

Personal Finance Seminar

Ditch 1 - Frivolous spending

Ditch 2 - Idolize wealth building

1 Tim 6:5-10 - Godliness with contentment is great gain

Matthew 25:14-30 - Parable of the Talents

The Goal

Create wise financial stewards of the money God has given you by understanding the various topics within personal finance to leverage the power of discipline, planning, and investment growth for the purpose of serving your church, family and friends.

SMART goals (Specific, Measurable, Attainable, Relevant, Time Bound)

Budgeting

Income	(W2, self employment)
- Savings	(Retire, Investments, Cash)
- <u>Expenses</u>	(discretionary spending)
\$0	

7 Baby steps (Dave Ramsey)

1. Save \$1,000 for emergency starter fund
2. Pay off debt (snowball vs avalanche method)
3. Save 3-6 months for your emergency fund
4. 15% of income to retirement accounts

Debt CRUSHES you!

- Snowball method - pay smallest debt first to get a quick win, continue to second smallest
- Avalanche method - pay largest interest rate first (this is mathematically optimal)

Retirement accounts ~ 15% of gross income

1. Roth - taxed first then grows/taken out tax free
2. Traditional - tax deduction/grows tax free then you pay taxes
3. 401K/403b (employer plan)
4. IRA (anyone with income)
5. TSP (Federal Gov't plan)
6. CalSavers (CA state plan)

Social Security

- 6.2% on first \$168K
- www.ssa.gov

Taxes

- Marginal vs Effective Tax
- 1.45% for Medicare
- State Taxes - CA
- Tax deduction lowers AGI
- Tax credit lowers taxes owed

Investments - Look at fees!

Bonds - Low risk, low gain

- Municipal, state, federally issues debt

Money Market - low risk, low gain

- Issues by banks/credit unions

Stocks - High risk, high gain

- Individual public companies

Index funds - Diversified w/in index

- Follows index (tech, green, med, S&P 500)

Mutual funds

- Pooled funds, proceed at end of day
- Req minimum investment amount

ETF (electronic traded funds)

- Bought at market price
- More control over price

Time Horizon Goals

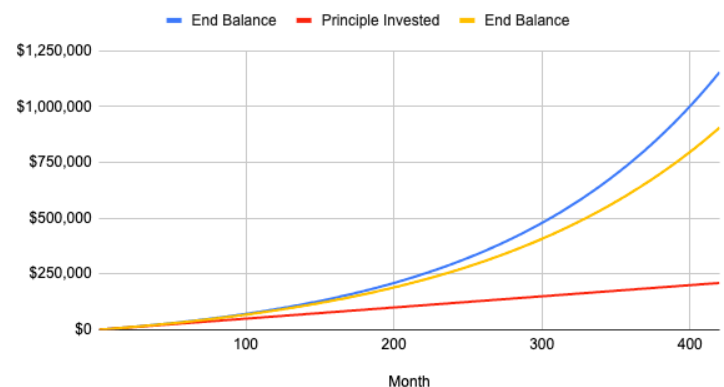
< 5yrs - Cash, bonds, money market

5-10 yrs - bonds, index funds, manage risk carefully

10+ yrs - equity market (stocks, index funds)

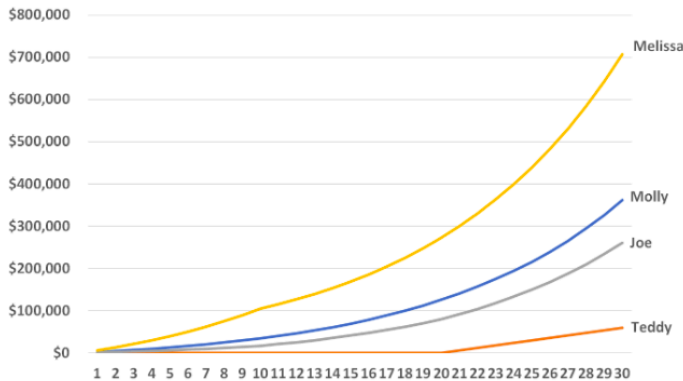
1% difference in investing

7% vs 8%



4 investing careers (30 yrs)

1. Melissa - \$6K/year in first decade only
2. Molly - \$2K/year
3. Joe - \$10K/decade + \$10K more each decade
4. Teddy - \$6K/year in last decade only



- HSA (Health Savings Account)
 - High deductible plan
 - Triple tax benefit
 - Can be used for medical exp < 65 yrs
 - Can be used for anything > 65 yrs
- FSA (Flexible Spending Account)
 - Use it or lose it each year
 - Tax deductible

Home Mortgage

1. Conventional Loan - 20% down (30 or 15 yr)
2. FHA (Federal Housing Act)
 - a. 3.5% down if credit >580
 - b. 10% down if credit <580
 - c. PMI required (.5-1.5% of loan)
3. USDA (US Dept of Agriculture)
 - a. 0% down in qualified areas
4. VA (Veteran Affairs)
 - a. 0% down
 - b. No PMI

Money needed to save for \$1 Million by age 65

- Age 20 - \$116/month
- Age 30 - \$307/month
- Age 40 - \$847/month
- Age 50 - \$2,623/month

4% rule

- Annual expense / 4% (or x25) = amount req for retirement
- Increase by inflation amount each year after

Wealth Preservation

1. Traditional vs Roth
 - a. Traditional req RMD after age 73
 - i. Qualified Charitable Contributions (QCD)
 - b. Convert Traditional to Roth in low income year
 - c. RMD required for Roth when owner passes
2. Estate Planning
 - a. Trust - assets are controlled by entity
 - b. Will - dictates where assets go
3. Investing
 - a. Shifting from mainly stocks to a combination of stock (75%) and bonds (25%)

All Observations		Annualized Withdrawal Rate of as % of Initial Portfolio Value, then adjusted fo							
Final Asset Value Target = 0		3.00%	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%
100% Stocks	30 Years	100%	100%	100%	99%	97%	94%	91%	86%
	40 Years	100%	100%	99%	97%	93%	88%	84%	80%
	50 Years	100%	100%	99%	95%	90%	85%	81%	77%
	60 Years	100%	99%	98%	94%	89%	84%	80%	75%
75% Stocks	30 Years	100%	100%	100%	100%	99%	95%	90%	84%
	40 Years	100%	100%	100%	98%	93%	86%	82%	76%
	50 Years	100%	100%	99%	94%	88%	82%	76%	69%
	60 Years	100%	100%	97%	92%	85%	80%	71%	65%
50% Stocks	30 Years	100%	100%	100%	100%	95%	91%	85%	77%
	40 Years	100%	100%	98%	93%	86%	76%	65%	59%
	50 Years	100%	98%	93%	85%	74%	63%	55%	46%
	60 Years	100%	96%	89%	79%	65%	57%	48%	42%
25% Stocks	30 Years	100%	100%	98%	90%	80%	70%	63%	57%
	40 Years	97%	89%	77%	64%	55%	47%	37%	34%
	50 Years	85%	75%	62%	51%	40%	34%	31%	29%
	60 Years	78%	65%	51%	39%	33%	31%	27%	21%
0% Stocks	30 Years	89%	80%	68%	61%	54%	50%	45%	40%
	40 Years	64%	56%	47%	39%	33%	29%	24%	21%
	50 Years	50%	39%	31%	27%	23%	19%	14%	12%
	60 Years	35%	30%	25%	22%	16%	12%	9%	7%

Insurance

- Spread out your risk
- No insurance needed if you accept all risk
- Auto, Health, Home/Renters, Life, Disability, Unemployment, Valuable property