



## Behind the Scenes of Financial Planning Software

### [Ep. 19]

#### *Transcript*

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People aren't paying us to paint a rosy picture if there's not one. Sure. They're paying us to find shortfalls, those potholes before it happens. We always talk about early detection is key. Well, that's the point of a financial plan. So those are the things we're going to dive in. And I'll talk about what those three to four things are that can be manipulated as we go through it. Completely agree. I mean, we like to use doctor analogies.(...) Um, you know, a financial plan is like an MRI, right? That CAT scan that hopefully more sophisticated and just a simple X-ray, chest X-ray,(...) and the doctor's job is not to find, look at the MRI and maybe find some, something wrong with the patient and to cover over it. It's not to the whole point of doing it. You're trying to uncover problems and address them and not sweep those out of the rug, which that's what I like about today's episode is you're going to show people how, whether they built their own plan of lack of knowledge. Perhaps I think I'm thinking about inflation, how different things inflate at different rates. So somebody may do, maybe a do it yourself or, and that's fine. We're not trying to convert anybody. If they want to not have an adviser and do it himself, totally fine. But you might be, um, not doing the perfect plan for yourself by glazing over certain things. And sometimes advisers do that, as you mentioned, on purpose, they use a unrealistic inflation number or one inflation for, for everything.

(...)

Um, so to kind of tee up our listeners and hopefully today our viewers, cause typically we do a podcast, uh, which that's what this one is too, but we're on YouTube as well. I would highly encourage you if you're listening today to jump on a YouTube version, because we're going to do be doing a share screen here in a minute, Robert, where you're going to walk us through



every single thing that you could potentially be missing. So, um, I think what we, what are we starting out with healthcare today? Are you ready to, well, we're going to jump into just the basic information that goes into it, but you mentioned something that I thought was really important MRI. Yeah. This is an MRI. Most people think an MRI, they're the same across the board. They're actually not. There's different forms of MRIs, different, different intensities of MRIs. There's different intensities or depth of financial planning. That made me think of a quick story.(...) And you remember this, remember about four or five months ago.(...) We were meeting with a potential client that happened to be with the same custodian that we have. Oh yeah. Right.(...) And 80, 90% of advisers don't build financial plans for their clients, but this person had a client. And their adviser had the same software. Exact same software. So when we got the plan, we said, Hey, do you mind if we look at it? And we pulled up the plan. Of course, the first thing we go look at is one of the first things that can be manipulated that we're going to talk about is inflation.(...) Well, when we go to look at the plan, they had an inaccurate inflation. They weren't using some of those key factors that we mentioned earlier, as far as healthcare, social security, Roth conversions, tax strategies, legacy planning, they have those tools in the financial plan and the adviser wasn't using them. It doesn't take much time to dive into that so you can better serve your clients. So even within the same firm, my point of this is even within the same firm, somebody that has the same tools, you might not be getting the same plan. So it's important to know these factors. And if I were going to venture to guess why, I think it's either that adviser isn't fully equipped, if you will, to doesn't know how to run the program efficiently or they may be, they know how they're just cutting corners to save time or to, like you said earlier, manipulate the plan. Yeah, absolutely. So if you're ready, let's do it. Jump in. So let me do some screen sharing here.

(...)

We are already in. Okay, perfect. Well, the first thing we want to start with, and I'll go through some of this fast, but we're going to spend some time on other things like the basic client information, I know this is an actual client, but for confidentiality, we changed their name. So this is going to be John and Jane Doe for today. Okay. So we have John and Jane Doe married couple.(...) John is 58.(...) Jane is 57. They're both employed. They want to retire about 60 years old. They make 165. John does. And Jane is 125.(...) They have a gross, right? Gross. Definitely. So it's important before taxes. That's right. Because not all plans calculate for taxes. Ours does. So it's important to know gross income. Okay. Now we have other income of 12,000. Well, what is that? Well, later I'll show you what it is, but this could be royalties. It could be rental income. It could be pensions. It could be a number of things. It could be a part time job in retirement. So it could be a number of things. So this is the basic. Just know your client, enter this stuff in. This is the, I don't want to say the foundation of every plan, but just your general information to start it. Then we want to come. And what's important about what we're doing today is I'm not actually showing a completed financial plan. This is pretty interesting because I'm taking people behind the scenes. Sure. They're not, most people don't get to see how the data is entered and how it can be manipulated. So that's what we're going to be doing. I think that's what's going to be helpful, right? Because then people can, whether they do their own



plan or they have an adviser, they can spot check and see it was their plan actually done accurate. And if, and if their intuition says it's not, they can verify it. It was just their intuition. Or is it in fact a plan that's poorly built? And that's what I'm hoping they'll, they'll get out of today that people will get out of today is what to look for in any financial plan that they see. So now we've got the information. So we're going to hop over to goals.

(...)

Right. Well, let's do retirement period. Real quick, since it's first in line, this is just, when does a person want to retire? Now for John and Jane, they want to retire at 60. This is important for Medicare reasons, Medicare kicks in at 65. So there's going to be some gap and some insurance that we're going to talk about. Now for men, we have lived into 92 for ladies, we have lived into 95. So now that we've got their information, we've got their life expectancy and retirement, (...) let's go to goals.

(...)

Now goals are the foundation of the plan. And you said life expectancy. So for, was it John? So for John, for men, we have it at 92. Correct. And for women, 95. In case somebody's watching or wondering why we picked those dates.

(...)

Obviously, if a client has some underlying condition, we can shorten the life expectancy. Life expectancy.

(...)

But unless there's a, there's a something super evident right now, we don't want to shorten somebody's life expectancy. Because let's say you manipulate the system and say, I'm going to pass away at 80 and I'm alive until I'm 85. Right. That's chaos.

(...) We have a few clients, they tend to be our women clients who tend to live past life expectancy, (...) meaning past 95 for us. Not, not too many men, but I say all that to say when we build a plan, our rules of thumb is for men to live until 92 and women to live until 95. That's correct.

So now goals, basic living expenses. Now for most people, when they're, when they're thinking of their goals in retirement, they lump everything together. So in this case, they're thinking 105,000 net in today's dollars. So here's what we have here. And maybe I can, maybe I can make this a little bit bigger.

(...)



So for basic living expenses, these are the needs. This is what you need in retirement to, to just pay your basic bills.(...) For them, it's 105,000. Now it's very common for people to put a healthcare figure. If they're thinking about healthcare, it's very common to add that to the 105,000. Okay. We're going to separate it out. Only two plans that I've seen out there have a healthcare feature, which is shocking since it is the number one expense in retirement that people aren't prepared for. But why do we want to separate it out? And this is where people kind of get shocked. Why do you think it is? I know you, well, it's loaded. You know, I know the answer. It's, they're inflated at different rates, right? Cost of living is at one rate. Healthcare is at a different rate. Everything, uh, education, child's education has a different inflation rate. Um, which is super important to get those right. Because if you have, you know, several children you're saving for college, that's going to be a much higher inflation rate than standard living. Or it's the same thing as healthcare. Yeah. Exactly right. So let's educate some people.

(...)

The default inflation over the past 40 years.(...) And this goes back to the eighties where we had double digit inflation. It counts the last two, three years where we had some pretty high inflation is 2.2% for essential living expenses. Now that's crucial when we talk about essential living expenses. Now what's the Fed's target rate to 2% right now? I don't think they're going to hit two anytime soon, at least not for an average. Now in the past two and a half, three years, we've seen a number of financial plans built by other firms and none of them have had 2.2% inflation. You would think because of what's been going on, they all had higher than that. No. Yeah. As you know, we've seen a handful of plans that had a 2% inflation, which if the adviser wanted to make that argument of why they were doing that and saying the Fed, okay, I'll give it to him. But that's about it. Of course, you know, we've seen a few more of them at one and a half percent and then a number of them at 0% inflation, meaning this 105,000 for this couple isn't growing at all. It's the same 105,000 in 20 years from now. Well, that's pretty negligent. So what are we doing here? Are we using 2.2% inflation?

(...)

Notice we say when both retired, so at six day they need 105,000 net in today's dollars. It's an important to know net.

(...)

You mentioned gross earlier for, for income that they're currently getting. So tax laws change. So we need to know gross income. So as tax laws change, we know how that income is getting taxed. So when we put in somebody's income, we put it in as gross. When we put how much money they need in retirement, we'll put net. We always, so we can update it in real time if tax laws changes. That's correct. Now,

(...)

what is the difference between the 105,000 here and the 94 point or 94,500 here? So this says both retired Jane alone retired. Well, women live longer than men as we already discussed as



far as life expectancy. She's already a year younger. So there's four years without John,(...) right? So some plans discount when one person passes 40, 50%, we only discount 10% because really all Jane's going to save on is some groceries, some gas and miscellaneous expenses around the house. So we only discount at 10%. 10% over, over income needs, correct, which is on her own and it's still inflating. Now, of course there's a mortgage here and this is how detailed the plans can get. This mortgage is 3000 a month. This will expire in 2035. So we have that dropping off.(...) Now we have inflation.

(...) Notice (...)

that the base inflation rate. So starting today, will the cost increase due to inflation? Yes. At the base inflation rate plus now we're not increasing inflation because of what's happened the past two and a half years. We increased them. We've been increasing inflation for the past 15 years because even though these plans give a best case, a middle of the road in a worst case scenario, we want to put cushion on that worst case so that we don't get five to 10 years down the road and go, oops, I'm sorry, John, I'm sorry, Jane, we made a mistake.

(...)

So we overinflate inflation by this 0.8%.(...) Okay. Now it's 0.8 a lot. Sure. You've compounded over 30 years. It's astronomically different. Or another way to think about that, I would think in terms of returns, right, depending on how much risk a client wants to take. Let's say somebody is a moderate investor and they expect their put for OLA to make 8%.(...) Imagine an extra 0.8, right? Or subtract a 0.8 if inflation is more than you anticipated. That's yeah, 0.8% less of a return than anticipated or higher inflation and anticipated. It's, it's dramatic for sure. It is. And so we talked about three main things and there's kind of a fourth one out there we'll talk about, but three main things a financial adviser can change in a plan or manipulate in a plan to make it look better or worse than it is. The number one thing, and I know you know it is inflation just about, let's say this plan wasn't on track and for John and Jane, it looks pretty good, but let's say it wasn't on track.

(...)

If I take out that 0.8%,(...) it could dramatically change the plan. Or if I drop it to 2% or 1.5%. I remember a firm which will remain nameless. Do you want to share the story or do you want me to where she walked in our office at a previous firm and said, Hey, these, these clients are not on track. How do I manipulate the inflation rate? Do you want to share that story? Well, it's a kind of an old colleague of ours at an old firm we used to work at. She did. She came up one day and she knew that you and I did financial plans and she'd been in the business a number of years, but she came up to me one day and it was pretty shocking and goes, Hey, I know y'all do a lot of financial plans.

(...)



This one's not on track. Can you, can you show me how to change some inflation stuff? And I'm like, (...) well, why do you want to change the info? (...) They're paying you to show them that it's not on track. They're paying you to find the cancer before, before it's too late. That early detection. And she found it. That's the thing is she's trying to literally cut out from the MRI, the cancer and change the diagnosis, not to have a difficult conversation. Just so she can gain a buck. And it's sad, but it happens all the time. So that's why I love showing people this because we're overinflating inflation. Now I personally, I know you do too think that if we go the next 30, 40 years, I personally think inflation will be the average inflation rate will be higher than 2.2, but I doubt seriously it's going to be 3% as far as an average, but we're going to say that we're calculating a 3% increase compounding every year for the rest of John and Jane. So to summarize the, the system kind of rule of thumb is 2.2 ish right now. Um, the feds targets 2%, which we haven't been near. In fact, a few years ago during COVID we're at nine. (...) Um, and what we try to do is we add 0.8 to get us to 3%. Okay. Correct. Now I'm going to come back to healthcare, but let's touch on the other thing. So we got \$105,000 a year. We've got healthcare on top of that. And I'm going to touch on this in a second. Then we have traveled. They want to do a big trip. They have an annual travel budget inside the 105,000. But if you see this is when we both retire, recurring every three years for a total of eight times, (...) 25,000. So this is a big family trip for them. So that's 25,000 every three years for a total of eight times home improvement. So over 24 years, correct. Okay. When they both retire, they want to spend a hundred thousand on just home improvement. Then of course,

(...)

John gets a new truck. Of course, when he retires recurring every that's a nice truck. I don't drive a truck with \$75,000. Well, these days after COVID they skyrocketed. So recurring every 10 years for a total of three times. Okay. And then Jane, I don't know why she gets a cheaper car, but Jane 50,000 recurring every 10 years for a total of three times. So 30 years. Okay. Right.

(...)

All of these goals at different times are going to be added to this 105.

(...)

Now let's go to healthcare because healthcare is huge. And I'm going to make this a little bigger so people can read it.

(...)

Okay. (...) So both retired before Medicare 2027 to 2031. Right. So they're 5857. They retire at 60.

(...)



This is what it would cost in current dollars to go get healthcare on the street. Just like they had a group policy at their job. If they want full coverage, this is what it would take for a platinum level policy. Why platinum level? Because we don't want to assume what our clients want. We want to give them all the options. And if they want to find a lesser policy, they can, but let's prepare for budget, the most expensive option. And if they want to pull back, they can correct.(...) Now then we have John on Medicare.

(...)

Jane retired before Medicare. Now notice this is only 2032. It's one year, but this is John getting supplemental care on top of Medicare, but Jane's still getting insurance on the street. Right. And then of course, both on Medicare, it significantly drops, but this is for supplemental care. This 10,879 for them, and it is income adjusted. So if a person needs more in retirement, if they're, if you say they need \$400,000 a year, this Medicare is based off of their income. So it's going to increase a little bit, but for their income needs today's dollars, it's 10,879. Now this goes from 2033 to 2059. And then again, Jane alone, John's passed away in 2060 to 2063. Her coverage for supplemental care in today's dollars is \$68,186. Okay. Now,

(...)

why is this so important? You said it earlier. We're already over inflating inflation for essential living expenses above the average over the past 40 years. But healthcare has the third highest inflation rate of any sector of the market today.(...) And I'm going to show you what it looks like.

(...)

We can change cost assumptions.

(...)

When we come down here, look at this inflation 5.1. So instead of the three, which we're using on everything else, 5.1 on healthcare. Correct. Okay. Now,

(...)

I want you to focus on something because I'm going to show it later. (...)

What does that really mean for this dollar amount and forget about the 28,000 or the 21,000 that 5.10% just on this 10,000 for supplemental care for both of them while they're on Medicare. I'm going to show in future dollars what that looks like. Okay. Crazy. It's crazy to think about.

Now we've got the goals. That's the foundation. Now we need the income and asset levels to pay for these goals. So let's skip around. And there's, there's so many tabs on these financial plans are so sophisticated. We could spend a five hour podcast going through it, but we're going to go through the most important things. The, as you said, soup to nuts, the most, yeah. And the



most common stuff. Right. So let's go over to the money side of it. Let's start with social security. Social security is a part of the income that will be funding their goals.(...) So the good thing about our social security program, and I've only seen this in really three plans that I've seen, they could be in more is somebody can either give us the number that they see on the social security website for full retirement age or the monthly benefit, correct. Or even age 70, they can give us whatever number they want. And our computer is smart enough to calculate all ages. So even if we have one number, one, one number for one age, we can calculate all ages. They could take social security.

(...)

Um, or if they don't have it, our computer is smart enough to calculate it off their income. You know, social security is an interesting topic because,(...) um, when we talk to people, sometimes they want to talk about the latest stock or Bitcoin or whatnot. But social security is people get very passionate about, um, just doing this week. I was talking to somebody who's like, uh, trying to convince me of their, of their thinking and saying, Glen, I'm going to start social security earlier, but don't worry. I'm going to give you the money as if, oh, okay, since you're going to give it to me, that makes more sense. Um, but the reality is social security, the longer you delay starting it, it's growing at 8% plus cost of living adjustment.

(...)

Um, and I think sometimes people are shocked in terms of how long they need to live for it to make sense to delay social security. In other words, if you wait until 70 to start social security, sometimes people assume, oh, I got to be alive until I'm 80, 85. No, uh, I, I, I know we're about to dive into this, but typically it's 78 is how long. You need to be alive until, um, and what I love about the software we have that you're about to walk us through is we can show people what their net worth is projected to be based on when they start. At the end of the day, a client can say, you know what? I know my net worth will be greater if I start social security at 70. Thank you very much. But I want to start at 65. That's fine. Right. They were not mad at him. We get, we get paid for our advice.

(...)

Um, clients normally take it. If they don't, then, you know, they should probably do it themselves, but most of the time people take our advice because we're able to show them ink on paper. Look, this is what your net worth is expected to be. This is what makes the most sense. And most of the time,(...) what I found earlier in my career, I try to say this to people, you know, obviously say with words, obviously it's redundant, but I didn't really have a tool, right? I try to explain mathematically with, with words and with numbers, or maybe I pull out a sheet of paper and write it. But what the cool thing is about the software is you can show them literally, not, not an, not like a, an estimate that's super far off, but a pretty accurate estimate. If you start social security at this age,(...) this is the impact for you, maybe your spouse, uh, as well, depending on how it's set up. I mean, it, there's massive ramifications. So when you start something as simple



as social security, you know, it, that made me think I was going to talk about it later and I am going to show, uh, that pays that shows every age you could take it. But what's so interesting about it is, many plans don't have this as we've already discussed, don't have this feature. So a lot of times advisers are doing back of the napkin math. And as you know, when people ask their adviser when to take social security many times now, now,... and again, why do you think it is? Well, again, I don't have any proof on this. I want to do it like an anonymous survey, but I feel like the reason most advisers will tell people to start social security ASAP is because if I have 500 clients, and I tell them to all take social security out now at six to say 62, that's less money they're taking out of the accounts that I potentially manage for them. And I think that's the angle. I think it's either that because they're, I would say that's unethical. That's the reason, or they're just bad at arithmetic, right? And they can't do the math and realize, Hey, that's not going to net my client more money. And by the way, that client who's paying you for, for the correct math, regardless of those two, neither of them are okay.

So again, we're calculating this author income, when to take it. Some people, even this week, we were talking to a potential client that just became a client yesterday and the husband and the wife was unaware. The wife was a homemaker, took care of the kids. They were unaware that she qualified for half of his social security.(...) So our plan can calculate for that. So more than just showing people numbers, I love educating people on things they may or may not know because that's what we're here to do. So this is job security, right? If they know it all, then we wouldn't have a job. So this is calculating off of their income. So this is social security. We'll show a page in a little bit about that. Well, let's go to the next one. So that's income. Now other income. Now this could be,

(...)

again, it could be part time income. It could be pensions. It could be royalty, rental.(...) What do we have here? We have John has a pension, which not many people do. So John has a pension of \$31,568 that starts at retirement to the end of John. This scenario, that's assuming annually, right? That 30 K and change. Okay. Correct. And this is to the end of John's plan, which is interesting because when you, so when he, until he's 92, right? So he's 92. Okay. Now, a lot of times when you have a pension, they will allow you to have maybe a survivor benefit. So you take a lesser amount, but it'll last your wife's life or your husband's life, depending on who's got the pension. In this case, they just decided to do it for John's life. Is it right or wrong? Just depends. When are we going to die?

(...)

Next, we have rental property of the \$12,000 per year. Now that's already happening from 2025. And this does go to the end of plan because they have no until, until she passes away at 95. Right. Okay. And then it'll probably still continue, but it'll go to the kids. Sure. Okay. So we have social security. We have pension. We have rental income. All of these are taxed differently. So we want to break them out. We don't want to lump them together because as tax laws change,



they can change independently on some of these incomes. So we need to know how things are being taxed.

(...)

Next, we have the investment assets they've been saving up. So they have a general investing account, about 675,000. This is a brokerage account. So this is a taxable account. It's taxed at capital gains, long-term or short-term.

(...)

John or Jane has an IRA, traditional IRA. John has a 401k that we'll be rolling over into an IRA and then another IRA total about \$2.4 million. Now here's another interesting thing. When we talk about financial plans, aren't created equal.(...)

We can actually plug very exact investments in that they have at their current firm and do a side by side comparison of what would have happened in the algorithms over the past decade. And it runs all these thousands of simulations. And we can compare it to ours to see what would have happened in both scenarios in a best case, middle of the road and worst case scenario. So you can truly pull back the curtain and give the potential client the best chance to make an educated decision on what they want to do with their assets. And are they in the correct investments for them with their risk tolerance and their overall goals? Because not all investment models are created equal as well. And what I like about that, right, I like doing all this analysis before the, you know what hits the fan, because why I think a lot of advisers and definitely investors out there do is they invest their assets without knowing

(...)

without being 100% confident, are they comfortable with that amount of risk? So to your point, what this does is it shows you what the plan is going to look like with different levels of risk. Because the idea, some people it's to die with as much money as possible. And again, it's their money. We could, we'll, we'll adjust and try to give them what they want. But most people, that's not the case. They're not just trying to die with the most amount of money. They're trying to knock out goals. They want enough money to, to live on maybe leave money behind the kids or grandkids. legacy. Yeah. Yeah. So, okay. We've got income assets. So we've got the goals. We've got the income that's paying for it. And now we've got the assets. It's also going to supply growth over time and income. So this is a separate form of income. And all of these are going to be taxed differently. All of these accounts can be taxed differently. But notice there's no Roth IRAs in here, which we're going to talk about. Okay. You know, we talked about the reason of social security, why an adviser may want their clients to take it earlier, to take less money from them. The more, the more the adviser would hold on to the more they would get paid.

(...)



Again, I don't have any proof, but I believe the reason financial advisers aren't talking about Roth conversions right now, is that I think it's the same answer. Yeah. Right. When they do a Roth conversion,(...) their client has to pay taxes on those dollars.

(...)

Well, where did they get the assets to pay for them? From the assets with the advisory. Correct. So we're going to show that. And does it make sense for somebody to do a Roth conversion? I would agree. I think Roths aren't pushed very much for the two reasons. One is you said, maybe the adviser is like, man, if I tell everybody a Roth like we last year, we sent tens of millions of dollars to the IRS on clients behalf.

(...)

Just for Roth conversions. Yeah, exactly. Yeah. I think that's one reason. And the other reason is going back to they don't do the math or they're uncertain. They know kind of a Roth might make sense, but they don't have the software or maybe they do have the software, but they don't want to spend the time learning it and doing execution. Right. Just because you have access to them or MRI means nothing. If you don't use the MRI, yeah, all the time people come in and say, yeah, my current adviser told me a Roth doesn't make sense. And we go, show me the plan. Yeah. Show me the plan. Did they do the report? No. Well, then, then how do you know? Yeah. Right. So we've got the assets. We'll talk about Roth conversions. Now, couple of little other things. Other assets.(...) Let's drop it down.

(...)

We've got the primary resident,(...) 750,000. We've got the rental estate property or real estate property of 250,000. Now notice these aren't funding any goals. See the other incomes funding goals, but these assets aren't meant to fund goals.

(...)

That leads me to the second thing a financial adviser can change in a plan to manipulate it. They can use assets that aren't meant to fund your goals to fund your goals. You know, hide that page and no one's the wiser. You got to be able to see this stuff. And you think, does that really happen? Inflation is number one. (...)

Using assets not meant to fund your goals to fund your goals. That's probably out of the things you can manipulate this. That's probably the least you would ever see. When you see this one, it's usually somebody new at building financial plans and they genuinely made a mistake.

(...)

Or it could be being run the other way. It's like, so, so what just to clarify what this is, is you own a home in this case, 750 K and if you, if you check the box meant to fund goals at a certain age, it's liquidated. And now I have that money to live on the problem with that. Yeah, I might have



my seven 50, but I don't have a home to live in, which means I'm either purchasing another one or now my living expenses went up because I'm paying more rent. Right. And so that's why it's screwed up because they're not adding more rent and they're not assuming that money will be used to purchase another one. So it's like you just made a 750 K out of thin air. That's right. And now you could sell your property and go buy another one and we can say these assets, but then it should be added in there is going in. So now we need another goal that this income is supplying that goal and you can determine, you can like pinpoint certain goals you won't fund it by certain assets too, which is pretty important. So, okay, we've got the, we've got the other assets. Now we're going to drop down. Let's just scroll. And of course we've got some liabilities. Liabilities is usually debt. In this case, they still have a mortgage 315,000 5% interest rate at that \$3,000 mortgage that

(...)

we discussed earlier and showed how that would be dropping off the income. So here's the basis of all the plan.

(...)

You got the client's information, just name data, birth work, how much income they got.(...) Then we have the goals, the foundation of everything, then the assets and income they're paying for it. So now pretty much everything that the, the, the, the plan's built, right? The framing's up. Now let's look at the important things. This by the way, is where most financial advisers stop. They go, I don't need to go any further because now I can just answer the question, can they retire? (...) And I would tell people all the time that every financial adviser you talk to, they invest money and that's how they get paid. We're no different. We invest money. That's how we get paid, but it's only 60% of what we do. The other 40% is diving into this, talking about the nuances that most people aren't talking about. You know, as well as I do, we want to be the first call a client makes for anything financial, not just investments. So let's go behind the scenes because this is where it gets interesting.

(...)

We get to the results. So the recommended strategies and I love this program because we can actually make this laugh to our clients. A portion of this is called the play zone, as you can see down here to the left. Yeah. Clients get access to this if they want to go in there and, and adjust, make adjustments. Of course, we don't allow them to save it because we don't want 500 clients changing a retirement plan and not notifying us, but they can manipulate it. Just can't save it. Yeah. This, this industry is all about relationships. So I love the fact that it won't allow them to save it. It forces them to call us and we have a conversation. So we're always on the same page. We're always staying focused on their goals and judging our success by how well we're achieving their goals. So you said it earlier, let's look at the results of social security. It



So look at this. What are we looking at? I know for most people, this is just a bunch of numbers, but let's just break it down. Now, strategy used in the scenario. So this is the strategy we used in the plan is both clients, John and Jane, taking social security at 67. But does that make the most sense? Well, let's just clarify.(...) This is what they asked for when he built a plan. They said, hey, we want to start social security at 67, although they're open to our opinion and our advice. Correct. As fiduciaries, it's our job to present the numbers regardless of what they may be. So they said they wanted 67. We showed them 67. Now, what are we looking at? First year benefits, right? What they would get, how much they would get. And of course, this is going to adjust with the 8% guaranteed increase in social security. Plus, as you mentioned earlier, COLA cost of living total lifetime benefit. So what if they live to life expectancy, what that would look like for both of them? Probability of success. This is our confidence zone. We want to be at 75% and above. If we're at 75 and above, and I know that sounds funny, but if we're at 75 and above and we've done our job correctly and haven't cut any corners, then we can tell somebody that they're on track for retirement. Sure. So even if they take it for retirement age age, John and Jane are there. They're good. It's 77% confidence zone. Now you brought this up earlier, the break even age.(...) So taking it at 62,(...) 65, 67, 70, John taking at 70, Jane taking at 67 for retirement age, which can happen depending on their age and what social security they qualify for.

(...)

But how long do they have to live to make it make sense for them to wait?(...) Well, for the current scenario at 67, for every year that John lives past the age of 77 and Jane lives past the age of 76, it made more sense to wait instead of taking it. Okay. So, so if they, to clarify, if they start at 67 as opposed to 62, this will be more profitable for them. If John lives until at least 77 and Jane lives until he 76. Correct. Okay. And that's what the 62, the next column over as soon as possible, age 62, okay, what they would get paid same numbers. But look at this, the probability of success now goes to 72. So it dropped below the 75% comfort zone that we, so now we officially can't tell them they're okay in retirement. Yep. Right. Yep. And this is funny because this is, this is simple decision. I know it's complicated because there's ramifications of when you start it, but people just take, I think social security for granted. Right.(...) And so then we have at full retirement age, which for both of them, FRA for retirement age for both John and Jane 67. Again, same thing as over here because that's current scenario. Now it gets interesting at age 70.(...) So if you ever want to know if an adviser is being honest to you, see when they tell you to take social security or show you to take social security, like take more money from us and what we're managing and hold off because your social security is growing at a guaranteed fixed rate of 8% plus cola. So in this case, if they both wait till age 70,

(...)

their probability of success increases.(...) Look at their lifetime benefit though. We're talking over a \$200,000 difference by waiting that extra three years. Yeah. Now here's the caveat.

(...)



Most people know, ask the question, I get it, but when am I going to die? And that's a fair question. So let's look at it again, the break even.

(...)

So at 67, if you just live an extra two years for John,(...) if he lives past the age of 79 or makes it to 79 and past, it made more sense for him to wait till age 70 for Jane, 78 every year she lives past the age of 78. It made more sense. Now you and I've been having this discussion with people for over a decade. And as you know, I unexpectedly lost my father a year and a half ago at 73, his older brother, (...)

smoked for 40 years. Wasn't a big drinker, but smoked for 40 years.(...) Uh, my father was preparing to bury him because both of them are ministers. My dad never touched a cigarette, never drank and just a fluke thing he passed away. So that's the thing is we don't know when we're going to go. Sure. But we live in a world of probabilities and in this,(...) you know, nine times out of 10, this probability is going to work out. Does that mean we can't pivot? Well, you know, unfortunately we could walk in next week and a client calls us and they have cancer.(...) And sometimes we, we have to pivot and make a hard decision and take social security earlier. But that's the point of having a financial plan and having a relationship with clients so that we can stay on top of these things. Sure. Right. Okay. So that's social security.

(...)

So based on that, Ari, is, are you about to show us what your recommendation is? Well, we can. So that was it for, for what, what would it be your recommendation? I just want to, for anybody watching, (...) I want to be super clear. It would be one of two scenarios, either both waiting till age 70 because that gives the highest lifetime payout or this last scenario. John begins at age 70. Jane begins at FRA full retirement age at 67. The difference here is very small, very minute. The changes are, they can live for John every year he lives past the age of 78. Jane lives past the age of 77. It made more sense. Either one of these would be fine. I would tell somebody to look at their family history and look at their own health and see what we're looking at as far as life expectancy. And I would add, so we're definitely not recommending to them to both be 67 at the very least for John to be 70. And to your point, the two scenarios on the right, both of them are 78% probability success. I think the last thing is that both age 70 is going to make sense. If Jane feels strongly, she's going to live the longer she's going to live. Right. Cause a break even is longer, but you're making more money. That's right. So awesome. Thanks. I love educating people on this. So, okay.

(...)

We've got some more fun stuff. Okay. So we've got a lot of different tools that we could spend a decent amount of time on, but let's look at this one. Actually, I, I wouldn't even go in touch on this one, but I think it's important because you brought it up earlier when we talked about risk versus reward. Most people think when I get to retirement, I just need as much as possible. The highest returns is I can possibly get. Is that really true? I think people are shocked to realize that



when there's five years up to retirement and throughout retirement, sometimes the more conservative model we put them in, I'm not talking about ultra conservative, but if we, instead of going a hundred percent stocks, we move it to like 60% stocks, 70% stocks,...) which means their overall average return may decrease,...) but the probability success increases. Yeah. So take less risk. You might make less money, but the chance of success and by success, I mean achieving whatever goals they've articulated, we've been put in and plan increase. Why do you think that is?...) Typically when you add equities, right? You are going to add a greater chance of likelihood of better returns, but over time the game changes. Once you start to take money out of your account,

(...) people are familiar with dollar cost averaging, right? When they say the market comes down, that's your friend. Cause you can, you can be greedy when others are fearful and buy the dip, but the inverse is true too. Once you retired, if you get a bad market and you need money, you're doing the reverse of the dollar cost average and you're literally selling investments at the worst possible time. And that's gonna, that's gonna hurt your performance over a long haul. That's exactly right. So this is what if we went ultra like, and this given their age and their risk tolerance, we can't go ultra aggressive. Here's the recommendations. There are a few more columns we could do, but in fact, let's say, let's just show all portfolios. Let's go growth.

(...)

So the most aggressive actually isn't the best. The highest return is not the best to your point because of the risks you could be taking in years that you need money. So you would be down more when the market's down. So now if you're taking money, that climb out of that hole is going to be much more difficult.

(...)

So for John and Jane, a balanced model gives them the highest probability of success. So not ultra conservative, not ultra aggressive, right there in the sweet spot of the middle. So this is very interesting to show people and educate them on it. I don't, I don't think many people know this.(...) Yeah. I think a lot of it, people just go on intuition, whether that's the client or the adviser, they kind of get an idea of somebody's appetite for risk. They don't really, really run any software to determine it. And then they just know, well, historically stocks do 10 plus percent. So should I be more in it? I've been, I've been a hundred percent stocks. I've been in SPY, you know, the S and P 500 last 30 years, but it's a different ball game. We call it the red zone. Five years from retirement or in retirement, you need to become invested completely different. You know, if you're a football fan, my, my high school's a senior son, he plays football. You know, they do the two a days and all that. That's one thing when you're, when you're this age, he's not going to be doing that when he's 45, when he's our age, same thing with investments. You're not going to be a, you're, you might be a hundred percent stocks in your working years, but in retirement, most people are going to take less risk. Now, if you're Warren Buffett, that's different. You can, you can afford to lose billions of dollars and be fine, but the most people out there, the game changes in terms of their appetite for risk and risk that's needed to achieve their goals. And why take unnecessary risk when you've already won the game? Yeah. What was it? Seven



or eight years ago,(...) uh, Patriot, uh, the Falcons and the Patriots in a Superbowl Falcons are winning in halftime. Never been a comeback in this day and in history of the Superbowl history and, uh, Falcons are winning. They've got the game. They come out of halftime in the second half. They're throwing hell Mary's down the field. I mean, to this day that coach is being made fun of because why would you call that? I'm not a football expert, but I know just hold the ball, run the clock out. Patriots couldn't come, couldn't come back to do anything, but they had interceptions because of those hell Mary's. You can't give Tom Brady the ball that many times and some interceptions. He turned them all those interceptions into touchdowns. They came back to win the game. The Patriots did. Yeah. The Falcons had it. They took unnecessary risk and they gave away the game. They gave away the biggest game in their life. If you take unnecessary risk in retirement, you could be giving away a pretty important part of life when you've already made it. So, and that, that made me think of the, you certainly Stephen a Smith or something from ESPN here. Well, you made me think of the third thing a financial adviser can change in a plan to make it look better or worse than it is. You just said, people just assume 10%. The market average is 10%. Let me get that 10%. Right. When you're building a financial plan, you want to look at best case, middle of the road, worst case scenarios. As you know, many plans we've seen people will put that best case are there at bare minimum. They'll do the middle of the road. We always focus on worst case. So what's that third thing? Changing the rate of return.

(...)

Many advisers will look at the past decade, the best decade in stock market history and plug that return into a financial plan. People are banking their retirement off of the best decade ever. You're setting them up for failure.

(...) So why do we use the worst case scenario? Why do we use below average rates of return? It's because we want to look at clients and say, I don't care if 2008 happens again. If we tell you you're going to be okay, you're going to be okay. So we use rates like five, five and a half, 6% in financial plans. And I'll show you in a little bit. We use those because we know that we should, you know, there's no crystal ball. Past performance doesn't guarantee future results, but we know these are, these are interest rates or these are return rates that we feel very confident that over time, not every year, because two out of 10 years, we will lose money. But over time, we're going to be able to, uh, to beat.

Yeah. To take that one step further. I mean, when we meet with people, we may pitch them up, uh, investment portfolio and literally show them what the portfolio, uh, is done over the last 10 years, last 10 years, maybe it's up, I don't know, depending on the model, say 12%. And in the last three years, it's up 15, right? Cause it's, it's kind of misleading cause the last three years have been hot. But then in a plan, so we'll present the investments, but then in the plan, we may budget for a six and a half percent rate of return. And, and so sometimes when people see that first time, they're like, that's that, you know, six and a half, I've been making eight. Well, yeah, we have two, we've been making 12 or 13, but past performances and guarantee future results just cause you killed it. That means nothing going forward. So to not give yourself a margin of



error and assume, you know, the next decade is going to be as good. You're just asking for problem in your future in terms of performance, you're, you're punching in numbers that you may not, you may not get, and it messes up the plan. We hope we do. And if we do the client keeps it, they keep the money, but you want to have a margin of error, prepare for worst case.(...) And the thing is, is when you build a financial plan, if you throw it in a drawer and never look at it again, it's irrelevant. But if you're monitoring your success in the financial plan as life changes in a minimum of at least twice a year, if you're monitoring that plan, then you're able to make adjustments as you go. But it's our belief that if we stay on top of what our clients have said is important to them, then we shouldn't get down the road and have any problems. So I want to point out this, uh, this right here. So we talked about the, the competent zone, right? That's 77, 78%. We want to be over 75.

(...)

That's the green area. If we're in this green area, we're good. Green is good. Blue overfunded people tend to put too much thought into being in blue. They go, well, I want to be overfunded. Well, think about it. I can make them overfunded. Let's go back to inflation. Just drop that 0.8% off and go to the default inflation. And not only are they in the blue, they're 99% as high as it goes. 0.8 moves it that much. So if we've done our job, right? We've used below average rates of return that we know we should overachieve. We use the correct asset to fund the goals to fund the goals. And we're using an overinflated inflation that I know that this 77 is really up here in the nineties. So these people are protected. And not only am I going to say it, we're going to monitor that to make sure. So, so their number is increasing eight out of 10 years. It's moving up. Of course, the one caveat, and you know, this is people sticking to the plan. Oh yeah. Right. Three years into retirement, they need a hundred K for a bow. Then they need 200 K to take all their 19 children to Disneyland. Not there's anything wrong with Disneyland, but it assumes that that people stick to the plan. They put it in the plan. Yeah. Life's going to happen. So there's always a reason to do a miscellaneous in there. So, so far they look pretty good. This is a good plan, right?(...) Now we get to a really fun part. Hottest topic in the past, probably in the past decade, but especially the past two to three years. Let's go to tax planning. This doesn't exist in many plans. You know, healthcare doesn't exist in many plans. This is another one. Well, we wanted to see, remember, John and Jane don't have a Roth and some people think, well, am I too old that I missed a boat on a rock? Does it make sense? My old adviser told me it didn't make sense. Some people aren't even aware they can convert IRA money to Roth. Are they, they go to the income limit. Warren buffet can convert to a Roth. If he wants to confuse, right? Sometimes people confuse making a Roth contribution with a Roth conversion, right? Contribution. Yeah. You might make too much money to convert and you're limited to how much, but you could have a million dollar IRA and we've done this for many clients and you convert the whole chunk to the Roth.(...) Of course, I think best practices, if you're going to do that, you need to have outside money to pay the tax chunk. And I know you're about to dive into different scenarios. That that's actually very important that you bring that up. So we wanted to do the math and it's not just a guessing game, right? You don't just throw a number out there. This takes time, which is one of the other reasons besides the adviser doesn't want to lose money. The fact that this takes time, I think is another reason they don't really do it. What do I



mean? Well, there are dozens of scenarios that we can run like for John and Jane, we ran, (...) do we stay within a certain tax bracket? Meaning here's their income right now. They're working. Here's their income. What tax bracket are they in? Can we tell the computer to stay in these tax brackets, 22%, 24, because you don't have to convert it in one year. What we're trying to do is convert over a period of years to minimize their taxes. Now you can convert it all in one year. If a person is already in the largest tax bracket or the highest tax bracket, and even when they retire, they're going to remain in the highest tax bracket. It could say convert it all in one year. Just go ahead and take that hit. But the problem is, is you got to run all of these different numbers. Right. So you can run scenarios on staying in certain tax brackets, converting a certain dollar amount each year, converting all of it at once. And for John and Jane, here's what we came up with. If they convert enough assets each year, (...) starting in 2025 to 2044, by the way, they're going to, we just put 20 years in there. They're going to exhaust their IRA funds. They're going to have converted it all well before. Right. (...) Right. But staying within the 24% tax bracket. Okay. So John and Jane Roth conversions, 24% tax bracket starting this year

(...)

at a minimum, they're going to save \$608,000 in their lifetime. Why do I say minimum?

(...)

Cause it depends on a portfolio performance, right? We're, we're assuming nominal returns. If the Roths are gangbusters and performance is awesome,

(...)

that number could, would only go up. Right. Most people think to double this number from 600,000 to like 1.2 million, then they would need double the performance. That's not accurate because of compounding just add two or 3%, which would be an average market. Then this, if I wanted to show somebody 1.2 million again, to make the plan look better, to make it look more attractive, I could change this. But again, as fiduciaries, it is our job to show realistic numbers and make sure we've put cushion on a plan that already has cushion in it. So I love the, the reason we didn't want to do a just an already printed out plan today in a PDF version is because I wanted it to be interactive. (...) Right. We can be interactive. So if we convert in 20, 27,307,000, right now these lines right here, (...) these are your tax brackets. So if I hover over this line, this is saying this is the 32% tax bracket line. It continues to increase at what we already know as far as the increase of taxes. Here's the 24. So I say we want to stay within the 24% tax bracket. So we kiss all the way, all the way up to this 32%.

(...)

So how much do we need to convert each year given their income? And we could pivot if they make more, you know, when, when they retire for whatever reason, part-time jobs, rental income goes up. We can pivot, but if they just follow this plan at a minimum return, they save 608,000. Now, can, do you mind hovering just for our viewers like over the red and does others,



and what are those? Are you about to do it? Right? So this is retirement account withdrawals, but what I'm going to switch to is I want to show the tax view.(...) So you mentioned earlier, where are the assets coming from? So we told the plan, in fact, I want to, I want to go here.

(...)

We're able to tell the plan where the assets are coming from. Cause maybe we don't have, um, the assets are coming from to pay the taxes.(...) Maybe they have some in their bank that we don't even have in the plan. We could, but maybe we don't. In this scenario, we show that the assets are coming. I need to minimize this.

(...)

The assets are coming from their, their, uh, the assets, the taxes are coming from their assets. So we're showing it's coming from there and this is where we kind of draw out the scenarios. So let me go back.

(...)

Let me biggie size this again.

(...)

So now we're telling the plan that yeah, and because of this Roth conversion, your taxes will increase 71,000 in this year,

(...)

81,000 and that's coming from the plan. And it's still calculating that probability of success. It's still calculating the 608,000, but it's just gives them an idea for budgeting purposes, what they're going to have to pony up every year in taxes. Right. Now let's take it an even, even more like a further step, right?(...) Roth conversions don't exist in a lot of plans and most people don't know this information, but John and Jane are at an interesting age. If they start converting now, they could possibly avoid something called IRMAA. (...) IRMAA is that extra premium on Medicare, or as you like to call it that penalty on Medicare, or if you make too much money and converting assets counts to your ordinary income, but if you make too much money, your Medicare premiums could double triple even quadruple. We did an entire podcast on stuff like that. So what if we start converting right now, what could they save in Medicare premiums? Because eventually if we don't do any Roth conversions, they're going to be forced with an RMD or required minimum distribution and their seventies to start taking income from that IRA. Now it's already probably doubled at this point. So what about Medicare premiums?(...) Right? What can we save them?

(...)



An additional \$115,000. Yeah. It's a chunk of money. That's a chunk.(...) So for John and Jane, realistically,(...) if we just put average returns in, we're talking 1.2, 1.5 million in savings. And that's just in their life. And there's an 85% chance that any company... You're saying average because we have in here probably unrealistic returns, meaning on the low end, to be safe. Yeah. That's correct.(...) So I love showing people this because they're unaware of IRMAA. Most people when they find out about IRMAA, it's already too late. They've already gotten dinged. And that's a good way to tick a client off is if you did something that calls their Medicare to double and they didn't know about it. Blinds out of them. But given their age, it makes a lot of sense to start converting more and more now because they've got time on their side. There's an 85% chance that a couple today will live... A 65 year old couple or younger,(...) they have an 85% chance of at least one of them living past the age of 85. That's right. So let's say, you know, a lot of times when we meet with men, they go, I'm not going to make it that far, but she probably will. Okay, that's fair. Well, the plan still has to go out her lifetime. So let's prepare for that. So I love showing Medicare numbers because this doesn't exist. People aren't talking about it. And I think it's very, very important for people to know. It's huge. So John and Jane, very happy.(...) Let's go back.

(...)

And we didn't even talk about what it leaves to the heirs. I know. And that's a big thing too. You know, I love Roth IRAs for lots of reasons. Sometimes people say, well, I'm not going to be using the IRA money. A Roth can still make sense because your kids or grandkids, they could inherit Roth IRA money as opposed to IRA money because somebody's going to pay taxes on it. You or your heirs.

(...) If you're having an estate tax issue, which I know we're about to talk about estate and legacy planning, if you're over a threshold for a estate tax, you convert it into Roth, you lower your net worth, but now you had tax free money going to your kids or grandkids. There's so many benefits. right here. Let's hover over this. So without the strategy, without the Roth conversions, at the end of life expectancy in the middle of the road scenario. So when James 95 passes away, they could be leaving 2.8, almost 2.9 minimum to their kids. If they follow the plan to their kids and taxable dollars. Now in this, the kids will get a stepped up cost basis. So that won't have any taxes on it.

(...)

That is if the law stay the same. Sure. Sure. Uh, and then 3.5 million in a minimum in qualified dollars. Like IRAs, 401ks. Correct. So what happens when you pass away and your heirs get these dollars, any IRA. So this goes for a Roth and a traditional IRA. The government forces them to take those required minimum distributions over a 10 year timeframe.(...) So many people inherit assets in their highest income earning years. So maybe they're already in the highest tax bracket. You've left them \$3.5 million that the government's going to force them to take, and they're going to be hitting at 37% if they're in the highest tax bracket or whatever tax bracket they're in. Yeah.



(...)

Sometimes people ask us, well, what do I do? Do I just, maybe I should just minimize it. Take it over time.(...) Well, if you take it over time, that IRA is still growing. So that 3.5 is going to continue to grow. At some point, you're going to have to take it out. You're going to take it out. So do you wait till the 10th year, let it double and then take it all out? No. Cause then you're just paying double the taxes. Do you take it out over time? It could make sense in a traditional IRA to take it all in the first year. Go ahead and put it in a brokerage account. It could let it grow. It could tax bracket and everything. Yeah. It could. What about a Roth? Because in this scenario, you leave all assets, this 5.8 million, but it's all in Roth dollars. When that happens and people inherit it, we go, if you can, don't touch any of it. Wait till the 10th year, let it double and get all of those assets completely tax exempt.

(...)

That's crazy. So this is important for people to know if legacy is a big deal. If somebody says, Hey, but Robert, you're telling me without the strategies, I'm going to have 6.3 million instead of the 5.8, I'd rather have 6.3. That's great. But look at the tax savings. So this isn't just the tax savings. This is what it's going to do for your kids and your heirs. But when you calculate the tax savings, the Medicare savings and everything else, you're actually have more money. Understood. Yeah.

(...)

All right. Yeah. (...)

Couple other things we can touch on. We mentioned long-term care, how, uh, financial advisers and insurance companies love to love to sell long-term care. Well, we do a long-term care analysis in a plan. It's pretty simple for the most part. I mean, the average stint, the national average stint in a long-term care facility is 18 months. Now we've seen people go in for a week. People will ask for five years, but the national average is 18 months. What we've done is say that John here, we'll start with John, goes into a long-term care facility at age 80 for three years at an annual cost of not almost 92,000 and an inflation rate of 4.5%. Again, much higher than the default inflation of a central living expenses. Right. And so since he's young, by the time he's 80, that 92,000 times three.

(...)

Has now inflated to 759,000. Whoa. Right. And so we got him going for three years. In this case, the green line is still up here. It's not down here. So they're self-funded. They don't need to go buy a policy. They're good to go. Right. And I love showing people this because sometimes they just don't know. And they've got insurance people knocking on their door, trying to sell them these policies to get a commission. So now we do the same thing for Jane.



80, another three years at age 80, 92,000 4.5. By the time she's there, it's a little bit more cause she's younger. So there's an extra year of inflation, almost 800,000.(...) So now two people, three years a piece, a total of six years in long-term care. Love showing people this. They're self-funded. They don't need it. So if they have a policy, they want to keep it great. If not, they don't need it. So recap.(...) We've got the things that can be manipulated in plans, inflation, using incorrect assets to fund goals, unrealistic rates of return. We hope we get, but let's under let's, let's, let's look at a minimum rate of return. Then we talk about tax strategies, social security, health care, Roth conversions, and we don't even have to share that with you. We have to look at the, Roth conversions and last of course is uh is legacy planning. Now if somebody has over 30 million dollars we can plug into the plan certain tax strategies given current inheritance tax laws on how they want to leave things to their spouse, their kids, their grandkids. But if they don't have 30 million dollars could it still make sense to have a trust to have a will? Absolutely, and many people don't know how they can leave those assets behind. We're not attorneys we don't draw trust but we've lived vicariously through clients over the past 20 years. We've watched the successes and failures of many clients. I've redone my trust three times. So I love to educate and I know you do too. Educate our clients on what they may not know on how to leave assets behind to avoid certain tax penalties for sure and to just protect them kids from not only themselves and going on spending sprees but things like divorce and lawsuits. So it's very fun to educate people on that and what's very interesting too is and I know you have. We've actually educated attorneys that you think well they should know this but they're not a state attorneys, right? They should know this and they go I have no clue. I didn't even know you could do that which is pretty fun sometimes. I think for sure that should be a future episode we can dive into(...) different protections for your heirs whether it be your spouse or your kids. But I think this has been a super good episode. Well great job going over the plan Robert. I hope I hope people get a lot out of it. You have any wrapping?(...) I know I do. Good job wrapping it up. Oh you have a question. Yeah I got a mailbag. I got a mailbag question for you.

This is from Katie.(...) Glen how should I prioritize short-term goals like buying a car or a house versus my long-term goals like retirement?(...) So that's I'm gonna have to make some assumptions to answer that what she what somebody means by short-term or long-term goals. So rule of thumb short-term is under five years right.(...) But people could think it's under exact year. They could think it's next month right. All about perception. So I would say for us short-term is under five years and when it comes to how to invest as a rule of thumb you don't want to invest in stocks if you need the money within five years. That's the rule of thumb to be honest. I'm okay starting to invest in stocks if you don't need the money in about 36 months three years. Now it doesn't mean you'll put the whole chunk. Let's say I'm going to buy a vehicle in three years. I'm not going to put that whole amount in equities but it might make sense that depending on your risk tolerance whether other assets you have to maybe have 10-15 percent of it.(...) But if you need the money in the next year two years three years maybe it's the older I get the more conservative on certain things I become but I would not be recommending to invest money you need a year from now for a down payment on your home in cryptocurrency or in Nvidia and stocks in general. I think you might make money eight out of ten times you'll make money but



what happens if it's those two out of ten years that are down and shoot what if it's down 50 percent right. You plop in that money for your down payment on the home you put in a quarter million markets down 50 percent you're down 125 and you're constructing a new home or you had some you had a need for that cash you're up a creek at that point right. That's right yeah what accounts how liquid they are how they're taxed and you can time them you can time them right that the bond ladder that's common too if you need if you have let's say you have a need for your kids college education and you don't have a 529 set up and you're just going to pay it out of out of existing taxable account you might want to put a CD or a treasury is virtually same thing as a CD it's a government bond it might make sense to have it in a maturity that lines up for that liquidity need so if I need money in 18 months might make sense to put an 18 month CD or bond to have mature at that time for whatever expense historically the reason that's going to make sense because somebody might say why not just put in a money market historically if I do an 18 month CD I will make more than a money market that's not always a true but vast majority of time that is true yeah well thank you and I want to thank everyone for joining us today hopefully you learned a lot about the nuances of financial planning and how they're not all created equal and also keep remembering to uh to send those questions in to the to the podcast or tag us online we love them for the mailbag questions it tells us what you're interested in um so thank you guys for today we really enjoyed it thank you. Glen thank you.

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