ways. Read on to learn more.

ESG (Environmental, Social, And Governance) Investing

The ESG investing model assesses investments based on specific criteria, such as ethical business practices, environmental conservation, and local community impact. The popularity of ESG investing has grown: in the United States alone, there are more than 500 ESG mutual funds and exchange-traded funds (ETFs) available. Just a decade ago, there were only 100 ESG funds.¹¹

SRI (Socially Responsible Investing)

SRI uses criteria from ESG investing to actively eliminate or select investments according to ethical guidelines. SRI investors may use ESG factors to apply negative or positive screens when choosing how to build their portfolio. For example, an investor may wish to allocate a portion of their portfolio to companies that contribute to charitable causes. In the U.S., more than \$17 trillion is currently invested according to SRI strategies. This is an increase from the \$12 trillion invested in SRIs by the end of 2017.¹²

Impact Investing

Also known as thematic investing, impact investing differs from the two above. The main goal of impact investing is to secure a positive outcome regardless of profit. For example, an impact investor may use ESG criteria to find and invest in a company dedicated to the development of a cure for cancer, no matter the outcome of that investment.

The biggest takeaway? There are plenty of choices to keep your investments aligned with your personal beliefs. No matter how you decide to structure your investments, don't forget it's always a smart move to speak with your financial professional before making a major change.

ESG investing involves the exclusion of certain securities for non-financial reasons. This may result in the investor forgoing some market opportunities that may have been available to those not subject to such criteria. There is no guarantee that any investment goal will be met.

PROTECTING YOUR ASSETS WITH INSURANCE

There are several ways to keep assets tax-free. Many high-net-worth families utilize life insurance, not because they need it but because it is one of the most powerful ways to take a small number of dollars and turn it into what could be a meaningful death benefit. And with life insurance, in most cases, it goes to your heirs a hundred percent tax-free.

Life insurance is an essential component of any financial plan. Nobody wants to pay the premiums, but the catastrophic impact of not having life insurance when needed is too big. We all know young and healthy people who have experienced tragedy. Life insurance makes the aftermath a heck of a lot easier to manage!

The Fourth Asset

Life insurance is the fourth asset. It's like a moat around your castle that allows you to do things with these other assets that

you would otherwise never think about. It is the integration tool to create maximum income streams in your future.

The most common reason for buying a life insurance policy is to provide a death benefit for the protection of a spouse, partner, children, and other heirs. The death benefit is tax-free. On that basis alone, life insurance, in general, is integral to building a strong financial house.

Most people don't think they need life insurance in retirement because they've already replaced the value of the death benefit with other assets. But think of it this way: what happens to your social security income when you pass? It goes away. That's a good reason to have life insurance. There are examples in my maximum income playbook that use life insurance as a buffer to create maximum income streams or exchange to create a pension, or you can exchange or trade money for an income stream.

Whole Life Or Term?

Term insurance is a much cheaper option, but most term insurance isn't used ultimately. Whole life, or permanent insurance, is very costly but the benefit is that if you have an unexpected health challenge, you don't have to worry about not being insurable, which happens to a lot of people.

Many people find permanent insurance to be another great source of saving money, similar to owning a home, which is a major benefit. There are also combinations and strategies, such as using term insurance and investing the difference in premium payments to fund a self-insurance policy. This strategy brings with it a bit more uncertainty but can absolutely make economic sense in the right circumstances.

A whole life insurance policy is kind of like being your own bank. It can provide multiple ways to access funds tax-free, allowing you to tap into the cash value of your life insurance.

This is a strategy to consider after funding an IRA or a 401(k). The power of this strategy is in the cash value, the money you have available to you right now. That cash value grows tax-deferred, and if used and distributed properly, you can tap back into that cash value tax-free.

Consider a life insurance policy with a long-term care rider. With traditional long-term care policies, premiums can go up 200 or even 300 percent, and it's brutal.

Beneficiaries

When designating beneficiaries for your accounts, if you have IRAs and 401(k)s, those should be the first accounts you designate as a charity beneficiary. If you leave the IRA or 401(k) traditional accounts to your kids, those dollars will be taxable to them. If you leave them to a qualified 501(c)(3) it goes to the charities tax-free, more of your dollars making a lasting impact on the causes you believe in.

Double-check and update your beneficiaries periodically and ensure that you have the proper amount of life insurance. We never know when our time comes, and you can save your family so much stress and anxiety by taking these basic steps.

PART IV:

ADDING THE ROOF

“The thoughts of youth,’ he continued, ‘are bright lights that shine forth like the meteors that oft make brilliant the sky, but the wisdom of age is like the fixed stars that shine so unchanged that the sailor may depend upon them to steer his course.’”

— George S. Clason,
The Richest Man in Babylon

PLANNING FOR RETIREMENT

The goal is to earn a retirement free of financial worry. You have been working hard and, on paper, have the funds and the investments to plan retirement on your own terms. Now, it's time to backstop that plan.

In order to retire, people have to know what they will do for the next twenty-plus years of their lives. How are they going to spend their time? Are they going to play golf, tennis, or pickleball? Are they going to play cards? Are they going to be in a men's or a women's group? What does a comfortable retirement look like? I encourage people to think about this well before they get to this stage of life.

Retirement means different things to different people. For some, it means white sandy beaches and a condo in paradise; for others, it means world travel and exploration. But no one dreams of worrying about money during retirement. Unfortunately, this is a reality many people will have to face if they aren't prepared with their financial house in order.

You must plan for your retirement, just like any other goal you intend to reach. As you start to make your retirement decisions, consider the following three unavoidable facts.

Retirement Has Evolved

In the past, people relied on Social Security and pensions to supplement their personal savings in retirement. But times have changed. As the baby boomer generation retires, they will strain Social Security and cause a decrease in benefits. So, counting on this benefit, especially if your retirement is still long in the future, is not realistic.

Likewise, pensions are a thing of the past. These days, only about one in five jobs offer pension plans. And if you're one of the lucky ones, you need to stay with your company long enough for your benefits to accrue.

Plus, retirement didn't last as long as it does now because life expectancy was much shorter. According to the National Center for Health Statistics, the average life expectancy for Americans in 1960 was 69.7 years. In 2024, this figure rose to 77.3 years. As health care and living standards continue to improve, more people are living longer.¹³

It's Never Too Late, Or Too Early, To Start Saving and Investing

As human life expectancy continues to rise, many people can expect to spend as long as thirty years in retirement. That's a long time to support yourself without your usual employment income. Furthermore, current analysis shows that most Americans will need approximately 75 percent of their pre-retirement income to maintain the lifestyle to which they are accustomed to living while employed. For most people, approximately 60 percent of that income needs to come from personal savings.

The message is clear: If you haven't started to save, start now. And because neither the government nor your employer

can ensure your future financial independence, you must investigate investment opportunities that can help fund your retirement.

When you start thinking about investment options, three factors will have the greatest impact on your results: the amount you invest, the rate of return you earn on your investments, and the number of years those investments have to grow. So, the earlier you begin, the more profitable your efforts will be.

You Have A Variety Of Options

While very few companies offer pension plans anymore, the number of retirement contribution plans has increased dramatically in recent years. So, the first step towards retirement is to look at your investment options.

Many companies offer 401(k) options, and some even match all or a portion of your contributions. If you're self-employed, you can save and invest through qualified plans such as a simplified employee pension plan (SEP-IRA). And regardless of your employment status, you can set up an Individual Retirement Account (IRA) that invests your money for you.

All these options offer several tax benefits. First, your contributions to these retirement plans decrease your taxable income, which lowers your tax payments. Second, the money you invest in these plans grows tax-deferred until you make withdrawals. Taking advantage of these opportunities will help your money grow at a faster rate and meet your retirement income needs.

What to Know About Social Security

Social Security can be complicated, and as a result, many individuals don't have a full understanding of the choices they may have. Here are five facts about Social Security that are important to keep in mind.

Social Security Is a Critical Source of Retirement Income

Some have the perception that Social Security is of secondary or even tertiary importance in retirement. But according to a recent report by the Employee Benefits Research Institute, Social Security represents a major source of income for 62 percent of retirees.¹⁴

Keep in mind that Social Security makes annual cost-of-living adjustments (COLAs) based on the Consumer Price Index and, under current laws, pays benefits for life and the life of your spouse.

You Can Choose When You Take Social Security

You have considerable flexibility regarding when you can begin receiving your benefits. You may begin receiving benefits as early as age sixty-two; however, your benefits will be reduced at a rate of about one-half of 1 percent for each month you begin taking Social Security before your full retirement age.¹⁵

The full retirement age is sixty-seven if you were born in 1960 or later. If you were born before 1960, your retirement age will be reduced depending on the year in which you were born.

You may delay receiving benefits until after reaching your full retirement age; in this case, your benefits are scheduled to increase by 8 percent annually. This increase under current law will be automatically added each month from the moment you reach full retirement age until you start taking benefits or reach age seventy, the age at which these delayed retirement credits stop accruing. Plus, your benefit also will increase by any cost-of-living adjustments applied to benefit payment levels during that time.

If you intend to continue working, you may still receive the full benefit for which you are eligible. Indeed, working beyond full retirement age can increase your benefits. However, your benefits will be reduced if your earnings exceed certain limits. If you work and start receiving benefits before full retirement age,

your benefits will be reduced by one dollar for every two dollars in earnings above the prevailing annual limit (\$23,400 in 2025).¹⁶

If you continue to work during the year in which you attain full retirement age, your benefits will be reduced by one dollar for every three dollars in earnings over a different annual limit (\$62,160 in 2025) until the month you reach full retirement age.

Once you have attained full retirement age, you can keep working, and your benefits under current law will not be reduced regardless of how much you earn.

As you can see, the decision of when to begin taking Social Security is a critical one.

Social Security May Be Taxable

Depending on your income level, your Social Security benefit may be subject to taxation. The chart below illustrates how your combined income (adjusted gross income plus your nontaxable interest plus one half of your Social Security benefit) can impact whether your Social Security retirement benefit is subject to taxation.

Will Your Social Security Benefits Be Subject to Federal Income Taxes?

	50% of Benefit Subject to Taxation	85% of Benefit Subject to Taxation
Individual Filers	Combined Income of \$25,000 to \$34,000	Combined Income Greater than \$34,000
Joint Filers	Combined Income of \$32,000 to \$44,000	Combined Income Greater than \$44,000

This potential income tax exposure may have substantial implications for whether you choose to work during retirement, how your assets are invested, and the timing of withdrawals from other retirement accounts.¹⁷

For instance, a withdrawal from a traditional IRA may lift your income beyond the thresholds described above, subjecting a higher proportion of your Social Security to income tax.

The same is true of investment earnings in non-retirement savings. Retirees who have investment earnings in excess of their current spending needs may be subjecting their Social Security income to taxation. Shifting a portion of those assets to a tax-deferred instrument may be one way to manage taxation on your Social Security benefit.¹⁸

Social Security Can Be A Family Benefit

When you start receiving Social Security, other family members may also be eligible for payments. A spouse (even if they did not have an earned income) qualifies for benefits if age sixty-two or older—or at any age if they are caring for your child. (The child must be younger than sixteen or disabled.)

Benefits may also be paid to your unmarried children if they are younger than eighteen, between eighteen and nineteen and enrolled in a secondary school as a full-time student, or age eighteen or older and severely disabled.

Each family member may be eligible for a monthly benefit of up to half your retirement (or disability) benefit amount. There is a family limit, which varies, but is generally between 150 to 188 percent of your retirement (or disability) benefit.

Should you die, your family may be eligible for benefits based on your work record.

Family members who qualify for benefits include:

A widow or widower who is:

- age sixty or older
- age fifty and older if disabled, or
- any age if they are caring for your child who is younger than sixteen or disabled and entitled to Social Security benefits on your record.

Unmarried children can receive benefits if they are:

- under eighteen years of age
- between eighteen and nineteen and are full-time students in a secondary school, or
- age eighteen or older and severely disabled (the disability must have started before age twenty-two).

Your survivors receive a percentage of your basic Social Security benefit—usually in the range of 75 to 100 percent for each member. However, the limit paid to each family is about 150 to 188 percent of your benefit rate.¹⁹

A Divorced Spouse May Be Eligible For Benefits

If you are divorced, you may qualify for Social Security benefits based on your ex-spouse's work record. To be eligible for benefits, your ex-spouse must have reached the age at which eligible to begin receiving benefits (although they do not necessarily need to be receiving them).

To qualify, you need to:

- have been married to your ex-spouse for at least ten years
- have been divorced for two years or longer
- be at least sixty-two years old
- be unmarried, and
- not be entitled to a higher Social Security benefit based on your own work history.

If your former spouse is deceased, you may still receive benefits as a surviving divorced spouse (irrespective of the age of death), assuming that your ex-spouse was entitled to Social Security benefits, your marriage was for at least ten years, you are at least sixty years old, and you are not entitled to a higher benefit amount based on your own work history. If you remarry before the age of sixty, you will lose the ability to receive a survivor benefit from your deceased ex-spouse.

If your former spouse is living, the maximum amount that you are eligible to receive is 50 percent of what your former spouse is due at full retirement age. To receive the maximum benefit, you will need to wait until you have reached your own full retirement age.

Your benefits are unaffected should your former spouse elect to take Social Security before reaching full retirement age or if your ex-spouse starts a new family.

Roth Conversions

Why convert to a Roth IRA? Let's say you retire at age sixty-two and don't plan to take your social security or your minimum

RMDs until your spouse is seventy and you're seventy-three. There is a window for the Roth conversions to avoid going up to the highest tax bracket.

Why You Shouldn't Rely On Retirement Accounts

So, the secret is out: I'm not a big fan of relying on retirement accounts to build wealth. Conventional wisdom has taught us that we should put our aggressive money or our growth money in our retirement accounts. Retirement accounts are for the long term. Our after-tax accounts should be used for emergencies.

Simply put, that rule of thumb can be expensive and downright wrong for many people, especially once you are getting into retirement. The problem with that philosophy is that you're utilizing retirement accounts improperly. Inside a retirement account, everything that you pull out is going to get taxed at your current income. So, if you have stocks and growth in there, everything is taxable. In the after-tax account, if you have CDs, or money market savings, that interest is taxed at current income as well. By relying so heavily on retirement accounts, all of your assets are being taxed at your current income.

You've been stashing money away like this for years. What can you do? By switching where you own the assets as you get close to retirement and into retirement, you can significantly save and utilize the free tax benefits the IRS provides.

This might be a good year to take some money from a retirement account—could be a 401(k), could be an IRA—and transfer that into a Roth. Once you do that, the money that grows in the Roth account for you is tax-free, and you don't have required minimum distributions like you would have for your IRA.

When you turn seventy-two, it might be a good year to do overall converting. One major caveat: you want to ensure the conversion does not put you into a higher tax bracket. When you do a Roth conversion, whatever you take out of the IRA or 401(k) is a taxable event. It is categorized as ordinary income on your tax returns. But you want to make sure you keep yourself below whatever the next tax bracket is. If you're in the 22 percent bracket, you want to make sure you're not coming up to the 24 percent tax bracket with how much money you put into the IRA.

An HSA Is A Retirement Account

We're used to talking about 401(k)s, 403(b)s, and IRAs as retirement accounts. However, there is another instrument that most people would not put in this category: a health savings account (HSA). If you have a high-deductible health insurance plan, you can open up or have your employer open up an HSA. People don't always consider an HSA because they feel they are taking money from their paychecks to fund an account for strictly medical expenses. If you're young or even in your mid-years, you may not have a lot of medical expenses; you don't really feel like you're saving for your future retirement. I get it.

I want to show you the power of an HSA and the legacy benefits that come with it. Allow me to paint the picture for you. You establish an HSA, and you can put generous amounts into these accounts as a family plan. You can designate well over \$7,000 a year tax-deductible. This money can grow over time by choosing a plan and picking the type of investments you want. Here's a twist. When you, your spouse, or a child have a medical expense, we advise that you don't touch the HSA. Don't pull

out the checkbook, don't pull out the HSA debit card. Now you're really confused.

I want you to do is keep track of every medical expense along the way. You can keep receipts in a shoebox, or you can create a nice spreadsheet. But along the way, you're keeping track while you're funding your account. Then, down the road, come retirement or any time before retirement or after retirement, you can cut yourself a retroactive reimbursement check for every medical expense that you've had through the years during which the HSA was open. Now, if you've been funding this account for years at \$7,000 plus a year, with the compounding effect in the stock market and beyond, you could have tens of thousands, if not hundreds of thousands of dollars in your HSA by the time you retire. Now, it's time to live on the portfolio because the paycheck stops right in retirement. You've got a tax-free bucket of money because you can reimburse yourself from that account.

What if your expenses don't match the amount in the HSA? If, for instance, you had \$200,000 in an HSA and \$120,000 in medical expenses along the way, you can only reimburse yourself for up to \$120,000. The HSA balance is now available to you as you age in retirement. Medical bills will only accelerate during this time. You could go to your taxable IRA or 401(k) to cover those expenses, but guess what? That will increase your adjusted gross income (AGI) and potentially put you in a higher tax bracket. With an HSA, those expenses are covered tax-free.

Think about it. You get a tax break on the front, it grows tax-deferred, and it comes out tax-free. It's like a super Roth IRA, and it's highly underutilized.

What are some legacy benefits of an HSA? First and foremost, you may want to put your beneficiary on this HSA into

your living trust. You may want to make your trust the beneficiary and not your children. If your trust is the beneficiary, when those dollars are inherited from the trust and potentially distributed to the children, you can have your estate pay the taxes instead of your children. If they are in their fifties or sixties when you pass away, they're probably in their highest earning years when they inherit an HSA that was not their HSA, so any dollars that come out of there will be taxable to them. However, if you make your trust the beneficiary, you could potentially have your estate pay the tax, let it go to your heirs tax-free, and not be a burden on them.

For those that are charitably inclined, you can designate your HSA to your organizations of choice 100% tax free. That is one way to enhance your charitable gifts and amplify the family's charitable giving. Another way is for those of you giving annual gifts to children to contribute to their HSA. As of this writing, you can give \$18,000 per person per year to friends and family. Why not take part in that gift and have it fund HSA? They get a personal tax deduction on their return and a gift at the same time. It's a double bonus of tax efficiency on the front. Who doesn't like free money from mom and dad? These tax-free gifts can enhance your ability to share your wealth with loved ones and support causes you care about.

ESTATE PLANNING

Planning for what happens when you pass away is not something any of us jump at the chance to work on. But if you want your financial house to withstand the test of time, this is important work to do.

Wills And Trusts

If you have not completed your will, that should happen without delay. Writing and updating wills and establishing a trust will ensure the legacy you want to leave to your loved ones. Whether you go to an attorney, a trusted preparer, Legal Zoom, or another trusted source, the most important decision is to take that first step to protect your financial house. If you don't protect your "house," you are allowing a potential invasion by government agencies, other wealthy institutions, or large corporations. Each can easily breach your unprotected perimeter.

Another way to protect your estate is with life insurance. A portion of the assets that you own are not necessarily liquid.

Life insurance and how you can leverage the liquidity of the cash value is discussed in more detail in Chapter Eight.

You may argue that real estate has an assumed beneficiary if you, for example, own a house with your spouse. But what happens if you both die simultaneously? To whom does the house go? Additional protection needs to be put in place to fortify your legacy.

Creating a trust is another good way to protect your financial house. However, you need to work with an estate planning attorney or trust preparer to put a proper trust in order. If you don't have a trust account, you need one. It's how to protect your assets. It's how to protect your heirs from avoiding probate and fighting over your assets. If you haven't reviewed your trust account in the last couple of years, I highly recommend that you do that.

If you have a trust attorney, that's great. Contact them and ensure your beneficiaries are who you want them to be.

Update your trust, especially if you haven't looked at it in the last two-plus years. This is because trust law changes over time. You want to be current and protected.

Beneficiary Designations

Estate planning is a fantastic way to build and transfer wealth, and most people need it. At a minimum, make sure that all of your beneficiaries are accurate and correct. You don't want to be the person who gives all your assets to, for example, your ex-wife from twenty-five years ago because you never changed your beneficiary. Life insurance is an essential component of any financial plan. Nobody wants to pay the premiums, but the catastrophic impact of not having life insurance when needed is too big. Term insurance is a much cheaper option, but if, we live

long, healthy lives, it gets more and more costly, and most term insurance isn't ultimately used. We all know young and healthy people who have experienced tragedy from something over the years, and life insurance makes the aftermath a heck of a lot better! Permanent insurance is very costly, but the benefit is that if you have an unexpected health challenge, you don't have to worry about not being insurable, which happens to many people. Many people find permanent insurance to be another great source of saving money, similar to owning a home, which is a major benefit. There are also combinations and strategies, such as using term insurance but investing the difference in premium payments to fund a self-insurance policy. This strategy brings more uncertainty but can make economic sense in the right circumstances.

How A Living Trust Can Protect Your Future

There are two key elements to protecting your estate, both equally important. The first way to protect your estate is to keep it from going to probate when you pass away. The second is to establish a living trust.

When an estate goes into probate, it opens the possibility of others making decisions about your estate on your behalf. If you are in an accident, who will make decisions for you? When you pass away, who will determine how your assets are distributed? Either you make these decisions, or the state will decide for you.

Probate becomes problematic because it involves the court system, which includes an attorney and a fiduciary, both of which cost money the estate must pay. It also means that the distribution of your estate is delayed while the estate is in probate to make sure any debts against the estate are paid and

to determine asset distribution. Failure to adequately prepare results in unnecessary costs and delays.

What about setting up a trust? After decades of hard work earning your money and managing it correctly, how can you be sure that your assets will be protected and properly distributed to your heirs upon death? If you think a will is all you need, think again. Wills are subject to the probate process, which, depending on the state you live in, could take years to complete and could eat up an estimated 5 percent of your estate's gross value. Additionally, during probate, your family loses control of your estate, and the probate files become open to the public, meaning anyone can get information about your assets and liabilities.

Fortunately, there is a way to avoid probate completely. It's called a *revocable living trust*, and it's the best way to ensure that your heirs receive everything they're entitled to in the timeliest manner.

A living trust has many advantages: It enables you to control your estate's distribution; it enables you to reduce or even avoid many of the taxes and fees associated with probate and wills; and it enables your heirs to avoid the lengthy probate process and keep your estate records in complete privacy.

When you set up a living trust, you transfer ownership of all of your assets from yourself to the trust and name yourself the trustee. While you legally no longer own any of the assets in your trust, you do have complete control over them. You can buy additional assets or sell current ones. You can even give assets away. There is nothing to probate upon your death because the assets are in the trust, not your name. This allows your estate to be available to your heirs without any delays or expensive court proceedings customary during the probate process.

If your estate is large, has a variety of assets, or requires tax planning, you may want to consider involving a professional trustee. Professional trustees are in the business of managing trusts. They're experienced investment managers trained to be objective and manage your trust according to your instructions.

To set up a living trust, you need to inventory your assets, decide who will be your beneficiaries, select your trustee, and name a guardian for your children. Your attorney then prepares the necessary legal documents. Once your trust is in place, your investment manager can help you optimize your assets to meet your long-term financial goals.

Don't let taxes and legal fees take what you've worked so hard to accumulate. A living trust is your best option if you want to provide for your family's future and leave your loved ones a lasting legacy.

PART V:

REINFORCING YOUR FINANCIAL HOUSE

*“The sun that shines today is the sun that shone when
thy father was born, and
will still be shining when thy last grandchild shall pass
into the darkness.”*

— George S. Clason,
The Richest Man in Babylon

STAYING INFORMED

Imagine driving a car without a basic understanding of the rules of the road or even how to operate it. That's a scary thought.

Here's another scary circumstance—one that is all too real. Many Americans are making financial decisions with minimal financial knowledge of investing, budgeting, and credit. The Teachers Insurance and Annuity Association of America conducted a survey on U.S. financial literacy, asking twenty-eight basic questions about retirement savings, debt management, budgeting, and other financial matters. The average respondent answered only about half of the questions correctly.²⁰

Another recent survey conducted by the Census Bureau found that almost 40 percent of Americans say that it has been somewhat or very difficult to pay for usual household expenses in the last seven days.²¹

It has been said that knowledge is power, and if that's true, then too many Americans lack the power to control their financial futures. Financial success rarely happens by accident; it is typically the outcome of a journey that starts with education.

One of the obstacles to greater financial literacy is the so-called “Lake Wobegon effect.” In other words, we all consider ourselves above average, and based on that belief, it only follows that our financial understanding is above average. Unfortunately, this assumption has a flaw: it may discourage us from learning as much as we need in order to continue adapting to an ever-changing financial landscape.

The more informed we are, the more informed our financial decisions may become. Fortunately, we can consult a wide range of resources in pursuit of greater financial knowledge.

MAINTAINING THE HOUSE BY ADAPTING TO CHANGE

Flexibility In Financial Planning

The markets do have cycles. In our way of thinking, there's always something that people are worried about in a given year. It varies as the calendar pages turn. They are worried about inflation, they are worried about the war in Ukraine, and they are worried about paralysis in Washington. They are worried about the national debt and Social Security.

All these worries are on an endless loop in the places where we consume information.

Even if the economy is humming along, the market is always worried about something: unemployment, inflation, supply chain issues, a strike, or a large company teetering on the edge of bankruptcy. Obviously, many financial positives and negatives are happening in the world at any moment. Markets have their ups and downs.

The market has long streaks of going up.

There are always downward cycles. We remember those occurring in 2008, 2002, the 1987 crash, and several in the early 1970s. There are always going to be cycles. In many cases, the cycles exist because of the swings of human emotion, the tugs of war between fear and greed or between fear and joy.

Whether the year is 2020, 2024, or 2028, or whether we admit to being in our sixties or seventies, we can double-check the statistics. The statistics so far show that 75 percent of couples will have one partner who lives to age ninety, 50 percent to age ninety-five, and 20 percent to age 100.

If you are married, it is possible that either you or your spouse may live to 100. Your financial plan had better reflect that. Look back at the last thirty to forty years to everything that happened: market crashes, political upheaval, you name it.

Believe me, you can count on it happening again, probably with some variation.

In the recent past, COVID forced a timeout in our lifestyles. It took a cruel toll first on the elderly populations housed in assisted care facilities, then spread at jetliner speed to points across the globe, and entered schools and disrupted the learning and socialization of a generation of young people. It invaded the workplace and brought the economy to a crawl before companies countered by embracing work from home.

COVID did something else remarkable; it interrupted the U.S. longevity trend. COVID knocked 1.8 years off the average American life expectancy, from 78.8 in 2019 to seventy-seven years in 2020.

But we have had pandemics before; the Spanish flu in 1918 that preceded the adult memory of anyone alive today. Modern medicine has responded heroically (Jonas Salk curbed the

scourge of polio in the 1950s), and researchers have come up with ways to treat AIDS.

Crash programs created COVID-19 vaccines faster than the race to put humans on the moon. Consumers, at least those not pretending to be macho, have taken prudent precautions and changed their behavior. The point is that future pandemics will come out of nowhere, but the overall longevity trend will continue.

We may be around for thirty or forty more years. Accordingly, the right financial plan has an emphasis on safety, keeping more than half of your assets safe. It is possible to earn decent inflation-beating returns with safe assets. Some of the assets we have examined elsewhere in the book. When that financial hurricane comes along, we'll take shelter. We will not be on the beach that day, but we will not panic. We know it can happen, so we have taken precautions, and the sun will come out tomorrow.

Understanding Risk

Most people think of risk as a negative thing. For investors, "risk" simply refers to the volatility of your portfolio's return over time. How well you're able to tolerate that risk demonstrates your ability to sustain through turbulent times.

Many factors contribute to the current level of investor risk. Those who understand the various factors can better manage their money and make smart investment decisions. By considering the current conditions and analyzing them in relation to your time horizon, investment goals, ability to withstand losses, and life experiences, you can manage your risk and not take chances when it comes to investment decisions.

Economic Risk: Many companies report lower profits whenever the economy experiences a downturn, directly affecting investors. While some firms adjust to economic downturns quickly, others take longer to react. The more you can wait out poor economic times, the better you'll fare in the long run.

Inflation Risk: As prices increase due to inflation, it's likely that your purchasing power will decrease, as will your returns from investments. If your investment growth fails to outpace inflation, you may consider investing in growth-oriented alternatives, such as stocks, stock mutual funds, variable annuities, or other vehicles.

Interest Rate Risk: Fixed-income investments tend to be sensitive to interest rate changes. When interest rates rise, the value of these investments falls. However, the opposite is also true: when interest rates fall, existing bonds increase in value. Waiting out the undesirable times and diversifying your portfolio will help reduce this risk.

Typically, the greater the risk you take, the greater the reward you reap. The general rule of thumb is to opt for less risk when you need to meet short-term objectives and higher risk when your outlook is more long-term. Regardless of your approach, knowing the various risk factors present and your tolerance level for risk will lead to greater investment returns.

Understanding The Rewards Of Alignment

What I've learned is that when we align our most deeply held values with our goals, we create a financial plan, understand our risk tolerance, and put it all together. We give you a visual financial plan so you can see your future.

This plan will give you confidence so that no matter what happens in the economy in the US or globally, you will be able to retire comfortably. As Albert Einstein said, compounding is the single greatest magic trick known to man, and I aim to give that to you.

FINANCIAL RESOURCES

Rank your financial house on a scale of one to ten. Would you like it to be a ten?

We take your goals and most deeply held values into consideration when determining your future financial investing.

Next, we align with your risk tolerance and a comprehensive step-by-step financial plan designed to give you ten-level confidence so no matter what happens in the markets, the economy, or the world, you will have a great retirement where your money outlives you.

We do this with the **Three C's**

- **Consolidation** - We help you pull all of the pieces together. This simplifies your life.
- **Coordination** - We help you coordinate the pieces of your financial life so that they are in alignment to help you achieve your goals.
- **Comprehension** - By coordinating your plan with a team of financial professionals, we do our best to ensure that our recommendations are discussed and coordinated.

Finally, we hold you accountable to your plan.

This mentally and physically frees you to spend your time and energy doing what you enjoy, which is more important than money.

We work together to create a **comprehensive**, step-by-step, actionable plan designed specifically for **you**, determining exactly what you need to do in all areas:

- ✓ cash reserves
 - ✓ debt management
 - ✓ insurance
 - ✓ asset allocation
-
- Assist you in **aligning** your financial choices with your most **deeply held values** and your most important **goals**
 - Get your entire financial house in order and keep it that way forever.
 - Ensure you have ten-level confidence that you will achieve your goals no matter what happens in the markets, the economy, or the world.

These proven steps will result in a **comprehensive life plan**, giving you the highest probability of achieving your goals.

The question is pretty simple: Would you like to join our ideal client community and have us create a plan for **you**?

COMPREHENSIVE WEALTH MANAGEMENT SERVICES

Partnership Support

- Help provide more confidence in financial matters, focusing on goals, taxes, priorities, and direction

- Communicate frequently to establish your financial objectives and chart a timeline for accomplishments
- Meet a minimum of twice a year to review your objectives and concerns
- Help you understand the various aspects of the financial decision-making process
- Advise you through reactive or emotional decisions that could negatively affect your financial situation
- Work to resolve problems quickly so that you have an excellent experience
- Provide friendly and knowledgeable support staff to support your needs and questions comprehensively
- Support you through expected and unexpected changes in your life

Financial Education

- Provide financial and investment information with a comprehensive approach that is easy to understand
- Help you evaluate the economic news to determine what you should and shouldn't be concerned about.
- Keep you up-to-date with product, service, and strategy changes and improvements
- Receive semi-annual newsletters to keep you informed about changes in our firm and the economy at large
- Host seminars and events to provide up-to-date information on key financial planning topics

Financial Planning

- Provide a comprehensive financial plan to align your current actions with future goals

- Calculate your current and projected net worth to establish a foundation for planning
- Help manage cash flow, income, and spending, now and in the future, in line with your planning goals
- Analyze debt structure and organization, as well as lending opportunities
- Evaluate your existing insurance coverage and plan comprehensively for additional protection needs
- Aid with real estate planning and evaluate mortgage financing
- Offer budgeting tools and consolidated account access to help keep you informed about your finances
- Analyze risk management

Retirement Planning

- Provide education on the structure and regulations concerning various retirement planning options
- Analyze your current and future income needs to drive investment decision-making
- Develop recommendations to fund your income needs to help maintain a comfortable life
- Recommend the best distribution strategy for your employer retirement plans and IRAs
- Optimize strategies for Social Security payment option

Investment Advice And Management

- Evaluate your tolerance for risk and loss to design appropriate investment strategies
- Design and maintain personalized investment solutions and a portfolio appropriate to your needs

- Recommend proper allocation and positioning of funds in retirement plans such as 401(k)s
- Hold regular review meetings to ensure that you are on track to meet your goals
- Provide ongoing due diligence and monitoring of investments
- Electronic delivery of statements and online aggregation of accounts
- Discuss and present alternative investment solutions for proper portfolio diversification
- Be available for touch-base conversations to answer questions and address your evolving needs

Tax Planning

- Comprehensively review your tax situation to highlight opportunities for optimal tax positioning
- Incorporate tax law changes and projections into your planning and investment strategies
- Consult with your tax preparer to make sure all finances and solutions are aligned

Estate Planning

- Review your current estate plan, will, trusts, and powers of attorney for concerns and necessary changes
- Assist in asset transfer strategies and beneficiary review
- Organize meetings with your family to review your financial and estate situations
- Provide guidance with the appropriate and necessary steps in the event of the death of a loved one

- Assess philanthropic giving solutions through understanding your family goals and charitable values
- Consult with your estate planner to make sure all solutions are aligned

Insurance/Risk Planning

- Review your current estate plan, will, trusts, and powers of attorney for concerns and necessary changes
- Assist in asset transfer strategies and beneficiary review

Additional Offerings

- Provide referrals to other professionals who can help address all elements of your total financial picture
- Review education planning and funding strategies to include UTMAs, education IRAs, and 529 plans
- Find solutions for executive compensation investments such as restricted or concentrated stock holdings
- Analyze and implement solutions for employee benefits administration for your small business

Our Expectations Of Our Clients

Our firm is eager to ensure that your needs are met and that you make progress toward your vision of financial success. If we are going to be successful together, here are some key steps that we can take to work better as a team.

- No matter what you do, every investment strategy requires patience. Your investments will be monitored and will progress over time.

- It is imperative that we meet at least once throughout the year to discuss your financial situation. This will help foster our long-term business relationship.
- Our only purpose is to further your progress toward your long-term objectives. We strive for overall success in your financial life, and to us, that means moving you closer to achieving your overall goals and objectives.
- We look at what the markets are doing, but we are more curious about how the performance of your accounts relates to what you are trying to achieve.
- We help you to understand what your personal benchmark requirements are. Guiding you to stay on track and achieve your goals based on your personal benchmarks.

We are committed to providing proactive service to all of our clients. In order to accomplish this, we strive to communicate our value by diligently working to help you realize your financial goals and visions and by administering transparent and fair fees.

Our firm is here to help you get your financial house in order. Everyone's situation is different, and as time marches on, it also evolves due to life-changing circumstances. Pick the plan that best suits your needs and current lifestyle.

www.coefinancialgroup.com



ABOUT THE AUTHOR

In both business and life, Chad Coe is imbued with a strong passion for helping people and positively impacting their lives. As a fiduciary with over twenty-five years of experience in the financial services industry, his commitment to serving others has never wavered. He strives to provide clarity and focus on what matters most to people—their values, which ultimately dictate the basis and management of their investment portfolio. He enjoys working with clients as a team, helping them to pursue their goals, and serving as their trusted advisor.

As president and founder of Coe Financial Group, Chad embraces a values-based approach and focuses on his client's well-being and financial security. As an experienced specialist in wealth management strategies, he specializes in structuring programs based on a client's personal values, goals, and risk tolerance. He works with clients to bridge the gap between where they are now and where they want to be.

While serving a diverse client base, Chad works closely with executives and business professionals. A highly respected

business coach and connector of businesspeople, he encourages and motivates others to assert themselves positively in the world and, ultimately, give back. He presides over several prominent networking groups and is the author of *The Power of Peopletizing: Networking Your Way To Financial Freedom*. A highly sought-after keynote speaker, his keen insight into human interaction and how to make quality business connections is in great demand in today's "Relationship Economy." Through his Strategic Mastermind Groups, he aims to use his enthusiasm, passion, optimism, and success strategies to inspire and empower others to live their greatest lives and achieve their career goals joyfully.

Chad holds FINRA Series 6, 7, 24, 51, 63, and 65 securities registrations. An Investment Executive with Cetera Advisors LLC, He is a past Cetera Advisors LLC Representative Advisory Council member from 2021 through 2025. He has also received his bachelor's in business with an emphasis in finance from the University of Illinois at Chicago.

Chad's passion for helping extends beyond the business and financial world. With a tremendous philanthropic spirit, in his spare time, he enjoys auctioneering for charities, playing tennis, golf, and racquetball, and enjoying time with his wife Jill and his sons.

The Auctioneer's Apprentice: A Parable for Living an Abundant Life is a book by Chad Coe that uses the metaphor of an auctioneer's apprentice to impart lessons on living a fulfilling and abundant life.

GLOSSARY OF FINANCIAL TERMS

1035 Exchange

A method of exchanging insurance-related assets without triggering a taxable event. Cash-value life insurance policies and annuity contracts are two products that may qualify for a 1035 exchange.

401(k) Plan

A qualified retirement plan is available to eligible employees of companies. 401(k) plans allow eligible employees to defer taxation on a specific percentage of their income that is to be put toward retirement savings; taxes on this deferred income and on any earnings the account generates are deferred until the funds are withdrawn—normally in retirement. Employers may match part or all of an employee's contributions. Employees may be responsible for investment selections and enjoy direct tax savings.

401(k) Loan

A loan taken from the assets within a 401(k) account; 401(k) loans charge interest and are normally paid back through payroll deductions. If the borrower leaves an employer before a 401(k) loan has been repaid, the full amount of the loan is generally due. If the borrower fails to repay the loan, it is considered a distribution, and ordinary income taxes and any applicable tax penalties may be due. Note: under the Tax Cuts and Jobs Act, you don't have to pay taxes or the penalty if you repay the loan by the due date of your tax return for the year that you leave your job (including extensions). For example, if you leave your job in 2020, you'd have until April 15, 2021, to repay the loan.

403(b) Plan

A 403(b) plan is similar to a 401(k). A 403(b) is a qualified retirement plan available to employees of non-profit and government organizations.

Account Balance

The amount held in an account at the end of a reporting period. For example, a credit card account balance would show the amount owed to a lender due to purchases made during a specific period.

Adjustable-Rate Mortgage (ARM)

A mortgage with an interest rate that is adjusted periodically based on an index. Adjustable-rate mortgages generally have lower initial interest rates than fixed-rate mortgages because the lender can transfer some of the risk to the borrower; if prevailing rates go higher, the interest rate on a variable mortgage may adjust upward as well.

Adjusted Gross Income (AGI)

AGI is one figure used in calculating income tax liability. It is determined by subtracting allowable adjustments from gross income.

Administrator

A probate-court-appointed person who is tasked with settling an estate for which there is no will.

After-Tax Return

The return on an investment after subtracting any taxes due.

Aggressive Growth Fund

A mutual fund offered by an investment company that specifically pursues substantial capital gains. Mutual fund balances are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost. Mutual funds are sold only by prospectus. Individuals are encouraged to carefully consider the charges, risks, expenses, and investment objectives before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

Alternative Minimum Tax (AMT)

A method of calculating income tax with a unique set of rules for deductions and exemptions that are more restrictive than those in the traditional tax system. The AMT attempts to ensure that certain high-income taxpayers don't pay a lower effective tax rate than everyone else. To determine whether or not the AMT applies, taxpayers must fill out IRS Form 6251.

Annual Percentage Rate (APR)

The yearly cost of a loan is expressed as a percentage of the loan amount. The APR includes interest owed and any fees or additional costs associated with the agreement.

Annual Report

A report required by the Securities and Exchange Commission (SEC) of any company issuing registered stock that describes a company's management, operations, and financial reports. Annual reports are sent to shareholders and must also be available for public review.

Annuity

A contract with an insurance company that guarantees current or future payments in exchange for a premium or series of premiums. The interest earned on an annuity contract is not taxable until the funds are paid out or withdrawn. Withdrawals and income payments are taxed as ordinary income. Penalties may apply if a withdrawal is made before age fifty-nine and a half. The guarantees of an annuity contract depend on the issuing company's claims-paying ability. Annuities have fees and charges associated with the contract, and a surrender charge may also apply if the contract owner elects to give up the annuity before certain time-period conditions are satisfied.

Appraisal

A formal assessment of a property's value at a specific point in time, performed by a qualified professional.

Asset

Anything owned that has a current value that may provide a future benefit.

Asset Allocation

A method of allocating funds to pursue the highest potential return at a specific level of risk. Asset allocation normally uses sophisticated mathematical analysis of the historical performance of asset classes to attempt to project future risk and return. Asset allocation is an approach to help manage investment risk. It does not guarantee against investment loss.

Asset Class

A specific category of investments that share similar characteristics and tend to behave similarly in the marketplace.

Audit

In accounting, the formal examination of a company's financial records by a qualified professional to determine the records' accuracy, consistency, and conformity to legal standards and established accounting principles. In taxes, the Internal Revenue Service's or other authority's formal examination of a tax return to determine its accuracy.

Automatic Reinvestment

An arrangement under which an institution automatically deposits dividends or capital gains generated by an individual's investment back into the investment to purchase additional shares.

Balanced Mutual Fund

A mutual fund offered by an investment company that attempts to hold a balance of stocks and bonds. Mutual funds are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost. Mutual funds are sold only by prospectus. Individuals are encouraged to carefully consider the charges, risks, expenses, and

investment objectives before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

Bear Market

A market experiencing an extended period of declining prices. A bear market is the opposite of a bull market.

Beneficiary

The person or entity who will receive benefits from a life insurance policy, qualified retirement plan, annuity, trust, or will upon the death of an individual.

Blue Chip Stock

The stock of an established company that has a history of generating a profit and possibly a consistent dividend.

Bond

A debt instrument under which the issuer promises to pay a specified interest amount and repay the principal at maturity. The market value of a bond will fluctuate with changes in interest rates. As rates rise, the value of existing bonds typically falls. If an investor sells a bond before maturity, it may be worth more or less than the initial purchase price. By holding a bond to maturity, an investor will receive the interest payments due plus his or her original principal, barring default by the issuer. Investments seeking to achieve higher yields also involve a higher degree of risk.

Book Value

The value of a company's assets minus its liabilities, preferred stock, and redeemable preferred stock.

Bull Market

A market experiencing an extended period of rising prices. A bull market is the opposite of a bear market.

Buy-And-Hold

An investment strategy that advocates holding securities for the long term and ignoring short-term price fluctuations in the market.

Buy-Sell Agreement

A legal contract that provides for purchasing all outstanding shares from a business owner who wishes to sell, wants to terminate involvement, is permanently disabled, or has died. Buy-sell agreements are often funded with life insurance.

Capital Gain Or Loss

The difference between the price at which an asset was purchased and the price for which it was sold. When the sale price is higher than the purchase price, the difference is a capital gain; when the sale price is lower than the purchase price, the difference is a capital loss.

Cash Alternatives

Assets that are most easily converted into cash and which have a very low risk of price fluctuation. For example, money market funds may be considered a cash alternative. Money held in money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Money market funds seek to preserve the value of your investment at \$1.00 a share. However, it is possible to lose money by investing in a money market fund.

Cash Surrender Value

The amount a policyholder would receive when voluntarily terminating a cash-value life insurance policy before the insured event occurs or when cashing out an annuity contract before its maturity. The computation of cash surrender value is stated in the life insurance or annuity contract.

Certificate Of Deposit (CD)

A deposit with a bank, thrift institution, or credit union that promises a fixed interest rate on funds deposited for a specified period of time. Bank savings accounts and CDs are FDIC insured up to \$250,000 per depositor per institution and generally provide a fixed rate of return, whereas the value of money market mutual funds can fluctuate.

Charitable Lead Trust

A trust established for the benefit of a charitable organization under which the charitable organization receives payment of a specified amount (at least annually) from the trust. On the death of the grantor, the remainder of interest in the trust passes to his or her heirs. Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional familiar with the rules and regulations.

Charitable Remainder Trust

A trust established for the benefit of a charitable organization under which the grantor can designate an income beneficiary to receive payment of a specified amount—at least annually—from the trust. The grantor may also be the income beneficiary. On the death of the grantor, the remainder of interest in the trust passes to the charitable organization. Using a trust involves a

complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional familiar with the rules and regulations.

Claim

A request for payment under the terms of an insurance policy.

COBRA

A federal law that requires group health plans sponsored by employers with more than twenty employees to offer terminated or retired employees the opportunity to continue their health insurance coverage for a specified period at the employees' expense.

Coinsurance Or Co-Payment

A policy provision under which an insurance company and the insured party share the total cost of covered medical services after the policy's deductible has been met.

Commercial Paper

An unsecured, short-term debt security issued by a corporation to finance short-term liabilities. These notes are normally backed only by the issuing corporation's promise to pay the face amount on the maturity date specified on the note, which is usually less than six months.

Common Stock

A security that represents partial ownership of a corporation. Those who hold common stock are entitled to participate in stockholder meetings, vote for the board of directors, and may receive periodic dividends.

Community Property

State laws under which most property and debts acquired during a marriage—except for gifts or inheritances—are owned jointly by both spouses and are divided upon divorce or annulment. In the United States, nine states have community property laws: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Compound Interest

A process under which interest is computed both on an account's principal and on any gains reinvested in prior periods. This contrasts with simple interest, which is calculated only on the principal amount.

Consumer Price Index (CPI)

The U.S. government's main measure of inflation is calculated monthly by the Department of Labor.

Convertible Term Insurance

A term life insurance policy under which the policyholder has the right to convert the policy to permanent life insurance, subject to limitations. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Corporate Bond

A debt security issued by a corporation under which the issuer promises to make periodic interest payments and to repay the investor's principal at maturity. The market value of a bond will fluctuate with changes in interest rates. As rates rise, the value of existing bonds typically falls. If an investor sells a bond before maturity, it may be worth more or less than the initial purchase price. By holding a bond to maturity, investors will receive the interest payments due plus their original principal, barring default by the issuer. Investments seeking to achieve higher yields also involve a higher degree of risk.

Corporation

A legal organization created under the laws of a state as a separate legal entity with privileges and liabilities distinct from those of its members. Corporations are taxable entities—they are taxed separately from their members or shareholders. Corporations can borrow money and profit separately from their members or shareholders.

Coverdell Education Savings Account (Coverdell ESA)

A tax-advantaged investment account that allows the accumulation of funds to cover future education expenses, subject to limitations. Coverdell ESAs allow money to grow tax deferred and proceeds to be withdrawn tax-free for qualified education expenses at a qualified institution.

Credit Score

A statistical estimation of how likely a potential borrower is to pay his or her debts and, by extension, how much credit he or she should have.

Debt

An obligation owed by one party (the debtor) to a second party (the creditor).

Debt-to-Equity Ratio

The ratio of a company's total debt to its total shareholder equity. Some use the debt-to-equity ratio to ascertain a company's ability to repay its creditors.

Deduction

An amount can be subtracted from gross income before income taxes are calculated.

Deed

A legal document that confirms ownership of an asset or that confirms the passage of an interest, right, or ownership in the asset from one person or legal entity to another.

Deferred Annuity

A contract with an insurance company that guarantees a future payment or series of payments in exchange for current premiums. The interest earned on an annuity contract is not taxable until the funds are paid out or withdrawn. The guarantees of an annuity contract depend on the issuing company's claims-paying ability. Annuities have fees and charges associated with the contract, and a surrender charge may also apply if the contract owner elects to give up the annuity before certain time-period conditions are satisfied.

Defined Benefit Plan

A retirement plan under which the benefit to a retiring employee is defined. Employer contributions normally fund defined benefit plans.

Defined Contribution Plan

A retirement plan under which the annual contributions made by the employer or employee are defined. Benefits may vary depending on the performance of the investments in the account.

Deflation

A reduction in the price of goods and services. Deflation is the opposite of inflation.

Dependent

A person who relies on another for his or her financial support. Within limits, those supporting dependents can claim certain exemptions when filing income taxes.

Direct Rollover

The direct transfer of assets from the trustee or custodian of one qualified retirement plan or account to the trustee or custodian of another. Done correctly, direct rollovers do not trigger taxable events.

Disability Income Insurance

An insurance policy that pays a portion of the insured's income when a specified disability makes working uncomfortable, painful, or impossible.

Diversification

An investment strategy under which capital is divided among several assets or asset classes. Diversification operates under the assumption that different assets and/or asset classes are unlikely to move in the same direction, allowing gains in one investment to offset losses in another. Diversification is an approach to help

manage investment risk. It does not eliminate the risk of loss if security prices decline.

Dividend

Taxable payments made by a company to its shareholders. Some dividends are paid quarterly, and others are paid monthly. Companies can adjust common share dividends at any time, pending approval by the company's board of directors.

Dollar-Cost Averaging

An investment strategy under which a fixed dollar amount of securities is purchased at regular intervals. Under dollar-cost averaging, more shares are purchased when prices are low and fewer when prices rise. Keep in mind that dollar-cost averaging does not protect against a loss in a declining market or guarantee a profit in a rising market. Investors should evaluate their financial ability to continue purchasing through declining and rising prices.

Dow Jones Industrial Average (DJIA)

An average calculated by summing the prices of thirty actively leading stocks on the New York Stock Exchange (NYSE) and dividing the sum by a divisor, which has been adjusted to account for cases of stock splits, spinoffs, or similar structural changes. Individuals cannot invest directly in an index.

Early Withdrawal

Withdrawal of funds from an investment before its maturity date or withdrawal from a tax-deferred account before the legally imposed age requirements have been satisfied. Early withdrawals may be subject to penalties.

Employee Stock Ownership Plan (ESOP)

A defined-contribution plan that provides a company's workers with an ownership interest in the company—usually as shares of company stock.

Employer-Sponsored Retirement Plan

A retirement plan sponsored by an employer for the benefit of its employees. These typically fall into one of two types: defined-contribution plans (such as SEP IRAs, 401(k) plans, and 403(b) plans) and defined-benefit plans (such as traditional pensions).

Equity

The value of real property or a business after all liabilities have been paid. A home worth \$300,000 with a \$200,000 mortgage would have \$100,000 in equity.

Employee Retirement Income Security Act (ERISA)

A federal law that establishes the regulations under which retirement plans are governed and spells out the federal income tax regulations and effects for qualified retirement plans.

Estate Management

The preparations necessary to manage a person's financial and healthcare matters during his or her lifetime and to effectively and economically distribute the assets within that estate upon his or her death.

Estate Tax

Federal and/or state taxes that may be levied on the assets of a deceased person upon his or her death. These taxes are paid by the deceased person's estate rather than his or her heirs.

Exchange-Traded Funds (ETFs)

A share of an investment company that owns a block of shares selected to pursue a specific investment objective. ETFs trade like stocks and are listed on stock exchanges and sold by broker-dealers. Exchange-traded funds are sold only by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

Executive Bonus Plan

An executive benefit paid for by an employer.

Executor

A person named by a will or appointed by the probate court to distribute the deceased's assets as directed by the will or, in the absence of a will, in accordance with a state's probate laws.

Federal Income Tax Bracket

A series of income ranges within which a taxpayer's income is taxed at a certain rate. Taxpayers pay the tax rate in a given bracket only for that portion of their overall income that falls within the bracket's range.

Federal Reserve System (The Fed)

The United States' central bank. The Federal Reserve System consists of a series of twelve independent banks that operate under the supervision of a seven-member, federally appointed board of governors. The Fed strives to maintain maximum employment, stable price levels, and moderate long-term interest

rates. It establishes and enforces the regulations banks, savings and loans, and credit unions must follow. It also acts as a clearing house for certain financial transactions and provides banking services to the federal government.

Financial Aid

Loans, grants, scholarships, and work-study programs provided by federally and privately funded sources to enable students to attend college.

Financial Statement

A formal record of the financial activities of a business, person, or other entity. For a business, financial statements typically include a balance sheet, a profit and loss statement, and a cash flow statement.

Financial Industry Regulatory Authority (FINRA)

FINRA is an independent regulator that oversees all securities firms doing business in the U.S. FINRA seeks to protect investors by making sure the securities industry operates fairly and honestly.

First-To-Die Life Insurance

Joint life insurance taken out on the lives of two or more people that pays its death benefit when the first insured person dies.

Fixed Annuity

A contract with an insurance company that guarantees investment growth at a fixed interest rate as well as current or future payments in exchange for a premium or series of premiums. The interest earned on an annuity contract is not taxable until the

funds are paid out or withdrawn. The guarantees of an annuity contract depend on the issuing company's claims-paying ability. Annuities have fees and charges associated with the contract, and a surrender charge may also apply if the contract owner elects to give up the annuity before certain time-period conditions are satisfied.

Fixed-Rate Mortgage

A mortgage with a set interest rate that will not change over the life of the loan.

Foreclosure

The legal process under which a creditor seizes the property of a borrower who has not made timely payments on his or her debt.

Front-End Load

A sales fee paid at the time an investment is purchased. This fee is deducted from the investment—thus lowering the size of the investment.

Fundamental Analysis

A method of evaluating securities that examines financial and economic factors—such as the current finances of a company and the prevailing economic environment—to determine whether the company's future value is accurately reflected in its current stock price.

Gift

The voluntary transfer of assets under which the giver receives no compensation and retains no interest in his or her gift.

Gift Tax

A tax the federal government and some states levy on the transfer of property as a gift. Generally, gift taxes increase with the amount of the gift and are paid by the donor.

Gross Monthly Income

Total monthly income generated from all sources before taxes and other expenses are considered.

Group Life Insurance

Life insurance that insures all the members of a specific group, most often the employees of a specific company or the members of a professional association.

Health Savings Account (HSA)

An account that offers individuals covered by high-deductible health plans a tax-advantaged means to save for medical expenses. Within certain limits, funds contributed to the account are not subject to federal income taxes. Unlike Flexible Spending Accounts (FSAs), funds can be rolled over from year to year if not spent.

Home Equity

The real value of a home after all liabilities have been paid. Thus, a home worth \$300,000 with a \$200,000 mortgage would have \$100,000 in equity.

Income

Monies or other compensation received from any source. This includes wages, commissions, bonuses, Social Security and other retirement benefits, unemployment compensation, disability,

interest, and dividends. Generally, all income is taxable unless it is specifically exempted by law.

Index

An average of the prices of a hypothetical basket of securities representing a particular market or portion of a market. Among the most well-known are the Dow Jones Industrials Index, or the Dow; the Standard & Poor's 500 Index, or the S&P 500; and the Russell 2000 Index. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index.

Individual Retirement Account (IRA)

A qualified retirement account for individuals. Contributions to a Traditional IRA may be fully or partially deductible, depending on your individual circumstances. Once you reach age seventy-three, you must begin taking the required minimum distributions from a traditional IRA in most circumstances. Withdrawals from traditional IRAs are taxed as ordinary income and, if taken before age fifty-nine and a half, may be subject to a 10 percent federal income tax penalty. Contributions to a traditional IRA may be fully or partially deductible, depending on your adjusted gross income.

Inflation

An upward movement in the average level of prices. Each month, the Bureau of Labor Statistics reports on the average level of prices when it releases the Consumer Price Index (CPI).

Initial Public Offering (IPO)

A company's first public offering of stock. In an IPO, investment banks buy a company's shares and then offer them to the public

at an offering price. As the stock is traded, the market price may be more or less than the offering price. Keep in mind that the return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

Interest Rate

The cost to borrow money expressed as a percentage of the loan amount over one year.

Intestate

The condition of an estate when its owner dies without leaving a valid will. In such circumstances, state law normally determines who inherits property and who serves as guardian for any minor children.

Investment Objective

The stated financial goal of an investment.

Irrevocable Trust

A trust that cannot be altered, stopped, or canceled after its creation without the permission of the beneficiary or trustee. Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional familiar with the rules and regulations.

Joint Tenancy

A form of property ownership under which two or more people have an undivided interest in the property, and the survivor or survivors automatically assume ownership of the interest of any joint tenant who dies.

Jointly Held Property

Property owned simultaneously by more than one person. All co-owners have an equal right to use the property, and no co-owner can exclude another co-owner from the property. The most common forms of jointly-held property are joint tenancy, tenancy in common, and, in some states, community property.

Keogh Plan

A tax-deferred retirement plan for self-employed individuals and employees of unincorporated businesses. Keogh plans are similar to IRAs but have significantly higher contribution limits. Distributions from Keogh plans and most other employer-sponsored retirement plans are taxed as ordinary income and, if taken before age fifty-nine and a half, may be subject to a 10 percent federal income tax penalty. Generally, once you reach age seventy and a half, you must begin taking the required minimum distributions.

Key Employee

An employee who has valuable skills, knowledge, or organizational abilities who is considered critical to the success of a given company.

Key Person Insurance

Company-owned insurance designed to cover the cost of replacing a key employee if he or she were to die or become disabled.

Life Insurance

A contract under which an insurance company promises, in exchange for premiums, to pay a set benefit when the policyholder dies. Several factors will affect the cost and availability

of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder may also pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Liquidity

The ease and speed with which an asset or security can be bought or sold.

Living Trust

A trust created by a living person which allows that person to control the assets he or she contributes to the trust during his or her lifetime and to direct their disposition upon his or her death.

Living Will

A written document that allows the originator to designate someone to make medical decisions on his or her behalf in the event that he or she becomes incapacitated due to an accident or illness.

Long-Term-Care Insurance

Insurance that covers the cost of medical and non-medical services needed by those who have a chronic illness or disability—most commonly associated with aging. Long-term-care insurance can cover the cost of nursing home care, in-home assistance, assisted living, and adult day care.

Lump-Sum Distribution

A one-time payment of the entire amount held in an employer-sponsored retirement, pension plan, annuity, or similar account, rather than breaking payments into smaller installments.

Management Fee

The cost of having assets professionally managed. This fee is normally a fixed percentage of the fund's asset value; terms of the fee are disclosed in the prospectus.

Marital Deduction

A provision of the tax code that allows an individual to transfer an unlimited amount of assets to his or her spouse at any time—including upon the individual's death—without triggering a tax liability.

Market Risk

The risk that an entire market will decline, reducing the value of the investments in it without regard to other factors. This is also known as Systemic Risk.

Market Timing

An investment philosophy under which investors buy and sell securities in an attempt to profit from short-term price fluctuations.

Maturity

The date on which a debt security comes due for payment and an investor's principal is due to be repaid.

Medicaid

The federal government's health program for eligible individuals and families with low income and resources. It is means-tested,

meaning those who apply for benefits must demonstrate they have need.

Medicare

The federal government's health program for individuals aged sixty-five and over and for individuals who have certain disabilities or end-stage renal disease.

Money Market Fund

A mutual fund that invests in assets that are easily converted into cash and which have a low risk of price fluctuation. This may include money market holdings, Treasury bills, and commercial paper. Money held in money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Money market funds seek to preserve the value of your investment at \$1.00 a share. However, it is possible to lose money by investing in a money market fund.

Municipal Bond

A debt security issued by a state, county, city, or other political entity (such as a school district) to raise public funds for special projects. The income from municipal bonds is normally exempt from federal income taxes. It may also be exempt from state income taxes in the state where the municipal bond is issued. Bond prices rise and fall daily. Municipal bonds are subject to various risks, including adjustments in interest rates, call risk, market conditions, and default risk. Some municipal bonds may be subject to the federal alternative minimum tax. When interest rates rise, bond prices generally will fall. Certain municipal bonds may be difficult to sell. A municipal bond issuer may be unable to make interest or principal payments, which may lead to the issuer defaulting on the bond. If this occurs, the municipal

bond may have little or no value. If a bond is purchased at a premium, it may result in realized losses. It's possible that the interest on a municipal bond may be determined to be taxable after purchase.

Municipal Bond Fund

A mutual fund offered by an investment company that specifically invests in municipal bonds. Mutual fund balances are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost. Mutual funds are sold only by prospectus. Individuals are encouraged to carefully consider the charges, risks, expenses, and investment objectives before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

Mutual Fund

A pooled investment account offered by an investment company. Mutual funds pool the monies of many investors and then invest the money to pursue the fund's stated objectives. The investment company manages the resulting portfolio of investments. Mutual fund balances are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost. Mutual funds are sold only by prospectus. Individuals are encouraged to carefully consider the charges, risks, expenses, and investment objectives before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

National Association Of Securities Dealers Automated Quotations (NASDAQ)

An American stock exchange originally founded by the National Association of Securities Dealers. When the NASDAQ stock exchange began trading on February 8, 1971, it was the world's first electronic stock market.

Net Asset Value

The net market value of a mutual fund's current holdings divided by the number of outstanding shares. The product of this division estimates the per-share value of the fund's assets.

Net Income

A company's total revenues minus its costs, expenses, and taxes. Net income is the bottom line of a company's income statement (which may also be called the profit and loss statement).

Net Worth

The value of a company's or individual's assets minus liabilities.

New York Stock Exchange (NYSE)

A stock exchange located on Wall Street in New York City, NY. Many regard the NYSE as the largest exchange in the U.S. and possibly the world.

Non-contributory Retirement Plan

A retirement plan that is funded entirely by employer contributions, with no employee contributions.

Non-qualified Plan

A retirement or employee benefit plan that is not eligible for favorable tax treatment.

Old-Age, Survivors, And Disability Insurance (OASDI)

The official name of the Social Security program. In addition to retirement benefits, it offers disability income, veterans' pensions, public housing, and food stamps.

Partnership

A contract under which two or more individuals manage and operate a business venture.

Permanent Life Insurance

A class of life insurance policies that do not expire—as long as premiums are kept current—and which combine a death benefit with a savings component. This savings portion can accumulate a cash value against which the policy owner can borrow funds. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder may also pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Policy Loan

A loan made by an insurance company to a policyholder. The cash value of a life insurance policy secures policy loans. Withdrawals of earnings are fully taxable at ordinary income tax rates. If you are under the age of fifty-nine and a half when you make the withdrawal, you may also be subject to a 10 percent federal

income tax penalty. Also, withdrawals may reduce the benefits and value of the contract.

Policy Rider

A provision to a life insurance policy that is purchased separately from the basic policy and that provides additional benefits at additional cost.

Policyholder

The person or entity who holds an insurance policy; usually the client in whose name an insurance policy is written.

Portfolio

The combined investments of an individual investor or mutual fund.

Power Of Attorney

A legal document that grants one person authority to act for another person in specific legal or financial matters in the event that said individual becomes incapacitated.

Preferred Stock

Securities that represent ownership in a corporation and have a higher claim on a company's assets and earnings than common stock. Dividends on preferred stock are generally paid out before dividends to common stockholders.

Prenuptial Agreement

A contract entered into by those contemplating marriage that sets forth how their individual property will be divided should they ultimately divorce.

Price/Earnings Ratio (P/E Ratio)

A ratio calculated by dividing a stock's price by its earnings per share. Investors use this ratio to learn how much they pay for a company's earnings.

Prime Interest Rate

The interest rate commercial banks charge their most credit-worthy or "prime" customers. The prime interest rate is influenced by the federal funds rate.

Principal

The original amount invested in a security, excluding earnings; the face value of a bond; or the remaining amount owed on a loan, separate from interest.

Probate

The court-supervised process in which a deceased person's debts are paid and any remaining assets distributed to his or her heirs.

Property

Anything over which a person or business has legal title. Property may be held in common or privately owned.

Profit-Sharing Plan

A defined-contribution plan under which employees share in company profits. The funds within the plan accumulate tax deferred.

Prospectus

A legal document that provides the information an investor needs to make an informed decision about an investment offered

for sale to the public. Prospectuses are required by and filed with the Securities and Exchange Commission.

Qualified Retirement Plan

A retirement plan that is established and operates within the rules laid down in Section 401(a) of the Internal Revenue Code and thus receives favorable tax treatment.

Rate Of Return

A measure of the performance of an investment. The rate of return is calculated by dividing any gain or loss by an investment's initial cost. Rates of return usually account for any income received from the investment in addition to any realized capital gains.

Real Estate Investment Trust (REIT)

A pooled investment that invests primarily in real estate. REITs trade like stocks on the major exchanges. Keep in mind that the return and principal value of REIT prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

Redemption

The return of an investor's principal in a debt security—such as a preferred stock or bond—upon maturity or cancellation by the entity that originally issued the security. Redemption can also refer to the sale of units in a mutual fund.

Required Minimum Distribution (RMD)

The amount that must be withdrawn annually from a qualified retirement plan begins April 1 of the year following the year in which the account holder reaches age seventy-three.

Revenue

The amount of money a company brings in from its business activities during a given period, before expenses and taxes have been subtracted.

Revocable Trust

A trust that can be altered or canceled by its grantor. During the life of the trust, any income earned is distributed to the grantor; upon the grantor's death, the contents of the trust are transferred to its beneficiaries according to the terms of the trust.

Risk

The chance an investment will be lost or will provide less-than-expected returns.

Risk Tolerance

A measurement of an investor's willingness or ability to handle investment losses.

Rollover

A tax-free transfer of assets from one qualified retirement program to another. Rollovers must be made in accordance with specific requirements to avoid a taxable event.

Roth IRA

A qualified retirement plan in which earnings grow tax-deferred, and distributions are tax-free. Contributions to a Roth IRA are generally not deductible for tax purposes, and there are income and contribution limits. Roth IRA contributions cannot be made by taxpayers with high incomes. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions

must meet a five-year holding requirement and occur after the age of fifty-nine and a half. Tax-free and penalty-free withdrawals also can be taken under certain other circumstances, such as after the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.

Roth IRA Conversion

The process of transferring assets from a traditional, SEP, or SIMPLE IRA to a Roth IRA. Roth IRA conversions are subject to specific requirements and may be taxable.

Securities And Exchange Commission (SEC)

A federal agency with a mandate to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. The SEC is one of the investment industry's primary regulatory agencies.

Self-Directed IRA

An individual retirement arrangement in which the account holder can direct the investment of funds, subject to certain conditions and limits.

Share

A unit of ownership in a corporation or financial asset.

Savings Incentive Match Plan For Employees (SIMPLE)

A qualified retirement plan that allows employees and employers to contribute to traditional IRAs set up for employees. SIMPLE plans are available to small businesses—those with 100 or fewer employees—that do not currently offer another retirement plan.

Split-Dollar Plan

An arrangement under which an employer and employee share the obligations and benefits of a life insurance policy.

Split-Dollar Life Insurance

An arrangement under which a life insurance policy's premium, cash values, and death benefit are split between two parties—usually a corporation and a key employee or executive. Under such an arrangement, an employer may own the policy, pay the premiums, and give a key employee or executive the right to name the death benefit recipient. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder may also pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Spousal IRA

An individual retirement arrangement under which an IRA is established for a non-working spouse and is funded with contributions from the working spouse. Spousal and non-spousal IRAs are subject to combined annual contribution limits and must meet certain requirements. Once you reach age seventy-three, you must begin taking the required minimum distributions from a traditional IRA in most circumstances. Withdrawals from traditional IRAs are taxed as ordinary income and, if taken before age fifty-nine and a half, may be subject to a 10 percent

federal income tax penalty. Contributions to a traditional IRA may be fully or partially deductible, depending on your adjusted gross income.

Standard & Poor's 500 Index (S&P 500)

An average calculated by summing the prices of 500 leading companies in leading industries of the U.S. economy and dividing the sum by a divisor, which is regularly adjusted to account for stock splits, spinoffs, or similar structural changes. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index.

Stock

An equity investment in a company. Stockholders own a share of the company and are entitled to dividends and financial participation in company growth. They also have the right to vote on the company's board of directors. Keep in mind that the return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

Stock Certificate

A legal document that certifies ownership of a specific number of shares of stock in a corporation. The stockholder is registered electronically in many transactions, and no certificate is issued.

Stock Purchase Plan

A program under which an employer offers its employees the opportunity to buy stock at a favorable price, often through payroll deduction.

Stock Split

A decision by a company to increase the number of shares of stock it has outstanding by issuing more shares to its current shareholders. For example, in a two-for-one split, each shareholder would receive as many new shares as he or she owns, effectively doubling the number of shares he or she owns. The price per share adjusts to account for the split. In the example of a two-for-one split, each new share would have a par value of half the prior price.

Tax Credit

A credit subtracted from income taxes after preliminary tax liability has been calculated.

Tax Deduction

An amount that can be subtracted from a taxpayer's income before taxes are calculated. Taxpayers may use the standard deduction or itemize deductions if allowable itemized deductions exceed the standard deduction.

Tax Deferred

A condition of certain plans and accounts under which the funds in the plan or account, along with any accrued interest, dividends, or other capital gains, are not subject to taxes until the funds are withdrawn.

Tax-Exempt Bonds

Debt securities issued by a state, county, city, or other political entity (such as a school district) that generate income that is exempt from federal income taxes. Income from such bonds

may also be exempt from state income taxes in the state where the bond is issued. However, some tax-exempt bonds may be subject to the federal alternative minimum tax. Bond prices rise and fall daily. Municipal bonds are subject to various risks, including adjustments in interest rates, call risk, market conditions, and default risk. When interest rates rise, bond prices generally will fall. Certain municipal bonds may be difficult to sell. A municipal bond issuer may be unable to make interest or principal payments, leading to the issuer defaulting on the bond. If this occurs, the municipal bond may have little or no value. If a bond is purchased at a premium, it may result in realized losses. It's possible that the interest on a municipal bond may be determined to be taxable after purchase.

Taxable Income

A taxpayer's gross income, minus any adjustments, itemized deductions or the standard deduction, and personal exemptions. Taxable income is used to compute tax liability.

Technical Analysis

A method of evaluating securities by examining recent price movements and trends in an attempt to identify patterns that can suggest future activity. Generally, technical analysis is the opposite of fundamental analysis.

Tenancy In Common

A form of property ownership under which two or more people have an undivided interest in the property and in which the interest of a deceased owner passes to his or her beneficiaries rather than to the surviving owners.

Term Insurance

Life insurance that provides coverage for a specific period. If the policyholder dies during that time, his or her beneficiaries receive the benefit from the policy. If the policyholder outlives the term of the policy, it is no longer in effect. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder may also pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Testamentary Trust

A trust created by a will or trust established on the trustor's death. Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional familiar with the rules and regulations.

Time Horizon

The amount of time an investor plans to hold an investment or portfolio of investments.

Title

A legal document that serves as evidence of ownership of an asset or security.

Total Return

The total of all earnings from an investment or portfolio, including both capital appreciation and any income received.

Treasuries

Debt securities issued by the United States government. Treasury bills normally have maturities of less than one year, while Treasury notes have maturities between one and ten years, and Treasury bonds have maturities between ten and thirty years. The federal government guarantees U.S. Treasury securities as to the timely payment of principal and interest. However, selling a Treasury security before maturity could be worth more or less than the original price paid.

Trust

A trust is a legal arrangement that creates a separate entity that can own property and is managed for the benefit of a beneficiary. A living trust is created while its grantor is still alive. A testamentary trust is created upon the grantor's death—usually by another trust or a will. Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional familiar with the rules and regulations.

Trustee

An individual, corporation, or other entity that manages property held in a trust.

Trustee-To-Trustee Transfer

A means for transferring assets from one qualified retirement program to another without triggering a taxable event.

Uniform Gift To Minors Act (UGMA)

An act available in some states that allows assets to be held in a custodian's name for the benefit of a minor without the need to set up a trust. Once the child to whom the assets have been

gifted reaches the age of maturity in his or her state, the assets become his or her property and can be used for any purpose.

Universal Life Insurance

Permanent life insurance that allows the policyholder to vary the amount and timing of premiums and, by extension, the death benefit. Universal life insurance policies accumulate cash value, which grows tax deferred. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder may also pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Unlimited Marital Deduction

A provision of the tax code that allows an individual to transfer an unlimited amount of assets to his or her spouse at any time—including upon the individual's death—without triggering a tax liability.

Variable Interest Rate

An interest rate that moves up and down with a specific measure or index, such as current money market rates or a lender's cost of funds.

Variable Universal Life Insurance

Permanent life insurance that allows the policyholder to vary the amount and timing of premiums and, by extension, the

death benefit. Universal life insurance policies accumulate cash value, which grows tax deferred. Within certain limits, policyholders can direct how this cash value will be allocated among subaccounts offered within the policy. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder may also pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Volatility

A measure of the range of potential fluctuations in a security's value. A higher volatility means the security's value can potentially fluctuate over a larger range of potential outcomes—up and down.

Will

A legal document by which an individual or a couple identifies their wishes regarding the distribution of their assets after death and the guardianship of any minor children.

Withholding

The process by which an employer holds back part of an employee's compensation to pay his or her share of income, Social Security, and Medicare taxes. Amounts withheld are paid to the IRS in the employee's name.

Yield

A measure of the performance of an investment. Yield is calculated by dividing the income received from an investment by the investment's initial cost. Yield differs from rate of return in that it accounts only for income; rate of return also includes appreciation or depreciation in the value of the investment.

Zero-Coupon Bond

A bond that does not pay interest during its life. Zero-coupon bonds are purchased at a discount from their face value. When a zero-coupon bond matures, the investor receives the face value of the bond. The market value of a bond will fluctuate with changes in interest rates. As rates rise, the value of existing bonds typically falls. If an investor sells a bond before maturity, it may be worth more or less than the initial purchase price. By holding a bond to maturity, an investor will receive the interest payments due plus his or her original principal, barring default by the issuer. Investments seeking to achieve higher yields also involve a higher degree of risk. Bond prices rise and fall daily. Bonds are subject to various risks, including adjustments in interest rates, call risk, market conditions, and default risk. When interest rates rise, bond prices generally will fall. Certain municipal bonds may be difficult to sell. A bond issuer may be unable to make interest or principal payments, leading to the issuer defaulting on the bond. If this occurs, the bond may have little or no value. If a bond is purchased at a premium, it may result in realized losses. It's possible that the interest on a municipal bond may be determined to be taxable after purchase.

APPENDIX D

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- income and, if taken before age 59½, may be subject to a 10 percent federal income tax penalty.
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3. Investors should consider the investment objectives, risks, charges and expenses associated with municipal fund securities before investing. This information is found in the issuer's official statement and should be read carefully before investing. Investors should also consider whether

the investor's or beneficiary's home state offers any state tax or other benefits available only from that state's 529 Plan. Any state-based benefit should be one of many appropriately weighted factors in making an investment decision. The investor should consult their financial or tax advisor before investment in any state's 529 Plan.

