- ♪ Here we go again, ♪ ♪ Here we go. ♪

- [Narrator] The following program is not intended to be legal, financial, or investment advice. The program is intended to be strictly educational. The opinions of those appearing on the program are those of the subject and not of My Secure Advantage, Inc. For any individual legal, financial, or investment advice, please contact your legal or financial advisor.

- Hello, happy Friday everybody, and welcome to our MSA webinar, Investor Education. We have been focusing now eight weeks in a row and giving you some updates on the markets, talking about some deeper dive topics. Hopefully some of you have joined us for previous Fridays. If not, we welcome you to this webinar for the first time. We have put out an invitation to anyone that has an MSA benefit to be able to attend this webinar. So again, we hope you not only have joined us in the past, but will be able to join us in Fridays going forward. With that, well let's do some introductions. My name is Mike Hackett and I manage our education team. We have about a team of eight individuals. Typically we travel around the country and meet with different employee groups from organizations. Do onsite classes. We also do a lot of webinars, especially these days. And myself, I have over 35 years of experience in financial services. A lot of those years were in investment management and I've been about nine years at MSA. Happy to be here, and I'm very happy to be presenting with one of my colleagues, Constance Foley.

- Hi Mike. I'm very happy to be with you and everyone today. Super excited to be presenting this information. Just to introduce myself, I'm an MSA Money Coach. I've been a coach for many years. I'm an accredited financial counselor. I have a masters in education, and I speak to many topics and also coach to many topics. So I'd love it if I see you on my calendar one day. So reach out and we can schedule something if you're interested. So let's get started, Mike. How about some housekeeping?

- Yep. And I would take Constance up on that offer. She has been a Money Coach for over 20 years. She is fantastic and you can't do better.

- Thanks Mike.

- So with that, three items of housekeeping. Q and A, we love to get your questions and again, we build this presentation based on your feedback. You often give give us those through your survey responses as well as when you register you can submit questions, but you can also submit questions during this webinar. So we will spend roughly 20 to 25 minutes of this webinar just answering your questions at the end. So please submit those throughout. You will be given a survey when you leave this webinar, so please take some time to answer that survey, give us your feedback and again put questions in there if you want us to address them next week. And then also, probably on Monday you'll get an email with a recording. So if you miss some aspect of this or you want to go back and hear a response or a particular section, you can access the recording and take care of that. Okay, let's talk about the agenda. So we rebuild this agenda every week and we try to make sure to focus on what are the questions we're getting from you. I like the agenda we put together this week cause there's a few things that I think are so important. We wanted to get more into, how do I actually invest? What are the first steps I take? And for those of you that have seen us for many Fridays, you know we emphasize particular points repetitively and we're going to do it again. Because we think that it's so important to take three steps before you start investing. Constance will get into those I'll kind of wrap those up. But that's setting the stage. It's so important to take those steps before you then start actually putting your money to work in whatever the investments are that you choose. So we're going to talk about the markets quickly, talk about setting the stage, then we're going to talk about Mutual Funds. I think that's a great place to start your investing journey. And so we'll talk about what they are and why that's a great place to start. Then we're going to get into buying individual Bonds versus Bond Mutual Funds. In previous webinars, we've talked more about stocks, and stock Mutual Funds and index funds. We're going to focus a little bit more on Bonds this time, and then we're going to talk about real estate just a little bit more, as well as REITS. Which are real estate investment trusts, and why those might be a good alternative in terms of an investment choice. So with that, why don't we jump and talk about the markets and tell us what the last week has been like Constance.

- Yeah. This this chart kind of gives us a recap. It's the one year history of the activity in the Dow Jones

Industrial Average as of May 5th. So you notice the tremendous spike downward and that was in late March, and we all know what that was all about I think for the most part, and now we see that we're steadily climbing back up to some more reasonable levels, not quite back where we were. But we've had some volatility which we expected. And because in the last several weeks we've had four factors support the economy. We've had the Federal Reserve step up to ensure the financial system continues to function with liquidity in the market. The banking system was coming off a very strong period, and we've always seen it come back. It's still strong and is supporting the economy as well. The government has moved quickly with economic support, with the stimulus checks and unemployment benefits, benefits for small businesses, although they have some work to do there I think. We've seen a drop in the number of virus cases and then also some medical developments have been pretty remarkable in the realm of vaccine. So we don't have anything quite substantial yet, but we're well on our way, and much quicker than we normally take for a vaccine to be developed. So as Mike was talking about, when I'm talking with a client on the phone through MSA and they ask me, "How do I start investing?" There are three steps that we tend to fall back on as the proven techniques to get them on their way. So let's talk about that for a bit, the three steps. So the first step is to write and prioritize your goals. Now you can have many goals going on at the same time and most people do. And the first goal I hope you have if you haven't already started, start with establishing your emergency savings. What better time than the recent past to see how important that will be in the future. Cause there's more rainy days coming, unfortunately. It's just life, I'm not saying that it's all that way, but there are rainy days and we need to prepare. You may want to make a large purchase save for a down payment, do some maintenance on your existing home, buy a car. There may be some college education that you need to fund at a given time. And if you still have time before that begins, let's talk about how to increase that and support that. Also retirement savings, most people are in a career and they want to make sure that they have some money at the end of it, so that they can support their lifestyle after their career ends, and when they want to slow down a bit. So we have these goals. The first step is to write those goals down and then prioritize which ones you that you want to have happen and what importance that they hold. Let's take a look at the next step. After you prioritize your goals, then you want to assess your risk tolerance for each goal. So not just the whole portfolio, but each separate savings goal. So to do that you can access a risk tolerance questionnaire through your employer platform, through your retirement savings platform, and many companies like Vanguard, Fidelity, Charles Schwab, TIAA-CREF, they typically have either an investor questionnaire or risk tolerance questionnaire that you can access. Then the series of questions will give you a score, which indicates the type of portfolio that suits you and your timeframe. Let's go on and see how those timeframes can result in specific investment approaches. So we have short timeframes or more for liquid assets that would be CDs, certificates of deposit, money market accounts, regular savings. If you have a goal that you need the money within zero to three years, anything medium term would be bond funds, preferred stock. And then also for higher risk investments where you have a longer term, then you tend to lean more into the stocks of US companies and international companies. So let's go on and take a look at the third step, Mike.

- Yeah, the third step is traditional versus online preferences. And what we mean by that is after you know your goals, after you've looked at your risk tolerance and thought about that in the context of your goals, it's then that you might want to be thinking, "Okay, do I want to get some help? Do I want to get some advice? Or do I want to continue down this path and get to the point where I'm going to make decisions on investments myself? And I'll tell you, it's an environment like this that makes you respect and appreciate hopefully professional investment advice. I've never really seen a market like this. I've been a student of the market for 30 plus years and to see the unemployment rate go from little over 3% to over 14 almost 15% now in about three months, to see the volatility in the market, but also to see the negative unemployment rate readings that came out just yesterday and this morning. But then to see the market be positive, it used to be always that when the negative news like that the market would be negative. But it's so different now. And what that is is that's the market trying to predict the future, the market trying to look forward and it sees the end of the Corona virus being such an impact. It sees the businesses starting to get going again and the government wanting to get everything going. So it's so hard to predict how these things work with the market and that's why it's often great to have a back board, someone to talk to, someone to just keep having a conversation so that you feel like you're on top of what's going on. And what might be some good things to consider if I want to invest. So when I start to talk about who do you want to speak to, what's the reasons you want to maybe make these decisions yourself, or work with somebody? Often it has to do with how much time do you wanna spend on this? So if you're going to use a financial planner or an advisor, or a full service broker dealer, it's often because you want someone who's spending their whole time doing the research and you don't really want to spend time yourself. So again, it's kind of hands off versus hands on. I know a lot of folks that love researching love doing it themselves. Amazing online platforms have developed over the last five, 10 years. So again there's so many great features, but some people just don't wanna have to deal with that, whereas others really do want to use those account features, the research capabilities that you have, et cetera. So it comes down to also costs. If you're gonna lean on somebody else to make decisions and give you advice, that's going to cost you more than again, if you simply use a platform and make these decisions yourself. And I've been impressed with some of these Robo advisory services and what they're able to do in terms of the portfolios they recommend and build versus working with somebody and actually usually teams of individuals that will build customized portfolios for you. They'll have models et cetera, that a lot of research analysts have worked on to help understand your goals and help you invest. So there's not one is the right way to go. It's often more of a personality again it comes down to how much time you want to spend and how you want to lean on someone else's opinion versus you feel pretty strongly about doing the research and making a decision yourself. We've created a tool to help you with this process. So this tool, which is a handout for this presentation is called opening an investment account. And this helps you determine, again, if you do want to get some help. The first page is more the questions and the discussion topics I just covered. But then we ask you some other questions as well, such as do you have some good employer resources you might be able to tap into. Perhaps through your 401K, your 403B, your TSP. There might be resources associated with that and you might get a discount if you use some of the resources from that administrator. You might want to check with family and friends as well. I think that's a great place to start off and the see with extended family, with friends, what are the services they're using? What platforms are they on? If they have a financial advisor, is it somebody they would recommend? What are the things that they went through to find that advisor that they felt was a good match for them? You can learn a tremendous amount by speaking to family and friends. Again, then it's going to guide you as to what a decision you want to make in terms of using a professional or doing it yourself. And if you still have some questions, you can always talk to a Money Coach. Each one of you has a benefit which you can tap into, go through your EAP or go through HR, go through the directions you've been given in order to make an appointment with a Money Coach and you can ask them investment decisions. Anything that we've been talking about so far. Okay, that's kind of the setup. So again, what are your goals? What's your risk tolerance? And then am I gonna get advice or am I not? Now you're kind of ready to make some decisions, whether those decisions are recommended to you and you're simply approving them, or you're actually doing a lot of the research yourself. So why invest in Mutual Funds? Let's talk about this. I think Mutual Funds are fantastic, one of the best things that were created in terms of helping make it so much easier for people to invest. So what is a Mutual Fund? A Mutual Fund is a diversified vehicle. So if you only had so much money to invest and you wanted to go buy stocks, you probably couldn't buy that much unless you had a lot of money. But most investors don't, especially when they're starting out. What a Mutual Fund allows you to do is to buy into a portfolio where many, many other investors are buying into that same portfolio. But, if you only have $100 to start with, or a 1000 or again not that much, you get exposure to a very diversified portfolio depending upon what you're investing in. If it's stocks, bonds, a blend of those, real estate, et cetera. You can pretty much find a Mutual Fund on any asset class, and a blend of asset classes as well. You can get professionally managed Mutual Funds. So there can be active portfolio management where it's a team of individuals or an individual that's managing and deciding how that portfolio is going to be managed. Or it could be based on an index, like the S and P 500, or a bond index. And it basically follows the bonds that are a part of that index. Those usually have much lower expense ratios, which is a very important comparison factor when you're looking at Mutual Funds. But one of the most important documents that I think exists is the prospectus. And what's great about Mutual Funds is they're regulated by the SEC, and a lot of things have to be done in terms of reporting, in terms of disclosure to people that are considering an investment in a Mutual Fund. The prospectus gives you so much information about past performance, what the management objective is, how they go about executing that and again, all kinds of regulatory information that you can dive into and understand really the nuts and bolts, and some of the administrative factors of does it pay a dividend, does it not, or has it in the past? Do they intend to? what are the fees? What are the expense ratios associated with this? You can learn a tremendous amount from the prospectus. You can also track the value of your Mutual Fund on a daily basis. So you can look at the end of the day after the markets close, everything gets calculated within the Mutual Fund in terms of its value and it gives you that value and a net asset value or NAV. You can look that up online to see what was the change from the previous day, what's the year to date performance, the three year, the five year, depending upon how long that Mutual Fund's been around. So a lot of good transparency and disclosure in terms of what have I invested in? What's it trying to accomplish? And then what's the value on a day by day basis. One of the things to be careful of is share classes. You'll see that it's like alphabet soup in terms of share class A, B, C. Those different share classes often having to do with commission structures. If you're working with a professional investment advisor, they may offer you a particular share class versus if you go directly to that investment or into the Mutual Fund family or complex to buy that Mutual Fund yourself. So you always want to ask and understand what is the share class of shares you're gonna be buying of that Mutual Fund? Are there commissions involved? What are the fees, et cetera. So with that, let's talk about how we kind of classify Mutual Funds. We call a Mutual Fund categories, Constance.

- Great. Thanks Mike. And I just want to say that I talk to people that want to invest but they're having trouble kind of knowing where to start, and and they get overwhelmed sometimes by the information. And there are other people that just love it. They're technically oriented and they just love the idea of looking into the research, comparing things. So wherever you fall on this spectrum is fine. And again, just to let you know what kind of services we offer it's not a sales pitch, it's just to kind of let you know, if you're having trouble getting started to know how to pick Mutual Funds, that's something we could definitely help you with. We're not going to tell you what to do, but we're actually going to just lead you into the pros and cons, what measurements... And there's very high level measures that you can use initially that can help really get to the right place. So I just want to make sure that people are not feeling overwhelmed and just, "Oh, this isn't for me." Because there is a place to start and we can meet you wherever you are. So in light of that, let's take a look at the different categories of Mutual Funds. There's funds that focus just on particular stocks, bonds, or balanced. A balanced fund is a combination of stocks and bonds. Usually about 50/50, although there's a usually a cash position in there, so that the fund manager has the flexibility to buy more if they wanted to. But it's pretty evenly balanced as they say. Real estate or specialty funds invest in real estate properties or stocks of companies involved in the real estate marketplace. Specialty funds would include funds that stay away from particular industries. For example I've had clients say, "I don't wanna invest in any companies "involved with the tobacco industry. "So give me a Mutual Fund "that excludes tobacco companies." Okay, so we can do that. There are specialty funds like that. Target Date you may be familiar with because those are typically offered through your employer retirement plan. They align with your retirement date, whether it's 2030, 2040. And and let's say you get to 2030 and you say, "Gosh, I still want to work." Well you can still stay in that fund, it'll still be managed. It'll be dialing back the risk as you get closer to retirement. That's the purpose of the Target Date. Lifestyle or asset allocation. Let's say your risk tolerance indicated you needed to be in a moderate fund and it will actually say a moderate investment portfolio or conservative investment portfolio in the name of the fund, so you can tie in. But just double check to see that that allocation is what you want, as directed by the risk tolerance questionnaire. Cause there's some flexibility with each fund manager in that regard. Now Exchange Traded Funds look like Mutual Funds because they're a portfolio of different companies or different bonds, different stocks, et cetera. But they're typically indexes, which means that you can buy the S and P 500 all those stocks in that particular index. And that's all that's in that portfolio. The value of the ETF is it has a lower costs because there's less transactions. The manager isn't buying and selling, they just bought the S and P 500 stocks and they're holding onto them until that list... There's sometimes changes, but that's typically it. So there's lower expenses, and then the share prices are based on supply and demand in the marketplace for that particular fund, so it trades like a stock. There's usually a commission and then you can also margin the account if you want to borrow money based on the assets in that account to buy more security. So it's, it's kind of a different strategy that mutual that Mutual Funds don't offer, but ETFs do. Let's go on and talk about bonds because Mike's gonna take us through a comparison of bonds, individual Bonds versus Bond Mutual Funds.

- Yeah, it's interesting. I remember when I was growing up, my parents, they had CDs and they liked to buy Bonds directly. And that's about all they really invested in. They were pretty wary of the stock market at that time. But what I wanna do is talk about what are the motivations behind buying an individual bond. So let's start by looking at the pros. And actually I'm going to look at the pros and cons. They're pretty similar in terms of they're complimentary but the first pro is you won't lose value in this bond if you hold it to maturity and the bond issuer doesn't default. So that's kind of a comfort level. So if I'm gonna go buy a bond, let's say it's a 10 year bond, I know it's gonna yield 3%. So what I'm gonna do is, I'll get an interest payment of 3% annually and then 10 years is going to go by and I'm going to get my initial money that I lent back after 10 years. So it's very clear what I'm getting. I just get that revenue stream on a consistent basis and that consistency gives me peace of mind, per se. And like I said, as long as the issuer is solvent that whole time continues to pay the dividend will return your money at the end of that 10 year period, everything goes great. Also there's something that I think is really important, which is when you're considering buying a bond, you want to look at the ratings for that bond. And the ratings come from a variety of ratings providers. You might hear of Fitch, or Moody's or S and P, these are agencies that will provide you rating services and they'll assess and give a rating. Usually it's an A, B or a C, you hope it's not a D, but basically often anything that's BBB or above is called investment grade, which means it's of higher quality. It's gotten a higher rating in terms of the rating the agency has given the issuer of that bond. And if it's below that, that means it's higher risk. And you might hear that it's a junk bond or something of that nature. Or below investment grade security. So that's kind of where the line is drawn. So it helps by looking at a rating agency to see they've done their research and this is their evaluation of the company. Doesn't mean that the company's always going to be in that rating. It doesn't mean it can't change. Doesn't mean that it impacts what the stock is gonna do anything like that. But when you're looking at a bond, it's helpful to look at those ratings. You'll also see companies go through ratings changes over time. General Electric is one company that was AAA, the highest rating you could get, and it's right now on the border of going into junk bond and the BBB, I can't remember exactly where it is in the B zone right now, but it's really dropped a great deal just because of its business model and what's happened to it over the last 10 years or so. So some bond interest payments offer tax advantages. So if you buy a Municipal Bond, something that's issued by the City of Pittsburgh, something of that nature, you can often get a tax advantage in terms of not having to pay taxes on the distributions that you receive. You should check that to see if it's a Federal exemption and a State or just one or the other. But different Bonds offer different services like that. You might be willing to get a lower yield if it's tax exempt, because again, you're not gonna have to pay taxes on the money that you receive. So a lot of interesting things about bonds in terms of the cons, and things that you might wanna consider is you own a single bond from a single issuer and they might bankrupt. They may not be able to not only sustain the payment that they're making to you in interest, but they may not be able to give you your money back. This is probably a bigger concern now that you see what's happening in our current environment. A lot of companies that looked really healthy and doing great, right now maybe aren't doing so well. That's why the government wants to get our economy going again. So a lot of these companies aren't further at risk cause the longer our economy is shut down, the harder it gets for companies to get going again and to get their revenue streams going. So these are things that you sometimes have to consider, in terms of the risks you take when you own an individual bond. Also when you buy an individual bond, you typically have to buy over $1000 worth. Most Bonds are in $1000 derivatives or higher. So that's a high entry point for some people in terms of buying an individual bond. And then you may need to use a financial advisor there may be a commission of some sort associated with that to help facilitate and go out to the marketplace and get that bond. So that's some general things about a bond. Let's talk about Bond Mutual Funds. Now, what I love about Bond Mutual Funds, a lot of the things I was talking about earlier in terms of a Mutual Fund in general is you're going to buy a portfolio of bonds and that that's really a positive. So it's readily available if you go out there and look, there are so many bond managers that have Bond Mutual Funds that have been out there for decades. Have really good track records, or just simply have track records that you can see what's the performance been through all kinds of interest rate environments, all types of stock market environments. How have Bonds performed in different types of environments. You can see that, because a lot of these Bond Mutual Funds have a great history. But there's other things, you can purchase shares with less than $1000. So that's nice. If you only have $100 and you want a dollar cost average, it's nice that you can do something like that. But you get this very diversified portfolio, which is really nice. You can go in and out, because it's regulated in terms of you can buy, you know exactly each day what the value of the portfolio is. You can get your money quickly in terms of going in and out of a Mutual Fund. So a lot of positives in terms of buying a Bond Mutual Fund. Bu what are some of the negatives? In terms of the cons, you might have potentially less predictable income stream. So when you're buying a bond you know, back to that 3%, I'm going to get that 3% payment unless something happens to the issuer. But when you're talking about Mutual Funds that invest in bonds, they're buying and selling Bonds constantly. So in terms of how much income is coming in and how much is gonna be distributed to shareholders, that can vary over time. So you have to be prepared for that. Secondly, Bonds typically again, aren't being held to maturity. And so what you're also going to see as a result of that is you're gonna have the bond portfolio more subject to interest rate movements. So what's gonna happen is you'll see the portfolio value fluctuate as you see the interest rate go up and down. And typically it's an inverse relationship. So as interest rates are going down, you're gonna see the NAV typically go up a little bit. And then the opposite is as interest rates are going up, then NAV typically will start to go down some. So you're gonna see that dynamic a lot more in a Bond Mutual Fund. You would see it even in an individual bond, if you decided to go sell that bond before maturity, you would be come to those same market dynamics. But nonetheless, that's the pros and cons of a Bond Mutual Fund. So let's talk about real estate. Because many of you have asked in your questions, just if we could do a little bit deeper dive. And a number of questions have been about REITs, so we wanted to make sure to cover what those are. So Constance, take us through that.

- Sure. So, let's talk about the differences between real estate and REITs, which are traded as stocks. So with real estate, it's considered a direct investment in property. So here you're buying a rental, you're buying a commercial building, you may be buying an industrial property like a storage unit for example. So with a direct investment, you can leverage your money. You can put just a portion down, five, 10, 15, 20% down versus the cost of the of the project. And you can leverage your money that way, so you don't have to be all in and buy it fully paid for, you can leverage and put a percentage of it down to buy the property. Now you're gotta pay monthly payments of course, but you have to factor that in as well. And then you get a possible tax deduction based on the income that you're receiving and the depreciation that you can take in the process. Of course, you need to have a tax advisor to help you with that if you're not familiar with the rules. Now the negatives regarding real estate investment is, you don't have a lot of diversification. Usually because of the cost of the property, you can only maybe buy one at a time. And so you're not really diversifying your portfolio in that particular type of asset. So real estate is considered an asset category and ideally you can be diversified a bit, but if you only own one rental, you're leaning too much on one particular investment to provide what you need. You're taking a little bit more risk in that regard as well. And the liquidity, if you have a buyer that's great, but sometimes you don't. So you really have to be aware of the market, how it's changing, stay ahead of it, stay light on your feet so to speak. So that if you do need to sell it, you have the timing on your side. And then there's also the maintenance expenses. I was reading an article recently it said that people that that tend to flip real estate, they'll buy a property, they'll upgrade it or repair it, and then within a year or so they'll sell it. 40% of the time they only break even or they lose money. So it takes some real timing and expertise to know the market. You have to have your ear to the ground so to speak when you're doing something like that.

- One other thing Constance, we've talked to a lot of folks in the last I'd say, month or two that are nervous because they don't know if their renters are gonna be able to pay the income for the rent to them.

- That's right.

- So I think if you're a homeowner, or if you own a rental property making sure you have that rental stream, we often recommend that you beef up your emergency savings if you're gonna purchase real estate, so that you can get through a two or three month period like this where your renters may not be able to pay rent because of what's going on in the economy right now.

- Yeah exactly. Good point Mike. Because you've got the occupancy of that rental, whether it's the COVID-19 or just a lack of tenants. Or people can sometimes move out without paying, unfortunately. So you even have to have a separate emergency savings possibly just for that rental. It'd be helpful to do. Now let's take a look at another way to invest in real estate. This would be through Real Estate Investment Trusts or REITs. You're actually buying into a portfolio of properties and it could be commercial, it could be a residential, industrial properties. And what you're doing is it's almost like a Mutual Fund type of approach where you're you're paying your money in, your buying a little bit of each of the properties. You then get to get income from those properties and it's managed professionally. So you never have to be a landlord, you never have to worry about occupancy or some lack of rental income. Now the downside to that, it sounds great, doesn't it? And it's traded like a stock too, so you typically have a marketplace to go to sell your shares. But let's take a look at the negative side to that. You have a potentially higher tax consequences because the income is not treated as favorably for tax purposes as it would be if you were buying your own direct investment property. So talk to a tax advisor about how that works for you. And then you don't have any real input into what properties are bought or sold, when they're sold. And some Real Estate Investment Trust can be Mortgage REITs as they're called, and they're leveraged. So there's more volatility, more risk involved, and then lack of control in terms of again, buying and selling properties. But you do have the control and the liquidity, that you wouldn't have if you just bought a rental property and you were subject to the real estate market locally, trying to sell it. You can go to the stock market with a REIT and sell your shares typically. So there's the liquidity there. Now let's take a look at some tips that we recommend and ways to reset your investment expectations. We've kind of gone through some things, some best practices and see moving forward what we need to do. Okay. The first thing is if you haven't been investing up till now, just realize volatility is natural. And in fact, I talked to someone the other day, they started investing in 2009. They had never experienced a downmarket in their history of investing, because we just have come off an historic Bull Market run of 11 years. So anybody starting in 2009 never experienced this. And maybe they're really trying to get their head around the idea. But volatility is natural. Fortunately we don't have down markets as severe as this one all the time, we have more up days than down days, but we do have volatility. Remember your goals and timeframes and stay with those plans. Don't get swayed or emotionally invested too much in what you're doing so that you pull back from your timeframes and your goals that you've set. Stay the course and then as you have seen, the market is slowly coming back but with some volatility. And then the idea of being patient is the hardest thing to do right now, I'm sure for a lot of people. Because you have a lot of different influences that you haven't had before. You may have someone in your household that's been furloughed or unemployed. You yourself may have obligations that you haven't had before. So it's a difficult time, but it is important to be patient. Mike, how about the rest of them.

- Yeah. Again, these are all things to keep in the back of your mind. We believe very strongly in these principles and we try to make sure that everyone's constantly aware of them. And we've already spoken many times about time, not timing. But we have to emphasize it again. It's not timing the market and so many people want to know, where should I put my money now, versus a week from now or a month from now. Or when is the market going to turn in? Is that when I should do it? We don't have crystal balls. And it's real risky, it's kind of like gambling more when you're trying to time the market. We believe what's most important is time in the market. So trying to invest, have goals, have objectives in terms of how much money you want to earn over a period of time. Understand what the average annual rate of return needs to be to reach your goals and then find that right portfolio allocation that'll get you there. So again, have a plan. Doesn't mean that you don't reallocate or adjust your investments occasionally, but it should be according to a plan. Not according to market volatility or an emotional feeling that you're getting. Those emotions might come from comparing yourself to others. Oftentimes when we hear our siblings or our friends talk about what they've done and the movements that they've made and how successful they've been, it makes us think, "Maybe I should be changing things as well." Again, as long as you have a plan, don't be swayed by what other people are telling you. And then be prepared to make mistakes. I love talking to folks that tell me how wonderful they've done, and then the next thing I typically ask them is, "Please tell me about some of your mistakes." And usually they're as willing to talk about those as they are their successes. Because if anyone's been in investing for a while, you will make mistakes. It's kind of like anything. You're not going to have a perfect record, but you can learn a tremendous amount from those mistakes. So if they're not your own mistakes, maybe it's your parents, your siblings, friends, et cetera. Try to ask a lot of questions, learn what people wish they had done a little bit differently and again it can really help you with your own investment plans. Okay. These next three weeks, we just wanted to give you a quick look out into what you can expect over the next three Fridays. Next week what we're gonna focus on is prioritizing investments. So we just wanted to get you started as to if it's Mutual Funds, if it's Bonds versus Stocks, if it's REITs, Real Estate, et cetera. When you're trying, once you've set your goals, as life goes on and as you go through the next three, five, 10 years, we all know we're going to get curve balls in life and we're gonna have to constantly be challenged to prioritize our investments. So especially with family dynamics, things like college savings and estate planning, these are important things, that we haven't maybe spent as much time on. We had hoped to get college savings and speak a little bit more detail this time, but we didn't have enough time in our prepared remarks. So we're going to weave that into next week and then we'll talk a few things about estate planning, cause we haven't really woven that in yet. We've gotten some questions about it. But family dynamics is really important in terms of how that can influence and how you prepare for some of those family dynamics, to sustain some of your investment objectives. Then we're going to get into retirement planning on the 22nd. That's pretty conventional in terms of when you're trying to have a retirement plan, some timeless disciplines to follow as well as you're getting close, what are some things we typically recommend people do. Then we're going to talk about income and taxes in retirement, having different income streams, how important that is and what those might look like. So with that, let's talk about an action plan. We hope you'll continue to attend our Friday webinars. Don't forget we also have Friday morning webinars at 9:00 AM Pacific Time. Those are typically more around budgeting and if you have income concerns. And then the 12 o'clock is more around investing. We also recommend as always that you create a wellness plan. Not just a financial wellness plan. Many of you have great resources through your employee assistance program. Make sure you understand what those are, how they may be able to help you get through a period like this when, cause there's so many uncertainties right now, we could really use some help in different ways. Hopefully, you'll also speak to a Money Coach. As Constance said earlier, "We're here to help you." You can make an appointment with a coach and you can talk about anything financial. We don't sell anything, that we have no agenda other than to help you in this difficult time, to actually help you anytime to answer your questions and make you have less financial stress in your life. That's really what we try to accomplish as a company. I wanna remind you that you're gonna get a recording probably on Monday you'll get an email. You can get a recording of this. If you missed any aspect, you want to go back and listen, or you have some questions you wanted to get those answers again. Secondly, after the recording you're gonna get a survey which we hope you'll fill out Again, please give us some questions, any comments that'll help us determine what we weave into next week's comments, that'd be very helpful. And then I want to tell you about upcoming events. Like I said, you have the nine o'clock that's gonna be more about managing debt next week. If that's something of interest to you. And again, I already mentioned how we're going to talk about family dynamics and some other elements such as estate planning and college planning. So with that, let's get to your questions. So you've been giving us questions, so I'll have Constance kick us off, and we're going to answer your live questions first.

- Thanks Mike. I appreciate that. So Alvina asks, are you able to share which type of investments we should focus on? Whether bonds, ETFs, Mutual Funds, REITs for both tax advantage and taxable accounts? Okay. That's a big question. So Alvina with tax advantaged accounts, I think you're asking about retirement accounts. Whether through your employer plan or with your individual IRA or Roth IRA. So Bonds can be taxable and tax advantaged. So there are different Mutual Funds. There's Municipal Bond Funds which are tax advantaged, and then there's Corporate Bond Funds which are taxable. So you could have those in a retirement account for example, and not have to worry about current taxes. So you can also buy individual Municipal Bonds which are tax advantaged, and Individual Corporate Bonds which are taxable. ETFs tend to be taxable, I think. Mike, don't you think?

- Mm-hmm.

- Most of the time ETFs are taxable because they are based on the indexes which are part of the stock market. So not really an emphasis there on tax advantaged for ETFs. Mutual Funds again can be, I think you have mostly taxable Mutual Funds. Again, unless it's a Municipal Bond.

- [Mike] A Municipal Bond is possible.

- ... Fund. Yeah, for example. Now REITs, again the income from REITs are not as tax advantaged as if you bought a property yourself and had depreciation and you could write off that against income. So REITs mainly possibly should be in a tax advantaged account or a retirement type of account. But again, check with your tax repairer, you may be able to handle the tax consequences based on your tax profile. So check that out with your tax advisor if you're concerned about REITs.

- Okay. So the next question comes from Patricia. How do I select companies to invest in, if I want conservative gains? Many of you that have joined us before, I always make this caveat which is typically when I try to answer someone's question, I ask a number of questions in return to make sure I understand a lot more about that individual, what they're trying to accomplish with their investments, et cetera. So whereas Patricia said, "How do I select companies to invest in?" I would typically say, Well, if you're interested in companies, I would probably start with Mutual Funds since they're a blend of companies. What you'll often find when you're thinking about companies is there's growth companies and there's often value companies. A growth company is investing a lot of their income in growing the company and trying to continue to advance in whatever industry that they're in. So they don't pay distributions. Most of that money is going to try to grow the company. Whereas a value company might be in an industry such as manufacturing and they may have a distribution, a dividend that they pay out. They may be a more conservative, they've been around for decades. And again, very predictable income stream. So growth companies can be more volatile value, not so much. So it might be you're looking for more of a value portfolio of consistent output. So you can find Mutual Funds that maybe have, we talked about a Balanced Mutual Fund. So that you can have a blend of growth and value companies, but maybe that Mutual Fund pays a dividend and you like those contributions or those distributions as well. So there's a lot of ways to go after trying to find a company or a group of companies that give you somewhat consistent returns. And so that's something that I would maybe speak to a professional about in terms of researching different types of companies. And a Money Coach can help you with that as well.

- Great. Okay. So Howard asks, "I know nothing about this, "so how do I start to find out more? "I want to be financially set for retirement, "how do I get there?" That's an excellent question Howard, thank you so much for asking that. I have clients all the time that express the same thoughts that you're expressing now. And I typically refer them to FINRA. It's Financial Industry Regulatory Association. finra.org is a website that... It's the organization that regulates the markets and also the advisors in the stock markets. And they have an excellent set of modules for investors, people who want to get started in investing. They're short, so it's not a lengthy commitment of time to go through those modules step-by-step. So I would start there and and then check in with a Money Coach as well, as a great backboard for discussion.

- I wanted to... This is an interesting question from Denise. "I've heard some financial professionals recommend "that you don't invest directly in Stocks or Bonds "unless you have a fairly large amount "of money to start with. "And then others say that "you should just get started with any amount. "What are your thoughts on the amount "someone should have before they invest directly?" I don't think there's a right answer for this. I'll tell you personally what I did with my daughter. So my daughter, I set up a 529 college savings account for her and I was contributing to that, but I wanted to teach her a little bit about investing. So I said, "We're going to take "a small amount of money," which it was a couple of hundred dollars, "and I'd like you to look at it, "and tell me what are some companies "that you feel, " or what are some products you feel are great, "and the kids that are your age "are really excited about, et cetera." So she did a little bit of research, told me about a company or two. And then we did the research together. And I said, "Well why don't we put "a couple of hundred dollars "into one of these companies "and just see how it does?" So it wasn't gonna hugely impact her 529, or her college savings goal, but it got her to understand how you research, how you might invest. And then we bought some shares of a company and we watched it for a couple of years and then we eventually sold it. And then put it back into the 529. So this is something that I did more as a training, as something to teach somebody with. So I think you can invest with any amount. I don't think you have to have some threshold. I prefer to start with Mutual Funds because I think it diversifies your investment across so many companies. And especially when you're starting small, you just can't buy that many companies. So it puts you at greater risk should the markets fall, or should just that particular industry that you've invested in have issues. Again, I'd start with Mutual Funds, but I think you can start with any amount and you can learn some great things investing small amounts and see how they do.

- Great, okay. So Yvonne asks, "Can apps be helpful in investing?" Well my opinion, I'll give you my opinion. I think they can be, I think it helps to know what the app's doing for you though, to understand it. Not just assume that it will do the right thing for your situation. So most financial platforms have a risk tolerance questionnaire. I really encourage you to do the risk tolerance questionnaire and then choose the portfolio. It may be a predetermined portfolio if it's an app and use that as a guidance. And then monitor it, check it monthly to see what kind of returns you're getting, what kind of fees you're being charged. I know there are some that even tie in to your checking account. There's one called Acorns, that rounds up your purchases and then transfers that over to a predetermined portfolio based on your investment tolerance. So try some apps, but monitor what they're doing.

- Next question is from Jennifer. "I want to invest "but I'm not comfortable getting started. "Also, what is, what is a good "expected return on investments?" That's a good question. And this is where I get back to the beginning when we talked about goals. When you're setting your goals, typically when you have a goal, if it's for college education. Let's take some bigger goals, if it's retirement, you have a number of you imagine you're trying to work towards. And if you use some calculators and a Money Coach can help you find the right calculator to figure this out. But you want to figure out, if I save X amount of money for such and such time, you usually have to assume some rate of return and then how much money will I have by the time I get to my end goal date. So doing that calculation you can manipulate, "Well, if I got a 5% return, "what's that going to do? "If I got a 7% return, "what would that do? "If I only got a 3% return?" You start to see how important your average annual rate of return is in getting to your end goal date and having the amount of money that you hoped to have. So it's kind of a challenge in terms of how you set that expectation. But we've shown you a few charts over the last few weeks and stocks have performed the best over long periods of time. Seven, eight plus percentage annual rates of return. When you look at 40, 50, 60 year periods of time. Bonds have performed well, real estate, but below stocks. But if you're gonna invest in stocks, you get the volatility, especially what you've seen recently. So you have to understand, what am I getting into if I'm trying to seek these higher returns. But I do think it starts with what returns do you need to accomplish your goal? What is your risk tolerance? Are you willing to take as much risk as may be required? And then you have that rub and you've got to come up with what's the compromise so that I can sleep better at night with some of the volatility. But I want to take that risk because I want to get these returns. So again, it's a process to go through to get your expectations on returns set and then build a portfolio that will hopefully give you those returns.

- Yeah, it's a real balancing act, isn't it?

- [Mike] Yeah.

- So Lorna asks, "If you have a rental property, "would it be a good idea to sell now or wait? "Because the real estate market may be dropping." Well Lorna, you probably know the saying, "Location, location, location." So that's true with rentals, with residential property that you're living in, any kind of property that you have. I think the location is important. So I'm going to defer to your local real estate agent who could probably give you more up to date information about what the market's doing in your area, because that can be so different depending on what part of the country you're in. And I hope you don't think I'm just passing the buck, because I really want you to get the right information, the right advice. And I think your local real estate agent would be the best source for that.

- It's interesting. I was reading a couple of Wall Street Journal articles this morning and one was about Bonds. And it was talking about Municipal Bonds are very conservative and how typically they'll perform in a very predictable way, move in a very small pattern. But when the stock market dropped and a lot of big Mutual Funds were selling and then buying bonds, et cetera, A lot of Bonds that were very steady got very volatile at the same time. So it became supply and demand. And so that happens with stocks, that happens with bonds, it happens with real estate.

- Exactly.

- So you were predicting that the market might go down and that looks like that could easily happen because a lot of people are out of work. Maybe people aren't gonna be buying so much, but you don't know if this is a V recovery and we have a quick recovery and people get back to work. It may be that way for a few months, but a year from now, it may be a very robust real estate market. So like I said, we don't have a crystal ball, so it's hard to predict.

- Yeah.

- Next question from Michael, "I have 10 years before I retire. "How should I diversify my TSP?" This is a great question. We addressed this in some previous Fridays with respect to it isn't just, "If you have 10 years to retire, "what should I do with my portfolio?" You also have to ask yourself, "How am I going to be tapping into my TSP?" Once I retire, am I going to start "taking distributions or do I have other means of income, and actually I don't anticipate touching my TSP and taking distributions for maybe another 10 years after I retire. So therefore you might want to have a very different portfolio construction since your timeframe is actually 20 years, not 10 years. This is a really important point. You have to not just look at a retirement day. You're probably going to be in retirement for two to three decades. So you really have to look at, kind of what we're going to talk about in a couple of weeks, "What are my streams of income in retirement?" And TSP is absolutely one of those. You might have a pension related to being in the services. You might also have, you should have Social Security. You might have an investment account, you might have other means, maybe you bought an annuity, whatever it might be, you have some other streams of income. And how much are you relying on that TSP? So it isn't just the 10 years that you have, it's also how much longer and how much are you gonna be tapping into that, that'll determine what you might wanna have in terms of asset allocation within the TSP.

- Okay, great. Howard is asking, "The bank's offering a 0.75% "certificate of deposit for a minimum "of three months or longer. Is it worth it?" Is it worth it to have money locked up to get 0.75? Of course that sounds like it's probably gonna be a little bit better possibly than your regular savings account. Here's what I would suggest Howard. I would go out and look at the marketplace and I would check a great website called bankrate. Bankrate, B-A-N-K-R-A-T-E.com Input your zip code in, it'll give you an overview of what rates are available and some of the online banks are offering better than that and you don't have to lock up your money. And make sure that whatever online bank you choose, if you go that route, is FDI insured for their accounts and then you're pretty much good to go there compared to a regular retail location that you can drive to in your area. So compare rates and see if you can do better because you will be giving up liquidity for that 0.75, maybe you can get a better rate with a money market that is completely liquid.

- Next question is from Louisa. "How much should I invest in my 401k "versus a private investment plan?" Again, this is one of those ones where I'd have to ask a lot more questions of Louisa just in terms of how much money she's already investing in her 401k plan? How much has she accumulated? How long does she have to go till retirement? And what other goals does she have? What would she be using that private investment money for? Is she thinking about saving for college education of a child? Is she just thinking about buying a house, maybe buying rental property at some point in the future? I'd want to know a lot more in order to answer this question appropriately. But some things I would consider is when you're investing in the 401k, you're getting some form of a tax break. If you're in a traditional account, however much you're putting in there is lowering your tax bill with every paycheck. So that's nice. That might mean something to Louisa versus is she invested in a Roth element of her retirement account? So therefore she's using funds after she's paid taxes to fund that Roth. What's great is on the traditional, she pays taxes on distributions when she gets to retirement, on the Roth, she does not. Something else she might wanna consider is opening up an IRA. So outside of her retirement plan, if she opens up a Roth IRA, she could put contributions into that. She'll be putting it towards retirement, but if something comes up and she needs that money, she would be able to access her contributions from that Roth IRA. Again, not the Roth component of her retirement savings plan through her employer, but a Roth individual retirement account. So that gives her some more flexibility then she could invest that wherever she wants, that Roth IRA, she could buy a Mutual Fund, she could buy all kinds of different things dependent upon what she wants to do. So I'd need to know a lot more to answer that question probably more appropriately.

- Okay. Mark asked, "Does the rule of 72 "still apply in today's world?" So rule of 72 we covered that last week. You may have seen that where if you take a 72 divide your rate of return into that 72, it'll tell you how many years it'll take to double your money. So the idea is if you're getting at least that return, so if it's 4% and you're getting 4% at least, it may be five, six in some other times, then you know that that 4% is consistent. You can know that four into 72 goes 18. 18 years would be the timeframe for doubling your money at 4% return. 8% return multiply that or divide that into 72 you get nine. Nine years if you're getting 8% or better. So it's always take the lowest expected rate of return consistently to figure the math.

- Okay. We have a question. "We have prioritized our TSP," This is from Lisa. "We have prioritized our TSP contributions." So again, my question would be, "Tell me more about that." "But how do we bet?" Oh, where'd you go? "How do we take the next step in investing?" So again, this is a tough one to say, so I'd want to know how many years you have until retirement. So therefore should you consider maybe contributing more to a TSP. What's amazing is you can contribute to a employer sponsored retirement plan such as a TSP or a 401k, a 403b up to $19,500 a year. And if you're over 50 another 6,500. So that's a lot of money that you can put towards your retirement. But if you want to take the next step in investing, I think that's a lot of what we've been talking about over the last number weeks is deciding do you want help in that realm? So do you wanna work with a professional? Do you wanna do some of this yourself? In terms of the the handout that we have today, if you look on the back, there's some good resources there in terms of researching platforms and so you can look into what are some good platforms where I could not only research stocks and Mutual Funds, et cetera, to take that next step in investing. I often recommend that people do their research, decide what they want to invest in and track it for a while before they actually invest it. So track and see and get a sense of whether or not a Stock or a Mutual Funds' performing as you would anticipate for some period of time. I do not look at investing as something that you do in short kind of spurts. I look at investing as a marathon, and therefore you do a number of things to always be inquisitive, always be researching, always have some money put aside to take advantage of opportunities. But hopefully, those are opportunities you're monitoring and watching and then you find the right time to execute your plan.

- Okay. Pamela asks, "Is there a particular Mutual Bond Fund "that is better than another?" So one way to look Pamela, if you're looking at your employer platform for a retirement options of investments, there's typically two or three bond funds that are offered, and I would check the rate of return in the last 10 year.

The 10 year average return, that takes you back to 2010 when we were still kind of climbing out of the 2008 recession. See how the three bond funds that you're comparing fared during that time. If you're looking at a bond fund that's outside of your retirement plan, you can go to yahoo.com/finance and take a look at the same numbers,. 10 year average return can give you a lot of perspective there.

- All right. I wanted to take a few seconds. There was a a question that I got last week and I believe Constance gave it an answer. But I wanted to circle back on it. Then the question was, are there any good books on investing? And I kind of went back, cause I hadn't had a chance to respond. So I just had three books here I just wanted to throw out. There's so many good books out there, but in terms of "The Making of an American Capitalist." This is a book about Warren buffet written by Roger Lowenstein. So I found that to be a great read. "The Intelligent Investor," by Ben Graham. That's one that's been around for decades and decades and I think it's timeless. And then, "A Random Walk Down Wall Street." I think that's really interesting. Again, a book that's been around a long time. So a lot of great books, but I just wanted to throw out a few more titles if somebody wants some good reading during a volatile market time like this. So with that, I'd like to make some closing remarks in terms of thanking you for attending. It has been a joy as usual to have a little bit of time to interact with you. I just want to remind everyone that we will be doing this every Friday, and your remarks as you fill out your surveys, help guide us as to how we construct next week's agenda. So give us your comments. I hope you have a wonderful Friday and a great weekend.

- Stay well everyone. thank you.