Financial Planning 101

NORTHEAST PLANNING ASSOCIATES, INC.

18-333 Financial planning offered through Northeast Planning Associates, Inc. (NPA), a registered investment adviser (RIA). Securities and advisory services offered through LPL Financial (LPL), an RIA and broker-dealer (BD), member FINRA/SIPC. Credit union is not an RIA or BD. Insurance products offered through LPL or its licensed affiliates. LPL registered representatives offer products and services using NPA. These products and services offered through NPA, LPL, or its affiliates, which are separate entities from, and not affiliates of the credit union, are:

Not Insured by NCUA or Other Government Agency	**Not Credit Union Guaranteed**
Not Credit Union Deposits or Obligations	**May Lose Value**

Outline:

- Establish Goals
- Cash Reserves
- Debt Management
- Insurance
- The Power of Saving
- Accounts for Saving
- Investing 101
- Investing 201
- Estate Planning
- Knowing your Financial Professionals

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. No strategy assures success or protects against loss

Who are We? How Do I Help?

Who Are We?

Mark Porter

- Founder of partnership with MITFCU
- MIT Class of 2005
- CFP® & CFA®
- Volunteer

Liz Emhardt & Will Reis

- Focused in client support and scheduling

How Do I Help?

- Financial Planning
- Implementation

Establish Goals:

- Many financial decisions are based on timeframe

- To efficiently allocate your dollars, you need to understand your goals

    - Do you want to go back to school?
    - Do you want to buy a house?
    - Do you want to retire early? Late?
    - Do you want to pay for someone else's education?

Cash Reserves:

- Cash Reserves are the most important and most overlooked aspect of sound financial planning.
- Cash reserve can be checking, savings, money market type accounts.
- We recommend a cash reserve of anywhere between 3 and 6 months worth of expenses.

Stable Job
Two Income Family
Monthly Surplus

Job Uncertainty
High Fixed Expenses
Known upcoming Expenses

3 month Reserve

6 month+ Reserve

Debt Management:

Tax Equivalent Interest

Rate * (1 – Tax Rate)

- Student Loans
  - Minimum Payments or Overpay?
  - Interest Rate
  - Tax deductibility?
  - Refinancing?
  - Mortality

- Credit Cards
  - Building your Credit

Insurance:

Age 22 Salary:
$100,000

Growth Rate: 4%

Age 65 Salary:
$540,000

Total Income:
$10.4M

- Long Term Disability
  - What does your workplace offer?
  - Does it include bonus & commissions?
  - Is the benefit taxable?
- Life Insurance
  - Group, Term, & Permanent
- Health Insurance
  - Deductibles
  - FSAs & HSAs

The Power of Saving:

Age	Save Early	Save Late
22	$ 2,000.00	$ -
25	$ 9,012.22	$ -
28	$ 17,845.61	$ -
31	$ 28,973.12	$ -
32	**$ 31,290.97**	**$ 2,000.00**
35	$ 39,417.62	$ 9,012.22
38	$ 49,654.84	$ 17,845.61
41	$ 62,550.80	$ 28,973.12
44	$ 78,796.00	$ 42,990.59
47	$ 99,260.26	$ 60,648.57
50	**$ 125,039.35**	**$ 82,892.53**
53	$ 157,513.56	$ 110,913.51
56	$ 198,421.73	$ 146,211.88
59	$ 249,954.23	$ 190,677.66
62	$ 314,870.34	$ 246,691.74
65	**$ 396,645.95**	**$ 317,253.34**

No More Saving!

- What if you save $2,000 per year for 10 years, starting at age 22 and get an 8% rate of return?
- What if you save $2,000 per year from the age of 32 until age 65?
- Its not easy to sacrifice lifestyle, but the long term rewards are significant.

This is a hypothetical example and is not representative of any specific investment. Your results will vary.

Accounts for Saving:

- Non – Qualified, Brokerage or Taxable Acct
- Pre – Tax Vehicles
  - 401(k) / 403(b) / 457
  - SEP / SIMPLE / IRA
- Roth Vehicles
  - Roth 401(k), 403(b), 457
  - Roth IRA
- Which is Better?

Traditional IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a conversion from a Traditional IRA to a Roth IRA. The converted amount is generally subject to income taxation. The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.

Investing 101:

- Stock
- Bond
- Mutual Fund
- ETF
- Types of Mutual Funds & ETFs
- Which is Better?

Mutual funds, bonds, and ETFs will fluctuate in value and loss of principal is possible. Bond values have an inverse relationship with interest rates For example, when interest rates rise, bond values drop, and vice versa. If you were to sell your bond prior to maturity you may receive less principal that you invested. In additional to market volatility, mutual fund risk is based on the underlying securities in the fund. An investment in Exchange Traded Funds (ETF) involves the risk of losing money and should be considered as part of an overall program, not a complete investment program. An investment in ETFs involves additional risks such as not being diversified, price volatility, competitive industry pressure, international political and economic developments, possible trading halts, and index tracking errors.

Investing 201:

- Asset Allocation
  - Manual vs Fund Level
- Expense Ratios & 12(b)1s
- DIY, Brokerage, Advisory
- Share Classes (A, C, etc)
- Socially Responsible (ESG)

Estate Planning:

- Documents to get now
  - Health Care Proxy
  - Durable Power of Attorney
- Documents to consider later
  - Will
  - Homestead
  - Guardianship Provisions
  - Trust

Knowing Your Financial Professionals:

- Accountant
- Broker
- Financial Planner
  - Fee Based, Transaction Based, or Both?
  - CFP®, CFA®, CRPC …

Most Important Takeaways

- Save Early
- Get a Health Care Proxy and Durable Power of Attorney
- Permanent and Emergency Guardians for Children
- Stockpile cash before a home purchase
- You can finance an education, but not retirement
- Take your employer match
- Pay down your highest interest rate first
- Plan for the worst
- Write down your goal
- Understand what you are paying and who you are paying it to
- Buy low and sell high
- If you don't understand it, don't invest

Thank You!

- Virtual Comment Card
- Opportunity for a discussion
- Other opportunities for educational topics
  - Responsible Investing
  - Financial Planning 101
  - Child Protection Planning
  - Basics of Investing
  - Investment Accounts
  - Education Planning
  - Insurance Concepts
  - Introduction to LTC

https://forms.gle/MY2QMLYMPEsMWQaF6

Financial planning offered through Northeast Planning Associates, Inc. (NPA), a registered investment adviser (RIA). Securities and advisory services offered through LPL Financial (LPL), an RIA and broker-dealer (BD), member FINRA/SIPC. Credit union is not an RIA or BD. Insurance products offered through LPL or its licensed affiliates. LPL registered representatives offer products and services using NPA. These products and services offered through NPA, LPL, or its affiliates, which are separate entities from, and not affiliates of the credit union, are:

Not Insured by NCUA or Other Government Agency	**Not Credit Union Guaranteed**
Not Credit Union Deposits or Obligations	**May Lose Value**

Financial Planning 101

NORTHEAST PLANNING ASSOCIATES, INC.

18-333 Financial planning offered through Northeast Planning Associates, Inc. (NPA), a registered investment adviser (RIA). Securities and advisory services offered through LPL Financial (LPL), an RIA and broker-dealer (BD), member FINRA/SIPC. Credit union is not an RIA or BD. Insurance products offered through LPL or its licensed affiliates. LPL registered representatives offer products and services using NPA. These products and services offered through NPA, LPL, or its affiliates, which are separate entities from, and not affiliates of the credit union, are:

Not Insured by NCUA or Other Government Agency	**Not Credit Union Guaranteed**
Not Credit Union Deposits or Obligations	**May Lose Value**