

# **DUDEK**

# **Financial Fitness**

# **Program**

AKT Wealth Advisors, LP

2015-2016

# Purpose of Program

- Dudek would like each employee to be:
  - Educated
  - Prepared
  - Engaged



We will help give you the tools and resources—but ultimately success depends on you.

# Format of Program

- Live presentations (on-site)
- Webinars
- Email challenges
- Resources for all Dudek employees
  - Static content (estate planning, Medicare, college savings strategies etc..)
  - Timely news (investing in volatile markets, interest rate increases, etc...)

# Age-Based Tracks

- Gold track (50 years young and up)
  - Medicare, senior living options, social security options, long-term care insurance, reverse mortgages, budgeting, advance estate planning, life insurance
- Blue track (49 years young and below)
  - College savings, basic estate planning, budgeting, life insurance, retirement readiness, investing in turbulent markets

# About Us – AKT Wealth Advisors, LP

- Manage over \$800 million in assets
  - Geographically located in California, Oregon and Alaska
  - Specialize in comprehensive financial planning and wealth management
  - Recognized as CNBC's Top 100 Wealth Management Firms, Five Star Wealth Manager, and Financial Times Top 300 Financial Advisors

# Dudek's Team



**Carl Pinkard, CFP®**  
**Partner**

Carl has specialized in working with high-net worth families, business owners and medical practitioners, providing financial planning and consulting services for over a decade. He also works with pension committees and assists with a number of non-profit organizations. As a leader of our wealth team, Carl helps shape our comprehensive and integrative service model that provides investment management, financial planning and tax services to our clients. Carl graduated from California Polytechnic State University at San Luis Obispo with a Bachelor of Arts degree in Business with an emphasis in Finance. He is a member of the Financial Planning Association and the American Society of Pension Professionals & Actuaries (ASPPA). He currently sits on the board of North County Health Services, a community health clinic in San Diego.



**Grant Webster, CFP®**  
**Senior Wealth Manager**

Grant leads AKT's financial planning efforts for the San Diego, CA offices. He works with individuals and families with an emphasis on wealth accumulation and family transitional wealth. His overarching goal is to help clients better understand their complicated financial life and make informed and deliberate financial choices. Grant graduated from the University of Arizona with a Bachelor of Science in Business with an emphasis in Finance and from San Diego State University with a Master of Science in Business Administration (MSBA) with an emphasis in Financial and Tax Planning. He is a CERTIFIED FINANCIAL PLANNING™ professional and an avid writer on financial planning topics, having appears in The Wall Street Journal, Forbes, Fox Business, and numerous other media outlets.

# Dudek's Team



**Jeff Clark, CFP<sup>®</sup>, RICP<sup>®</sup>**  
**Retirement Plan Consultant**

Jeff has been working with individuals and families as they work towards achieving their financial goals. He wants to reach as many people as possible to help them get on the path to financial success. Jeff graduated from the United State Naval Academy and served for several years as a Lieutenant Commander in several different roles as an active duty member of the Navy. He went on to earn his MBA from the University of California, Irvine. He recently obtained the designation of Retirement Income Certified Professional (RICP<sup>®</sup>) from the American College of Financial Services.

# Agenda

- Review Dudek's financial fitness program
- Give you a hint of what's to come
- Review the basics of financial topics available throughout the year

# Some Stats to Think About

**A staggering 68% of working-age people (25 to 64 years old) did not participate in an employer-sponsored plan.**

Forbes.com



A person wearing a red and white striped sweater is holding a white tablet. The person's face is partially visible, showing glasses and a slight smile. The background is blurred.

**Only 22% of US workers are confident they'll be financially secure during their golden years.**

Employee Benefit Research Institute

**The average 20-something  
is \$45,000 in debt.**

PNC Bank





**The average cost of raising a child is \$245,000.**

CNN.com



**A healthy couple retiring  
this year at age 65  
should expect to spend  
\$245,000 on health care  
throughout retirement.**

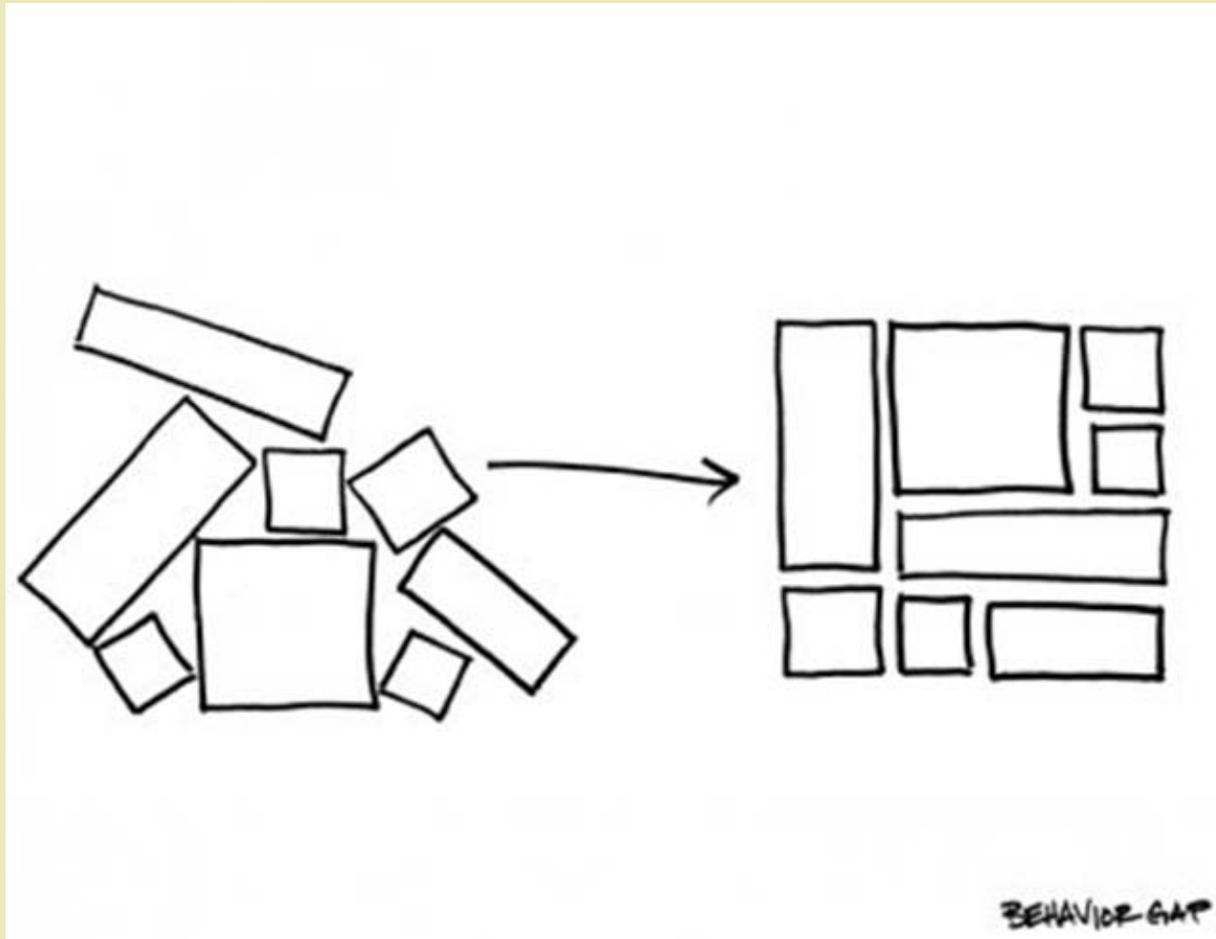
Fidelity

# Questions For You

- What's your biggest financial concern?
- What is most confusing about money or investing?
- What do you want to learn during this program?



# What is Financial Planning?



# What is Financial Planning?

- *The long-term process of managing your financial life so that you can achieve your life goals*
  - Many elements are involved in the financial planning process
  - Must be flexible- circumstances change often



# Financial Planning Components



# Financial Planning Components



# Cash Management & the “B” Word

- Budgets are a necessary evil and are paramount to helping you reach financial goals
  - #1) Identify how you're currently spending
  - #2) Evaluate and set goals
  - #3) Track so that you can stay on target



BUDGETING = AWARENESS\*

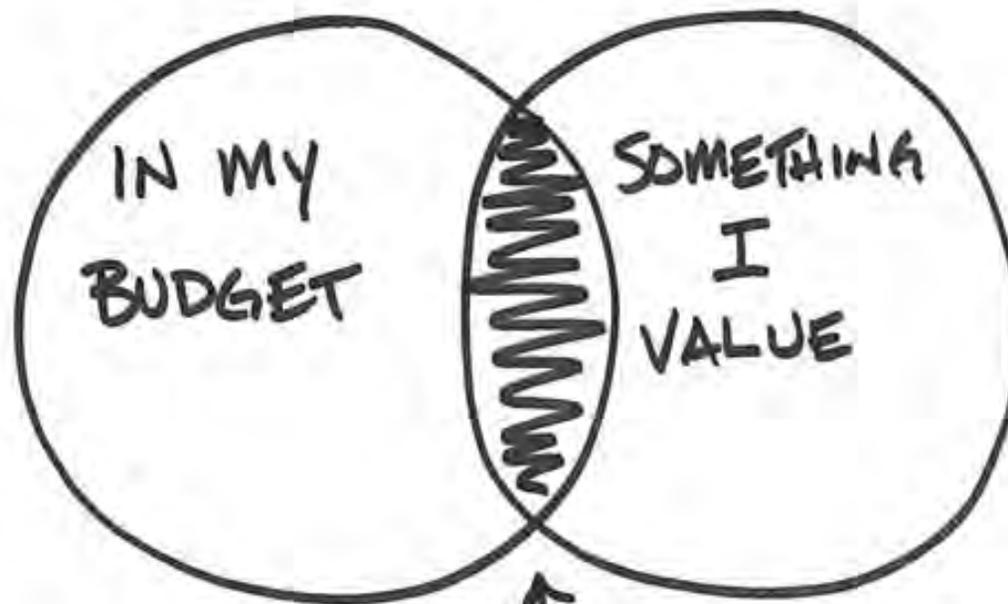
(\* AND WHO DOESN'T WANT THAT)

BEHAVIOR GAP

# Budgeting Tips

- Skipping Starbucks “once in a while” isn’t having a budget
- Utilize online tools such as [mint.com](https://mint.com)
- Create goals and hold yourself accountable
- Be flexible
- Don’t let one bad purchase derail your goals





↑  
ENJOY SPENDING \$ ON IT!

BEHAVIOR GAP

THE  
72-HOUR  
TEST

IMPULSE



PURCHASE

BEHAVIOR GAP

# Budget Tips

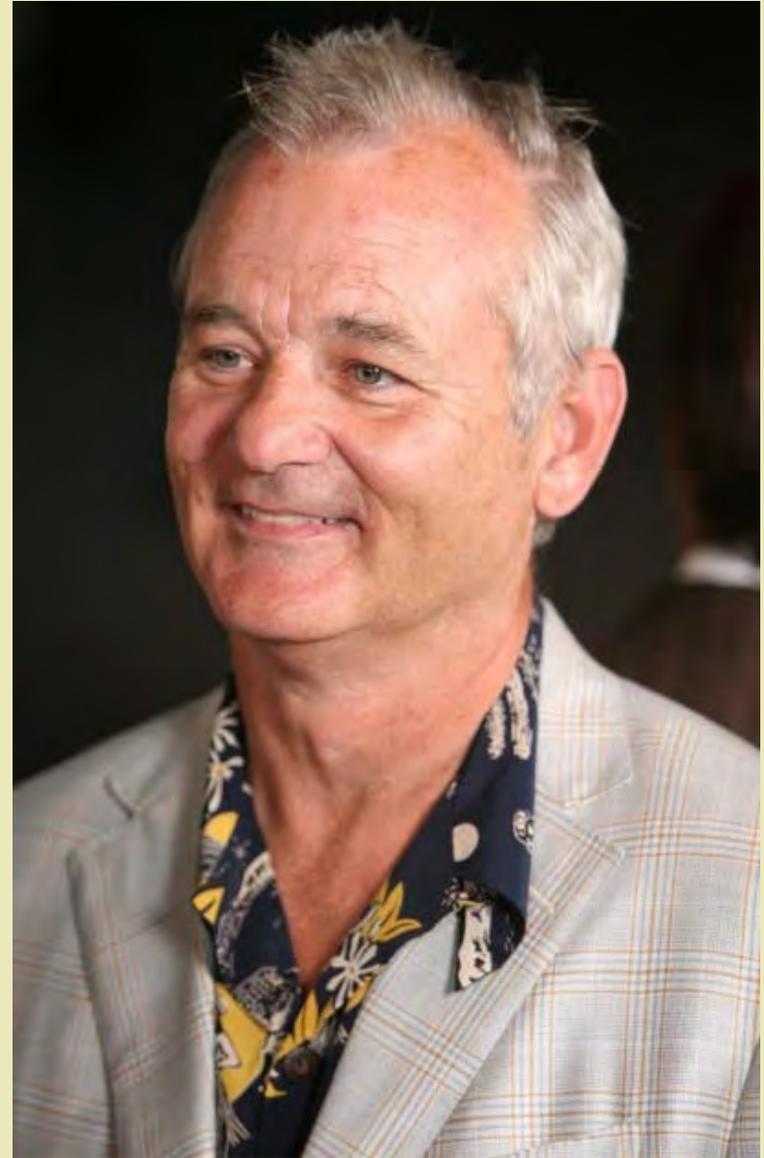
- Helpful hints
  - Pay yourself first... budget for retirement savings and an emergency fund
  - Live on 90% of your income
- Cautions
  - Watch for disappearing cash (subscriptions)
  - Don't count on windfalls
  - Beware of “lifestyle spending creep”

# Financial Planning Components



**“The best way  
to teach kids  
about taxes is  
by *eating 30%* of  
their ice cream.”**

**Bill Murray**



# Income Tax Strategies

- Basics – defer income, accelerate deductions, and utilize credits
- Don't let the tail wag the dog
- Know your marginal rate
- The only constant is change



# Top Planning Ideas

- Roth IRA/Roth 401(k)
- Non-deductible IRA's
- Maximize 401(k) contributions
- Mortgage interest
- Gifting to child/children
- Tax credits/deductions
- Charitable contributions
- Adjust your tax withholdings

# Financial Planning Components



# Is Your Money Better in Cash?

- **Problem: Inflation and opportunity costs**
  - What will \$1 buy you next year?
    - The \$2 McDonald's value menu
  - Losing buying power (savings account rates)
- **Solution: Other options...**
  - High yield savings accounts
    - Online bank often times offer higher yields
  - Diversified portfolio (depending on time horizon)
    - \$100,000 in an account earning 0.25%, will be worth ~ \$102,528 after 10 years
    - \$100,000 in an account earning 1.0%, will be worth ~ \$110,462 after 10 years
    - \$100,000 in an account earning 3.0%, will be worth ~ \$134,391 after 10 years

# Should I Invest in Whatever My Colleague/Co-Worker Invested In?

- **Problem: What is right for one person isn't necessarily right for another.**
  - Just because your colleague invested in a certain product or investment, doesn't mean it is right for you. Example: Enron
- **Solution: Determine your own goals and plan how to get there.**
  - Determine your own risk, tolerances and goals
  - Don't let water cooler talk have an impact on your financial life

# Do I Make Enough Money to Invest?

- **Problem: There is no minimum amount you need to make to begin investing**
  - The longer you wait to invest, the less powerful compound interest becomes
- **Solution: Start with a comfortable amount, then increase your contributions as your career/income progresses**
  - Start with just 1% of your paycheck to your 401(k) or IRA
    - Warren Buffett started his empire by selling chewing gum!

# Save Early (and Often)



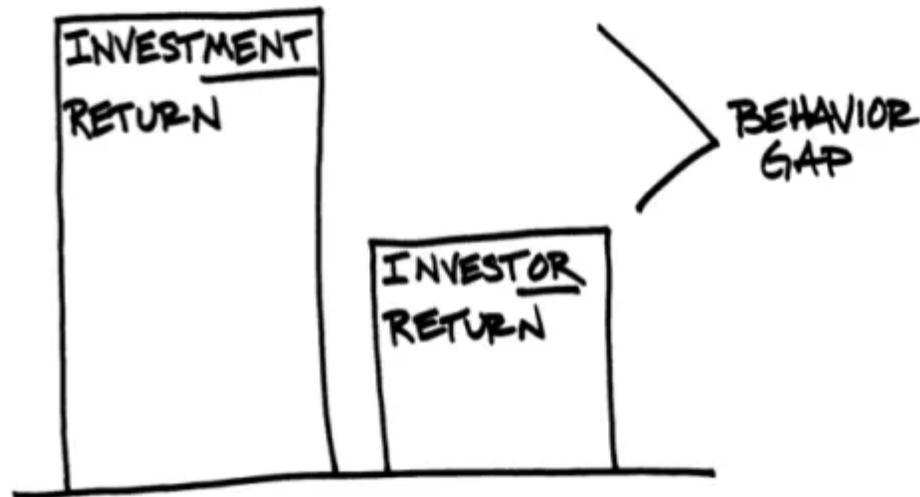
# Investing and Your Decisions

- Why do most investors make irrational investment decisions?
- Behavioral finance
  - Recency Bias– we oftentimes have short term memories when it comes to investing
  - Herd behavior – get caught up in what everyone else is doing
  - The “Good product must mean it’s a good company/stock theory”

# Investing and Your Decisions

- Prospect theory – people hate losing money more than they enjoy making it

**Conclusion: We are human.**



# Investing Tips

- Diversify
- Don't make decisions based on short-term results
- The 3 D's:
  - Define
  - Develop
  - Discipline





SPECULATING



INVESTING

BEHAVIOR GAP

# Financial Planning Components



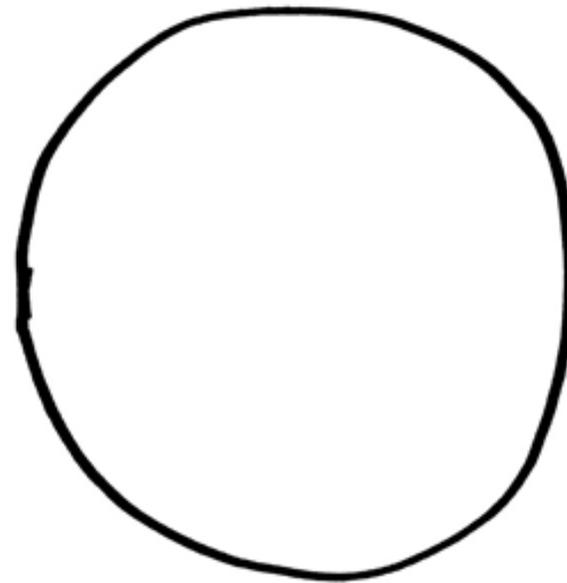
# Financial Independence

- Personal responsibility
- Gain an understanding of your current situation and resources
- Set benchmark and goals along the way



# FUTURE FINANCIAL NEEDS

○  
PERCEPTION



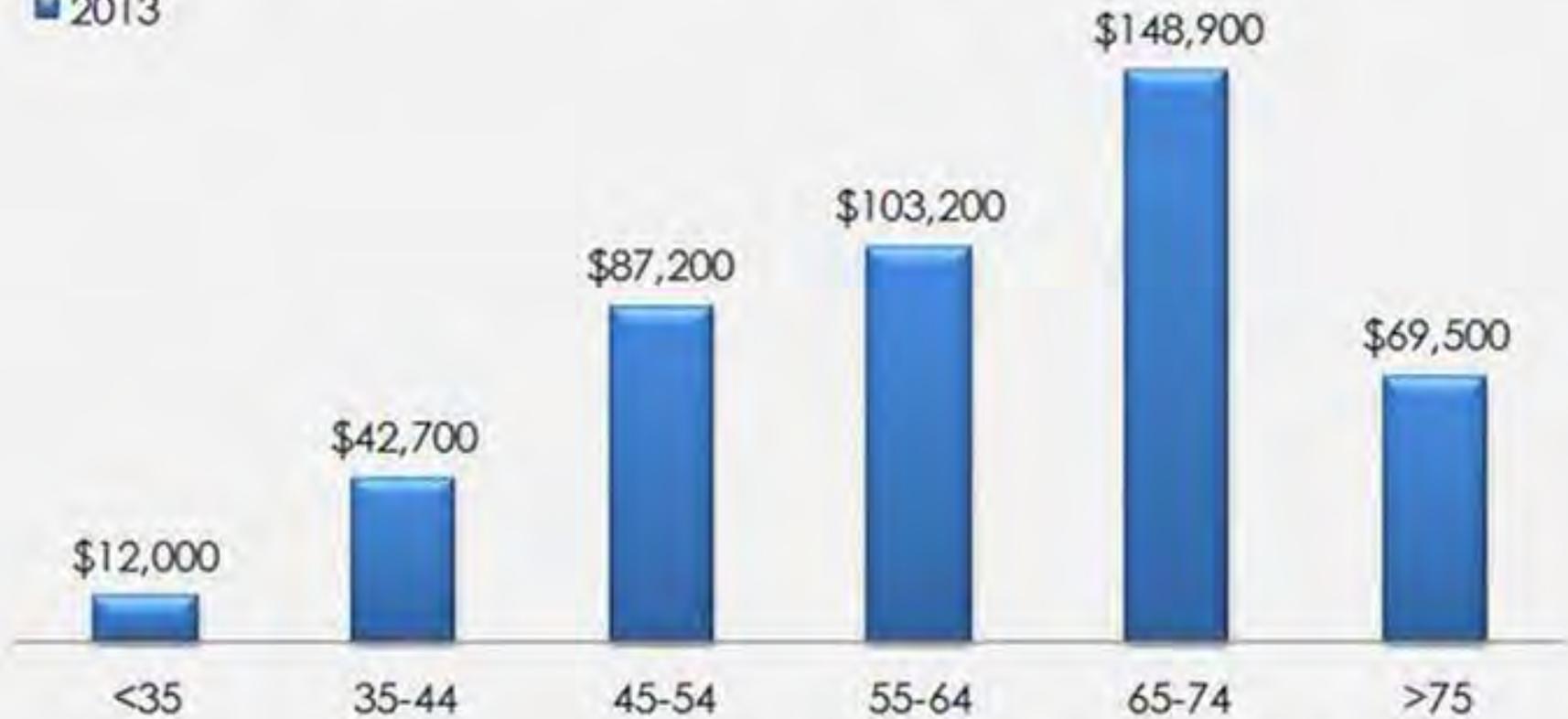
REALITY

BEHAVIOR GAP

# Median value of retirement accounts for families with holdings

By age of head of household

■ 2013



Source: Federal Reserve

# Sustainable Withdrawal Rates

Age	Planning Horizon	90% Confidence Level Withdrawal Rate	50% Confidence Level Withdrawal Rate
55	37 more years	3.12%	4.65%
60	32 more years	3.46%	5.04%
65	27 more years	3.93%	5.58%
70	23 more years	4.47%	6.21%
75	18 more years	5.50%	7.38%

- Based on hypothetical portfolio of 50% stocks, 40% bonds and 10% short-term investments.
- Assumes annual inflation of 2.74%. Based on historical data from Ibbotson Associates from 1926 through 2005.
- Source: Fidelity Strategic Advisors, Inc.

# Financial Planning Components



# Rising College Costs



# College Funding

- 529 plans
  - Tax advantages
  - Many to choose from
  - Flexibility in beneficiaries
- Flexible and easy to set up
- Potential estate planning benefits
  - [www.savingforcollege.com](http://www.savingforcollege.com)



# How Much to Save

- College costs have been increasing at about 6% per year
  - Average costs today for a four-year degree at a public college is \$70,000 (\$143,000 for private schools)
- How much can you save
  - Contributions are treated as a gift - \$14K/year
  - Most plans allow up to \$200K per beneficiary

**Remember: There are loans for education;  
there are not loans for retirement**

# Financial Planning Components



# Why Care About Insurance

- What if...
  - You have a serious illness?
  - You have a fire at your home?
  - You are at fault in a car accident?
  - You become disabled and can't continue to work?
  - You are the primary source of income for your family?

# Types of Insurance

- Health
- Life
- Disability
- Long-term care
- Umbrella
- Homeowner's/Renter's



# Financial Planning Components



**Approximately 55% of American adults do not have a will or other estate plans in place.**

According to the LexisNexis Research Group



# Basics of an Estate Plan

- Wills vs. living trusts
- Ownership of assets
- Transfer of assets between spouses
- Advance directives and power of attorneys



# Do Only the Very Rich Need Estate Plans?

- The essentials:
  - Wills
  - Power of attorney (POA) for health care
  - Power of attorney (POA) for finances
  - Living trust
  - Proper beneficiary elections
    - Tax advantages of correct designations
- Get started
  - Establish a will and POAs
  - Living trusts help avoid probate and provide many advantages

# Estate Planning

- Giving *what* you want, *when* you want, and to *whom* you want
- Basic planning is better than waiting
- Differences between transfers during life and at death



# Financial Planning Components



# Social Security

- What is it?
- When to take it?
- Will it still be around for me?



# Should I Take Social Security Benefits ASAP?

- **Problem: Penalties for taking early benefits**

- Taking benefits early (at 62) results in reduced lifetime benefit amounts (about -6% for each year that you retire before your full retirement age)
- Medicare will not start before 65
- If you claim benefits early and you earn in excess of earning limits (\$14,640), benefits for Social Security are reduced

- **Solution: There are options**

- Your benefit will increase an additional 8% for each year you wait, maxing out at age 70
- Look at both spouse's work history and benefits

# Questions



# Next Steps and Resources

- Carl Pinkard – [cpinkard@wealthadvisors.com](mailto:cpinkard@wealthadvisors.com)
- Grant Webster – [gwebster@wealthadvisors.com](mailto:gwebster@wealthadvisors.com)
- Jeff Clark – [jclark@wealthadvisors.com](mailto:jclark@wealthadvisors.com)

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