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

Tracy:

Hello everyone and welcome to today's webinar presented by Captrust financial advisors. And now I'd like to introduce Debra Gates manager advice and wellness.

Debra Gates:

Thank you, Tracy. And good morning, everyone. Well, good afternoon. Thank you for joining the ask Captrust series, midyear check in webinar, which is one of our shorter webinars, is actually only going to be 30 minutes. But I want to start with a few disclaimers noting that this seminar is brought to you for informational purposes. And an important thing to remember here is that everyone is unique. So take into consideration your specific situation when you're making decisions regarding savings and investing. And you'll want to do what is best for you.

Fortunately, you have access to help through Captrust. So please be advised that Captrust does not offer any legal accounting or tax advice, but keep in mind that all investing has a risk associated with it. And that past performance is no guarantee of future results.

So before I introduce our special guest, I would like to explain the agenda today. So during the registration process, we asked you to submit your questions regarding preparing and saving for retirement. And my goodness, we really appreciate that you submitted over 500 questions, which informed the presentation for this webinar today. However, it would be impossible to address every question within the next 30 minutes. So we were able to group the questions into four financial areas that could impact your retirement planning and your financial wellness.

So the financial areas that we will address today include retirement savings, emergency savings, budget and debt management, and market volatility. A lot of you have questions about market volatility, and we are going to dig into that a little bit later. Questions that were more specific to your personal financial goals can be addressed by reaching out to our advice desk either by calling 1-800-967-9948, or by scheduling an appointment on our website captrustadvice.com. I'm telling you our retirement counselors would be happy to discuss your personal financial situation and offer advice. But without any further ado, please join me in welcoming Kyle Heppner, our resident subject matter expert into today's conversation. Kyle, welcome. And thank you for joining me today.

Kyle Heppner:

Absolutely. Debra, thank you for having me looking forward to it.

Debra Gates:

Absolutely. All right, so let's get started. So I want to start Kyle with retirement savings. People are concerned about savings they want to make sure that they're saving enough. Questions were coming from those in their early 20s in their early career, all the way from those who are mid-career a little bit later. Is it ever too late or too early to start saving for your retirement?

Kyle Heppner:

Absolutely great question. I've had meetings with clients of all certain ages and at different checkpoints on their way and road to retirement. It is never too late to start saving. We find that the average person needs to be prepared in retirement to replace somewhere between 70 and 80% of their earnings during retirement. And that can be a mind boggling number. Especially if you maybe haven't started just yet

and you're getting closer to retirement, it's becoming more forefront of mind and we got to do some catch up. At Captrust we're here and ready to help you set a plan and get on the right track.

But most folks that we meet with find that they can live off of anywhere from 70 to 80% of their working income once they get to retirement. When we think about retirement, typically our major bills are paid off by then, the house is done, the cars are done. Any kids you have are knock on wood, hopefully out of the house by then. So we do find that we can live off a little bit less in retirement than during our working years. Of that 70 to 80% of income that we need to be prepared to replace, today we're finding about half of it or so is being replaced by social security. 35% of income in retirement is coming from social security benefits.

But as we've come to learn over the last few years, social security is vastly underfunded and it's becoming more of our responsibility to save for our retirement income. So putting away money in your employer benefit plan, saving some outside monies and IRAs, things like that, and personal investment accounts, all to accumulate that 35 to 45% of your retirement income that you're going to need coming from accounts that you've set up yourself.

Now, clients will ask, "How am I going to be prepared to replace 70 to 80% of my income?" Well, by saving in your retirement plan. And the sooner you get started saving for retirement, the better off you're going to be and the smaller amount we do find that you need to start off with. So for the individual you were mentioning in their early 20s, just starting their career what should I be starting my 401k contributions at to be successful? We find that if you're in your 20s, you should be saving 10 to 15% of your income. If you paid off maybe some debts, which we'll talk about here in the latter half of the presentation, and you didn't get started until your 30s, you can see that contribution amount increases to 15 to 25% of your income. And if you're in your 40s, you may need to save 25 to 35% of your income in order to catch up. The time value of money is a piece that we always talk about. The sooner you start saving the better off you're going to be.

The biggest advice that I could give for anyone who hasn't yet joined their 401k plan and is thinking about it. We want to definitely begin by setting a goal and enrolling into your plan at a number that's comfortable to. You definitely want to make sure you're taking advantage of any employer match as well. We don't want to leave any free money on the table and the employer match in the 401k or retirement space is it's one of the few places we can actually get free money. So let's get that free money first. And then slowly increase your contributions over time until you achieve that goal or get to that goal.

Debra Gates:

Absolutely. In the past couple of years, Kyle, we've come to know the importance of having a savings account that is earmarked for emergencies. And so we also received several questions about what other types of savings should I have in place? What else do I need? And the likes thereof. So would you please speak to this very important concept of emergency savings?

Kyle Heppner:

Absolutely. We found, especially during the last few years with the global pandemic, folks had needed to dip into those emergency savings accounts more often than ever when the world kind of shut down, right? What we find at Captrust is a solid emergency fund could be anywhere from three to six months of income that's set aside in case your income were to stop.

Think about if all of a sudden we were to lose our positions here today and our paycheck were to go away, that doesn't mean the bills go away, right? So we need to have money set aside to cover that. The three to six month number, it depends on the position that you're in right now. If I think about it like

this, if I were to lose my position today, how quickly would I be able to find another position that replaces income at a level that I'm at right now? Maybe you could find replacement work in three to six months. If you're in a more specialized position, that those jobs are few and far between, it may take you upwards of even a year to find similar income that you're making right now. So think about that when you're wondering should I have three months, six months, or would I need a year to find my next position or my next job?

Now, once you figure out how much you need in your emergency savings, where do I save that money? Emergency savings are going to be in liquid investment accounts. And by liquid we mean easily accessible, right? So checking or savings accounts at the bank. This is not money that we're putting in the 401k plan. Those liquid investments could be money market or short term CDs. And what we typically find in our emergency fund is these aren't what we would consider the most attractive investments. We know that over the last three years, the stock market has performed phenomenally for us. Albeit the last six months, have certainly been a little rough. And we'll talk about that.

But pre 2022 had a lot of clients saying, "Kyle, I've got this emergency fund sitting at the bank, my 401k is going gangbusters, and I'm making a ton of money in the market. This money's just sitting there. Should I invest it?" And we would recommend short term investments like the CDs or money market accounts, but very safe, very liquid, because we need to be disciplined and remember that this emergency account, although we don't like it to see it sit there flat, it's very, very safe and it's not there to grow for a goal such as retirement. It's there in case of an emergency. If we need to dip into it, we know it's going to be there for us.

Debra Gates:

So I've got another question, kind of a follow up to this. Because sometimes we'll get I've spoken to clients and we get questions like, "I can't do three to six months of income." But what about expenses? Let me know, what are your thoughts about that? Three to six months of expenses as a starting point, as opposed to three to six months of income?

Kyle Heppner:

Absolutely. Expenses are really what's important, especially in the emergency. Because as I mentioned at the beginning of that slide, the income might go away, but those outgoing bills aren't going to go away. Your collectors aren't going to stop expecting their payments just because you had a change in job status.

So a great starting point would be three to six months worth of expenses rather than income. So that you know your budget isn't going to get out of whack because of an emergency situation. So, yeah, that's a great starting point. If you're thinking three to six months of income, wow, that's a lot, I don't know if I can get there. At least you can be comfort or seek comfort in knowing that you have three to six months worth of your bills set aside so you can continue to pay those while you look for your next position.

Debra Gates:

Excellent. Very good point, which leads us to our next topic in here. So we've talked about retirement savings. We've talked about emergency savings. And some people don't realize that Captrust, when you're calling Captrust, when you're reaching out to us, it is about your retirement, but it's not just about retirement. We really want to look at you holistically and address your financial concerns for your household. So this is about financial wellness. We've had questions, Kyle about competing financial

priorities, like saving for retirement and paying down debt and managing expenses. How can Captrust help with financial wellness on the way to retirement?

Kyle Heppner:

Absolutely. And that's a great point, because I do feel that Captrust is the largest registered investment advisory firm in the country. People might be intimidated to call in and speak about some of those financial wellness topics such as budgeting. But I've had conversations where we delve into expense ratios of certain mutual funds and cost internally. And I've also sat with, I know specifically clients that I've sat with for 45 minutes to an hour, breaking down a budget. We're here to cover that. And it's super exciting. Because we can't talk about retirement savings if we don't have money to put away for retirement.

So creating that budget is something that we are happy to help our clients with. When you think about creating your budget 70% of Americans are living paycheck to paycheck, according to the Wall Street Journal. So you're not alone if you feel like you're living paycheck to paycheck. Getting a handle on your spending can really allow you the opportunity to find money that you could be saving.

So we would recommend if you feel like you're living paycheck to paycheck, I know I'm showing up to work for 40 plus hours a week. I'm receiving my paycheck, but at the end of the month, where's all the money gone? Track your spending. Be very disciplined, write down. It's so easy today too, to spend money. So writing down what you're spending your money on. When we think about a budget, we've got our money generators, you pay from your job. If you have any dual income child or family support, things of that nature. We got the money coming in.

The first thing that I think about on our budget sheet are fixed expenses. Fixed expenses will be the mortgage, the house, rent payments, any car notes that you have, if you have student loan debt. Those fixed payments are going to be there monthly, and they're not going to fluctuate month to month.

But then below the fixed expenses, we have our variable expenses. And within your budget, really tracking those variable expenses is where we can find the money. We're talking dining out, entertainment, hobbies, sports, utilities. In the world of automatic payments, I'm sure that the majority of us listening in have signed up for some type of 30 day free trial, let that 30 days go by and then all of a sudden we're getting charged $10 a month. Just this morning, I was watching the news and they were talking about Netflix and they showed all of the different streaming services and their different monthly costs. I'm like, "I think I'm signed up for five or six of those and I probably only utilized two." Right?

So analyzing those variable expenses, we can see, all right, what am I spending my money on? And what can I kind of tighten the belt and be a little bit more disciplined? And when I knock out some of those variable expenses, we can find extra money at the end of the month in our budget so that our budget is balanced and we're able to start increasing saving for the future.

Debra Gates:

So let's talk a little bit about debt. We talked about budgeting and so what do we do? What do you recommend? What are you suggesting for people that need to pay off some debt?

Kyle Heppner:

Absolutely. So two options here on the debt screen. Option one, the snowball concept. And both of these options start with gathering all of the outstanding debts you have. So maybe you have three, four, five credit cards that you've built up over the years. Option one has you list those debts in order of lowest balance first, and then paying them off and rolling each payment into the next. So starting with

your lowest balance, it's kind of the feel good debt payoff because you can see those balances drop off and those credit cards drop off your list. Once your lowest balance card is paid off, we're going to roll that payment into the next lowest balance. And then when we pay off the second credit card, we're rolling both of those payments into our third credit card, paying off the lowest balance first to the highest balance. Easy, quick way and it's really motivating to watch your list of five lenders that you owe money to drop down to two and then three, and then the fourth and fifth one disappear even quicker.

Option two from a financial savvy standpoint, reducing your cost of debt, list those credit cards out in order of the highest interest rate to the lowest interest rate. Let's pay off our most expensive debt first and then roll that payment into the second most expensive and then the third most. That payoff amount still snowballing those payments into one another is going to cost you the least in terms of interest that you're paying to those credit card companies.

Either way, though, whether you go with the snowball concept, lowest debt to highest debt or highest cost to lowest cost, any strategy and plan that you put in place to pay off those debts is going to make you feel much better and much more comfortable from a financial wellness perspective.

Debra Gates:

Absolutely. And I think it's just the consistency and really sticking to it. And you just definitely want to get rid of as much debt as you possibly can. So we're coming on the downhill slope of this presentation. And so as I mentioned earlier, many of you had very in depth questions about the allocation of your assets, investments, whether you should or should not be in and whether or not you should make a change right now in this volatile market.

Again, this is really where you would reach out to the advice desk and set an appointment, go to captrustadvice.com or call in on the 800 number at 1-800-967-9948. I will show that number again at the end of the presentation.

So once again, we're not going to be able to address everything about market volatility, but I do want you to know that this session is being recorded and you're going to receive it in the next 24 to 48 hours. But in addition to this recording, you will also receive a short market update video from our chief investment officer Mike Vogelzang. And in that video, he's going to speak about inflation, what would cause a recession. He's going to talk about bear market, he's going to talk about investor sentiment.

So all of that will be in that short video. And it's probably a little bit over four minutes, so some of the questions that you had about an upcoming recession or whether or not there will be one or what we are looking, what our opinion is, you'll hear that within that market update video that you'll receive when you receive a copy of this recording.

But today, Kyle, I want you to talk about just what people can do right now. How can investors weather the storm and markets like we're seeing today? And I also kind of want you to hit on some of the important terms that we know and we speak about often like asset allocation and diversification. So if you could explain some of that terminology and help people get a better understanding of where we are and how they should position themselves when we are in volatile times like we are right now.

Kyle Heppner:

Absolutely. And I think that the biggest tool that you have is the advice that Captrust can give and the knowledge and understanding of where your investments are at number one, and how would they be reacting to certain markets so that regardless of what the market does, you're comfortable with the way your portfolio is fluctuating. This piece shows how much more important it is to stay in the market, rather than try and time the market. Time in the market, more important than timing the market.

This goes back 35 years to 1987 through the end of last year where we're tracking the S&P 500 index. Now, when we all watch the news in the evening, they typically show the three major indices, the S&P 500, the Dow Jones Industrial Average, and the NASDAQ. And the S&P 500 is made up of 500 large size US companies. And we can see that the annualized return of the S and P 500 over the last 35 years, if you were in the market and invested the entire time, your average annual return for the S&P 500 was over 11 and half percent, 11.84% in that blue bar.

Now, when we meet with clients during the volatile times, this is where everyone asks the question, "All right, Kyle, I see that the stock market is sliding down. Is this a good time to make a change? Maybe I should get out of the market during these rough periods and then when things return and recover and are back on the upswing, then I'll get back in. Right? That makes sense." Well, we find that jumping in and out of the market can have a massive impact on your long term average rate of return. And this chart shows if you miss the best days in the market, by jumping in and out.

So if you jumped out from 1987 through the end of last year, and you missed the best 10 days of the market, your portfolio return is going to drop from 11.84% down to 9.3. Now, most folks that I do talk to when they jump in and out of the market, they're out for more than 10 days. And if you stay out for a longer period of time, the odds increase that you'll miss more of those best days in the market. And you can see that just by missing the best 30 days in the market, your rate of return gets cut in half. So timing the market, staying in the market during these volatile times, is a far more successful strategy than trying to jump in and out.

And as you'll see in Mike's video that you receive, some of the best days in the market happened during these volatile times. So remember, this is a long term plan, especially when we're talking about your retirement dollars. Don't make any short term changes with your long term money. If your investment portfolio made sense six, 12 months ago, odds are when the market was as high as it's ever been, six months down the road in 2022, that investment portfolio probably also makes sense for you today. But if you're wondering about that, give Captrust a call, because we'd love to talk to you about that.

When we're talking about investments, it's important to talk about diversification. On this next slide you'll see that we typically have three main types of investments in your retirement plan, right? Stocks, bonds, cash. Now your stocks are your high risk for high reward investments. Your bonds are kind of medium risk for medium reward. And cash is very low risk for low reward.

The allocation or the mix of stocks to bonds to cash that you have is very important. And typically the further away you are from retirement, based on your time horizon, the heavier stock allocation we're going to recommend. You've got a long time until retirement, you can afford to take on a little bit more risk. But then as you get closer to retirement, we want to start layering in some bond and cash protection. There of course is a balance there with your time horizon and your risk comfort level. So at Captrust, we address both of those. Just because you're young, going back to that 22 year old starting their career, doesn't mean you have to be super aggressive. And if you've been in the market for the last 30 years of your career and approaching retirement and are comfortable taking on a little bit more risk, doesn't mean you have to get super conservative. It's a balance there between your time horizon and your risk comfort level.

But regardless of your asset allocation stocks to bonds, to cash, aggressive conservative somewhere in between, on the next slide, you'll see that having that healthy mix is what's going to provide you, is the biggest contributor to that long term rate of return. So picking your individual securities and market timing, the mix or asset allocation within your retirement portfolio is what's going to directly reflect the long term rate of return.

So again, I don't think I'm saying something that anybody hasn't heard yet. Don't put all your eggs in one basket. Call Captrust, let's talk about your your time horizon, your risk comfort level, and figure out the

asset allocation that makes sense for you. Once we have all of these components put together that we've talked about today, you'll see that we've got some stuff that's in our control in regards to our journey to financial independence and out of control. And on the next slide, you'll see we have total control over our savings versus spending, right? Talking about that budget, knocking that out, getting that balance. We've got our income coming in, paying those fixed expenses, tightening the belt on the variable expenses and saving our emergency fund, paying off the debts and contributing to our 401k plan.

We also have total control over our asset allocation, selecting the investments within our 401k accounts. We have some control over our employment and earning duration. So hopefully the longer you're working at your position at your current company, the more money you're making. But we don't always have control over that. And then longevity, people are living longer, healthier lives, but we don't ultimately choose when we check out. But things that are completely out of our control policy regarding taxation, savings and benefits. And most importantly, the stock market return.

Nobody can tell you what the stock market's going to do today, six months from now, six years from now. But if we're saving enough for retirement in order to retire successfully, if we've got our asset allocation in a mix that we're comfortable with, we know regardless of whether the stock market goes up or down, we're going to be comfortable with the way that our portfolio reacts to that. So in closing, stick with the plan, watch our market update video that you're going to receive. This is a long term deal, don't make any short term changes with your long-term money. And contact us when you need help, because we're here for you.

Debra Gates:

Thank you much for that, Kyle, and I just want to add that when you're calling, setting up an appointment with Captrust or calling Captrust. Bring whatever statements that you have, bring any other information. And have a blueprint analysis done so that you can actually see where you are. And not only will we talk to you what you're doing, we can help you execute that plan and that we can take you out to your record keeper to make that transaction.

So I also want to say, we did get a couple of questions about wanting to be a little bit more familiar with Captrust. And a couple of people asked the question, not really sure, never called. So I strongly encourage you to set an appointment on the website, captrustadvice.com, call us on the phone number. Those are the hours Eastern standard time. If you are scheduling an appointment, there are extended hours where you can do that.

But what Captrust will do will offer you independent investment advice. We have nothing to sell you. We want to help you be more confident about your financial future and we want to answer any questions that you might have. And we want to look at this holistically. So we're looking at your household. So if you want to bring a spouse to that appointment, that virtual appointment, calling us on the phone, we welcome you to bring your spouse, your partner, or anyone who will play an integral role in your time of retirement.

So I really appreciate your taking the time to be with us today, Kyle. Thank you so much for your expertise, for sharing all of this great information with us today. I really appreciate you taking out the time and spending it with me these few minutes that we've been here to give a lot of information.

And I know that we have loaded you with a lot of information today. Once again, just want to remind you that within 24 to 48 hours, you will receive a copy of this presentation. You will also receive that market update from our chief investment officer, Mike Vogelzang, that will come into your box. And also, there will be some noteworthy articles around the information that we're talking about.

And then next month, August, the third Wednesday in August, is August 19th. We are going to do a full hour webinar and it's going to be retirement readiness. So there we're going to talk about Medicare, we're going to talk about preparing for retirement and the things that you need to do to make sure that those things are in place and what you need to do in your time of retirement. But again, thank you so much for joining us today. Stay safe and have a wonderful day. And this ends this presentation. Thank you again.

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