Financial Best Practices in Uncertain Times

Presented by My Secure Advantage:
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MIKE:
Hello and welcome to an MSA special event. Our webinar today is Financial Best Practices in Uncertain Times. These are certainly uncertain times, so we are going to be addressing so many questions that all of you have submitted, so we appreciate you doing that, but let's introduce ourselves first. My name is Mike Hackett and I run our education department. I've been in financial services for over 30 years. A lot of that was in the investment management business. So I've seen a few rocky times in the stock markets. This is certainly one of them, but at the same time I spend a lot of my time traveling around the country, speaking to different audiences, different employee groups, different companies. Really enjoy doing webinars, being able to speak and keep you guys updated on what MSA's view is. So excited to be with you today. With me is Constance.

CONSTANCE:
Hi Mike, how are you today?

MIKE:
I'm great.

CONSTANCE:
Again, my name's Constance Foley. I'm one of the money coaches here for My Secure Advantage and I've had experience in the securities industry and it's always been a wild ride, so this is not unusual in the context of the securities industry. I'm an accredited financial counselor, masters in education and I've been a money coach for several years.

MIKE:
Constance and I have quite a bit of experience and so, we welcome your questions and you can submit questions throughout today's webinar. Again, this entire presentation was just built on your questions that you submitted when you registered. But nonetheless, you can still write in questions and we will get to those at the end of our prepared comments. Also, there's a survey, so when you exit this webinar, you'll be asked to take a survey. Please, it's really important that you complete that. What we're going to be doing is we're going to have these webinars once a week, so the next one will be exactly one week from today. Our plan is to take your feedback from the survey to take your questions you submit when you register for the upcoming one, and so, really important that you give us your feedback. Also, after this webinar, you will receive within 24 hours, an email with a recording attached to a link, so click on that link and you'll be able to, if you missed some of today, if other colleagues you work with want access to the recording, then that's one way you can get it, so be aware of that. That leads us to our agenda. Like I mentioned, this is completely based upon the questions you've already submitted and there was a number of questions about just how do we get perspective on how is this different than other times in the past when the markets have reacted as such? It is kind of an unprecedented time, so we'll talk a little bit about that. But then it was just investing best practices. I'd have to say the majority of questions we had were concerning investing, and so, we'll spend a lot of time in that space, but there was also a good amount of questions around what if my income is impacted? What are some best practices, some recommendations we have at MSA in those situations. We spend a lot of time helping folks there, so we'll speak the best practices from an income and a budgeting standpoint and then just opportunities. Often times when you go through periods like this, we sometimes can't see the forest through the trees, but there's actually great opportunities in front of us. And so, we'll talk about those and some of them are just financial, so we'll just make sure to try to be well rounded and the opportunities we have in a marketplace and in simply a time like this. And then we'll get to your questions that you submit throughout, so that's our plan and let's get into our core content, which is, started with putting current events in perspective. I know for myself, I try to think back to when has there been a time like this? And I've never seen a time like this. I think back to 9/11. Prior to that, there's probably nothing that shook my world quite as much as 9/11 in terms of what kind of stopping me in my tracks and really making me take perspective on life, but this another one of those times where never have I seen governments react, the world react in such a way. Many other pandemics have been more focused in certain geographies, but not this one, so I don't know if you have any other thoughts in general.

CONSTANCE:
Yeah, Mike, I think you're absolutely right. It's a global event, so that's why we're all feeling it so much, I think, and there's so much uncertainty and it runs pretty deep. Just stepping back a minute, stock markets do run in cycles, so it's not unusual for that to happen, but we're always taken aback, I

think, particularly, in this time because we've had such a historic run. The market's been up, it's over 11 years, and that's an historic bull run right there, so coming on such an incredible run and then just to have it drop so precipitously and so quickly has just really thrown everybody off and we're off balance and we're trying to figure out what's the best approach to move forward and to assume a new normal until things resume back to what we are familiar with. Pandemics, that's what we're in at this moment. And the market is driven by the event, the global event. 70% of our economy has been impacted because it's a consumption economy. It runs on our ability to buy things and spend money and that's been impacted a lot, so I think you would agree on that, so it's unclear how long we're going to have the virus. Hopefully, it's going to start peaking here pretty soon, but with a two-week lead time. We don't know when people are really infected until two weeks out, so that's also the uncertainty that really is driving this, so travel, entertainment, food industry and other products are impacted right now and we're just trying to reach the peak of that bell curve and see the downside of that bell curve, which means that the pandemic is reducing and hopefully resolved.

MIKE:
I just want to reiterate some important points. Sometimes we don't always get to use what we studied in undergrad, but I was an economics major and something that always stuck in my mind was just how much of our economy is driven by consumption, so when you see us not be able to go out and be it spend money at restaurants, go for entertainment purposes, simply go shopping in the same ways that we used to, it's really changing how we consume and that's going to have an impact. And it's hard to say how long that impact will be, but you said something else that was really important, which is that these pandemics go in bell curves, so what you saw and really what we have is kind of China to lead on in terms of how steep is the bell curve in terms of how fast the virus spreads until it starts to slow down and actually go the other way. Right now in the U.S., it continues to grow, so it's hard to predict how extreme and how long something like this will last, until you kind of are able to stabilize and start getting on the downside of the curve, in terms of how quickly people are becoming infected. It's still very unknown and markets don't like unknown, so maybe speak to how in the past, Constance will make a few comments about what's happened in the past with markets, but again, often times, things are driven by different catalysts. When you go back to 2008, 2009, that was driven by inefficiencies in the marketplace and really fundamental issues that were wrong with our economy. Where as, this is driven by an event and really when we went into this, the economy and most companies were in heck of a lot better shape than they were back in 2008, 2009, so we would hope it would be a quicker turn around, but nonetheless, the longer consumption is impacted, then it's hard to say how long it'll really go.

CONSTANCE:
We're coming off a period of steady economic growth, record corporate profits and record low interest rates, so we came into this strong and so hopefully that'll help us sustain our economy until

this is resolved because you may have heard people say, oh it's a bear market, it's a bear market. What that means is that the market has dropped 20% and it's kind of holding in that vicinity. Anytime you have a drop in the market of 20% or more, it's a bear market and then how long that lasts, it can average about every 6.3 years and the length of time is average of 425 days. The most recent one prior to this was in 2007 to 2009, which lasted 17 months and we lost about 50% of the value in the market, so just to give you some perspective, we've been to these times before, but I think we have a new group of investors who have, I talked to someone yesterday, he started investing in 2009. A great time to be in the market, right, when it was climbing out of the doldrums, so maybe, that's when you started investing in 2009 and you've never experienced something like this, so it's really, really throwing you off. We're just trying to give you some perspective that these things happen and it too will past, but we just have to kind of hang in there and be calm as much as we can.

MIKE:
We talk about what are the events we remember. I remember 1987, where I was when the market dropped 20% plus in a single day. And then you remember, certainly, where we were 10 plus years ago when the markets really dropped for a precipitous period of time, so it is definitely unsettling when it happens, but what's kind of a very consistent with time is often bear markets are more extreme and quick, but then the bull markets often last a lot longer, so it is really hard to predict how quickly markets will recover. And when we say it depends on many factors, again, we've already mentioned a number of things, but what the markets are trying to do is look into the future. Markets like consistency, they like to see predictability in where the economy's going, where unemployment is going, where interest rates are going and we just had a significant drop in interest rates, which is good and we'll talk about that later as there's some positives from that. But nonetheless, there's a lot of things the government's going to try to do to stabilize our economy. And as long as consumption is inconsistent and hard to predict, it's going to be really difficult to understand when the markets will really recover. And one thing we do know is they will probably continue to be very volatile and we just have to anticipate that, so as long as they're trying to read the future, I think, probably the biggest take away is don't let your emotions kind of drive your actions and this is probably something we talk about and I know when we speak to our members all the time at MSA, it's you should have an investment plan. And we're going to say this many times because what's so important is having a plan, so that when things like this happen, you continue to execute your plan. You don't react, you don't do things out of emotion that later you possibly regret and that's really some of the biggest mistakes I've seen people make basically with investments and in other things as well is when you react too quickly and you take extreme measure before really considering both the pros and cons of your actions. Again, so important, when we're going through a period like this is to continue to execute a plan and to get a second opinion to make sure that you've listened to some other points of view before you take that action. But, let's talk more about investing. Again,

this is about answering your questions, so when it comes to investing best practices, so many different questions were asked and what we tried to do is break into a few slides here, the most common questions that were asked. Let's start with just, should I be buying or selling right now? This is probably the most frequently asked question. What are some frequent ways you respond to that when someone asks you that.

CONSTANCE:
Oh my goodness, thanks. Thanks for giving me the hard question, Mike, I really appreciate it.

MIKE:
That's what I do.

CONSTANCE:
No, seriously, if the market's down, keep your goals in mind and that's what Mike was saying. Work the plan and keep on it because most plans should be long-term, so that's the first thing. Make sure that the plan originally was long-term and I'm talking 10 years out. Are your investing goals short? Well, we'll talk about that in the meantime as well. Basically, what you want is a diversified strategy, so you have investments in various sectors of the market, various types of investments and that all relates to the rate of return, the timeframe that you have. Get help if your portfolio needs fine tuning. Maybe you don't even have an advisor right now. I know a lot of people, their main investments are their retirement plan, which are contributing to through their paycheck and believe it or not, there are advisors, financial advisors that will work with you and advise you on that portfolio even though they're not taking any as far as it's under management fees or anything like that. They're called fee only planners and if you're looking for one, talk to a money coach and we can advise you what questions to ask, how to interview potential advisor candidates. You want to find someone who matches your temperament and your level of expertise that you need and service that you need as far as do you want to collaborate, do you want to be completely dependent or somewhat independent and that type of thing. We'll help you sort through those questions and so that you're not intimidated when you do go talk to an advisor. A lot of our money coaches have been on that side of the fence have been advisors and so we know what it's like and we know how to guide you and to let you know what to expect. Talk to a money coach for tips on how to find an advisor.

MIKE:
That's an interesting point because often times one of the most frequent questions is what's the difference between talking to a money coach and talking to a financial advisor and at MSA we would never tell you which stocks you should buy or sell right now. What we always would fall back on is we're going to educate you on what should you be thinking about, what considerations should you take when you're trying to decide which stock. And another thing that was interesting is, people

didn't ask, which mutual fund should I be buying or selling right now, so again, we're always going to fall back on what's your plan, what are your goals, what's your timeframes and therefore, given what your timeframes are, what kind of return do you need to earn over a period of time. So once we understand that, then we'll try to educate you on what are your options, be it mutual funds, be it stocks, bonds, whatever it might be and we'll help you understand what you do to become a more confident investor, but still you might work with a money coach and still decide to work with a financial advisor cause you want someone to make those decisions for you.

CONSTANCE:
Exactly.

MIKE:
We will not. We'll simply educate you, help you along, but we are very complimentary with a financial advisor, but we don't replace them necessarily, but at the same time, we give you the confidence to hopefully make some of these decisions yourself. But in terms of buying or selling right now, another thing we learn in markets like this is, wow, I wish I had more emergency savings or, I just wish I had some money on the sidelines to invest. Cause one of the most amazing things is when it comes to stocks, people don't like to buy stocks when they're on sale. We're all conditioned to go out and buy things when they're on sale, if it's a car, if it's furniture, if it's clothes, if it's whatever. We're kind of conditioned to always want to look for a great deal, but what happens is when people are buying stocks and stocks are going up, and everyone's positive and talking about it, that's when we're thinking, wow, I don't want to miss out, I'm going to buy now, so we often buy high and then when stocks drop and everyone's scared and going, oh my God, I need to get out, that's when people are thinking, I need to sell now. It's really the opposite mentality.

CONSTANCE:
- Yeah, it's counter intuitive.

MIKE:
Yeah, you want to buy low and you want to sell high. Just keep that in mind and you might want to write that down and when you have your investment plan, just always be thinking about that. Am I prepared that if I see opportunities in the marketplace, I can buy. And we'll talk about how you buy as well. We're not believers that you try to time the market. We're believers in that you have a plan and then you just executing consistently buy, so we think it's always a good time to buy, especially if it corresponds with the plan that you have and could it be that you are going to execute consistent sells as well. It all comes down to your investment plan, so let's get into, we're kind of talking about our next slide before we get to it because these are such important points in terms of if I'm in a long-term investor. I'll just warn you right now, we have two slides. This is if I'm a long-term investor, but then if I have a short-term timeframe, what do I do? That's our next slide, but for this slide.

Constance:

Yeah we want to talk about both. If you're investing for the long-term, as Mike said, have an investment plan. If you don't, talk to a money coach, we can help you put one together. Again, we don't give specific recommendations as to what to buy, but we kind of help you outline a diversified portfolio and talk about risk tolerance and what ways to determine what that is, so that you feel comfortable in your plan. Diversification is important because that means you're not investing all in one sector or one type of investment. General rule of thumb for investing is don't put more than 10% of your investible money in any one thing, any one type of program. And then, did you want to talk about time?

MIKE:

Yeah, I wanted to say one more thing about the investment plan though cause we're going to speak to it in a big sense, but when you speak to a money coach, often times we revert back to looking at the budget. How much money's coming into a household and then how are you spending that money cause we often want to get to, do you have enough emergency funds put aside and if not, how do we make that kind of one of the key components of your plan is always having a well sized emergency fund. Why is that important? As you go in through this period of uncertainty right now, there's a peace of mind that comes with having money put aside to handle curve balls in life and to handle periods like this where income might become a little bit more volatile, but it also, if you have an investment plan, we're going to recommend that ideally you're investing on a consistent basis, so when suddenly you have curve balls in life, your emergency funds can take care of that and you can continue your investment plan. It's not disrupted by whatever else happens in your life and other uncertainties. So I just wanted to mention that. It's so important to not just have an emergency fund and an investment plan, but to always within that investment plan have money put aside so you can take advantage of investment opportunities, which is what we see today. Time, not timing, this is again, we've mentioned this in different ways, but this probably one of the most important principles, we believe, in investing. Cause if you're trying to time the market, a lot of people have said, should we take our money out now and put it in this all cash or put it on the sidelines? And then put it back in when the market starts to go up? Well, that's one of the challenges is knowing when is the market going to start going up.

Constance:

When is that going to happen?

MIKE:

Cause if you're trying to time the market, we kind of, again, not to gamble in it. It's like, nobody has crystal ball. No one’s going to be able to say, this is the right time to go in, this is the right time to go out, etc. A lot of people try to do that and it's actually more of a problem when they time it pretty well the first couple of times cause then they think they've got a system and a plan to do it and I've just seen more people fail in those efforts over longer periods of time. We believe in just trying to invest and leave your money invested over long periods of time and the way to do that is typically through dollar costs averaging. So when we say, have an investment plan and be consistently investing, there's probably no better way to do that than dollar cost averaging and probably the best way to execute it. One of the other questions that we've been constantly getting is how do I start investing? If I'm not doing it now, or if I just wanted to have a better understanding, where is a great place to start? We believe that one of the best places to start investing is through employer sponsored plans. So if that's a 401k , if it's a 403b, a 457, a thrift savings plan, or the TSP, which is kind of the 401k for government employees, all great ways in which to get exposure to investing, but to do it in a dollar cost averaging way. And what we mean by that is, let's say you get paid every two weeks and if you're contributing, let's say five, 10% to your, I'm just going to use 401k as an example. If you're going to contribute that to your 401k, every paycheck money comes out, you put it into whatever fund, and we'll get to that in a little bit as to what funds should I be contributing to. But you put it into whatever your funds are that you're investing in and then after two more weeks, more money gets put in, more money gets put in, so as the market's going up and down, you are just buying with discipline. You're going to get an average cost over time. That's probably lower than if you try to just go in and out of the market. So, should I still be contributing? In our minds, the answer's yes. Now, I'm going to say that in a general way because we believe you should always be investing, always, hopefully, contributing in a discipline manner, such as this. This is the time that you certainly want to continue to get the match that might be offered by your employer. You don't want to compromise that by going down to zero. But also, if this is a time where you could increase your contributions. Stocks are on sale right now, so if you can increase your contributions, that would be something worth considering. Other people have also asked, well what about employee stock purchase plans. Not all employees have access to these plans, but many employers do offer them and those can be a great deal as well. Again, you're just investing in the stock of your company and you're typically getting a discount in doing that, so we want to be careful. Remember, Constance says never have more than 10% of your investment portfolio in any one thing, so you want to be careful as to how much of any one stock that you have, but again, getting not only a discount, cause stocks are lower now, but then an additional discount to be able to participate in the employee stock purchase plan. That could be a really good thing to be contributing to as well.

CONSTANCE:
Yeah, it could be a really good thing. And then in addition, you can do the dollar cost averaging outside of your employer plan if you have your own separate investment account, even an IRA or a Roth or just something, general investing, you can have money transferred from your bank account to that investment account systematically, same amount each time, maybe $200 a month or

whatever it is and you're still dollar cost averaging. That avoids being all in on one day because the question is, okay, what happens the day after, does the market go down even more? If that's the case, you've really exposed a lot of your money to a down market, so you're feeding in, you're buying at different prices and then your average prices is better than if you just put it all in at one time and then hoped that the market didn't go down after that. Should I change my investment? That was, a lot of people asked that question.

MIKE:
Yeah, very common question. In the context of your 401k, your 403b, so we're going to speak in that context right now. Cause typically, you'll have 10 or 15 mutual funds you can choose from.

CONSTANCE:
Yeah, so, again, keep your plan and timeline in mind. You only get a gain or a loss if you cash out, so otherwise, it's just on paper and so that helps to relieve the stress a bit. We always know things will change. Change is part of life, so you don't actually have a loss unless you cash out at a down time. Long term, markets go up more than they go down, so the down times are shorter than the up times. Again, hopefully that'll help you feel more comfortable and the downturn is typically followed by a rebound and I think, Mike, I've been hearing a lot about people speculating on the rebound is probably not going to be complete market rebound, but sector by sector because we are seeing a lot of different areas hit hard. Travel, vacation packages, cruise lines, those kind of situations and businesses are particularly hard hit now and maybe will take a little bit of time to come back compared to other sectors.

MIKE:
Right, and so, just really quickly, some final thoughts on changing your investments within a 401k , many of you are probably in target date funds and to be honest, I really like target date funds, so those are typically going to be the options within your 401k or 403b, TSP, that have a date of 2030, 2050, whatever it might be. If you have decades to go until retirement and you're in one of those funds, those are a really good place to be. You're paying to be diversified. Yes, they're still going to go down, especially when you have a long time ‘til you hit that date. You're going to probably be invested mostly in stocks, which have returned the greatest return over time, so that makes sense. If your date's shorter, like 2020, then that's going to be much more conservative, so the drop should have been a lot less. I think target date funds are a great place to be within those 401k 's and if you want to understand your different options, great thing to talk to a money coach about and there's typically great resources available to you through your plan as well that you might be able to talk to folks as well. So, do your research, but a money coach is a great place for that. One more thing, one more slide that's really important. We got questions from people that in that last slide was more about what if I have a long time to go, but what if I only have three, five, seven, 10 years til retirement and now I've taken this big hit? What should I be doing? A lot of what I do, when I talk to

people that have this, what I typically like to revert back to is well, let's take a step back and start by what is your lifestyle cost today and what do you think your retirement lifestyle is going to cost you? We'll kind of do an analysis, so we'll start looking at their retirement budget and therefore, what is the income stream you're going to need to sustain that lifestyle? If it's three, five years from now. And typically, when it's that far away, people are pretty good about being able to do this exercise. We'll look at what are the savings you have even after these market changes in your retirement saving. What social security might you expect to receive? Do you have other buckets if you have an annuity, if you have other types of investments that you might be receiving income from. We'll actually kind of run some numbers and look at this and we have some worksheets that money coaches can do to help with this process and then we'll kind of see, well, if this has had a pretty big impact and you might be not necessarily balancing out in terms of what your lifestyle costs and what your income is forecasted to be then maybe you have to consider changing your investment plan a bit, maybe working a little bit longer, doing different things to consider how do I get comfortable again that I'm on the right trajectory to have the right income streams for when I reach retirement? It's kind of an analysis and, again, a money coach can kind of be a good backboard and help you walk through that, but you need to, just like you have to go through a discipline process for an investment plan, when your retirement's not that far away and you get a shock like this, you got to take a step back and methodically kind of go through an analysis and then I think you'll end up with some peace of mind and have to just consider some things. In my case, I know in my parents' case, they had a bunch of bucket list things they wanted to do those first few years, but maybe you have to spread some of those out and reduce some of the expenses you expect in those first couple years of retirement. But you just have to think through things in a methodical way.

CONSTANCE:
Yeah, I agree, Mike, and I think a lot of times people think when they reach retirement, it's like, oh, okay, now I'm going to spend all this money in a very short time and that might happen. Hopefully not, but the idea is you'll continue to be investing, working your plan, even in retirement. It's even more critical when you're in retirement to work the plan, so you'll still want to have investing. You'll still want to have your money exposed to the market because of the number one thing that we worry about, well two things, taxes is one thing we worry about in retirement, but also inflation, cost of living. As we know, the cost of things go up and we want to keep track of, in pace with those purchases and the best way is to have money in the market.

MIKE:
Just something we didn't say directly, but many people think, I'm hitting retirement, I got to be super conservative, but what's happening is people are living two to three decades in retirements, so since it's going to last that long of period of time, you still want money invested to earn the highest return possible for when you're in your 70s or in your 80s, so you kind of have to look at how much money

do I need in those first five years, how many in the five years after that and, again, have different investment plans for those different kind of buckets of money. Again, good things to talk to a money coach or in investment professional about. Okay, so those were our investment, I know we spent a lot of time talking about investment, but that's where you had a lot of great questions. There were also a lot of questions about income and what if my income's going to be impacted, maybe I don't have the opportunity to earn the same commission or I'm not going to maybe be qualified for a bonus or I might actually just be getting a reduction in pay. What should I do? This is kind of a sweet spot of a money coach in terms of we love helping people reset and look at what is your budget, but to start with a budget, we usually start with spending. How are you spending money? What is the income now coming into the household, how might it come down and then what is your spending plan? What are you spending money on today and how might that change? We kind of do an analysis and often times we'll walk through and work with somebody on this. We also start with do you have the adequate emergency savings? That's something we always want to look at because if you have emergency savings, then that's going to help you through a period like this and if you don't then that should be one of the number one goals coming out of this is that I'm going to build up those emergency savings so I never have to feel that kind of stress that I might be feeling today cause I don't have as much money put aside as I'd like. But now, this is really important. This is an interesting time where we're all spending a lot more time at home, so we can't go out and spend as much money going out to dinner or going out to lunch or entertainment, going to concerts. There's just a lot of things we can't do, so we're saving money whether we like it or not. It's kind of an interesting challenge where we can sit there and go, wow, you know what, I'm actually enjoying some of the things I'm doing instead. Maybe I don't have to spend as much money on particular things when the economy recovers and we get back into a new normal. I'd say, what are you learning you could do without and as a result of that, how can you reallocate some of that money? If it's to emergency savings, simply to getting by as your income is at risk, but that's a really important exercise. Once you go through that exercise of looking at different expense categories and how you're spending your money, Constance is going to get to it in another slide just talking about this is a great time to be negotiating lower rates that you're paying for different services, but just spend time redefining your new budget. Reduce or eliminate certain discretionary expenses and then it could be a good time, too, to just be more discipline. Find a budgeting app. At MSA, we have a great workbook, a great worksheet you can use. We also have software, but you might just already be using bank or credit union software or an app that you've found to be really helpful. Find a tool that really fits with your lifestyle and your choices. I think that's great and then take a step back after you redefine your budget and assess what are the risks. How am I going to sustain this new budget when things get back to normal? And be aware that sometimes it's having an accountability partner. We really recommend couples work together on this exercise, but I think it's just such an important thing to make sure to reset your budget and I think there's a lot of new, small habits we could be forming right now that will really help us on the back side of coming out of this event. In terms of other ailments of the budget, talk about, we got questions about how do I reduce debt or how do I increase my credit score in a time like this?

CONSTANCE:
Yeah, it's important because so many people are impacted by forced layoff, job suspension and so unfortunately, you weren't thinking ahead of that, obviously, that was something nobody ever anticipated, so if you are finding that you're not able to have enough income to cover the bills that you were paying, then contact your creditors right away and the creditors are aware of people's struggle right now and the economy and unemployment, so contact your creditor, call the number on the back of the credit card or on your statement. Be aware though, that there are scammers out there who are calling you who may be calling you and offering you a special deal. Be very suspicious if you get contacted. Take the information, don't go any further. Don't agree to any terms or sign any paperwork. Just hang up and then call the number on the back of your card or monthly statement. Verify that that's actually a credible offer from that card issuer or lender because there are scammers coming out of the woodwork, literally, that want to take advantage of the time that we're in.

MIKE:
But before you move on from that, I just can't, this is such an important point and it's not just each of you that are on this webinar, it's not just what you do, but it's reminding your children, it's reminding your parents. This is a really important point because people are looking for information, they're kind of in tuned and it's easier to click on something right now that really might put you at risk in terms of being scammed, in terms of malware whatever it is, so just really be on your top behavior and make sure to have that be a family discussion.

CONSTANCE:
Even emails, like you say, that you get sent a link to Bank of America and then you hover over it and it says something completely different, so you know it's not legitimate. Mortgage lender too, understand if you're struggling to make ends meet and so be sure to call your lender on your home mortgage at this time as well to develop a plan, either to skip a payment, defer a payment, that type of thing. Of course, those payments will still need to be made, but lenders will typically add those to the end of the loan, so that you do end up eventually, extend the loan a few months, but at least you have relief during this time. The other thing, there's a lot of federal and local programs that have come about in the recent week, even in the president has established some relief in terms of the cash payments that have been announced in the last 24 hours, so we have those kind of benefits that are coming our way and then also unemployment benefits have been expanded, so that if you have been forced to stay home or you have chosen to stay home to care for a loved one or because of exposure then you also, likely, can apply for unemployment. If you need help navigating those

details, we can help as well. We are tuned in to the current events to the point we know the resources and how to get there, so let us know if we can help you in that way.

MIKE:
One other thing in terms of credit scores. Many of you, maybe, were thinking of buying a home or maybe even buying a car or doing something. Maybe your credit score wasn't quite what you hoped it would be, this could be a great opportunity to get your debt to income ratio, cause again, if you can, if your income isn't necessarily impacted and you can put more money towards reducing your debts and towards improving your credit score, really, really could be a great thing to take advantage of these low interest rates and I think you're going to see some amazing deals out there in terms of buying a car, just getting a low interest rate on a mortgage, etc. Really could be a great time right now to improve your credit score, reduce your debt, so those are things we recommend you at least consider. Okay, so that's kind of leading into, so these are some of the opportunities that might be out there as a result of what we're going through in this period we're going through and probably one of the number one things that people might be considering right now is from my home perspective, is this a good time to buy real estate. So we got a number of questions that were specifically, should I buy real estate or should I refinance right now given that interest rates are pretty much at an all-time low. How are you responding to those questions, Constance?

CONSTANCE:
As you know, Mike, the fed dropped the rate, interest rate, so that effects interest rates on mortgages and other types of loans, so we do have an opportunity if you were considering buying a home that you can possibly get a better rate. However, lenders, particularly the larger lenders are being inundated with applications and so the closing date, which typically can be three to four weeks to close is now being extended even to two months in some cases, so the lenders are overwhelmed and when you're looking for a home loan shop rates, contact the larger lenders, but also, maybe some of the local banks in your area that may not be as inundated. Compare rates because with the influx of applications, the rates have gone up again a little bit. Just because of the volume of applications. The other thing is too, lock in a rate when you apply for a 45 to 60 days, so that you know that the rate that you have now will stay in place until the closing actually occurs. To lock a rate, it's not a free thing to do, but it can save you money in the long run as far as a lower interest rate on the loan. And the key thing is to be patient with your lender. They do have a lot of servicing issues and they're overwhelmed, so it may take a little bit longer than you would think to do that. If you want to invest in rental real estate, it may be also a good time. It's a way to diversify your real estate holdings, but again, make sure everything else is in place, you have emergency savings, you have a decent contribution going to your retirement account cause these things are kind of extras as far as investment properties. That would be kind of extra things that you can do if you have the bandwidth with cash.

MIKE:
And just to add to that point, it gets back to that investment principle of diversification. I've talked to a lot of clients that they only invest in real estate, so they weren't actually in the stock market and they actually went through a lot of paying back in 2008, 2009 when we had the housing crisis much further back. They went through a severe shock, so something I just want to remind everyone, and I don't think we've made this point enough, is that when it comes to what you buy and sell, be it homes, be it stocks, bonds, whatever it might be, these are subject to supply and demand. Again, it kind of comes down to what's the supply for anything at any given time and what's the demand? I was talking to one person who was just shocked by Tesla stock. If you look at Tesla stock five months ago, it was at 200, then you looked at it two months ago, it was at 900 and now you look at it today, it's at 400, so it's like what's causing this and a lot of that's just supply and demand. The company hasn't changed that much in six months, so it's something you need to be aware of is supply and demand is going to drive a lot of pricing and a lot of different things that you might be considering investing in. It's just, it's hard to predict sometimes because again, people get excited about something, it can drive the prices up and then it loses favor and it can drop so fast and that's not just stocks and bonds, or stocks, that can be true for so many things. Again, any other recommendations. This first point, it is really important. I think as we find ourselves spending more time at home and as we find ourselves with more time with family, this gives us an opportunity to kind of reset our priorities as what's really important in life. I'd say our own personal health, making sure our own health as a family and the ways in which we communicate with each other, this is a great time to kind of strengthen the family unit. It's also a good time to make sure and be aware of the different benefits that your employee assistance program offers. If it's ways in which you can improve your health, if it's taking advantage of different benefits associated with the healthcare plan that you have. Really take a moment because often times we only think about our benefits when it's open enrollment but this might be a good time where you have some time to research and really look at what are the benefits and again, talking to a money coach, taking advantage of your financial wellness benefit is one of those. Having a 30-minute conversation with a money coach could really help you. Just having someone to bounce some things off of to make sure you become more calm and confident in how you're moving forward with some of the investing decisions or rebalancing decisions that we've kind of been talking about. Make sure to take advantage of your benefits and secondly, purchases. We've talked about is this a good time to buy a car? Is this a good time to buy things? You're going to see that there's just some amazing deals out there and if you have the money put aside, and you were already planning to do these things this is a great time to negotiate an amazing deal and move forward on some of these purchases, but again, don't extend yourself just cause you'll see amazing deals, doesn't necessarily mean that you execute, but it could be a great time to execute especially if you're thinking about travel, anything like that. It could be a great

time to do those things but be careful, make sure that it is something you were already planning on doing and hopefully you already have the money put aside.

CONSTANCE:
For travel plans, don't go too far out or read the fine print on cancellation because you may buy a trip that happens in August and maybe we're still being affected in August. Hopefully not, but things can still have some residual effect on certain industries, so read the fine print as far as the cancellation clauses if it's something that's going to happen in the future. Financial spring cleaning, so important and what better time during tax time as we're going through records and paperwork anyway, to kind of declutter and I also challenge you, maybe, as you're enjoying maybe some down time to go through your bank statements or your online statements, see what those automatic withdraws are in terms of subscriptions, and newsletters and certain things that you just set up over time and maybe lost track of.

Mike:
Health club.

CONSTANCE:
Health club, yeah right. If you can, some people have a contract, but yeah, that's good to mention and maybe you don't need those things anymore, you're just not paying attention or using them. They can be eliminated and save money at the same time. Make money a comfortable conversation topic. As you're going through these reviews of your budget, maybe bring in your kids and just a conversation. You don't have to give them all the details, but just talk about what you're doing and why you're doing it and you're going to show yourself as a great role model for them moving forward.

MIKE:
Great, one last thing on the spring cleaning. This is a good time to go back and look at if you have an estate plan, if you have a will, make sure your beneficiaries are updated and you have contingent beneficiaries on your life insurance, on your investment accounts, on your bank accounts, everything. Just a good time to do some financial housekeeping and again, if you have any questions, we'd love to help you. Now, let's move to questions. Again, everything we've talked about so far was just based on questions you've already asked us. We have a number of other questions that have come in. Why don't we start with Melanie and are you able to recommend any safe apps ways to buy stocks for someone who has never purchased before?

CONSTANCE:
I think there's a lot of platforms out there and of course, the completely independent ones. Robin Hood is one of those and there are others that are robo advisers, but companies, investment

companies have now realize that there needs to be something for everybody, so if you are completely independent there's something, if you need a little bit of advice there's something and if you're totally dependent. Again, if you want to navigate that space, call us and we can give you some suggestions on how to find the best fit for you and get started because again, you need a plan and we can help you develop that.

MIKE:
The only thing I want to add to that is many times people are asking these questions and they say stocks and I like people to start with mutual funds. Mutual funds enable you to tap into a pool of money and whether it's an index fund or whether it's managed by a portfolio manager, it's going to be diversified across hundreds, if not thousands of different stocks, bonds, different investments, so it gives you diversification. Much more so than just buying individual stocks. We're not saying you shouldn't buy individual stocks. I'm just saying, it keeps coming up stocks. I never hear people saying mutual funds. I'd much rather explain to somebody what are mutual funds, there's a mutual fund for pretty much every industry, every type of investment you might be considering. So be thinking about mutual funds as well as you're doing your research. Next question is from Aaron. Can you talk about the impact of the Saudi Russia oil pricing war on the market overall. Oil prices dropped to under $30 yesterday. They dropped to more than 30. They dropped to down to $20 at one point in the last week, so it's gone from a high of 60 to a high of 20, so I'll let Constance make some comments, but I'll just say this is a good example of when the fundamentals of particular industries really get impacted. And this is just an example where the fundamentals in the oil industry are really being disrupted right now and what they'll settle and when they'll settle and when the price of oil will settle is very hard to predict, but once you see these changes in consumption and demand, basically, people aren't going to be driving their cars as much. They're not going to be consuming as much. Manufacturing has slowed down, so the need for oil has changed significantly, but until different industries etc. settle down and become more predictable, the price of oil is just going to be one of those things that's going to be very volatile.

CONSTANCE:
Yeah, I think, you'll agree, oil is always volatile.

MIKE:
Yeah that's true.

CONSTANCE:
Yeah if you invest in oil futures, you know you're going to get some volatility there, so that's kind of a side note to actually the main event, I think, don't you agree?

MIKE:
Yeah, it is.

CONSTANCE:
It's just kind of a coincidence that those two things kind of happened at the same time. But they're independent of each other and I don't know if the oil industry's going to really drive the market that much. I think it's almost on its separate path.

MIKE:
Totally agree.

CONSTANCE:
Yeah.

MIKE:
Another really important question and this allows us to hone in, I think, some very important points, which is from Safari, what's the difference between a Roth IRA and a traditional IRA? Where I want to start in answering this question. One thing we didn't mention when you talk about employer sponsored retirement plans, such as 401k 's, 403b's, you can invest a great deal of money, which has a tax implication. You can invest up to $19,500 if you're under 50 in a 401k, 403b, TSP. And if you're over 50 another $6500, so that's a significant amount of money, but there's within your employer sponsored plan, typically, not always, but typically, you'll have two options, so you can invest in a traditional and what that means is you're going to put pre-tax money and that's going to go into your retirement plan and you're not going to pay taxes on it. It's going to lower your taxes today cause it's taken out before taxes. It'll grow and then when you get to retirement, you're going to pay taxes on that. If you have a Roth option within your retirement plan, then you can pay taxes, then the money comes out, goes into the Roth 401k, 403b, whatever it might be. Money grows and grows and when you get to retirement, you don't pay taxes, which is a beautiful thing. Now, if you decide that you want to open up an IRA, an Individual Retirement Account, you can put up to $6000 into that on an annual basis and an extra thousand if you are over the age of 50. And it operates much the same way. You can have a traditional, so again, it's pre-tax money that you're putting into that or a Roth, it's post-tax money you're putting into that. A pretty cool thing about your individual IRA, not your Roth company IRA, but if you put, let's say $5000 into a Roth IRA for four years, so if you put $20,000 over that four-year period, if you decide that you need that money for something else to get through a tough time like this, you could actually take that money out of your Roth IRA and use it for other things and not have any penalties or tax implications. That's an important kind of side note as to an advantage of a Roth IRA, so we would always recommend that keep that money invested for your retirement, but it is just some flexibility that's important to note. Again, if you're thinking of

moves like that, often, it pays to talk to a money coach or a professional to make sure you don't have other options and that's really your best choice.

CONSTANCE:
Okay, next questions. Can you obtain your credit report while your credit account has a freeze attached to it? When you freeze your account, it's usually because you're reacting to an attempted identity theft or an actual identity theft and that means that the report and the credit history is frozen until you can be contacted to verify that that actually is you applying for credit. Let's say that someone's at Best Buy and they're applying for credit in your name and it's not you and so the person that they call for credit approval would have to contact you and ideally you have your cellphone or a contact number, a good contact number attached to that freeze so they know how to reach you to verify, oh yeah, I am actually standing a Best Buy waiting to get the approval or it is somebody trying to get something under my name. So yes, you can get your credit account while a freeze, it restricts the ability to automatically get a credit approval that we have if we don't have the freeze.

MIKE:
Next question is from Madelyn, how do I actually invest especially if I know nothing at all? I hope people aren't shy about asking questions like that because investing can be very intimidating, so, again, I go back to it's about an investment plan. The way I start to make it less intimidating is just by talking about goals. What are your goals and what are the timeframes for those goals and when we break it down to that, I'll look at, okay, so these goals that are maybe in the one to three year timeframe, you want to be really conservative, so just using bank products or credit union products, savings accounts maybe considering a certificate of deposit or a CD that goes out maybe six months or a year, maybe do something such as that, but for those short-term goals, you're going to be very conservative in investing, but now let's go to the other extreme, which is retirement. Maybe that's decades away. We often feel the best place to start is through an employer sponsored retirement plan and through dollar cost averaging, starting to invest, but you need to understand what am I putting that into, what are the funds and that's why we often say, start with a target date fund, but if you want to know other options within your retirement plan, do some research. You usually will have great resources, but a money coach can be a resource as well. That's a great place to start and while we're still on that, maybe you also want to open an individual retirement account, so you'll open a brokerage account at a mutual fund complex, like a Vanguard or a T. Rowe Price or a Fidelity or you might go to a Schwab or any of these other organizations where you can then pretty much invest in anything from mutual funds to stocks, bonds, etc. And again, you can get some help and advice along those lines, but if you have goals that are five years out, 10 years out, other goals, maybe a child's college education, maybe you want to consider investing in a 529, which is specially to save for a college future education expenses, then great things to talk to a money coach about.

There's a lot of great options, but those are some first steps in terms of understand your goals and timeframes and then we can talk more about what are our appropriate investments that'll give you the return so that you have the amount of money you're hoping to five, 10, 20, 30 years down the road when you reach that goal time.

CONSTANCE:
Next question, given it's tax season, is there anything we need to keep in mind before buying stocks and shares ahead of next year's filing? I think the first thing that comes to mind with that question would be, if you plan to sell any investments, you want to hold the investment for at least a year because you'll get preferential tax treatment, it's called long-term gain. And depending on your income, you may have a zero long-term gain or 15% or maybe higher. So it depends on where you are in the income bracket, but it does make a difference if you hold the security for at least a year before you sell it. That's the main thing. When you buy something, you need to have a plan. Again, we keep stressing this, but even something short-term. For example, if I want to buy an individual stock, I'll look at what the trading has been in the last 52 weeks. Let's say it traded between 30 and 65 and it's now at 40, so I know that potentially it could go back up to 65 when things are better, so it might be something that I'm looking at. I can say to myself, I want to sell that at 65 to capture the gain. If I wait beyond that, it may come back down, so I want to have a plan of what my floor is for how low it can get before I sell it and how high it can get before I sell it.

MIKE:
Great. Another question that's come up is how do I find a qualified financial adviser. We've spoken to that, I know you mentioned that earlier.

CONSTANCE:
Right.

MIKE:
What are the typical places you send people, in terms of researching and finding one that's a good fit for them?

CONSTANCE:
We talk about fees. There are difference in fees and what they charge for services, so we talk about that. We talk about professional organizations that advisers belong to because typically, along with those memberships they have ethical standards. So we know that there's some sort of an oversight over that adviser, that they have to meet ethical standards to be even a member of the organization. So we feel very confident there's three or four different organizations and also, Finrow, which is a financial regulatory agency, has a broker check that you can check to see if that adviser has had any issues with the securities industry in terms of inappropriate action.

MIKE:
This is a great question in terms of what encouragement do you have for sophisticated investors who maybe unable to share their deep losses on paper with family or friends at this time. This is, again, a great question cause one thing I'll focus on is deep losses on paper. What I would hope is that that's where they stay. Is that you're able to stay in the market and you're able to see the recovery whenever that eventually happens. Often times when people are in the stock market, I'm hoping that they have five, 10, 15 years and that there's going to be plenty of time for recovery and that's why I really try to discourage people from reacting too quickly cause often times when you sell, you're just locking in losses right now and that doesn't mean that wherever you're going to put the money that you just received is going to have the same recovery as if you'd left it where it was. It is very difficult and this is why I think it's one thing, I don't know so much about friends, but when it comes to family, it's about talking about your investment plan. It's doing that together ideally. Two spouses in terms of what are our goals, how are we going to fund it and then sharing, here's how I'm thinking we achieve the returns we're hoping to, so that we have such and such amount of money for retirement, or for our child's college education, whatever that might be, so at least you get on the same page, so it doesn't feel like it's something that you have to apologize for or at least even educate the person on. By the way, this is what we're invested in. That can be difficult, I understand it. Some people, some spouses don't even want to get involved, they don't want to be a part of the equation, so it can be tough. But empathy should be running high right now in terms of we all need to have a little bit of grace for each other in so many different ways. This is an unprecedented time, so forgiveness and taking a step back and not judging each other for whatever the mistakes or different things that might come to light, I think that's really important. I think we should all take that into consideration.

CONSTANCE:
Well said.

MIKE:
With that, I'd just like to remind you that when you leave this webinar, you will get, you'll be asked to take a survey, but actually you'll also get, within 24 hours, an email and a link for the recording, so please understand that if you miss something, you want to go back and hear anything that we talked about, you'll have that opportunity, but I can't emphasize enough. Taking the survey when you leave and making sure to give us your comments that'll really help us as we prepare for the next webinar, which we'll have, which is going to be a week from today and I'll get to that in a minute. But your opinion really matters to us, no matter if it's this webinar or any webinar. In terms of an action plan, we hope we've answered a lot of your questions and we've given you more focus on what are some things that you might do. We hope you'll attend our weekly webinars. We will continue to do this weekly indefinitely until we feel that you tell us, you don't need us to do it anymore. But step two is

create a wellness plan. Notice that we didn't say create a financial wellness plan. That's important, but it's an overall wellness plan. Again, you typically are going to have some great resources available to you through your employee assistance program, so make sure to check on your different benefits. Some different things you might be able to tap into that you weren't aware of. Discounts you might be able to get above and beyond those that you're going to be able to find today. And then talking to a money coach. I think that we are a great resource. We are here, we are open for business. We're here to help you. How do you do that? For many of you, that's going through your HR department, if it's associated with an employee assistance program and being able to get connected, getting the phone number and reaching out to us and making an appointment. Again, these are 30-minute consultations over the phone. We can talk about anything, so it doesn't have to be just in relationship to the coronavirus and what's happening today. It could be about just talking about investing, just talking about retirement planning, talking about improving your credit score, budgeting, it can be any topic. So for many of you if you have a more extensive MSA benefit through your employer, you should be able to go to a landing page and you'll have a phone number that you can get to contact us. However you want us to help you, we are here to help you during this time. Again, our money coaches are available. In terms of upcoming events, I mentioned we have one week from today, it's going to be, it's still called Financial Best Practices in Uncertain Times, but if the questions you're sending us make us want to change that title, we might, or we will, but we're going to keep it for that for the present time, but again, your survey comments and then when you register for next Friday's webinar, you'll have an opportunity to submit questions as well. Hopefully you'll be able to join us, either at the nine or the 12 o'clock pacific time webinar that we'll have a week from today. With that, thank you so much Constance for coming in here with me.

CONSTANCE:
Yeah, my pleasure.

MIKE:
And being here to speak to our members, to speak to folks, and again, we can't emphasize this enough, this is a very unique period of time. It's unique for all of us. It's a first. I hope everyone and all of us will find great ways in which to spend this time at home, to kind of tighten our family bonds, extend grace and appreciate the people in our work environments that are doing so much to enable us all to work from home and just, again, appreciate the people that we interact with cause everyone's kind of a little afraid and it might be a little difficult and we don't know what other people are going through so this is just a great period for us all to band together, so thank you so much for spending time with us today and hopefully we'll see you again next week.

CONSTANCE:
Thanks for joining us.

MIKE:
Take care.

Resources For Living

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