Please note: This is a transcription so there may be slight grammatical errors.

Hello everyone, and welcome to today's webinar, Prioritizing Savings. I would now like to introduce Debra Gates. Debra, please go ahead.

Debra Gates:

Well hello, it's a pleasure to be here today to talk to you about this subject that we're going to speak about today. This seminar that we're doing is brought to you for information purposes. CAPTRUST does not offer you legal or tax advice. Please be reminded that individual investors have different needs in planning for retirement, and there's no single solution that's applicable to every investor. It's also important to remember that all investing has some risk associated with it, and that past performance is absolutely no guarantee of future results.

Thank you everyone for joining us today. Let's go to the next slide, Casey. I just want to say that our financial lives are a constant gain, it is really a tug of war, and our desires often pull us and our money in different directions as we're trying to meet all of our financial priorities. But goals and priorities change. We here at CAPTRUST, we know that there are many demands on your paycheck, and this can sometimes feel a little bit overwhelming, but it doesn't have to be, which is why we wanted to have a discussion today on creating a realistic and thoughtful action plan on saving for multiple financial goals. I have two of my colleagues with me today, Jeremy Altfeder and Shalethia Patton. And so I want to welcome you both here today, and I just want to thank you so much for coming. Hi, Jeremy, how are you today?

Jeremy Altfeder:

I'm great. Happy to be here. Thank you.

Debra Gates:

Great. Shalethia, thank you for coming.

Shalethia Patton:

Oh, thank you. Good afternoon. A pleasure to be here with you today.

Debra Gates:

All right. I want to just dive right in. Shalethia, I know that you meet with participants on a regular basis, and you talk about some of the financial goals that people have. And so Casey, can you throw that slide up because I want Shalethia to talk about some of these goals that people have. What do you say about that, Shalethia?

Shalethia Patton:

Yes. Well, one of the most common goals I hear people bring up is around retirement. They want to make sure that they're able to live comfortably in retirement. Another common goal is being able to save for a down payment on a home. And then others have a goal of being able to fund their children's education expenses. And I think too, in this environment lately, we've had a lot of people realize that it is important to make sure that you do have some money set aside for your emergency savings, and it's important to make sure that you are managing your debt properly. They're really looking at how they can eliminate some unneeded expenses from their budgets.

Debra Gates:

Absolutely. What I want to do, I want to gauge the pulse of the audience. Casey, I want to run this polling question. Just to answer this question, how many of these goals, those goals that we just listed, how many of you currently saving for? None of those goals, one to two, three to four, all of the above? Let's just try to poll the audience and see. Jeremy, what do you think the results are going to be that people are saving for?

Jeremy Altfeder:

I think it's going to be three to four. That's my vote, Debra. That's what I think is going to happen.

Debra Gates:

Yeah, I think so too, because like I said earlier, priorities change, goals change, and I think during the time that we've been during this pandemic, I think people have really realized how important it is to have an emergency savings fund. Let's see what the results are, Casey. Well, okay, so when we're looking at the results, 58% said one to two, 31% said three to four. One to two of these goals, but it's really apparent that everybody is saving for something. Yeah, great. Thank you for that, Casey.

Let's talk about it. The results of the polling question, it showed us that people have multiple goals, one to two. However, when I did my research for this webinar, I noticed that there were three financial priorities that everyone should have, and those are the non-negotiables. And so it was emergency savings, retirement savings, and then another interesting one was saving for healthcare, or better yet, healthcare planning. People are thinking about that. Shalethia, can you give us a little bit more insight to emergency savings?

Shalethia Patton:

Sure. Well, Debra, emergency savings, that is one of the primary savings you should have. It's one of the most important savings that you can personally create for yourself. This is going to be money that you have set aside to cover those events that come up that may be unforeseen or that are out of your control, and you do want to make sure that these are funds that are readily accessible. You need to be in something liquid, something like your bank savings account. That's going to be a great place to allocate this money.

Debra Gates:

Yeah, I think in the past 18 months, it's shown us a lot of things, but one of the things that it showed us was the importance of having an emergency fund because there were people that were furloughed, their businesses were shut down. For the sake of clarification, when we're looking at an emergency savings fund, are we accounting for income or is it expenses? And how much should a person have saved?

Shalethia Patton:

That's a great question. I get that often. It is recommended that you try to save three to six months of your income, or if you earn $1000 a month, then you want to put aside three to $6,000 in into your emergency savings fund. Now, it really does depend on where you are and what you can afford to do. If you can't do it on your income, then start with your expenses, save up three to six months worth of your expenses. Once you have that, then make it a goal to save the three to six months of your net income.

And then after that, then three to six months of your gross income. Again, what's most important though is that you do go ahead and discipline yourself and start building that emergency fund right now.

Debra Gates:

Okay. All right. Shalethia, let's talk to the person who hasn't started an emergency fund. If they were to get off of this call today, for someone who hasn't started an emergency fund, what's one action that they can take to get to their goal?

Shalethia Patton:

Yeah. Well, one easy way to begin building your emergency fund is taking advantage of your direct deposit. Most of us have direct deposit these days. Have 25 to $50 allocated to your savings account as opposed to your checking account. That will be an easy way for these savings to accumulate, and you'll be surprised at how fast you'll see that fund grow by just putting that money away into your savings account.

Debra Gates:

Yeah. Jeremy, you think it's just important to get started, huh?

Jeremy Altfeder:

I would agree. And so much of financial planning in general, especially these core foundational things that you need to get going, you just get going. Start with something. If it's not $50, start with $5. Any amount really helps, especially with compound interest. Big takeaway is just do it. Just get it going.

Debra Gates:

Absolutely. All right. That's that first non-negotiable is emergency savings. The second one that we spoke about that in my research I found was retirement savings. Shalethia, can you expound on that and here again, give me an action item that someone could do after this webinar? As we're going through this, I first just want to go through the non-negotiables, and then I have some other steps that we're going to talk about as we go through this presentation. Just hang in there with me. I just want to get these non-negotiables out of the was now. Go ahead, Shalethia.

Shalethia Patton:

Well, there's nothing more important than to just start saving right now. Save something. No amount is too small, so don't worry about that. Just start doing what you can do. It may seem small right now, but over time it will grow, it will compound, and in the worst case scenario, you have a little bit saved up for your nest egg. You want to make sure that you take advantage of calculators that are out there to help you with gauging how much you may want to put away in your plan. There are several of those that can show you how contributing to your employer plan may affect your paycheck, and they also illustrate the potential tax benefit of saving through your plan. Make sure you go out there and take a look at some of those calculators, but again, you just want to make sure that you do get started saving and save somewhere. And then take advantage of those automatic increased features that are tied to most employer plans.

Make sure you have your contributions increased by one to 2% a year, and I would say try to have a goal to get to at least 15%. Now, depending on what your financial goals are and what type of retirement you may want to live, you may find that you need to have a higher goal than 15%. That's fine. Set that at wherever you need to set it. But if you're not sure what your ultimate savings goals should be, then that's where CAPTRUST can help you. By just reaching out to our advice desk, one of our retirement counselors will be able to help you determine what your ultimate savings goal should be and help you develop a plan to reach that goal. Now, I do always encourage people when I sit down and have consultations, when you're thinking about the minimum to invest, you want to make sure that you're saving at least what you're getting in employer contributions. Try to make that your base because you really want to take advantage of that.

That is going to give you a big boost to your savings. Definitely take full advantage of your employer matching contributions. Again, remember that you want to make sure that you start saving now. Time is your best friend. It can also be your worst enemy. You don't want to delay. Fidelity completed a study in which they found that by the time you retire, you want to try to have 10 times your salary saved. Again, that brings home the point that there's no better time to start saving than now. Make sure you go ahead and do that, and again, this is going to give you peace of mind as well, knowing that you'll have something available to you in retirement.

And also, in addition to looking at what you're saving in your retirement plan, you also want to make sure that you look at other benefits that you have with your company. Make sure you're paying attention to what your employer may be providing you in terms of insurance, disability insurance, life insurance. If you have access to a health savings account, that's another vehicle that you can use towards savings. Make sure you're well aware of everything that is available to you. And this is going to, again, just give you peace of mind knowing that you are doing what you need to do to work towards reaching your goals and setting yourself up for a sound financial future.

Debra Gates:

Absolutely. That brings me to my third non-negotiable. You mentioned saving for medical. Jeremy, what should we consider as it relates to healthcare saving, healthcare planning? Can you talk a little bit about that?

Jeremy Altfeder:

Thanks, Debra. I'm happy to. I think any discussion about saving in general wouldn't be complete without talking about health savings accounts, or as they're commonly referred to as HSAs. Putting it very simply, it's a tax advantaged savings account that is directed for use for medical purposes and healthcare expenses. Since the passage of the Affordable Care Act, more employers have adopted HSAs as a part of their overall health insurance benefit, and they are combined with what are called high deductible plans. Some key things to know about an HSA is they're individually owned, but the dollars that go in can either be for an individual or a family. The money has to be used for qualified healthcare expenses, and when you do that, the money comes out of the account income tax-free to you. Annual maximum for the dollars going in 2022 is $3,650 for an individual or $7,300 for a married couple.

And this includes any employer contributions that may be put in on your behalf. There is a catch-up provision for those who are older than age 55. You can put in an additional $1000 on top of the figures that I just mentioned. The tax treatment on these accounts varies, so you may want to check the rules with your local accountant on the state rules and how those are treated. The accounts do accumulate dollars and they can be invested just like a normal brokerage account, an investment account or an IRA. Distributions that come out for nonmedical expenses can be pretty punitive. They're taxed and there can be some penalties involved-

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Jeremy Altfeder:

... pretty punitive. They're taxed and there can be some penalties involved. So you just want to make sure that when you pull the dollars out of the HSA, you're only using them for medical purposes. Distributions for non-medical expenses after age 65 are taxed as ordinary income but are not penalized. So there's a benefit there for use of the dollars if you absolutely had to tap them for non-medical purposes after the age of 65. HSAs have a unique tax advantage that are realized if the individual holds an account balance when they enter retirement. That's because you've, in essence, created an account that's almost like a Roth IRA for healthcare, but also kind of blended with a normal IRA for healthcare. But again, the key takeaway is you want to put the dollars in, and when the dollars come out, they can only be used to take care of healthcare expenses.

Another item I want to talk about in addition to the HSA was about long-term care. The Department of Health and Human Services reports that 70% of Americans reaching age 65 will need help with everyday living activities at some point in their lives, either because of a debilitating injury or an illness like Alzheimer's or a stroke. Heart attacks and diabetes can also be ailments that are at the top of the list there. 37% of the 10 million people who need long-term care are under the age of 65. So long-term care is not only something that impacts the very elderly, it impacts kind of the average retirement age individual. Medicare covers limited services when it comes to long-term care, so you always want to make sure that you're optimizing the insurance coverage there. Medicaid pays for a lot of long-term care services, but it's only for those who meet eligibility criteria with low income and very few assets.

I know, Debra, you wanted us to give some action items and takeaways for individuals listening in today. The action item here would be to take advantage of any of your employer benefits, whether it's an employer contribution into an HSA, find out if an HSA is even offered with your health plan. Also, if there's a long-term care benefits package as a part of your employer benefits package, you want to make sure that you're taking advantage of it. You want to research these benefits. What's great about long-term care, if it's a benefit offered through your employer, it's portable. So if you left your current employer and you had long-term care through them, you can take it with you. So again, HSAs, long-term care, things that you really want to look into via your employer. Debra, I just think it's great that we've been able to talk about these non-negotiables today. Wouldn't you agree?

Debra Gates:

Yeah, I agree. I mean, I think it's that foundation, it's what you're building on, building your plan, so you have those in place. I know the number of people that are here on this call today, some of you have probably already mastered the non-negotiables. I give you a hand clap. I applaud you for having mastered the non-negotiables.

But now I want to take a look at competing priorities. Shalethia, let's look at the steps. There are about four steps that we're going to look at in managing competing priorities. And then we're going to take ... all of this theory that we're going to talk about, then we're going to actually do some case studies and really talk about, how do you do that and take those steps? But I want to just give you some foundation. So here are some steps that you can start to take. These are things you might want to take notes, writing down these varying steps to make sure that you're planning and managing these competing priorities. Shalethia, can you start us with a couple of steps?

Shalethia Patton:

Sure. Sure. The first step is to identify your financial goals and just write them down. Make a list of those goals. No matter how big or how small they are, write them all down, okay?

Debra Gates:

Mm-hmm.

Shalethia Patton:

And then, once you do that, you want to proceed to step two, which is where you're going to rank them in order of importance to your family. Or you could also categorize them between what's considered your needs, what's considered your wants, and what you consider to be your wishes or your desires. Now, when you're thinking about your wishes or desires, keep in mind, those are going to be those ones that you can ultimately do without. So if you can't take that vacation to France, it's not life altering. It's not going to just ruin retirement for you. Again, it's those things that you can probably do without. Once you do that, the premise is that after your needs have been met, you then want to look at your wants. And then after your wants, then you address those wishes and those desires.

Now, when you're reviewing this list and taking a look at it ... Again, don't let it overwhelm you. Again, this is the first step. In order to be able to develop a plan, you got to know what you're working towards. So make sure. Be honest with yourself. List them all there. Once you've done that ranking, you can then move on to the next step in which you start to think about or plan how you're going to reach those goals, and actually laying out a map for getting where you want to be towards reaching your goals. A great analysis tool you can use in this process is the bucket analysis. I've heard Jeremy speak about this before. Jeremy, would you mind teaching us a little bit more about this particular strategy?

Jeremy Altfeder:

No problem at all. Thank you, Shalethia. This bucket strategy of saving is something that I think resonates with a lot of our clients and participants that we work with, in that you can divide into your head your goals into three different buckets. You can have your short-term goals, say the next two years, you can have your medium term goals or your intermediate goals, which would be three to 10 years, that middle bucket, and then your longer term goals would be a decade or more. Yes, knowing when you need the money can absolutely help you decide what sort of investments you should consider as a part of your plan.

When you're looking at what kind of short-term goals would be in that first bucket, maybe the next two years, maybe you might be looking at buying a home or a car, or saving for a vacation in the near term. And then longer term goals would be things like a child's education, maybe 10 or more years out. Depending on where retirement is for you, that may be a long-term goal as well. The important thing to note here is that these priorities and shifting between these short, middle and long-term buckets is going to change over time, so the focus may change on which bucket needs more attention from time to time. Hopefully you can save for multiple goals at one time, otherwise you might fall behind if you're only focused on one goal and that's it.

It's also important to calculate what you might need for these goals and to use appropriate accounts and investments per each goal. As an example, if it's a very short-term goal, you might want to consider very conservative investments, maybe some cash-like instruments. If it's more long-term, that's where you can maybe have a little bit more equity exposure. More volatility would be okay with a more longer term goal. As an example, if we're talking about short-term goals, maybe one of those is that you just want to get out of debt. Maybe you have a lot of credit card debt. Credit card debt requires discipline in both its use and its repayment. A lot of people maybe aren't as disciplined as they need to be. Often, people use credit cards as one way to establish credit on their record. The ability to pay off loans really is what is important with a credit card on a timely basis. How quickly can you pay it off? Are you making payments on time?

If you use credit cards, you need to be able to make these timely payments and do so consistently. If you use multiple cards, you should pay off the one with the highest interest rate first. Once that's paid off, start working on the next highest interest rate. You can always call if you're trying to work through credit card debt and simply ask them to the lower the rate on your card. It may be difficult to even know what that rate is and know where to find it. So it's very important that you analyze the statements, you know the fees, you know everything associated with the credit cards that you're utilizing. If you set up automatic payments to your bank, that's a good way to avoid any late payment fees. You should never take cash advances, if at all possible. It should be an absolute last resort because the interest rates are exorbitant on cash advances for credit cards.

Try using cash and checks. Yes, I just said checks. Those are still a thing. If you remember, you write the amount that you're trying to pay another party on a sheet of paper. That still is a thing that exists out there. That is a very purposeful thing to do, to write a check. So a lot of people may consider otherwise, if they have to write a check to pay for an expense. With recent identity theft issues, people are really starting to focus on using cash again, to protect themselves.

If you're really struggling with credit card debt, there's a lot of organizations out there that may claim they can help you to get your credit on track, credit consolidation agencies, things of that nature. Just be very wary, be very discerning of these types of companies. They tend to have a lot of fees associated with them, but consumer credit counseling is an organization out there that has a great reputation. They can help you gather information and make the best decisions as to how you can get out of credit card debt quickly.

Debra Gates:

Yeah, I'm so glad you mentioned that, Jeremy, because debt is the number one dream killer. That really kind leads us into step four. Shalethia, can you briefly talk about budgeting, because I want to get to these case studies and really walk people through prioritizing. But it's really important to make sure that you're looking at your budget because there are only so many things ... Your paycheck is only going to go so far. Do you want to talk a little bit about budgeting really quickly?

Shalethia Patton:

Yes, Debra, you are correct. It is imperative that you determine how much money you have to allocate to your goals. You want to take a look at your obligations and all of the demands that are on your paycheck at this point. A good idea is to take some time, take a look at your spending habits for one month. Sit down and look at where you're allocating your money. This can be a really eye-opening exercise for you. In fact, you may even find that you have money available to save that you didn't think you had available. So sit down, track that money.

Some tools you can use to help you in looking and reviewing your budget. If you bank online, your bank likely has tools that are available to you. If you use credit cards on a regular basis, you can take a look at your statements. Sometimes credit card companies give you some tools and resources on their websites, as well, to help you in categorizing your spending by needs versus wants. Once you do really take a look at how you are spending your money, again, look and see, where can you cut back? Where can you make some changes?

Now, a simple budgeting or spending strategy you might want to employ to help you in allocating your money in the future would be the 50/20/30 rule. It's a pretty simple rule. It states that you should allocate 50% of your after tax income, so your net income, that should go towards covering all of your needs. That's going to be your housing needs, transportation needs, insurance, gas, daycare. All of those things are going to be considered your needs. You would then allocate 20% towards savings and debt repayment. And then the last 30%, that goes towards covering those wants. I would say those creature comforts, those discretionary items where you have some control over the spending, such as your entertainment expenses, your hobbies, your streaming services, your cell phone bills. Those areas where you can actually, again, take some control and determine how much you want to spend in those areas. So again, just a tool to help you in allocating your money, and then finding that extra money that you may think you don't have.

Debra Gates:

Okay. All right. I want to get to these case studies. Now, we have four of them, so I want to talk about it. We're looking at early career, mid-career, late career. Thank you, Casey. You are on top of it today.

All right. I want you to speak to this one. Here's a case study. We're looking at, let's say it's a single professional. They're mid to late twenties, no children, salary at about 50,000. Their financial obligations, rent, utilities. They've got a car note. There's some student loan debt. There's some high interest credit card debt. In speaking with this person, they want to pay off the debt. They want to take advantage of their employer-sponsored plan. But I mean, gosh, you're in your mid to late twenties, you still want to enjoy life as well. So we can't just say, "Okay, the only thing that you're going to do is pay debt and you're not going to have any fun in your life." We want to be realistic. So what would be the process? What would be the steps that that person would take? Do you want to take a stab at that one, Shalethia?

Shalethia Patton:

Sure. Well, just looking at all this criteria here, I'm going to make the assumption that this young lady may have some issues with budgeting her money. I'm going to assume as well, given that she has a roommate, she has this-

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Shalethia Patton:

That she has a roommate and she has this loan debt and she has this high interest credit card debt that she may not have sufficient emergency savings as well. So I think her first step is to definitely focus on making sure that she figures out how she's going to create that emergency savings and how she's going to pay off this debt and the first debt item that I think she really needs to focus on is that high interest credit card debt. So some things she might want to consider doing in addressing these is first like I said sit down, look at her budget, see what she has available and then consider where she may be able to make some changes. So she may decide she wants to go with one streaming service as opposed to three, there's some extra money that she could put towards her savings and her debt. She may even think about bundling some services, you can often do that with cell phone internet providers. Again, and then also just making sure that she takes advantages of discounts wherever she can to free up some money.

She may also want to think about engaging in the 52-week challenge, most people have heard of that. It's a way you can easily save up some money towards your emergency savings. Now, most people tend to use this strategy at the start of the year but you can start anytime you'd like. The idea is that in the first week you're going to save a dollar, in the second week, $2, third week, $3 and so on and so forth [inaudible 00:31:55] get to the end of the year and at week 52 you've save $52. By the time you're done with that exercise, you've saved a little over $1,300. So that's a great way to get started in building your emergency savings and she may also want to consider just being very disciplined in what she's spending her money on. So for instance, we say we definitely don't want her to give up her social life. We want her to go out and we want her to enjoy and be with her friends and continue to do those things that she enjoys doing.

So she just may want to set up something like an envelope system where she allocates money to these particular activities. So let's just say she has $200 a month to go out to dinner or she decides to put a certain amount towards groceries or again, a certain amount towards a hobby of some sort. The idea is that's the money you have for that particular month, once it's gone it's gone. You don't have money from anywhere else, you only use that money that you've allocated for that particular month and then also I think engaging in that type of activity as will show you maybe I don't need $200 a month towards eating out so maybe I only need $150 a month towards eating out. That extra $50 can go towards savings. So engaging in that kind of activity can help her with finding savings and then also paying off her debt. She may also want to consider, depending on where she is, she may want to take on a little part-time job.

That's money that she can use towards paying off that debt and growing her emergency savings as well. So she needs to take control where she can.

Debra Gates:

Okay, that sounds like a good plan. All right, let's go to the next one and Jeremy I want you to hit on that one. This next one is a single professional, he's 35 and he has a child, 80,000 salary and you can see the parameters here. He's purchased his home, it needed repairs, took out a second, got some credit card debt, car loan, this burden of this debt is overwhelming. Getting the maximum, so he's doing some good things in here too. He's getting the maximum from his retirement plan, cashflow is a little restricted. But here again, as you can see those non-negotiables, that debt management, emergency savings, saving for retirement. What do you say about this one? About him especially when there's a child involved?

Jeremy Altfeder:

Yeah. So when it comes to little ones in the family, one of those non-negotiables has to be protecting them if something bad were to happen to the parent. So immediately when I look at this situation, regardless of all the objectives and goals I see a need for maybe some cheap term insurance, some life insurance that needs to get in place yesterday. In addition to that, I don't see anything about estate documents. It's an objective here, but it doesn't say that he has them and what I'm referring to is wills, powers of attorney, both healthcare and financial, some letters of instruction, HIPAA rules, things like that. Those are typically offered as a package with any estate attorney and those are the first two stops with any financial plan is those aren't necessarily monetary. Those are somewhat emotional things that need to get done, you're not putting money into a term life insurance policy as an investment.

It's just fixed a cost, you need to protect you and your family and then the estate documents is a nominal cost of one time to make sure that if things go bump in the night that your family's taken care of. So those are the first two things I think and see here above anything else.

Debra Gates:

Okay. I also see here, when you're working those varying shifts and you have the ability to work overtime then you use that as your debt fixer. So you work those additional hours and those additional shifts so that you can knock out that debt. Did you want to add a couple of things to this one [inaudible 00:36:37]?

Shalethia Patton:

Well yes, I do agree with you as well. Those extra shifts can help with knocking out that debt and then once you do have that debt knocked out, you can then use that money to go towards that last goal which is to fund the child's education expenses. So I think those are great strategies to employ in getting him in the position that he wants to be in ultimately.

Debra Gates:

Right. I think in our discussions we were talking about you can borrow for school, but you can't borrow for retirement when it's time to retire it's on you. All right, so let's look at the next one Casey. Take us to the next slide. Now here's someone mid-career, now we're talking a young family. Mid 30s, three children, John makes about 100,000. Cynthia's a stay at home mom temporarily, their obligations they've got some credit card debt, medical expenses. The great thing is that John was recently promoted with the salary and he's bonus eligible. So there's some things that he can do to increase his salary. Cynthia, the small kids, in the next two years she'll go back to work because her kids will be in school and maybe of a salary about 65,000 with three kids. They've outgrown their current residence. So here's the objective, these are all the things that they want to do. Saving for college, saving for retirement, they want to get a bigger house, they want to provide for the family and this kind of goes back to what you alluded to earlier about having this life insurance.

So why don't you tell me about this? What would you tell this young family, Jeremy?

Jeremy Altfeder:

Well, I look at this fact pattern and I see if Cynthia's going to go back to work in another couple of years that might help them with the ability to purchase a bigger house. Right? So it seems like they may be not stretched, but they're not quite where they want to be financially and sometimes you just need to pause and wait for that goal. You can't just automatically make it happen right away. So I think the timing of her going back to work might work out well with them purchasing a bigger home. Also with the way the real estate market is right now, evaluations are at an all time high almost. If they sell their house high they're going to have to buy high. So maybe it's a good time to just pause and sit still, sometimes inaction is the correct decision. So I think this is one of them.

Debra Gates:

Okay. All right. So let's take a look at this last one, I see that we're getting close to time. Let's look at this last one for someone late career because I think this is really important too. Looking at this married couple, they're looking at their income sources. Elizabeth was a college professor so she's got a pension plan, a 403b plan, got some IRAs, got social security. She kind of moved around a little bit with various universities and so they didn't decide to become a homeowner until seven years ago. They did a short mortgage, a 15-year mortgage, they got some credit card debt, they got grandchildren and it's something about those grandchildren they get everything. So they want to help their grandchildren, he's probably going to retire in the next six years. She's going to probably work another eight, they want to pay off the debt and then they want to take a nice vacation as well. So they've got some really good resources here. So here again, what would you tell them Jeremy? How would you talk to this couple in late career?

Jeremy Altfeder:

Yeah. This is a really interesting situation because they're both getting to the point where they need to really start focusing on the timing of things like social security and the timing of things once you retire. If you retire before Medicare age you have to pay for private insurance in some way. So if she's going to retire in eight years and she's 54, she's going to be retired before normal Medicare age. So they have to really consider these higher costs of shopping for private healthcare insurance or going on the public markets with Obamacare. So these are things that aren't listed here as objectives that are kind of the hidden complications of when it comes to maybe an early retirement that sometimes people don't think about right away.

Debra Gates:

Yeah.

Shalethia Patton:

And I think too [inaudible 00:41:10].

Debra Gates:

Go ahead [inaudible 00:41:11].

Shalethia Patton:

Yes. I think too something else they may want to consider as well, really sitting down and thinking about the priorities. What ultimately do they really want to accomplish now? I think number one, because they are getting closer to retirement, paying off that debt has to be the number one goal, getting rid of that mortgage and also paying off that credit card debt before they enter into the retirement years where they're going to go on that fixed income. So they really want to try and make that a priority right now while they are working. But again, we see here that they are thinking about this nice vacation that they want to take. Well, how nice of a vacation are we talking here? Can you go forward to go to take a European tour or do you need to maybe think about keeping it a little closer to home? Maybe going out to Napa Valley or maybe even going somewhere in the Caribbean. So really think about what your goals are there.

If you have that more expensive trip, then that may mean that's less money that you can put towards your debt and also towards putting money aside for your grandchildren. So you really have to weigh that out, think about those priorities where those stand. Also in terms of being able to assist your grandchildren with their education expenses, you may want to consider opening a 529 plan where you can put some money into that for those grandchildren. The great thing about the 529 plan is that of course you get to control who the beneficiary is, so you can change that whenever you like. So if you have two grandchildren now and you get a third, well use [inaudible 00:43:13] first one. Once the first one is done change the beneficiary to the second one, then if you get a third one allocate that money to the third one. So it puts you in control of who gets access to those funds.

Debra Gates:

Wonderful. Oh my gosh, this has been great. We could go on and I could keep talking to you guys for the rest of the day. But we do have a time limit and I just want to say there are about 1400 people that registered for this webinar, and so we needed to keep this broad enough and so we may not have hit your particular situation or what you're saving for. We were trying to really hit the masses. So we have an advice desk, you have a resource and so we're a part of your benefits package. Schedule an appointment or you can call us directly, our advice desk hours as is showing on the screen, 8:30 until 5:30 Eastern Standard Time where you can just call directly Friday 8:30 until 4:00. If you also want to make an appointment, go on to captrustadvice.com and you can make an appointment on the website and you have until 8:00 PM Monday through Thursday and until 6:00 on Fridays making those appointments.

We are going to ask your indulgence, ask for your patients to get in there and make those appointments. We have a lot of people calling in and we are so pleased that everyone is taking such advantage of this service and we are waiting and readily available to take calls and to set these appointments. So get on that roster, you'll see the appointments that are available for that day and so you may have to schedule out and set an appointment. We are here, we're going to offer you independent investment advice. We don't have anything to sell you.

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Debra Gates:

... independent investment advice. We don't have anything to sell you. We just want to help you be more confident about your financial future and answer any questions that you might have. But before we go, I just want to know we have our friend Wes and David, they've been manning that chat box and any questions that have come through. So do you have anything that you want to throw out at us, Wes, before we go?

Wes:

Yeah, so I've been seeing a few different themes here that I'll throw to the panel. And first, one of the big ones that we're feeling a lot right now is inflation. Yeah, I just filled up my car and it was 3.50 a gallon just earlier today, and I know many of you may be paying more than that. So a lot of the questions have said, "Well, should I still be having my money in my savings account with all of this inflation going on?" So Jeremy, can you talk about emergency savings and the impact of inflation, real quick?

Jeremy Altfeder:

Yeah, great question. And I mean, inflation is the hot topic with everybody because no matter how much money you have everyone's paying more money for what it is they must purchase right now. Inflation does not negate the need of having an emergency savings account. What it does likely impact is how big that emergency savings account needs to be.

So as Shafilea, you did a great job of explaining the first way to right size your emergency savings is to use multiple of your income. But if you can't do that, use multiple of your expenses and if your expenses have gone up, thus your emergency savings should also flow with it. And in addition to an emergency savings, those other buckets, the intermediate goals and the long-term goals we talked about, the best combatant to inflation is to have the right amount of equity exposure in your portfolio, be that in your retirement plan or maybe your other investment accounts. So just keep in mind that as long as you have the right size risk in your portfolio, you'll be able to combat inflation appropriately.

Wes:

And Shafilea, this next one I'll toss to you, it's also around that emergency savings aspect. So we've got some questions about, is there such thing as too much in emergency savings? If I'm sitting on $50,000 in savings, is that too much? What are your thoughts, maybe, if you see someone and they do have a lot sitting there and what are their next things they maybe want to be thinking about?

Shalethia Patton:

Well, if you see that you may have too much in emergency savings, that's rare, I've rarely come across anyone who stated that they have too much in emergency savings. At that point, that's where you may want to consider allocating more to your employer plan. If you're not maxing out your contributions in your employer plan, it's a great opportunity to consider bumping that up and taking advantage of that plan. That way, again, you'll probably get a better rate of return on your investment than just sitting it in cash. So live off whatever you have in those emergency savings or that extra savings, put it in your savings or your checking account, live off of that, and then just bump your contributions to your retirement plan so that you can put more away and give your money better growth potential.

Wes:

Yeah. Darn, I've got too much sitting in cash. Yeah, we don't hear that much. But again, the goal is to have some in cash. It's about protecting that money for those inevitable situations that may arise. The goal of emergency savings is not necessarily to grow, it's to be there. And then again, as our panelists were saying, then we evaluate where does my next dollar go? And it's a constant battle of reevaluating over time as life changes.

And so Shafilea was talking about, okay yeah, contributing more to my employer plan. So another few questions we got were pre-tax and Roth, maybe my plan offers the ability to contribute Roth. So Jeremy, can you maybe talk about maybe the thought process when someone's trying to think pre-tax versus Roth? So maybe the difference on their take home pay.

Jeremy Altfeder:

Right, exactly. So we can have a webinar just about Roth versus pre-tax inside your retirement plan. But the big takeaway is to your point, Wes, the impact it has on your net paycheck. So that's the first thing you really need to consider. If you are putting your own dollars into the plan in Roth, that means that more of your paycheck is subject to ordinary income tax as opposed to making it pre-tax contribution. Your taxable income would be lower in that paycheck. So you just want to make sure that you know the impact that those Roth dollars are going to have. But if you can afford that to have more of your paycheck taxed and you can do Roth, that is a very powerful vehicle to utilize inside the retirement plan because once those dollars go into the Roth portion after tax, they're never taxed again. So those grow tax free forever and then they can become part of your 401K or Roth IRA long-term and you're not forced for RMDs down the road.

The pre-tax again lowers your taxable income, but you do have to pay taxes on the dollars as they're pulled out and the growth is also shielded as well. So again, that's a topic for perhaps a webinar of itself in the future, but just some key takeaways there about Roth [inaudible 00:50:59] pretax.

Wes:

Yeah, we've got some great resources on the website around that same topic. If you go to the CAPTRUST Advice website and just type in Roth and you'll see a variety of articles and resources come up. Those are the types of conversations we help people with when you set an appointment, when you call our advice desk, we're constantly having conversations about where it may or may not make sense, the impact and whatnot. So again, use this resource you have available, that your employers are making available as part of your benefits.

And so Deborah, I've actually got a question for you. When someone has a consultation, what do they maybe want to have ready for that consultation? What are the things they want to think about or bring to maximize that consultation?

Debra Gates:

Absolutely. You want to optimize your time. You want to bring any statements that you have, if you have any investment statements, other accounts, your [inaudible 00:51:57] with your employer sponsored plan, you want to have that statement. You also want to bring to this appointment your access. So when you setting your appointment, whoever your record keeper is for that plan. So if that's Empower or Fidelity, or Principal, you want to have that login information as well so that you can always go into your account. So if there's an action that you need to take, then we can help you. When that consultation is over, we can help you actually take action and lead you to that website and show you how to make that change, any of those transactional things. We'll advise you and we'll also help you make those transactional things.

So as many documents as you can find, bring that with you so that we can make sure... And any other outside assets. And also if for your partner or your spouse. We look holistically, we want to make sure that we are including everything in your household. So any statements that you have, any statements from your spouse or your partner, you want to bring all of that with you.

Wes:

And the great thing is there's appointments for later hours for those that maybe want to do it after work when their spouse is available.

Debra Gates:

Absolutely.

Wes:

We always encourage these joint consultations. So another question I've received is about managing debt. I've got some debt and what's more important maybe paying off that debt or building up emergency savings? So Jeremy, I'll toss that one to you first. Your thoughts around debt versus building up emergency savings and what you may talk to someone about.

Jeremy Altfeder:

Yeah, so the number one stop when it comes to financial planning is that emergency savings. So you have the 52-week challenge Shafilea just spoke of and then out there in the public realm, Dave Ramsey loves this gazelle like mentality of do whatever you can to get $1,500, 2,000 in your savings account. You need to pick up a shift delivering pizzas or maybe you asked for the promotion when you hadn't planned on doing it or you get another part-time job. Whatever you need to do to get that emergency savings at an appropriate level, that is stop number one. Then once that is done, you can employ the snowball method of going for your highest interest rate, credit card debts first and the next lowest interest rate, et cetera, as they're paid off. But the emergency savings is absolutely the first stop.

Wes:

Excellent. And Shafilea, if someone came to you and we've got a lot of questions around this topic as well and said, "Hey, should I be saving for my child's education or should I save for my retirement?" If someone posed that question to you in a one-on-one, what would you tell them or what would you give them the things to think about to help make their decision?

Shalethia Patton:

Well, should you save for retirement or should you save for your children's education expense? Well, you should be saving for both. But if I was put precedence over one over the other, I would say your retirement, you want to put that first. Again, you need to make sure that you're putting yourself in a good position because remember, your children if need be, if they need to take on a part-time job, they can do so. Of course, we do want to make sure that we're applying for all the scholarships that we can apply for when it comes to that time for them needing that money and they can take advantage of grants, fellowships, things like that. So, you definitely don't want to save for your children's college expenses at the expense of your retirement. So focus on that.

Put it out there, one strategy I've heard of that was pretty interesting in terms of saving for your children's education expenses, you want to think about it in terms of thirds. So you think about how much it's going to cost for your child to go to school, whatever that cost is for those four years, the first third of that, that is what you want to save up for those education expenses. Then the next third or more will come from the free money. So it'll come from those scholarships and money that is saved there. And then whatever is left, that amount would come from, again, the child maybe having to take out loans or work in order to pay the rest of that cost.

So again, you just want to make sure that you are not doing anything to put yourself in a bad position. You want to make sure that you are paying attention to your goals, you are saving for your retirement and doing what you need to make sure that you are able to live the type of retirement you want to live. And even in speaking of that, you can use a tool like a Roth IRA to hit both targets if you're interested in doing that. Remember, you can always take your contributions out of a Roth IRA without penalty. And if your child is in college, if you're 59 and a half and had that Roth IRA open 5 years, you can take out those earnings tax-free. So you may want to use that type of vehicle to help with education expenses. But there are a lot of ideas we can give you. So I do encourage you call the advice desk so we can talk through that with you.

Wes:

Exactly. Everybody's different. One last thing I want to put it out, I heard a long time ago is, loans for your children's educations they have their whole lives to pay them back, no one's going to give you a loan to retire. So there's articles on that same topic on our website as well. Check out that about, we did a webinar a year or two ago around educational finances, reach out to us.

So with that, Deborah, I'll turn it back over to you. If we didn't get to your questions, give us a call. Let's discuss them personally.

Debra Gates:

Absolutely. So we've run out of time. Thank you so much. Oh my gosh, I want to thank my guests. Thank you, Jeremy. Thank you Shafilea. Insightful, great information that you've provided. And thank you, Wes, for your contributions as well. This has been wonderful. Everyone make sure, call our advice desk, set an appointment on the website. You're going to get a survey after this presentation, so I strongly encourage you to fill out the survey. We thrive on your input, your feedback, it helps us to get better. So please give us your comments on the survey. You'll receive a copy of this recording in 24 to 48 hours. Thank you very much everybody. Have a great day. Stay safe and goodbye every-

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