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 with the CAPTRUST participant advice team. Debra, please go ahead.

Debra Gates:

Thank you so much. Thank you so much for that introduction, Tracy, and it's a pleasure to be here. Hello again. I just want to welcome everyone to today's presentation and it is investing beyond your employee plan.

Just as a reminder, CAPTRUST Financial Advisors is the independent financial advisory firm that works on your retirement plan.

And first, I just want to give a couple of disclaimers. This seminar is brought to you for information purposes only. CAPTRUST does not offer you legal or tax advice. As a reminder, individual investors have different needs in planning for retirement, and no single solution is applicable to every investor. It's also important to remember that all investing has some risk associated with it, and that of course, past performance is no indication of future results.

And so, today in this presentation I want to again just thank you for coming. What we're going to talk about today, we're going to speak about several things. We're going to look at ways to invest outside of your employer sponsored plan. We're going to look at things like emergency savings, IRAs, HSAs, micro investing apps. We're going to talk a little bit about brokerage accounts and we're going to talk about investing in education. And then, we're going to go into looking at selecting your investments, some key takeaways, and then we'll give you some contact information.

I want to thank today... I have some guests with me, as usual, for those of you who've listened to these webinars before, I always bring someone with me. And so, today I want to welcome Caty Bragg and Brandon Aber to join us today in this conversation in speaking about investing outside of your employer plan. So welcome Caty and welcome Brandon.

Caty Bragg:

Thanks, Debra. I'm excited about the conversation today.

Brandon Aber:

Thanks, Debra. Happy to be here.

Debra Gates:

Absolutely. We're happy to have you as well.

So I always like to start with a polling question, because I just want to do a little bit of level setting. And I want to start, just kind of see where the audience stands. And what we're talking about today is really investing beyond your employer sponsored plan, not investing in lieu of your employer sponsored plan.

And so, Tracy, let's just launch this poll. The question is, is it time to start investing beyond your employer sponsored plan? Have you set a goal for investing? Do you have an emergency fund? Have you paid off any of your high interest debt? Have you maxed out your contributions on your employer

sponsored plan? And let's just look to see how many of these financial guidelines have you met. Have you met none of them, one to two, three to four, or all of the above?

So if you can just answer that question. Just kind of let us know where you are.

And so, as we are doing that, so Brandon, what do you think? How do you think this is going to fare out today?

Brandon Aber:

Yeah, that's a great question. These are staples of financial planning. What are your goals, the emergency fund, high interest debt paid off, are you maximizing employer contributions. A lot of folks that I talked to have done a pretty good job of it, but I would expect a lot of folks to be missing a piece, at least one or two of these.

Caty Bragg:

Yeah, I would say that's the same from my experience too. Just like with financial planning, it's really going to be different for everyone depending on their personal situation.

Debra Gates:

But this is just so very important to consider all of that. Exactly what the two of you have said.

So how long has that been, Tracy? Let's see. We've got about 75%, 76% voted and let's keep this going. Let's just go ahead and close that poll. And I can see the results here. It looks like the bulk of them; 43%, one to two of those guidelines have been met; 31%, three to four. That's wonderful. And so, it's never too late. And we're going to talk about all of this. So we want to make sure that we're hitting... At least I know we're on the right track, we're hitting some things. And so, some people will learn what they need to do as we go through this presentation and as to what is next.

All right. So now we can close that. Tracy and I can make sure that we get to that next slide. Is there something that I need to do to unlock that or is the poll still showing?

Tracy:

No, we're great. We can see the PowerPoint.

Debra Gates:

All right, perfect. I just needed to move. I'm staggering a little bit. Moving a little bit slower.

All right. So what we want to talk about today is we want to look at ways to invest outside of your plan. So we're going to talk about these different ways outside of your employer sponsored plan.

And like I noted earlier, we're going to go through some things, emergency savings, HSAs. We're going to look at the gamut of things. We're looking at your entire financial plan wellness, and we're taking a holistic approach here and looking at what you need to set aside.

I know that we talk about emergency savings, we talk about that a lot, and I want to continue that conversation of looking at emergency savings. We're not going to belabor the topic, but it's one of the most important savings that you can personally do. And that's creating this emergency fund. This is money that'll carry you through in the event that an emergency happens. These funds need to be readily available.

And if we never really understood an emergency fund and what that actually means, during these past two years, we saw how important it was to have an emergency fund because who would've suspected

that the global pandemic would've lasted as long as it did? And as we continue to try to weed our way out of it.

So Caty, in looking at an emergency savings and having that kind of fund, I know these funds need to be readily available, but what suggestions would you have as to what vehicle should they put that money in as they're saving for their emergency savings?

Caty Bragg:

So Debra, there are going to be several options. The first is just using your checking account. If you are like me, if money is in the checking account, it's going right out for something else. So I usually advise clients and friends, go ahead and just get it out of sight, out of mind, and I would put it into a savings account.

Other options outside of a savings account would be CDs or money market accounts. You can open those at banks also, but I would just make sure that I really understood the guidelines with those because there are guidelines about how you can pull your money out and when.

But like you said before, these really aren't meant to have a bigger turn. These are really meant to put in a place that they are safe, and in the event of an emergency, you're able to readily have access to those funds.

Debra Gates:

Absolutely. And then also, you don't want to forget about any of the benefits that you have with your current employer. You want to look at, do you have disability, life insurance, looking at other emergencies that you might have. You want to look at what does your employer offer and should you purchase any additional coverage. All of that that you want to look at when you're trying to build an emergency fund, that's a part of having something set aside for an emergency as well.

Caty, I'm going to come back to you one more time in that we hear a lot about IRAs and we hear a lot about a traditional IRA or the Roth IRA. So can you kind of speak to us about that and kind of talk about some of the differences between the two?

Caty Bragg:

Definitely. So a lot of this language you guys are going to be familiar with, a lot of it is the same language with your employer sponsored retirement accounts.

But people come to me often and they say, "Hey, I want to do a little bit more. I already feel like I'm maximizing the benefits of my employer sponsored retirement accounts. What else can I do?" That's when these individual retirement accounts really come into play. So with these, you do have to have earned income. The maximum contribution you can make is $6,000 a year, and that number is for the year 2022. They will allow you to make an additional contribution of $1,000 if you are over the age of 50.

So really what is the benefit of these retirement accounts is the preferential tax treatment. And once again, that's really similar to your 401(k)s. These are going to grow tax deferred. And because of that benefit, they don't want you to have access to your money until age 59 and a half. And if you do have to access that money, you will pay a penalty, and that's a 10% penalty.

So the difference in the traditional and the Roth is once again just that tax component. So with the traditional IRA, you're going to get a tax deduction when you make that contribution. And then your account is going to be able to grow tax deferred. And then in retirement, when you need to pull that

money out and create that income for yourself, whatever your tax bracket is at that time, you're going to be taxed as ordinary income for that amount.

Of course, the government is going to want their money. They're not going to let this grow forever and ever. So you will be required to take required minimum distributions or RMDs. And so, really, those RMDs, there's a formula to figure out what that looks like, and it's based off of the value of your account at the end of the year. And then, they do a life expectancy factor. But at age 72, you will have to start taking those required minimum distributions.

And so, that's different from the Roth IRA. With the Roth IRA, you don't get the deduction whenever you make that contribution. And so, that money is able to grow tax-free, and then whenever you take that money out during retirement, you're not having to pay taxes done. So it's kind of a tax strategy play there.

And that's something that if you guys want to utilize CAPTRUST and call us and say, "Hey, what do you think for my personal situation? Should I think through the Roth or traditional?" CAPTRUST is always happy to have those conversations.

Debra Gates:

Absolutely. And some of you may have access or you have the ability to make Roth contributions to your employer plan. It's similar to a Roth IRA. However, Roth 401(k) or 403(b)s do not have those income limitations like Roth IRAs. So if you ever want to discuss here, again, pre-tax versus Roth, which one makes sense for your personal situation, just as Caty said, you have a resource, you can call CAPTRUST. We are readily available to talk to you about which would work best for you because we do want to make sure that your financial plan, that's for you, and we want to make sure that we're looking at your personal financial situation. And when you're calling our advice desk, we can do just that, and help you decipher which would work better for you. We have calculators out on our website, captrustadvice.com. You can also look there and you can do it on your own and look to see what would be the best fit for you.

So our discussion today, it wouldn't be complete if we didn't mention that HSAs are integral to a financial plan. I found some statistics that I found quite interesting and there's an estimation that a couple retiring at the age of 65 would need about $250,000 to $280,000 for medical expenses during retirement. And your HSA is a vehicle that can help you achieve those goals. So using your HSA, if you have that available, that high deductible plan through your employer, you want to make sure that you utilize that feature and make that high on your list of priorities, as to what you might have that you want to use.

There was also a study that was done by Harvard that showed that 62% of personal bankruptcies are caused by unpaid medical bills. And interestingly, 78% of the people who file by this reason had health insurance. So you want to make sure that you're utilizing these various means and setting aside money for that.

So Brandon, what would you like to add to that about HSAs and how important it is? What are you hearing when you're speaking to people?

Brandon Aber:

I think if you have access to an HSA, you should probably be taking advantage of it. Right off the bat, it has the triple tax savings. So from a tax perspective, you've got the pre-tax contributions that go in. Depending on how your plan is set up, might have the ability to invest. We'll talk about that in just a

second. But you can get tax deferred growth. And then when you take it out for qualified medical expenses, it comes out tax-free. So it's fantastic from a tax perspective.

I think one thing to note there is that it has to be used for qualified medical expenses. And you can use this for yourself, you can use it for your family members, but it is geared for medical expenses.

And Debra, to that study that you alluded to earlier, we can really see the cost of medical care in retirement. And especially if people are living a lot longer and we still want to retire earlier, that's that many more years that we're going to need to cover these medical expenses.

So if you have access to an HSA, I tell folks...

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Brandon Aber:

So if you have access to an HSA, I tell folks that, think about it like their retirement plan. And if you have access to investments in it, make sure that you're aligning those when you think you might need to access the money. So if you're younger, and you have a long time horizon for you, and you don't plan to use the HSA, maybe you're comfortable being a little bit more aggressive with the investments.

But each plan, each provider, is going to have a different investment option. And a lot of them offer target date fund type investments, pick a date in the future. Some of them offer a core lineup that you can pick and choose from at your own discretion. So they're great ways to save, from the tax perspective, from an investment perspective, and really get that growth for those medical expenses in the long run.

A couple more things, real quick, is that you can use these for premiums, for Medicare premiums. It's important to note that if you want to contribute, you could run into issues if you are going to apply for Medicare soon in the future, so be aware of that.

And then thinking about these accounts from an investment perspective, with what we're talking about today, is all these accounts that we can have, we want to make sure, what is that intended goal for it? So a lot of folks that I'll talk to, that have HSA, they will fund the HSA, they get that pre-tax benefit there, and then they'll tap into it that year for those medical expenses, so they'll lose out on tax deferred growth. But when they take it out, they still get the tax benefit on the backend.

But, be thinking about your situation, your healthcare, your family healthcare needs, and if you have the ability to let this money sit and grow for a really long time, it becomes really powerful. Just a thought that if you're able to maybe come out-of-pocket for some of those medical expenses, rather than tapping into HSA, you can always reimburse yourself in the future for those expenses from an HSA. There's no limit on the timing of that. So I think it's a great account, from a tax perspective, from a growth perspective, and really to cover these concerns that folks have as they get to retirement age.

Debra Gates:

Absolutely. And so I just want to highlight a few things here. It's individually owned. There are some annual maximums, and that changes year by year. So the annual maximum for 2022, if you're single, it's $3,650. If you're married, 7,300. If you're over 55, there's a catch up of $1,000.

State tax treatment, that varies by state. But, like Brandon noted earlier, I mean these accounts are investible, and they work like an IRA, like what Katie was talking about earlier. So here, again, look into your individual plan with your employer, and make sure that you are utilizing that feature.

I want to shift a little bit, and look at one other piece where we're looking at investing. I want Brandon to come back one more time, and I kind of want him to weigh in on this micro-investing, because it can be an effective way for beginners to enter the stock market. Of course, we're not here to give you an opinion, or endorse any particular app, but we do want to highlight and give information on these most popular apps, and we want you to be able to make an informed decision. So we want to make sure that you're aware of what's out there, because we are here to educate, and to provide as much information as we possibly can for you.

So, Brandon, can you help us here in muddling through these various micro-investing apps?

Brandon Aber:

Yeah, certainly. This is a great advent, and it's really on the heels of technology, and where we've come from over the past couple decades. We didn't see this, it's relatively new stuff, and it is great for those that are trying to get introduced to the market, maybe put a little bit in over time.

That bullet point right there, fractional shares, is a relatively new thing. It allows folks to get access to investments that normally would be costly for a full share of a stock, and now they can get in with a fraction of that.

So here's a couple platforms that tend to make headlines, are really great, and they've got a big user base below them. So Acorns, if you're trying to get in, and you're really focused on your budget, but you're also wanting to keep it out of sight, out of mind, Acorns is a great way, where they round up. So you swipe your card, it's either a card tied to them, or your own personal check or credit card, and they'll round up those cents, and then invest that in some type of portfolio. Typically, an ETF portfolio. For those of you that might not be familiar with that, it stands for Exchange Traded Fund. But it's a way to invest, get broad diversification, and invest on your risk tolerance, so conservative, moderate, or aggressive.

And what I really like about this is the behavioral aspect of it. A lot of our conversations are, try to keep it out of sight, out of mind, less burden on us, so we can focus on our daily lives and our families. But what this does is, every time you swipe a card, it takes that extra change and puts it into a portfolio for you. So out of sight, out of mind. It's a great one to use.

Stash and Stockpile, they're going to be a little bit similar. Stash is a little bit more budget friendly, in the fact that if you want to track your expenses, but also then invest, that's a great platform to use. Both Stash and Stockpile, very low fees tied to these. And, on that note, I'd recommend you check out their websites, if you're interested in them, and just make sure you understand and are aware of the fees, but it's very low minimums, if any. There's no administrative fees that go into it. And with both of those as well, you can pick and choose stocks that they offer on their platform, and ETFs.

From a disadvantage standpoint, I wouldn't use these as the end-all be-all for your long-term planning. There are certain asset classes that they might be missing, certain types of investments that they might be missing. But, again, it's a great way just to get a little bit in, get fractional shares in maybe a stock that you like, or an industry that you're interested in, and get that money working for you.

And then the last one down here, Robinhood, who many of you might be familiar with, they came out about 2013, 2014, and they made headlines by being zero commission for trades, which was what's new to the game as well. So this has been a great platform for a lot of newer investors that want to be stock focused, stock and ETF focused. Robinhood does not have the full suite of investment vehicles that you might have on a full brokerage platform, but they still have a wide variety of investments to choose from.

The main thing with these is that they're user-friendly. You can get in ... A lot of us are on our mobile apps today. If you want to make changes, you can do that with these platforms.

And the last thing about this is, I would say just do your homework. Look at all those platforms, make sure that it meets your goals and needs, and really aligns with what you're looking for in a provider. Robinhood, last year, was under litigation for halting trading for so-called meme stocks, we don't need to go deep into that. But these platforms, they have user agreements, and we want to make sure that you're aware of them. That lawsuit was actually thrown out earlier in January of this year, because, in the user agreement, it said that they could halt trading, and some folks may or may not like that.

So with anything that you do, just make sure that you do your research, do your homework, understand the fees associated with it, understand the investment options. And as much as we hate reading that fine print, it's what you get in the long run.

Debra Gates:

Absolutely. That fine print is there for a reason. I agree with everything that you said, Brandon. Just want to just kind of come back and just reiterate that micro-investing, it shouldn't make up your long-term investing plan. Just become familiar with the basics of investing, and then you want to take that to the next level and look at a brokerage account, or other investment vehicles. So I think that's a great segue into our next topic. So, Katie, let's talk about brokerage accounts. What's the next step?

Caty Bragg:

So the next step with brokerage accounts would be, where do you go to invest in a brokerage account? So there's two different ways to really kind of look at this. One, is just to go to a brokerage firm. There are a lot of options out there, but the one thing that really stands out for a brokerage firm is they are under the Suitability Standard. And so that means whenever you are meeting with a representative of a brokerage firm, and if they make any type of recommendations, their recommendations have to be suitable for their clients.

And so that's a little bit different than a Registered Investment Advisor. And so a Registered Investment Advisor, or an RIA, you will hear that terminology a lot, they are under the Fiduciary Standard. And so an RIA financial advisor is going to be able to, you're paying them for their guidance, and they're going to be underneath the, like I said, Fiduciary Standard. And what that means is, their recommendations have to be in your best interest.

Other places that you can look to invest, you can go straight to the mutual fund companies. So if there is a mutual fund that you're interested in specifically that one, then you can go to their website and you can invest right there.

We already talked about options at banks for money markets, and then also CDs.

And then of course too, the insurance companies do have products out there that may or may not make sense. Those would look like annuities, or sometimes specific insurance products.

But I will say also, as Brandon said, I would be sure to really do your homework on all of this, because there are nuances through the different places that you would invest. And so really just make sure that you are reading the small print, and just understanding what the cost and the investment options are there.

Debra Gates:

Absolutely. And so, Brandon, what are the account types? What does that mean? I mean, whether it's an individual, or joint, or a trust, what does that mean when we're looking at the common account types. What does that mean?

Brandon Aber:

Yeah, certainly. So with account types, we want to make sure that they're registered appropriately, or titled appropriately. And this kind of goes down the path of estate planning, but it's certainly important.

You can do individual accounts, and you can also have ... I apologize, they happen to be doing some work right behind me. But with these account types, we want to make sure we know what the account type is, and what the intended purpose of it is.

But, as Katie was talking earlier about emergency funds, you can think about some of these bank accounts that you might have. They might be transfer-on-death, they might be payable-on-death, and they might be an individual account. You might have your spouse included, and have a joint account. It's important to know the ownership of these, because essentially what we're doing is we're titling these accounts so that if something happens to us, we know who either the co-owner is, or who's going to be responsible at that point.

There are some other common types, tenants by entirety, that's really subject to spouse arrangements, spousal arrangements, but there's some creditor protections there. Tenants in common, so if you have a business partnership, or a joint venture, and maybe you don't want, if something happens to you, to leave your portion to your business partner, well then maybe think about tenants in common. So there's a lot of different ways to title these.

It's really important to understand your state laws as well. Some default to a certain option, like joint tenants with rights of survivorship. I know some might default to tenants by entirety. So understand your state laws, and really pay attention to how these are titled.

And if the goal is to avoid probate, a lot of this can help out there. Again, going down that estate planning path, it's important to make sure that these accounts are titled how you want to, and we know who's going to own them in the event that something happens to you.

Debra Gates:

Okay. And we can't continue without talking about education. Even if you can't save a lot, you can still take advantage of the college savings plans. And there are some varying ways, and some very popular plans, and ways to save for college.

Some of those more common are 529 Plans. There is the Coverdell Educational Savings Account. You have prepaid tuition plans. You have the Uniform Gifts to Minors Act, and Uniform Transfers to Minors Act.

And so when we're looking at 529 plans, that's one of the most common ways that people save. It's the goal of paying for education costs. And you want to look at the state, because they're state sponsored. The benefactor can choose a school. It's an after-tax way to save. There's some different investment options. There's no taxes on the money withdrawn for qualified higher education expenses. And the earnings are tax-free.

There are some annual limits. It's allowed up to 14,000 annually, or up to $70,000 for a one-time. But if you do a one-time, you can't contribute for the next four years, because you can't exceed those annual limits.

And then there's the Coverdell Education Savings Account, that's another way to save on an after-tax basis. Unlike the 529 though, it can be used before college, for something like if you're sending your kid to private school. These accounts also grow without taxes due. And the withdrawals for the qualified expenses are free from federal taxes. And here, again, with this one, you can also choose different investment options that are available from the institution where you open the account.

When you're looking at prepaid tuition plans, that's also state run. And the only thing that you're trying to do is lock in the cost for tuition at the rate that it is at that particular time when you're looking at prepaid tuition plans.

And then, of course, we have the Uniform Gifts to Minors Act, and that would be for education to benefit the child.

All of those are different ways that you can invest when you are looking at investing for education. Once again, we are here at CAPTRUST if you have questions about those types of plans, you need more information. You can always reach out to us, and we can help you with that as well.

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Debra Gates:

To us, and we can help you with that as well. So today we have discussed saving outside of your employer plan, but we don't want to leave this discussion without saying that, you know, make sure that you take full advantage of the benefit that is being offered through your employer. So make sure that you're maxing out. Make sure that you're taking advantage of, if there are any company contributions that you're maxing out on those contributions, maxing out on that plan.

And so when you're looking at investing in your employer plan, why would you want to do that? Well, you can reduce your taxable income. There are certain tax credits that you may have, Roth contributions may be available through your plan. Your savings is going to grow tax deferred. There's also the compounding effect over time, and you don't get that benefit with the general investment account. It's automatic. It comes directly out of your paycheck. These plans are portable. You can take them with you. You have a wide array of choices, different ways that you can invest in your account, different investment options. So you definitely want to take advantage of your employer plan.

Also, you want to think about if you have some old retirement plans, if you worked for the ABC company and you want to combine that, roll that into your current plan or roll it into an IRA. One of the less desirable options is taking it out of distribution, because remember, if you take that distribution before age 59 and a half, there's a 10% penalty plus taxes. So we want to talk about investing outside of your employer plan, but don't forget about your employer plan as well.

And so now I kind want to switch reels and I want to talk a little about, this conversation needs to kind of go into investing and investing decisions. So I want to go and take another poll. So can you launch the second poll, Tracy for me?

And what I want to find out at this point is I want to know how are you currently feeling about the market? I mean, that's the big topic. This was about investing outside of your plan. But I do want to pause and I want to take a moment to really see how you're feeling about the market right now. Are you concerned? Are you extremely concerned? Are you neutral saying, "You know what? I have so much time before I'm going to access this money right now to see the short-term ups and downs of the market. I'm really kind of hanging out in neutral." Are you somewhat concerned or are you not concerned at all?

And so what do you think? How do you think people are feeling? How are people feeling that you're talking to Brandon, Katie?

Brandon Aber:

Yeah, I would say, and I don't want to lead anybody in the wrong against their own opinion, but I'd say a lot of folks are generally concerned. That's a little bit more about market volatility, but generally folks are concerned with what's happening with the markets and then trying to tie that to the economy, which can be a difficult task.

Debra Gates:

Yeah. Yeah. So let's see those results. Let's close that poll because we're seeing here the results. Yeah, you're right. And so does this align with what you're hearing as well, Katie?

Caty Bragg:

Yes, it does.

Debra Gates:

Yeah. So people are concerned. So let's talk a little bit about it, for the sake of time we're not going to belabor it, but we do want to hit on it and we do want to address it and let you know that we hear you. We are here to help you. If you're concerned, don't hesitate to reach out and to call us, set an appointment, call our advice desk. We are here, ready, and available to speak to you about what's going on. So can you take that down, Tracy? Are we still seeing in the poll? Yeah.

So let's talk a little bit about selecting your investments. And so let's start with when you're selecting your investments, what are the key factors? What are the things that we need to think about when we're deciding and going at that first step of selecting our investments, Brandon?

Brandon Aber:

And these are really three important things to think about. I think it's also important to emphasize that everybody handles these very differently. We'll talk about everybody has their own association with risk. Everybody has their own goals and of course different time horizons. When we think about goals, we want to be really thoughtful about it. We don't want to just say, "Oh, I'm going to retire at some point in the future." Be thoughtful about the timing of it, be thoughtful about how much we're going to need to retire. Maybe retirement isn't your most pressing goal. Maybe it's to purchase a home. Maybe it's just to save a little bit to pay down some debt, right? Maybe we're tackling student loan debt in a little bit and then we want to tackle that. So identify your goals, prioritize them, and then line them up with how much time we have.

And then lastly, what's the vehicle? How are you going to get there? We're talking about these accounts. Which accounts make the most sense for you to achieve these goals? Time, horizon, and risk. Two very important things to think about. Time. How long do we have until we need to access the money? That's an important piece of this because we might have multiple accounts when you're going to need to access money from each account. If you're at retirement age, maybe you decide to live off of some of your cash assets, maybe some of your taxable assets, and you can defer your retirement savings. It's not that when you turn 65 and you want to retire, you're going to pull from all accounts at once. So we want to be thoughtful about the time horizon of when we're going to pull money from the accounts.

And then the risk tolerance. This one is very subjective. Everybody has a different relationship with risk. And I just tell folks to really think about it. Right now, we're in a painful spot with what the market has done. It's a great time to reflect on your risk tolerance. Are we losing sleep knowing that the market is fluctuating every single day we see go up a couple percentage points and down a couple percentage points? How are you feeling with that? How's your family reacting to it and just be honest with it. And then that's how then we back into an appropriate investment strategy for you.

Caty Bragg:

Brandon, I love the way that you just put that. This is a time that I am hearing people say, "You know what? I did think that I was willing to take on a little bit more risk, but now that my portfolio is going down by X amount, this doesn't feel too great." So I'm seeing people reassess right now. And that's something that we do recommend is every few years talk to a CAPTRUST advisor. We do have a great risk profile questionnaire. We can go through it with you guys and it's going to really ask questions that you probably haven't thought of before and then we'll be able to help you connect. This is your risk tolerance. This is probably the asset allocation that would work really well for what your goals are and then how much of that variability in the market you are able to have and to take.

Debra Gates:

Okay. I agree. And so, I'm sorry I'm just a little bit behind with my advancing slides. Yeah, I think that that risk tolerance, we want to make sure that you're investing in something that's appropriate for you. And then we want to just look at what else is out there when we're looking at this ever expanding investible universe after you've looked at your risk tolerance. Katie?

Caty Bragg:

Yeah, so throughout this presentation, we've talked about assets that are available within your retirement plan, but there's also a large investible universe out there that you may not see within your 401K or 403(b) menu. So if you look on the right, those are going to look familiar, US stocks, US bonds, international stocks and international bonds. But if you do have money out there that came in from maybe an inheritance or maybe you were the beneficiary of a life insurance policy or maybe got a large bonus from work or you've just been saving and putting back money in a savings account that you're ready to invest some options to really fill out that, your entire portfolio would be commodities or it could be real estate or it could also be private equity. And so really just thinking through what other options are out there, it can really help you thinking through what are the risks and how can I mitigate those risks?

Debra Gates:

Absolutely. And so we've talked about investing, ways to invest outside of your plan, making sure you're investing inside of your plan. Once again, we look at financial wellness, but we would be remiss if we did not take a pause and really look at what's happening now, how... This isn't unprecedented, what we're seeing, the movement of the market, the ups and the downs. We've had other major market moving events and I want you to kind of speak to that brand.

And for those that are concerned, this isn't new, we always say there's nothing new under the sun. We've been here before. But I love this slide because there here's a visual that kind of puts things into perspective to help you see, we've been here before and we came out on the other side and we came out on the other side still standing. So Brandon, can you speak to this about some of the major market moving events? And just kind of put our audience a little bit at ease with what's happening right now.

Brandon Aber:

Certainly I think an important takeaway right off the bat is keep things in perspective, right? Think about what's happening today, but also how can we relate it to things that have happened in the past and things that'll happen in the future. Right here we have four major events. The black Monday of '87, the tech bubble in the early 2000s, the global financial crisis, and COVID-19 more recently. On the right side of that, you can see a different allocation for a specific portfolio. At the very top in the green, you have a hundred percent bond portfolio, and then it goes down by about 25% till we get to a hundred percent stock portfolio. So what we can see is how would those portfolios have reacted in these major market events?

And one thing to notice is that if you are still looking at that sharp stock performance, if I'm looking at Black Monday, we can see that Black Monday the stock market was down 27% and this is identified by the S&P 500. Well, the bond market was only down 2%. And then if we keep going down, the tech bubble was down 47%, but the bond market was up 29%.

So we're starting to see a trend here is that, and this is kind of the theory and reason why we diversify our portfolios, is that if you have one asset that is falling, or maybe you have another asset or asset class that's there to support it, and that is the behind diversification. We are proponents of diversification, but to just touch on what's happening right now, right? We're all feeling the pain. It's hard to run from it. We're feeling it at the gas pumps, we're feeling it at the grocery store. So we're feeling it economically, but we're also seeing in our portfolios. This right now is a time that's only happened about four or five times since 1976 where stocks and bonds have fallen kind of in lock step.

So if you're looking at your portfolio, you say everything's kind of going down. This is an outlier situation that we're in. But it is painful. It's extremely painful for a lot of us, but it has only happened about four or five times since 1976. So going forward, what can we think about? What we're keeping our eyes on, of course, is inflation and what the Federal Reserve is doing with interest rates. That's a big driver of what we're feeling in our portfolios right now.

On the good side though, we still see that earnings are doing pretty good for earnings, and then we also see that consumers still have a lot of cash that they're spending. So every day you might see the market go up and go down. This is a volatile time and actually volatility is a little bit more normal than what we've been used to over the past three years where we've seen the market just kind of rally, rally, rally. While these pullbacks are part of a normal market environment. So again, the last thing I'll leave you with is take a deep breath, take a look at your investment profile, don't try to be reactionary. And this goes right into trying to time the market. Please don't do that.

Caty Bragg:

Yeah. To piggyback off of that, I'm asked oftentimes, "Hey, where's the safe place to just park my money right now?" And I love this slide. This is going to show the S&P 500 from dates from years 1987 to 2021. And if you'll see the people that would've stayed in the S&P during that time and not moved their money in and out, they would've had close to 12% annualized return. If they had pulled their money out and excluded just 10 of the best days within that timeframe, then that's drop by close to 2%. So really this just drives home the importance of staying in your seat, avoiding the stress of and the temptation to move your money in and out and try to time the market.

Debra Gates:

Absolutely. So time in the market, not time in the market. I love that slide.

Brandon Aber:

One quick, Deborah, sorry, is that you have to make two decisions, when to exit and then when to get back in. It's not just a one-time decision. So it's extremely complicated.

Debra Gates:

Absolutely. So as we come to a close and, we want to leave you with a couple of key takeaways as it relates to this subject. Thank you so much Brandon and Katie for helping us to level set and looking at what's currently happening and selecting our investments and all of the wealth of information that you've provided. But some of the key takeaways I look is just like determine if you're ready to invest outside of your employer sponsored plan. Make sure that you're creating an emergency savings plan. Understand your employer sponsored retirement plan. And then number four, which should be number one, is contact CAPTRUST.

We are here, we are readily available to speak with you. You can go onto the website and set an appointment. You can call us directly, we'll give you that contact information. But we are sitting by the phone waiting to speak with you.

Now, I know that there are about 3000 people that registered for this meeting today, and we have probably about 50 to 60% on here. And so Wes, I know that the question...

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Debra Gates:

... on here. And so Wes, I know that the question box has been flooded, so do you want to pull a few questions for Katie and Brandon?

Wes:

Yeah, certainly. As Deborah said, a lot of questions that we didn't even say, "Hey, send us your questions," but yet we get them. We certainly understand you've got a lot of questions on your mind, so obviously we can't even type fast enough to get to them all. We could spend hours on here answering questions. Your personal questions, call us, give us a call. Let's talk about your situation and not just speak in generalities, but we have been getting some themes and with the next say 15 minutes, I do want to send a few of the themes we've been getting to our panelists here. But again, call us, let's talk about your particular question, schedule an appointment on our website. So the first one I want to toss up to actually both of our panelists, Katie and Brandon, we'll give it to Katie first. So Katie, when someone maybe comes into an inheritance per se, what's the type of discussion or thought process you go through with a participant or a client who comes into an inheritance and where that money may go?

Caty Bragg:

That's a great question. So the first thing that comes to mind is let's just think through those financial hygiene topics that we've already been through. Do you have an emergency fund? Have you paid off your high interest debt? And are you utilizing your employer sponsored retirement accounts? The second part of it, I've never met with a client that did not think about their inheritance a little bit differently than they thought about the rest of their money. There is an emotional standpoint, an emotional part of it. I always hear it referred to as mom's money to me, my aunt's money to me. And so in those conversations, most of the time I just sit back and say, tell me about her. And so then in those conversations, I like to hear about, okay, what are the client's goals or what are the participant's goals? And then what are things I'm hearing about their parents or the person that led that inheritance?

And so here's an example of how this plays out. I had a client who got an inheritance from his father, and so he was doing all the right things, had his emergency fund intact, all of those things were already just... All those boxes were checked. And so then he just started talking about, okay, well, what are things that my father really cared about? Well, he cared about my children. And so then we started talking about investment options to take care of his kids in the future. And then where this really does come full circle would be one thing that he said was, "You know what? When I think about my dad, I think about our annual fishing trips. So I want to use some of this money annually to take my sons on an annual fishing trip." So those are the type of things, going back to inheritance is just a little bit more personal and thinking about how do your goals align in a way that provides a legacy for the person that left it. Those are the types of things that I talk to clients about.

Wes:

Thank you, Katie. And Brandon, for you, very similar. Let's just say someone has finally paid off all their debts and now they've got some extra money. What's the type of discussion you have with them about where that next dollar goes?

Brandon Aber:

Yeah, well, this is going to sound really similar to what Katie said. I think a lot of the initial reaction when somebody does come into assets like this, except especially significant wealth, whether it's insurance or inheritance, is it can be overwhelming. So it's more of, okay, let's take a deep breath again, let's figure out the aspect of it and what are our needs for this? What's the financial aspect of it?

And just having that conversation. And some folks just they lean into how should this be invested? That's a lot of it. Say, what do I need to do from an investment standpoint? But again, it's just kind of level setting and say, okay, what do we need to do with this? If we have everything else checked and we're okay there, well, then let's just talk. Let's have a conversation. What was important about this from an inheritance standpoint or for the life insurance standpoint? Just to echo what Katie said, right? There's the emotional aspect of saying, what's the intention for this money? I think we get caught up in and we take away the psychology, the emotional aspect of it, which is also really important.

Wes:

Excellent, thank you. Yeah, it's about looking at where your money's going, whether it's something large again, like an inheritance or hey, I finally have a few extra bucks I paid off the student loan. It's just reprioritizing over time where your money goes based on your personal financial goals and situation. And then once you figure out where that money goes, then it's figuring out the investments within those accounts based on the things we talked about, like your time horizon, like your risk tolerance. So Deborah, this one's for you. I've got a lot of questions about if I call CAPTRUST or if I set an appointment, if I have a consultation, is there a fee?

Debra Gates:

We get that question so often. So your employer is very generous and they offer this benefit, and so we're a part of your benefits package. So there is no fee to call us and you can speak to us. We talk about retirement, but it's not just retirement. If you have any budgeting issues, if you have debt management, you have questions about investing or what is a stock, what is a bond, any of those things, there is no question that's too small. There's nothing that'll be too hard or too difficult that we can't answer. But whatever questions that you have, just call us. Try us out and have that conversation because we are going to act... We're acting as a fiduciary, we're acting in your best interest. So we're

going to tell you what's going to be best for your personal situation. So we encourage you to reach out. So cost is no longer a factor. Call us.

Wes:

Thanks, Deborah. Another common question I was seeing a lot was around again at the beginning around the three to six months of income. Is it three to six months of what I make or is it maybe three to six months expenses? Can we maybe clarify that? Would any of our panelists want to take your recommendations again on how much an actual person might need? Or does anybody have a general benchmark of how much of their percentage of income? So can anybody address that a little bit?

Debra Gates:

I can start on that one. When we're looking at emergency savings, you start where you can. And sometimes when you think three to six months, that could be overwhelming. So if you're starting out, maybe you want to just start directing $50 out of every pay period and you work your way up and so maybe you want to work your way up to three to six months of expenses. So if something were to happen and you had to be off work, at least you could take care of what your expenses are. And then once you get to where three to six months of your expenses, then gradually get up to the point where you're three to six months of income before taxes. But you can take baby steps and just keep having something in your emergency fund is better than not having anything in your emergency fund. So you start where you can. That's my take on it, Brandon, Katie?

Brandon Aber:

I might just think about the probability that things are going to go wrong in your life. So that's renting. They're probably not on the hook to replace their roof or their HVAC system. If you live in a large city and you have public transportation, you're not going to have to replace your car. Whereas homeowners, they might have a different set of obligations. So this three to six months rule is a good benchmark, but really look at your lifestyle, look at your health, look at your MOOP, right? Your maximum out of pocket that you would have for any healthcare events and then just keep all that in the back of your mind when you're organizing your emergency fund. As Deborah said earlier on, this is not to grow, it's to be there. It's risk mitigation. It's trying to say, are we okay if something happens in our life? But everybody's going to be a little bit different with the timing of it, the amount.

Wes:

So Katie, here's one for you. We had some questions on, hey, I heard that I can't do a Roth IRA. I make too much money. Can I do Roth through my employer plan?

Caty Bragg:

So yeah, that's going to be plan specific if your employer does allow for Roth contributions. If you guys don't know, then once again, I've said this a lot, but call CAPTRUST and we can look into that plan document. But within your 401K, if you do want to contribute to a Roth contribution, there isn't going to be an income limit with the 401K.

Wes:

Yeah, certainly one of the major differences between the Roth IRA and Roth 401K is that income limitation and we get that a lot. Again, you want to look at your plan, you want to look at your situation, give us a call, let's talk through it. Your record keeper can also typically answer questions about your

plan rules as well. Brandon, as we get just a few minutes left, another one I saw, and we actually had a quick discussion on this prior to as we prep for this as kind of an investment option or cash. Crypto, a hot topic. So general thoughts on cryptocurrencies, Brandon, how it maybe fits into the equation. Katie, you're more than welcome if you have any thoughts on it too, but Brandon, I'll toss it to you first.

Brandon Aber:

Yeah, that's come up quite a bit, especially over the past few years as crypto has become a more bigger player in the market. I would say with any investment that you make, what are the merits of the investment? Why are you investing in it? And the more you know about it, then the more confident you're going to feel. I'm not going to take a stance on crypto one way or the other. They're touting the long-term benefits of it, but just think about why you own it.

And if the answer is because it's momentum and we've seen a lot of people put money into it and it's made a lot of money over certain periods, that might not be the best reason for yourself. But if you're really convinced with the long-term utility of it as a currency in the future or the possibilities of it from the utility perspective, maybe it is a little bit more warranted. But just like you would look at a company, the cash flows, the profitability, the income statement, it's easier to analyze a company than it is this digital currency right now. So there's a lot to be seen. It's extremely volatile. So buyer beware, but really just think about why do you own it? What is the purpose of you owning it in your portfolio?

Wes:

And a few other things I wanted to hit on before we do wrap up. We got a lot of questions on HSAs and can I do it outside of my employer? There is again, a high deductible insurance requirement to be able to do an HSA, and then it can either contribute to the HSA through your employer or through an HSA on your own only up to the limits. We actually recently, over the past, I think it was year, last year, did a whole webinar focused on healthcare investing. And I encourage you to go check that one out because it is such a deeper dive on healthcare savings like HSAs, healthcare needs, covering that. Long-term care was touched on in there.

We've got some great articles on that stuff on our website as well. And I'm going to go ahead and toss it to Deborah to wrap us up. I'm sorry if we didn't get to your questions. We tried to get to as many as we could. Give us a call. Also around the education discussion, we had another webinar on that and lots of great resources on our website, about 529s and saving for an education and managing educational loans and paying for college. So check out the tools, resources on our website, give us a call. We'll help guide you to those resources to guide you through those discussions. So Deborah, you want to go ahead and wrap us up?

Debra Gates:

Absolutely. But I do want to take one step back. We talked about your employer plan offering a Roth feature, and we talked about 401K, but that's 403(b) for our people in the 403(b) world. You have the Roth 403(b) as well that the same rules apply. But first of all, I just have to just extend a very hearty thank you to both Brandon and Katie. I know this is outside of what you normally do. I appreciate your time that you took and all of the discussions for the prep and your input in taking out time from your day to be with me and to be with participant advice services at CAPTRUST to offer this webinar. I think it was a wealth of information and I think that everyone will benefit from that. So here's our information where you can contact us. You can call us directly at 800-967-9948.

Go on to our website, captrustadvice.com, set the appointment. We'll reach out to you. You can call us. We have evening appointments available. So that's 8:30 until 8:00 PM Eastern Standard Time, Monday

through Thursday, Friday until 6:00 PM Eastern Standard Time. Just want to remind you that this has been recorded. Everyone who registered for this session will receive a copy of the recording. Give us 24 to 48 hours. We will send out this recording. We'll send out a couple of articles, a couple of handouts, some takeaways that you can also have. So again, thank you for your time and we will see you next time. Have a great day and stay safe everybody.

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