

W E L C O M E

*The Complete*  
**Financial Management  
Workshop<sup>®</sup>**

# Your Lifetime Earnings

## Preview

	<u>\$35,000 PER YEAR</u>	<u>\$50,000 PER YEAR</u>	<u>\$75,000 PER YEAR</u>
<b>AGE 35</b>	<b>\$1,715,094</b>	<b>\$2,450,134</b>	<b>\$3,675,201</b>
<b>AGE 45</b>	<b>\$1,003,677</b>	<b>\$1,433,824</b>	<b>\$2,150,736</b>
<b>AGE 55</b>	<b>\$ 448,273</b>	<b>\$ 640,390</b>	<b>\$ 960,585</b>

Cumulative amounts through age 65. Assumes a 3% annual salary increase.  
This hypothetical example is used for illustrative purposes only.



# Roadblocks to **Preview** Financial Success



1

# No Goals

*About 52% of workers have no idea how much they need to save and accumulate for retirement.*

Preview

52%

# Lack of Knowledge

*“[There] is the need for virtually everyone — both young and old — to acquire a basic knowledge of finance and economics....”*

## Preview

**Ben Bernanke**

*Former Chairman  
Federal Reserve System*

Remarks by Chairman Bernanke on  
financial and economic education

Source: Federal Reserve



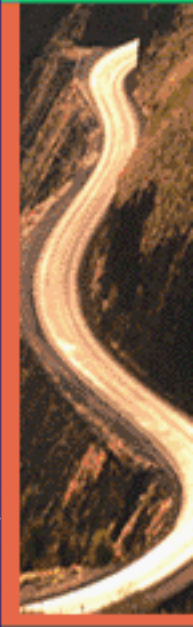
# Debt



# Review

Credit Card \ kred'-et kãrd \ n.:

1. A means for buying something you don't need, at a price you can't afford, with money you don't have.



# Inappropriate Investments



Preview



# Inflation




As measured by the Consumer Price Index



Source: Thomson Reuters, 2017 (CPI). The 20-year average rate was 2.12%.



# Loss of Purchasing Power

	Current Cost	Historical Annual Inflation	Cost in Year
 Basic cable TV	\$76 per month	4.8%	<input type="text"/>
 Postage stamp	\$0.49	4.0%	<input type="text"/>
 Automobile	\$34,663	5.2%	<input type="text"/>
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Sources: Federal Communications Commission, 2016 (data from 2005 to 2015); U.S. Postal Service, 2017 (data from 1971 to 2017); Kelley Blue Book, 2016 (data from 1970 to 2016). Future costs are estimates and assume that historical inflation rates remain constant. Actual results will vary.

# Taxes

*The average person worked from January 1 until late April to pay all federal, state, and local taxes.*





# Six Keys to Financial Success

Preview

**Risk management**

**Cash management**

**Investment concepts**

**Tax management**

**Retirement planning**

**Estate conservation**

# How Much Life Insurance Do You Need?

31



Dependents' total living costs \$

Income available to them \$

Additional income needed \$

Anticipated investment return  %  
(0% to 10%)

Life insurance requirement \$

This hypothetical example is used for illustrative purposes only. Actual results will vary.

# Your Best “Investment”?

## Stocks vs. Credit Cards

# Preview

	Stock Investment	Credit-Card Debt
Start	\$3,000	(\$ 3,000)
Year 1	\$3,300	(\$ 3,540)
Year 5	\$4,832	(\$ 6,863)
Year 10	\$7,781	(\$15,701)

### *Assumptions:*

10% average annual stock market return

18% credit-card interest

This hypothetical example is used for illustrative purposes only.



# Investment Philosophies: What the Pros Do



Preview

# Investment Spectrum

Higher Risk  
Higher Potential Return



Lower Risk  
Lower Potential Return

# What Determines Portfolio Performance?

Asset Class Selection

Other

91.5%

8.5%



Source: Brinson, Singer, and Beebower, "Determinants of Portfolio Performance II: An Update," *Financial Analysts Journal*, May–June 1991



**58**

# Historical Investment Performance

Year	Stocks	Corporate Bonds	Treasury Bills
2007	5.49%	4.90%	4.74%
2008	-37.00%	-4.01%	1.80%
2009	26.46%	18.39%	0.16%
2010	15.06%	9.13%	0.13%
2011	2.11%	8.26%	0.08%
2012	16.00%	9.97%	0.07%
2013	32.39%	-1.52%	0.05%
2014	13.69%	7.48%	0.03%
2015	1.38%	-0.75%	0.03%
2016	11.96%	6.09%	0.27%

Source: Thomson Reuters, 2017. Stocks are represented by the Standard & Poor's 500 composite total return; bonds by the Citigroup Corporate Bond Composite Index; T-bills by the Citigroup 3-Month Treasury Bill Index. Past performance is no guarantee of future results. Individuals cannot invest directly in an index.

# Bulls and Bears

# Preview



# Taxes Aren't Constant

## American Taxpayer Relief Act of 2012

Made Bush-era income, dividend, and capital gains tax rates permanent for taxpayers (except those in 39.6% tax bracket); permanently patched the AMT; retained higher federal estate tax exemption while increasing tax rate to 40%

## 2010 Tax Relief Act

Extended reduced income, long-term capital gains, and dividend tax rates through 2012; reinstated federal estate tax at lower levels

## Jobs and Growth Tax Relief Reconciliation Act of 2003

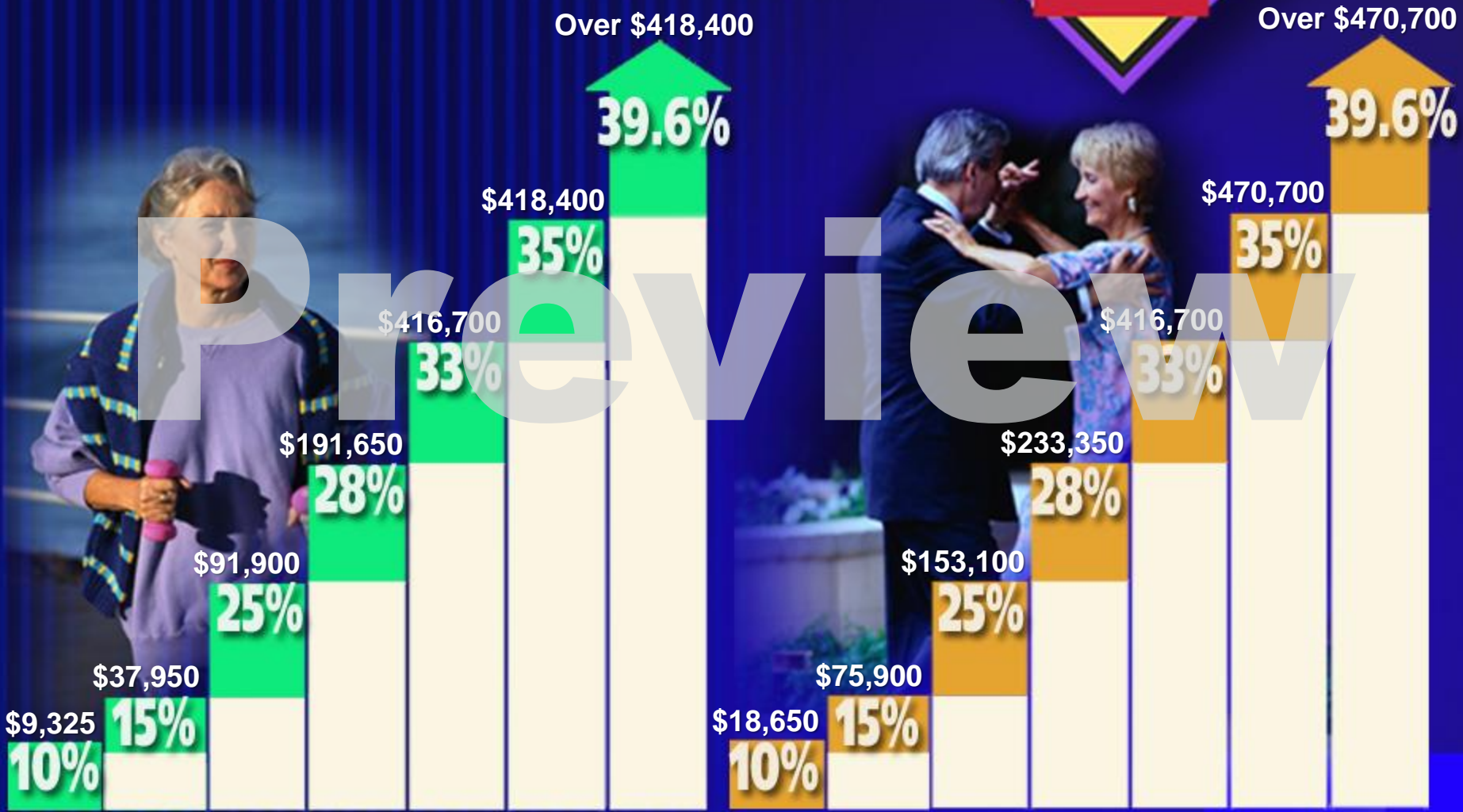
Accelerated tax cuts from 2001 act; temporarily reduced dividend and capital gains taxes

## Economic Growth and Tax Relief Reconciliation Act of 2001

Instituted across-the-board tax cuts; gradual phaseout of estate tax

# Federal Income Tax Brackets

78



Single Filer

Married Filing Jointly

# Calculating the Cost of Retirement

94

Monthly income in retirement	\$	<input type="text"/>
Years to retirement		<input type="text"/>
Current savings	\$	<input type="text"/>
Expected return (0% to 10%)		<input type="text"/> %
<div style="display: flex; justify-content: space-around;"><input type="button" value="Calculate"/> <input type="button" value="Reset"/></div>		
Total savings needed	\$	<input type="text"/>
Current savings will grow to	\$	<input type="text"/>
Additional savings needed	\$	<input type="text"/>

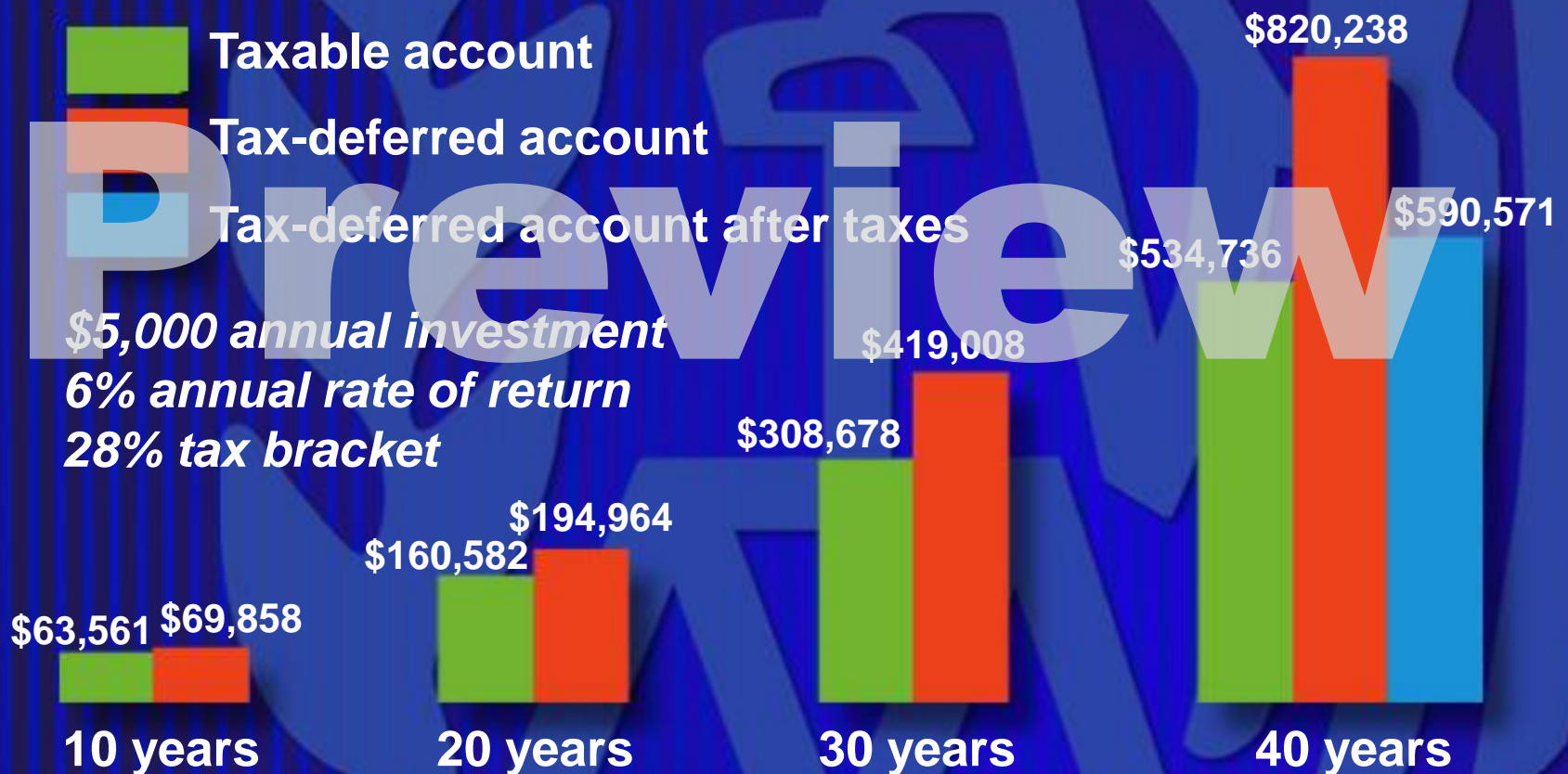
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# 401(k) Plan

- **Pre-tax contributions**
- **Tax-deferred earnings potential**
- **Maximum federal contribution limit : \$18,000 in 2017\***
- **Catch-up contribution for those aged 50 and older: \$6,000**
- **Employer matching**

\*Subject to plan limits

# Advantages of Tax-Deferred Growth



This hypothetical example is used for illustrative purposes only. Investment fees and charges are not included. Actual results will vary.

# Indirect Rollover or Trustee-to-Trustee Transfer

Qualified  
Retirement Plan

Individual  
Retirement Account

# Preview





# What Is Estate Conservation?

- Management during your lifetime

- Distribution upon your death

Preview



# How Do Federal Estate Taxes Work?

**Net value of estate**

**– Estate tax exemption**

**= Taxable value of estate**

**x Estate tax rate**

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**Estate taxes due**

# Estate Distribution Techniques

- Intestacy
- Wills
- Jointly held property
- Contracts
- Trusts

Preview





**We're  
Looking Forward  
to Working  
with You**