- ♪ Here we go again ♪ ♪ Here we go ♪

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- [Mike] Hello and welcome to our 12 o'clock MSA webinar, Investor Education, Strategies During Volatile Markets. We're very excited to be with you today. This is our fourth consecutive Friday that Constance and I have presented to you. So if this is your first time, welcome. For some of you that are returning, great to have you back. We have a nice surprise today, we have a third speaker and Tess Filice will introduce herself in a second, but to begin with, let me introduce myself. My name is Mike Hackett and I have been in financial services for over 30 years. I manage our education department here at MSA and me and my great team go around the country and we meet with groups of employees. We do onsites and then we also do a wide range of webinars throughout the weeks and months of the year. So interacting with you, so happy we could spend some time today, but let me introduce Constance Foley. Oh I'm sorry, no, we're gonna attest first test.

- [Tess] Hello, and good afternoon. Welcome to My Secure Advantage presentation. My name is Tess Filice. I am a financial coach with My Secure Advantage. Now I'm going on over 18 years. My academic background is in business administration with a concentration in finance. I'm a Certified Financial Educator as well as Financial Credit Counselor and Certified Tax Preparer. So I pretty much cover most financial topics. My specialties are in retirement investments, taxes and property and casualty insurance. So I hope to get to talk to you at some time in the near future and on to, Constance.

- [Constance] Thanks Tess. My name's Constance Foley and I'm a MoneyCoach here also at My Secure Advantage. And I'm an Accredited Financial Counselor. I have a Master's in Education and I've been a MoneyCoach for many years. So I'll let Mike take the lead and get us started.

- Mike] Just so everyone knows I've been with MSA for nine years, but when I have Tess at 18 and constance at actually 20, she's very shy, she won't tell you 20, but she was the first MoneyCoach we had. So I'm very honored to be with these two wonderful women. But in terms of our webinar today, if you have a question, please, submit your question. As we are talking, we're gonna try to have at least 20, 25 minutes dedicated at the end of the webinar to answering your questions. You will get a recording after you finish this webinar probably within 24 hours or so. You'll get an email and you'll have a link to a recording. So if you miss any part of this, if there's any problem with the audio, then hopefully you'll be able to access that. Also, when you leave today's webinar, you'll be asked to take a survey that is extremely important. So we really take your feedback and it helps us build the next week's presentation. So please take the time to give us your feedback is any questions you'd like to see us address in next week's webinar. In terms of a survey that'll and tell you a pretty much what we plan on covering here for the next 55 minutes or so. First of all, we have a pretty diverse audience in terms of our attendees. And so for any first time attendees I want you to know how we're structuring these webinars and also remind returning attendees how we're going about it. First of all, we have two webinars every Friday. So we have the 9:00 a.m., which is focused more on a budgeting and income challenges within the budget. And then we have this webinar, which is at 12 Pacific time, 12:00 p.m. Pacific time. And we focus on investing and strategies for volatile markets. So when you register for any of these webinars, you have an opportunity to submit a question and you also have an opportunity during the webinar to submit a question. You also, when you register for the next webinar, you can submit a question. So we really love your feedback and that is completely what these webinars are built around. So we don't have a set script for what next week will be. We look at your feedback and we look at your questions and then we build our, we build our presentation. So in terms of how many questions we're getting and we thought about, we got some extra feedback from you in terms of what else we could do for you. So part of the reasons in terms of making sure we're answering your questions was adding Tess today. So we have now three people that'll answer your questions at the end. We're seeing more of your questions have a tax focus. But we also got a request that we answer more of the questions that we don't have the time to get to. So we are actually gonna be creating a frequently asked question document. And that document will be available the following week. When you basically go to the MySecureAdvantage.com website, you'll see a banner at the top of the landing page that's titled Stay-up-to-date with COVID-19 events and resources. When you click on that banner, you'll go to a page where the recordings from previous Friday webinars, any handouts, and then again starting next week, a frequently asked question handout will be available. We hope you find those helpful. I wanna make one important point though, and that is that you might find some of the recordings a little difficult to listen to because of the quality of the audio. This is more a function of the traffic on the internet. And I'm sure many of you are experiencing similar challenges on conference calls and other webinars. We're working on trying to improve the quality of our recordings. And again, we appreciate your patience on that. So with respect to today's agenda, I wanna mention that we're in our fourth week, like I said before, and as I reflect on the questions week over week, many of them focus around should I sell? Should I be balanced? Or reallocate my retirement account holdings? Therefore, I will review a few important considerations when determining how you go about establishing your exposure to stock markets. Then we'll talk more specifically about important investment principles when you're building a retirement or really any investments . We'll discuss how you might find and utilize the services of an investment professional. Lastly, we'll talk about some initial steps you might take if you're interested in investing outside of your employer plans. Much of our focus in previous webinars has been around investing within employer-sponsored plans and we've received a lot of questions on first steps you might take to establish non retirement investment accounts. That's our agenda, so I'll hand the floor to Constance. We'll kick off the establishing your exposure to stock market sessions with some commentary around our volatile markets. So Constance.

- [Constance] Thanks Mike. Yeah, let's take a quick week recap regarding recent stock market activity. And so in the last week, the S&P 500 is up over 10%, and there's less volatility in the market because of optimism that the US health crisis is showing early signs of reaching a flat toe. However, there's still two camps competing for opinions here, equally. And we've got the bulls who are optimistic because they point to more attractive stock pricing and massive global stimulus efforts to revive economies. And then as well as slowing death rates due to the virus, The bears are concerned because the virus still continues to spread a bit and they're looking at near-term dreadful economic outlook and high unemployment, excuse me, high unemployment, a number is coming down the road, and also potential longterm economic effects worldwide. So we still don't know what the effects will be longterm to a world economies, that remains to be seen as things develop. So we believe the truth lies somewhere in the middle, is both viewpoints combined argue for continued caution. So we're still not out of the volatility cycle yet. It's gonna be a while, but at least we had some good news this past week. Let's take a look at some of the recommendations that you may have gotten if you had done a risk tolerance questionnaire. We had talked about this last week. It's an excellent tool. It's worth reviewing a bit and to summarize, you determine your risk tolerance through a survey that asks questions regarding how soon will you be needing the money you're investing and how comfortable are you with market volatility. From there, your risk tolerance score would indicate the type of investment allocation to use. So you can have a diversified risk appropriate investment portfolio. So as you can see here on this slide, we have examples of different allocations and this is from Kiplinger's Publications. It's based on a risk tolerance profile. And someone who has done the survey has gotten a score. It would then lead them to to choose one of these portfolios. So remember, investments with a potential that generate higher returns are also higher risk. So it is important that you decide how comfortable you are with that trade off and then align your asset allocation with your risk tolerance. Let's go on and talk about how we can maintain our purchasing power with the effects of inflation. Here's a chart that shows how inflation has has risen and dropped over the years from 1955 up until recent times in 2018 with a huge fight in the '80s. Back then in the 80s, people were getting 11 or 12% on their money market accounts, which is really hard to imagine right now since we're getting less than 1%. So inflation can influence stock market returns, outpaced interest that you get on a savings and money market accounts, and also reduce your purchasing power over time. So let's take a look at that. Let's break that down a little bit. So personally we typically notice inflation when we go to the grocery store or we buy a car, we see those prices increase year over year a bit and the inflation rates actually compiled by the Bureau of Labor Statistics, it's a government agency and it comes up with the consumer price index, which is quoted as a percentage and what they call a market basket of items that we typically purchase in our economy. And the increase in those prices are quoted as the inflation rate. So when you calculate how much you need to save to achieve a longterm goal like retirement building savings for a down payment on a home, paying for college in savings, you should also assume that the average inflation rate, you know, determine what that is so that you can factor that into your savings calculations 'cause that that will make a difference. Your savings rate will drop based on the inflation rate because it reduces our purchasing power. Retirement calculators, if you've done one lately, they often use 3% currently as an inflation rate. And that's kind of the accepted rate. You know, that it's being used, it's kind of a conservative estimate since inflation is hovering around 2% or a little bit lower possibly lately, but we can't predict what rates will be. So we err on the side of being conservative. And inflation can adversely affect the stock market. So for example, if inflation this year is higher than last year, the S&P 500 grows an average of 5.6%, but inflation is lower than last year. So this year, if it's lower than compared to last year, which it is, then the S&P 500 goes an average of 18.3%. So tremendous difference if the inflation rate is lower compared to last year, the economy grows at a faster rate. And so that's what the Fed is doing. It's dropped the rates and hopefully inflation will be held in check and the stock market will be stimulated. So higher inflation is portrayed as a negative, but lower inflation is also a negative. It's a balancing act because in the years, 2008 to 2010, we saw inflation dip as low as 1.1%. And if you remember back then, if you were earning a paycheck, a lot of people were not getting raises during that time. And wages tend to drop when inflation is too low or not increased at least. So we don't want that either. So it's a balancing act by the Fed and it's a delicate thing. A lot of things can contribute to that. So we see inflation outpacing interest rates on a money market accounts currently in savings. So money isn't only lost in the market. People lose money every day since most banks pay interest lower than inflation. However, you can't really the side to it you shouldn't really decide to invest money that you're gonna be using in, you know for less than three years. If you're gonna be saving for less than three years, you really shouldn't be in the market because your earnings will be eaten up by fees and transaction costs. So it's unfortunate that short term savers are not able to get higher rates. But longterm savers are in the market over time. So once the Federal Reserve because when the Fed makes a move, you need to correlate your economic expectations because decreasing inflation is generally good for the market, increasing inflation isn't, and we always try to be somewhere in the middle. It's like you say, it's a real balancing act and Mike is gonna talk about life expectancy next in the economy.

- [Mike] So just to reiterate on what we're talking about right now is, you know, how do you set your exposure to stock markets when you're creating an investment portfolio? And just like Constance said, your risk tolerance is a huge factor and inflation, we wanted to do a deeper dive into inflation 'cause that is such an important factor when it comes to understanding what kind of returns you need over a long period of time, not to lose purchasing power. The reason we put life expectancy in the deck as our third point here is because oftentimes we talked so much about retirement age. So we're thinking about how we build a portfolio to reach a certain savings point by the time we turned 62 or 65 or 67 or whatever it might be. But what we often lose sight of is that life expectancy is going up. And although this says, you know, 78, you know, almost 79 years of age is kind of life expectancy these days. Well, what I see certainly from so many people I interact with is that it's more likely in the 80s to 90s you name as many individuals. So if you're going to retire in your 60s and live into your 80s or 90s, that's two to three decades that your money has to sustain you, so when you're really thinking about what are my longterm goals, it isn't just getting to that retirement age. It's also just make sure you're taking into account how long you might live and your spouse, et cetera. And so therefore, how long might you need to sustain your retirement lifestyle? The fourth item that we really wanted to talk about has to do with your goals with investment investing accounts. So, we've talked about goals in different contexts over the last four weeks, but we can't emphasize enough how important it is to match your goals. First of all, figure out the time frames around your goals. But then what's so important is matching up investment accounts with those timeframes. Now before I walk through this slide in detail, I'd like to ask everyone attending this webinar to reflect on one or two financial goals or behaviors you're feeling motivated to focus on as a result of this pandemic. I hope for many of you, it's the goal of building up at least three months of emergency savings. It isn't just important to have this cushion of savings in order to get through difficult times like these, but it also helps you sustain the funding of your savings and investing accounts during difficult times or at least keep you from needing to take withdrawals or loans from these accounts. So where do you keep your emergency savings? We recommend, Constance just mentioned that if you have kind of a a less than three years outlook, you should really be taking as little risk as possible. So we often recommend for emergency funds that should be very liquid, hopefully no risk associated with that. At least three months have fund set a side. And by the marker for that is a month means that if you had no income coming into the household for a month, you'd be able to sustain all of your expenses, living expenses, et cetera. But when you look at buying a house, it may be buying a house and saving for a down payment. It might be saving to buy a car, it might be saving to replace the roof on your home, whatever that kind of shorter term, less than three year goal is that you're thinking about, we really recommend that you take little to no risks that might be again, savings accounts, maybe a certificate of deposit or a CD. It could be maybe a low risk on mutual fund. But again, keeping your risk to a minimum when you have a three years or less timeframe is just really important when that's the timeframe of your goals. Now, retirement. So when we talk about retirement and the timeframe is 10 plus years down the road, you probably wanna exposure to stock markets since they have historically provided the highest average annual return over long periods of time. To establish an IRA, now we've talked about in previous webinars the importance of starting your investment journey for saving for retirement with your employer-sponsored plan, whether that be a 401k, a 403b, TSP, 457b. But it could also be opening up an individual retirement account or an IRA in either a traditional or Roth form to save even more for your retirement. But again, you wanna try to get that the largest return you can given your risk tolerance, but also to beat that rate of inflation. So to establish an IRA, you can open a brokerage account, which we'll discuss in more detail in a few slides. Many of you have asked questions around simply buying or selling stocks, bonds, mutual funds, or even real estate with the objective of growing your wealth. So in terms of mutual funds, stocks, bonds, and many other types of securities, you'll typically open a brokerage account, either yourself or with the help of a professional investment advisor. In summary, all of these goals have different timeframes and objectives. And when you combine these factors with your risk tolerance questionnaire results, you begin to feel more confident building different investment portfolios and opening different types of investment accounts for each of these goals. Constance, why don't you take us through some additional considerations when building and then even adjusting those investment portfolios.

- [Constance] Great, Mike, thanks so much. So yeah, let's take a look at some of the key investment principles that make a difference in how we invest in and what we expect from our investments. So the first key principle of investing is dollar cost averaging. So you're feeding money into the market instead of putting it all in one day. And if you think about it when you're contributing to your retirement plan through your employer-sponsored program, that's exactly what you're doing. You're contributing on a systematic basis a set dollar amount over time, usually twice a month during your PE periods. And so you're buying it, the high prices, low prices in between prices. And so on average what you're paying is less than if you tried to time the market, which is very hard to do. The next key principle is diversification. And diversification means that you're actually spreading out your money so that you're not investing all in one category of investment, or type of investment or one type of industry or one sector. And so in times like these, when we have a lot of volatility some of your investments will do well or hold their own in some will drop a bit, but you're not having them all drop at the same time because they're all in the same particular sector or type of investment. So diversification is really, really important. And then Mike's gonna talk about time, not timing.

- [Mike] Yeah, we've mentioned this before and I've got to be honest, this is one of my favorite things to talk about because a lot of questions have come around, should I be buying stock? Should I be selling now? What should I be doing? And I think this is one of the most important principles when it comes to investing is that trying to... When it comes to investing, it's around your goals. It's around the timeframes of your goals and setting it together a plan that takes your risk tolerance into consideration. And then you build a portfolio and you have a timeframe and you check in on that portfolio and you may adjust it over time as you get closer to that end date for your goal. But it's about trying to time the market. So when we get volatile times like this or different events that might happen, I often see people wanting to react to their emotions versus wanting to react to their plan. And it's kind of like gambling. I attributed it too, it's kind of like nobody has that crystal ball. So in terms of knowing when to get in and when to get out is so difficult. So this next slide I think really helps paint this picture. So this is a 20 year period from 1996 to 2016 and what it shows is if you had started to invest $10,000 in 1996 and you'd left it invested and yeah, it didn't put it, so this isn't stocks, but you didn't in the S&P 500 but you didn't move it, you didn't do anything with it for 20 years, at the end of that time, you would have had $43,000 and your average annual rate of return would have been 8.19% but if you jumped in and out of that portfolio and you miss the five best days over that 20 years, your return would have dropped from 8.19 down to 5.99. Now, if you'd gone not 10 or not 15, if you'd missed the 20 best days during that 20 year period, your return would have dropped all the way down to 1.57 and if you go to the end of the chart, if you'd missed the 60 best days, now that's two months. But that's two months out of 20 years. But if you'd miss those days, actually would have had a negative return for that portfolio. So it just shows the risks involved with trying to time. If you kind of go back to the first chart that Constance walked through that showed you the gyrations of the market, if you jumped out at the bottom of whatever it was two weeks ago, you would have missed this last week. Just this last week was the market was up roughly 12% for the S&P 500 so it really is volatile. It's so hard to predict. So we really recommend that when it comes to adjusting your portfolio, you're doing it because it's time to do it according to your plan, according to how close you are to the end point of your goals. It just makes sense to start looking at the senior portfolio, but we don't recommend doing it if it's based on emotion, if it's based on necessarily an event. So with that said, let's go to... What I'm suggesting is difficult. I mean, there's a lot of things to consider. So oftentimes, one of the best next moves to make if you want help on these types of decisions is working with the financial advisor. So why don't we talk about that Constance.

- [Constance] Yeah, that's the fourth pillar I think of the foundation to finance. It's get help if you need it. And maybe you know, your investments have been doing well so far and now because the the earth is, you know, your foundation is not as strong and you don't feel as confident about how to proceed because things are different than it might be time to seek some help. And there's different organizations and we recommend these are the top three that we recommend. They all have ethics standards for their members. They all typically have a website that you can search by zip code to find people in your area. So I would recommend that you take a look at our handout, how to find a financial advisor, which is gonna be provided for you. And you'll see the websites that you can seek to use to find someone. Also, FINRA, we make mention a FINRA because it is the place to go once you've kind of narrowed the field in terms of two or three advisors you're considering, it's good to do their broker check online at FINRA because they do keep track of advisors who may have had complaints or regulatory issues. And it's good to to check to see if that's the case with any of the people that you're considering working with. And so let's go on to take a look at some questions that you might want to consider asking a prospective advisors. It's good to interview two or three so that you can get a good sense of what their professional background is and how they're compensated. Because they are compensated differently. Advisers can earn a commission, they can be paid a fee as a percentage of the assets on your management. There can also be other costs associated with investment products that a you need to be aware of. And so and a planner might even have a fee for service model for many different services that you can pick as an all a cart to option. So again, we have excellent handouts that explain step-by-step, give you some of these questions to ask so that you can compare favorably and fairly with the people that you talk to. And also don't forget the human component, the personality. And if you feel comfortable with that advisor, do they make you feel like you can ask them questions? Do they have the heart of a teacher? Are they willing to collaborate as much as you want to collaborate or are they just there to tell you what to do? So you have to kind of be aware of that as well as their background because that will make a difference. Am I to talk about building portfolios outside of the employer plans.

- [Mike] Yeah, and just before I get into that, just want a common question, but what's the difference between a MoneyCoach at MSA and a financial advisor? And the differences is that a MoneyCoach just focuses on education and we will never tell you what to do. We won't take fiduciary responsibility for the decisions that you ultimately make. But what we do is we educate you on the pros and cons of any decision, any investment you might be considering. So we actually are a great partner potentially with a financial advisor you might be working with if you just want a second opinion or you just wanna understand something or a different perspective on something. A MoneyCoach is great. Many of our MoneyCoaches were financial advisors, some still are. We have a great array of MoneyCoaches and backgrounds, but again, we primarily just focus on education, whereas a financial advisor can give you all kinds of services. So it's, again, we can be very complimentary. So in terms of building portfolios outside of employer-sponsored plans, oftentimes when you look at your employer-sponsored plans, you may have some great resources associated with those. So that's often the first step we recommend that people take. It isn't just the retirement account that you may have attached to your retirement account. There may be different advice for choosing funds. Oftentimes when you have open enrollment, a representative from the for your retirement plan is present to answer your questions. But there's often other services in terms of a call center you can call into to ask questions about the funds. They often have some great resources you can tap into a risk tolerance questionnaire. But you may also have an employee and maybe a restricted stock purchase plan. There can be other programs you have that provides to advisers if you wish to take advantage of those. So those are worth looking into and seeing if they're available. Other than that, let's talk a little bit more of if you wanna take the initiative and kind of go find a platform that you're more comfortable with. What are some of the things to consider?

- [Constance] Yeah, that's a great point, Mike, because it's important to really identify what you need and how does I find it. And you wanna either look for someone who is a full-service advisor and work with them in terms of they will do the research, they will provide the advisory services, they will do the transactions. Of course, the trade off is, it's a little higher cost, you know, the cost of the services are higher because they're doing most of the effort. And they can actually, you know, put together some tailored, customized portfolios if that's what you are looking for. Now on the other spec, the other end of the spectrum, you've got the DIY approach where you're more hands on, but it takes more of your time and you are using more online account features, doing transactions yourself, perhaps doing the research yourself. And then going so far is sometimes Robo advisory. So that's on the other end of the spectrum. And I'm noticing now more and more companies are offering kind of a middle ground so that it's more all a cart and maybe you wanna, you know, you don't really wanna do the research, but you wanna do the transactions and putting together the portfolios, that kind of thing. So that's available as well. So there's really a lot to consider. And again, is Mike mentioned checking in with the MoneyCoach is a great way to bridge the gap, make the transition from doing it yourself perhaps to getting some advice and understanding that the whole process. Also, in terms of researching, there are a lot of platforms that you can use that are unbiased, objective and reliable. So we have listed here a few and they can, FINRA has mentioned the Financial Industry Regulatory Association because they do have some excellent tools on getting started in investing, how to invest giving you some excellent education modules that just take a bit of time and you can just do one at a time on your own. You know, as you can and learn by doing. So it's a great way to build your strengths and information about your own investments. Let's talk about opening an investment account.

- [Mike] So with respect to this, we put together a guide. So this is something that we'll make available to you. In terms of the handouts, we'll also put it on the blog. I mentioned if you go to our website, we call it opening an investment account. And in terms of what Constance just walked us through, not only first of all, starting with your employer-sponsored resources, but then some thoughts. whether to use a financial advisors, the questions she covered, all that is in this handout as well as the, some links to those other resources if you're wanting to research the platforms themselves. So just wanted to call out that this is a tool that'll be available to you. So if you were kind of scrambling to take some notes, no worries, we can provide this to you in a helpful guide. So that is available. And other than that, we wanna kind of wrap our comp at this time and talk about an action plan. So we're hoping that you're getting some great value from these webinars. We will shortly here have about 25 minutes of Q&A. What we hope is that you don't just attend the webinars, but you create an overall wellness plan. You not only have speaking to a MoneyCoach and attending our webinars as a component of your MSA benefit but you have great benefits through your employee assistance program that can help you out during these trying times. But we recommend that if you do want you speak to a MoneyCoach and the best way to do that since many of you have different benefits with MSA, it start with your employee assistance program or your HR department. And from there they can tell you the best way to get ahold of yourself starting to get an appointment, the MoneyCoach. And hopefully you'll find that it's not just the things that the topics around investing. But we can help you with anything if it's from taxes, if it's budgeting, if it's credit, if it's saving for a college education, no matter what your objective is, you can have a confidential conversation with the MoneyCoach. And we would look forward to helping you. So in terms of upcoming events, what I'd like to bring your attention to is, again, next week we'll have Budgeting When Income is Uncertain. And that'll be 9:00 a.m. Pacific time next Friday on the 17th. And then we'll have again, Investor Education Strategies During Volatile Markets. Let me just remind you that although these titles are staying the same, that each week we will be, just again adapt it to whatever your questions and feedback is from these webinars this week. So we'll be going with the same titles, but don't think it's gonna be a repeat of the same content. So in terms of a recording, you will get that when within probably 24 hours or so, you'll get an email with a link. If it's not 24 hours, it might be Monday. But nonetheless, you'll be able to click on that and get a recording. And then also, we please, we ask you to take the survey when you leave this webinar. And your feedback is really important for next Friday's agenda. So, with that said, what we'd like to do is jump into the Q&A. And I'd like to start the Q&A by bringing Tess in. So you haven't heard Tess speaks, She introduced herself in the beginning, but she's been kind of looking at some of your questions to see which ones might have a tax implication. We really have been getting more tax-related questions. So Tess, what have you seen and why don't you kick us off?

- [Tess] Sure, so I see there's a question, "Is it better to invest in a Roth or a traditional 401k?" Generally, what I tell people, if you are in a high tax bracket, I would recommend doing the traditional 401k because it is one of the best tools left to lower your taxable income. It's not necessarily so much of you know, which one would have a better rate of return actually dictated more by how you're invested within the traditional or the Roth 401K. So my general answer to that would be if you are in the high tax bracket, I would suggest doing the traditional 401k and if you happen to just be in the lower tax bracket, like say 10 or 12% tax bracket, you might as well go with the Roth, Because you might as well pay the taxes now and let it grow tax free for the next several years or decades.

- [Constance] Yeah, I'll take the next one, thanks Tess. So Kristen, "Once you have three months of savings, "where should they be stored?" She says savings accounts seem inadequate if you don't touch them for years. So no, I agree Kristen, it's very frustrating right now because we're not seeing very high interest rates on our savings accounts and we should be rewarded for good behavior. Don't you think and saving money is in an account is certainly a good practice? So what I suggest is what they call a CD ladder, and a CD ladder is where you spread your money out to different maturities of certificates of deposit. So much like a ladder, the runs go up from the bottom up, you'll start with maybe a three months a certificate, six month, a 12 month, 18 month, et cetera. And then as each certificate comes due, then you roll it back into the longest maturity that you have. So you could possibly go two years, for example, you have to just parse out the money so that you always have some liquidity. That's the benefit of having money in savings or money market is that it's liquid and it's easy to get. You don't have to pay a penalty to get to it and it's there when you need it because we never know when we're gonna need it. So doing a CD ladder will give you the benefit of spreading that money out over longer periods of time while still having some liquidity. You can also do that with individual bonds and so that could be another strategy.

- [Mike] One question, so I'm gonna take a question that I've seen and I've seen this over the weeks and we've kind of avoided it. But I just wanna make some comments around this question from Ryan, which is opinions on when will we hit bottom. This is really, again, this kinda goes back to my passion around time, not timing. And it's just, I would be really cautious of anyone that does feel really confident about giving you advice on when we will hit bottom or when we will hit top of anything 'cause again, I kind of go back to that nobody has a crystal ball. I will say that what's amazed me about this event over the last 45 days or so has been the speed with which the government and the Fed has acted in terms of the stimulus checks in terms of, what we're doing for small businesses in terms of how the Fed has manipulated interest rates, that's something I've never seen. I've been around for a long time. I've never seen the speed with which both the Fed and the government are acting this time as we go through a really volatile and uncertain time from an economy standpoint. But those are, I think that's great news and that's great to see how willing they are to try to help both consumers and businesses through this difficult time. But again, something we've mentioned before is that our economy is driven, 70% of it is driven by consumption. And as long as we are, we are at a stay at home in that type of an environment. As long as we can't operate in the same way that we always have as an economy, it is really hard to not just predict when will feel safe enough to let business as usual start to kind of get back to that feeling. But then will consumers consume the same way that they did before this happened, you know, in early February and in looking back in the rear view mirror. And nobody has an answer to that. So it's really hard that the markets do not like uncertainty. They don't like to be able to predict the future. So as long as that's the case, I think volatility will be with us. And it's really, really hard to predict when we've kinda hit the bottom and we should have a consistent path forward. Again, go back to that chart that Constance showed on the S&P 500. It's been very volatile. This last week was really good, but that doesn't mean that we're not in for a lot more volatile weeks, even months. So really hard to predict. What you really need to focus on as a plan and be disciplined with things like dollar cost averaging and maybe rebalancing or reallocating your portfolio if that's appropriate. Tess.

- [Tess] Okay. Sorry, Mike, I was reading the next question. I'm looking for a tax question, you didn't ask me, right? So if I missed your question, I apologize. I'm reading, I'm sorry, Mike, go ahead.

- [Mike] No, you didn't miss my question. I was just saying go ahead and take another question if you like, you can take any question .

- [Tess] All right, so I was looking for the next question. Well, the next question here with the new federal coded stimulus plan says we are able to withdraw from a 401k without penalties for three years. Do you recommend, you think to pay off a $10,000 auto loan then paying 401k back within three years? So as you know, you could borrow from your 401k at any time for any reason, it doesn't have to necessarily be due to the stimulus plan. When you would just borrow then it is not taxable nor penalized. Now if you are going to withdraw, usually if this is an allowed district, a withdrawal by your employer because you are having difficulty paying your auto loan, then I would say yes 'cause that is a very important asset to get to and from work. But on the other hand, if your auto loan is charging you a 0% interest and you are able to make the monthly payments, I do not recommend taking money out of the 401k. But if you are just borrowing and by the way, when you borrow from a 401k, there is a little bit of interest that is a charge by the 401k plan administrator. So you want to compare that to the auto loan that you are actually paying off. Mike, Constance.

- [Constance] Okay, great, thank you so much. So Alan says, I had one advisor who was the CFP with 30 years experience and insisted on calculating life expectancy of 90 years when I was trying to get calculations done based on age 80, because of family history. What would be your opinion of this? So be aware of sometimes advisers can be very insistent on their own approach and if you continually, you know, find that they're not willing to collaborate or tailor the projections based on what you'd like to see, I mean, certainly we don't know how long we're gonna live. So I think the advisor had good intentions of just being, you know, erring on the side of, well, you could live to be 90. But at the same time, they need to be a good listener and sensitive to what your needs are. So maybe time to move on to another advisor and you know, it's hard to do, but you just have to base your opinion on whether you're getting the level of service that you need. And and if the advisor you know, it's really a good listener because I would certainly expect age 90 would be part of the plan, but also why not project at 80, who knows? I mean, you're both the basing the outcome on opinion. So I think it's, you know, it's worthwhile to consider whether it's a good match and or just have a frank conversation just to give them the benefit of the doubt and say, really I just like to see age 80, if you wouldn't mind I'll consider the age 90 as well and see where that goes. Mike.

- [Mike] Yeah, I've got a question from Megan, which was, going back to the time, not timing graph or chart that I showed you, which the question is what do you mean by best days on the graph? So what that was showing is that if in that 20 year period you missed the best or the highest performing days, so that would have been when the S&P 500 had one of its best performance days. Maybe it was up 3% just for that day, or it was up 2% just for that day. So if you'd miss those best days in terms of performance how would that have impacted your total return over that 20 year period of time? And you know, just to be fair, I got a good question from Drew. It's just said, I've seen this chart before but is there a slide that shows the success stories of accounts when they do time the market? What if you missed the five worst days? If you miss the five worst days, but you were in there for all the best days and certainly you're gonna have a much higher return than the eight plus percent that I showed you. But then again, it comes down to being able to time, not just missing the worst days, but being in It's one of those just difficult things where I know some people love that challenge. But nonetheless, I've seen more people not succeed with it than half. So I recommended general that time in the market, dollar cost averaging, having an investment plan that you check in with check in on or at least an annual basis in order to see if you need to rebalance or adjust your portfolios. When people have done that, I've seen them, have less stress when it comes to investing and really achieve their goals to a great extent. So Tess, I was noticing one a question that was kind of buried here and it was, I know the tax filing day has been moved from 4, 15 to 7, 15. If you owe taxes and wait to file on 7, 15, well there'll be penalties or interest do also?

- [Tess] For, no, there won't be interest and penalties when you do pay July 15th.

- [Mike] Great. One other one before Constance jumps in is it, Michael was asking what about California state taxes that is the date extended for that too?

- [Tess] Yes, it has been extended as well to coincide with the Federales.

- [Mike] Great.

- [Constance] Okay, I love these tax questions, they're not easy these days because of all the changes that we're experiencing. So Serena says, "Doesn't make sense to pay to put double into my 401k, double my contributions at this time to take advantage of lower stock prices. So again, it depends on your timeframe and if you can have enough time for any volatility to work itself out and then, you know, keep moving forward with the market. So at least 10 years or more that you have before you're gonna need the money. It could be an opportune time to take advantage of the lower pricing. But again, you know, we don't really give stock advice or investment advice here, but again, it just you know, using the pillars of finance and we're leaning on the great, you know, the foundational pieces of investing, risk tolerance and time, not timing, dollar cost averaging. Again, if you have the time and it's gonna be a while before you're gonna actually use the need the money. It might be a good time to do that. So it's really, really up to own risk tolerance.

- [Tess] I want to add to that also Constance that if you could afford to increase your traditional 401k contributions, by all means do so when you do like the market being down, yeah, taking advantage of the lower price and you're buying them at a discounted price. And here, if you could afford to double up your 401k contributions without going the over the IRS limits, 19,500 for 2020, then do so 'cause again, that is one of the best tools to lower your tax bill and also to invest in your future. I have you here a question on ESPP. I have an employee stock purchase plan, is it better to start selling my stuff? To invest my stock in other stock or mutual plans now while still in a higher tax bracket or later after I retire when my income will be less and my tax bracket will hopefully be lower? Keep in mind when you own a stock or stocks beyond 12 months, then they are taxed at the lower capital gains tax rates. So if you don't necessarily need the money and create a tax bill for yourself, I would hold off. But again, it depends also on the stock, the company stock that you have, whether it's anticipated to continue to go up or, you know, plateau or stay the same. So the number one thing that you'd like to look at if you are going to redeem some stocks is how long you owned them to get the lower tax rate. Mike.

- [Mike] Great. Okay, so I see a question from Emily, "For entry level customers, is it worth the extra cost "of full service, statistically, do people make more on do it yourself or full service?" So I wish there's an answer for that, Emily. I don't think there is a statistic that you could really look at and know that they've taken the right, have done the right study. In terms of DIY versus full-service 'cause first of all, there's many different types of services you can get from a professional investment advisor or planner. You can pay a planner, they may earn commissions, they may earn some percent annual fee on assets under management. But a mini planners also do fee for service. So you may just pay a planner to help you put together an investment plan and then you might pay them on an hourly basis for different advice, different research that you want them to conduct to help you kind of cobbled together whatever portfolios you're thinking of building. So there's a lot of different ways you can tap into professional advice. It doesn't necessarily have to be full-service. So I kinda start there by really understanding what is it you want to accomplish, get back to the goals and the timeframe of your goals. And then if you want some help putting together portfolios, maybe research both more of a full service advisor versus just a fee for service type of an advisor, and then take your time and find someone that you think is a good match for you in terms of how much money you have to invest and are willing to spend for a longer period of time. But I'd be wary of looking at any statistics you find because do it yourself how much experience, how much research a person does when they do, do it yourself versus what kind of a full service brokerage firm or individual they tap into. It can really vary so much these days. I don't know that I've seen something that would be a good reflection to help guide you there. So hopefully some of that helps.

- [Constance] I'll take the next one down. Here he says, "How often is it recommended to rebalance a 401k that's in a target date fund?" Well, the good news is that, if you're in a target date fund, that would be a fund that has a date assigned to the title, like a 2040 fund or 2050 fund, 2030 fund. That target date fund is aligned with the date you're expected to retire, typically around age 65. So the good news is that that's fully managed, and so there's no rebalancing required unless for example, you do a risk tolerance profile, and you look at what the target date is showing and maybe it's a little conservative or a little aggressive compared to what your comfort level is. You can always adjust the portfolio to match your risk tolerance. So if you're in the 2040 portfolio and you're more aggressive, you could go out to the 2050, and that could possibly, you could see a difference in the allocation that would match your risk tolerance. If you're a more conservative than the 2040, you could dial it down to the 2030 and you'd see a movement in the allocation to be more conservative. So you don't have to necessarily tie it to your exact 65 age. You can adjust it, change your selection with your employer plan if the allocation that you've decided a few risk tolerance surveys is not meeting what you what you have. So that's what they call a turnkey portfolio. So generally no adjustment to would be done by you, but if it's not the portfolio, you can always go to a different year. Tess

- [Tess] Next question, do you pay fees or taxes when you put money in to a 529 plan? So with the 529 plan, you make contributions that are made with after tax money. So the earnings and growth are tax free. For the fees, usually there are fees involved with the 529 plan. The best website for that, for unbiased ratings on 529 plans on all 50 States is savingforcollege.com You could see the past performance of the 529 plans in all 50 States. You don't necessarily have to buy your own particular State where you live in. So a California resident can buy a Texas 529 plan, but anyhow there are fees involved, you want to look at those, compare that to the rates of returns that the 529 plan is getting. Mike.

- [Mike] Great. Question from David, "I have a lump sum "from a home sale to invest in non retirement investments. Should I spread out the purchases to dollar cost average or lump sum the initial purchase and dollar cost average future investments? So again, anytime I get a question like this, I typically have probably four or five questions as David or anyone that would ask me this type of question, which is really understanding what's the goal for that, for those assets. So he's got this lump sum from a home sale. But what's he thinking? Is he thinking that he's gonna use that in five years to fund something else? He's gonna use it in 10 years to fund something else? So in terms of if it's just to grow as wealth and he's just kind of using as money from an investment standpoint, he continues that. Should I spread out the purchases to dollar cost average or lump sum the initial purchase and dollar cost average future investment? So again, it's hard to say what's the right approach, personally, I love dollar cost averaging. I love developing a plan and then putting the money to work in a disciplined manner so that you're not worried about whether investing on Monday is the best time or investing a month from Monday or a month after that, or two weeks, whatever it might be. So I would typically set up a process to go back into the market and more of a dollar cost average way. And I got a similar question, I saw similar question from last week, which was someone that's saying, "I wanna kind of reallocate my portfolio, my retirement portfolio, should I do that all at once or should I maybe do that more on a dollar cost average way? And again, I like making smaller adjustments over time rather than making big moves over any period of time. It doesn't mean that those would work out well for you. But again, I kind of have seen more people benefit from just having that more disciplined approach of spreading it out and getting into the market or getting out of the market and reallocating over a disciplined period of time, be it a few months, a year, whatever that might be. Tess.

- [Tess] Let's see, I'm looking for additional questions here. Okay, so should then HSA Investment Account remain static or be an investment that is continuously funded? Well, HSA contributions are made with pre tax money. It is meant to reimburse you for qualified medical expenses. So the earnings and growth are tax free if it, they're eventually basically used for medical expenses. So it's just like retirement, it is something that you do fund if you are enrolled in a high deductible plan. So yeah, you want to continue it and be invested in it.

- [Mike] Great, we have a few minutes here, so we're each gonna just take a moment to kinda wish you well for the rest of this Friday, myself, I'd like to thank you for attending today. This is good Friday and many of you have other things that you're gonna be moving off to do. We appreciate you spending some time with us and also really, please give us your feedback. We wanna continue to answer your questions both in our formal comments and in the time that that remains. So it's been a pleasure spending this hour with you and look forward to doing it again next Friday. So, Constance.

- [Constance] Happy Easter everyone, thanks for joining us.