

ALIGN...

[Your finances with the Heart of God]



Pursuing Optimal Returns/Wise Investing | Don Reed

Biblical Roots of Investing

- The Parable of the Bags of Gold – Mt. 25 (selected verses)
- *Again, it will be like a man going on a journey, who called his servants and entrusted his wealth to them. (Mt. 25:14)*

Biblical Roots of Investing

(Two investors doubled their funds)

- *His master replied, 'Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!'* (Mt. 25:21)

Biblical Roots of Investing

(One investor buried his funds – no gain)

- *His master replied, 'You wicked, lazy servant! So you knew that I harvest where I have not sown and gather where I have not scattered seed? Well then, you should have put my money on deposit with the bankers, so that when I returned I would have received it back with interest. (Mt. 25:26)*

Wise Investing Principles

Today's Challenges

78% of American workers live paycheck to paycheck.

— Forbes, Career Builder January 2019

58% of American workers have less than \$1000 in savings for emergencies, future purchases, etc.

— GoBanking Rates, May 2019

69% of American workers save less than 11% of earnings for all savings including retirement savings.

— Bankrate Financial, March 2019

What can be done to resolve this?



Wise Investing Principles

The Three Accounts You Need



Emergency Fund



**Short-Term Saving
3-5 years**



Long-Term Savings/Investments - Over 5 years

Must have an overall savings plan to reach your goals

Wise Investing Principles

Principle of returns

- Short term savings - rate not significant/need access and safety
- Long Term Investments - rate is critical to success; Compounding
 - Consistent investing (dollar cost averaging)
 - Good returns
 - Time



Wise Investing Principles

- **Example:** 20 year old investor deposits \$200 per month for 50 years with an average return of 7%.
 - Total invested: \$120,000
 - Total value - \$1.1 million
 - Total gain - \$980,000

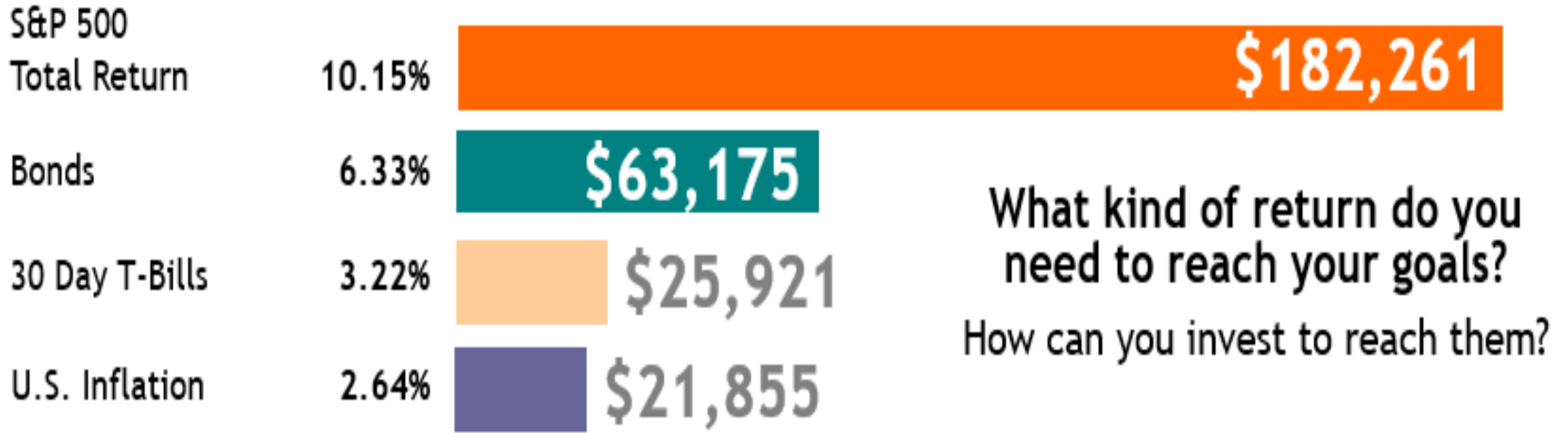


Wise Investing Principles

Rate of Return Is the Key

Loaning or Owning?

Growth of a \$10,000 Investment in 30 years

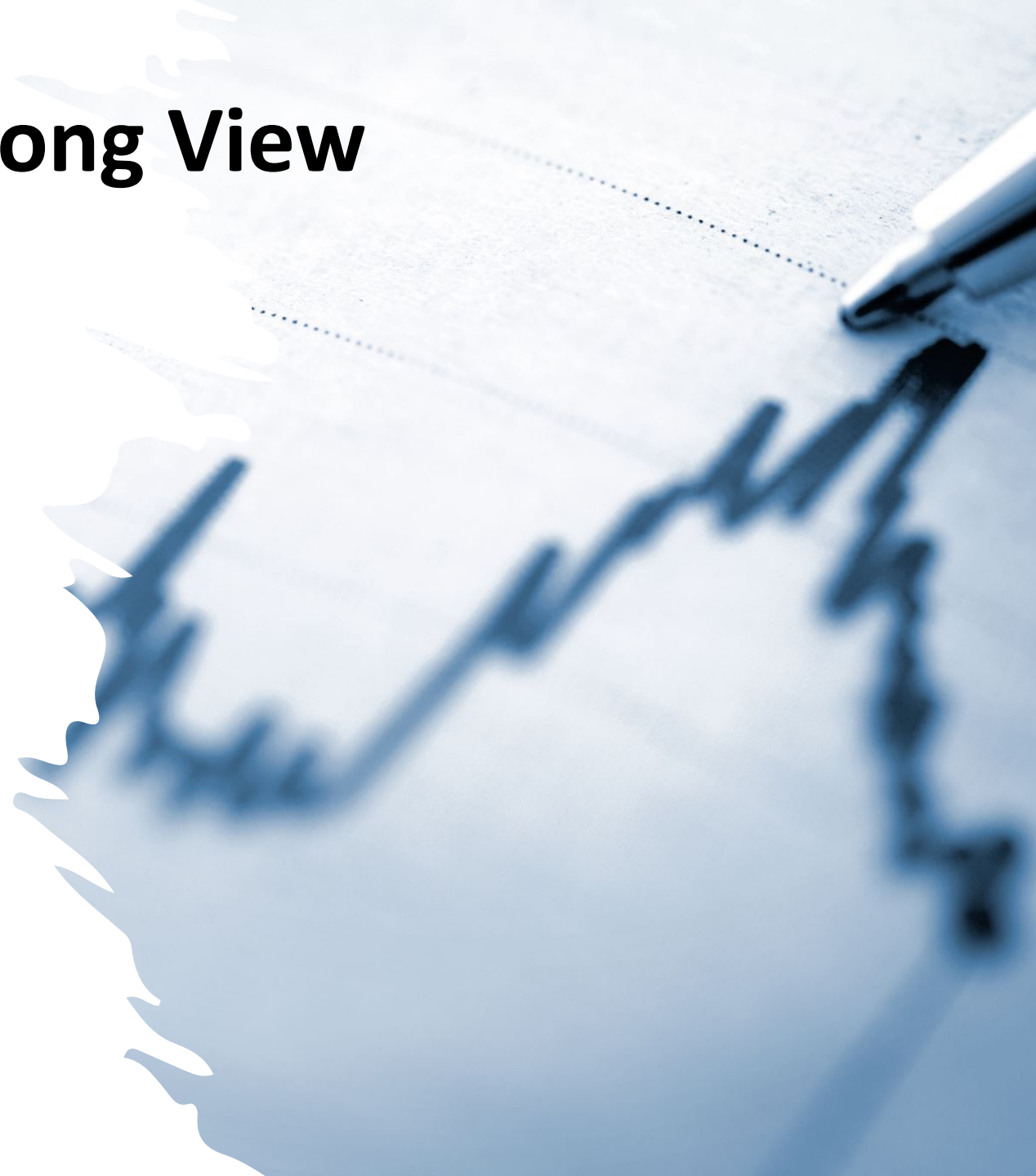


Taking the Long View

Positive Returns in the Stock Market

- One-day periods – 54%
- One-month periods – 62%
- One-year periods – 79%
- 10-year periods – 94%
- 20-year periods – 100%

Source: Returns 2.0



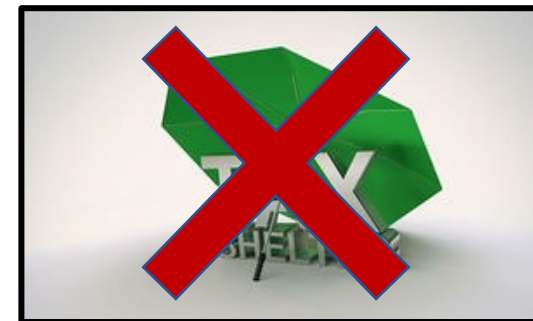
Wise Investing Principles

Types of Investment Accounts ...

**Qualified
for tax benefits**



**Non-Qualified
for tax benefits**



Wise Investing Principles

Qualified Accounts ...

- An account that qualifies for special tax treatment
- Usually tax deferral of growth ...
- IRS limitations apply



Wise Investing Principles

Qualified Accounts ...

A few examples ...

- Traditional Individual Retirement Accounts (IRA's)
- Roth Individual Retirement Accounts (IRA's)
- 401(k) Plans, 403(b) Plans, 457(b) plans
- Pension Plans
- Educational Funds, 529s, UTMA
- Thrift Savings Plan and other employer sponsored plans



Which IRA works best for your situation?

- **Traditional IRA, Deductible**
- **Roth IRA, Non-deductible**
- **Traditional IRA, Non-deductible**

*General description only, each option has limitations,
special considerations-check with your financial advisor*

Traditional IRA, Deductible

Benefits:

- **Tax savings now and tax deferral until retirement.**
- **Gives you and your spouse the potential to contribute \$6,000 each (if you meet certain requirements) off the top of your gross income, which reduces your taxable income. If over 50 years, can add \$1,000.**

Traditional IRA, Deductible

To Consider:

- **Withdrawals prior to 59 ½ are taxed at ordinary income plus 10% penalty.**
- **Withdrawal once 59 ½ are taxed as ordinary income.**
- **Required Mandatory Distribution (RMD) starts at 72 or significant penalty.**



Roth IRA 1997

Benefits:

- Contributions are not tax deductible but your withdrawals including initial investments and earnings are tax-free later.
- Contributions are made with “after-tax” money.
- Gives you and your spouse the potential to contribute \$6,000 each (if you meet certain requirements). If over 50 years, can add \$1,000.



Roth IRA

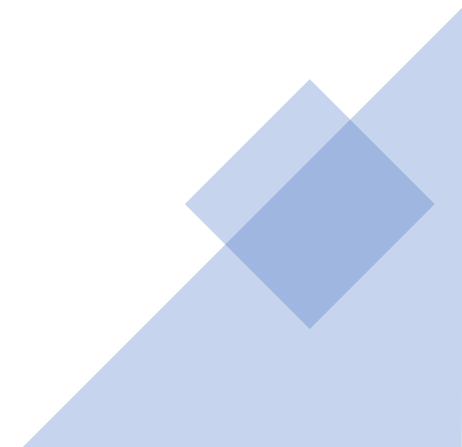
Benefits:

- When you withdraw the money from a Roth IRA, pay no tax (if held 5 yrs).
- No RMD withdrawals.
- Convertible from Traditional IRA – pay taxes now/no taxes later – timing important – earlier deposit/greater benefit from time!!



Roth IRA

To Consider:

- **Withdrawals prior to 59 ½ will result in a 10% penalty.**
 - **The money paid in taxes is not available to invest and grow.**
- 

Traditional IRA, Non-deductible

Benefits:

- Earnings on your IRA are tax deferred until retirement.
- Traditional IRA contributions may not be deductible from your current tax bill.

Traditional IRA, Non-deductible

Benefits:

- **Your non-deductible contributions will grow on a tax-deferred basis. So even though you weren't able to deduct your contributions, more of your money is allowed to grow and compound than if taxes were taken out of your account each year.**

Traditional IRA, Non-deductible

Benefits:

- **Postpone payment of taxes on any earnings until they are withdrawn at a date in the future, commonly retirement.**

Wise Investing Principles



401(k) & 403(b)...

- A defined contribution plan offered by a corporation
- Employees set aside tax-deferred retirement income
- Many match a portion of employee's contributions
- Involve penalties, restrictions and tax impacts

Wise Investing Principles



401(k) & 403(b)...

- Recommend to participate and roll to IRA when leave
- 403(b) similar to 401(k) but mostly for non-profits
- Contributions up to \$20,500 annually

(if over 50 - \$27,000 – an additional \$6,500)

Wise Investing Principles

Non-Qualified Accounts ...

- Do not qualify for special tax treatment
- Saving for specific goals and plans
- Funded with money left over after ...
 - *Charitable giving*
 - *Taxes paid*
 - *Funding Qualified Accounts (IRA, 401(k), etc.)*



Wise Investing Principles

Non-Qualified Accounts ...

- Can be rolled into a Roth IRA - limitations apply
- Back Door Roth - taxes to be paid, limitations apply



Investment Hierarchy

Match from your employer

Roth IRA/401k/etc.

Traditional IRA

Fully funded 401k or 403b



Annuities

- Generally an insurance product
- Options may provide guaranteed future income for life
- Fixed or variable returns
- Can be complex to understand
- May not benefit your estate at death

**Other
Investment
Options to
Investigate**

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**Wise Investing
Principles**

Life Insurance

Term vs. Whole Life/Universal Life

HSA – ‘shadow investing’

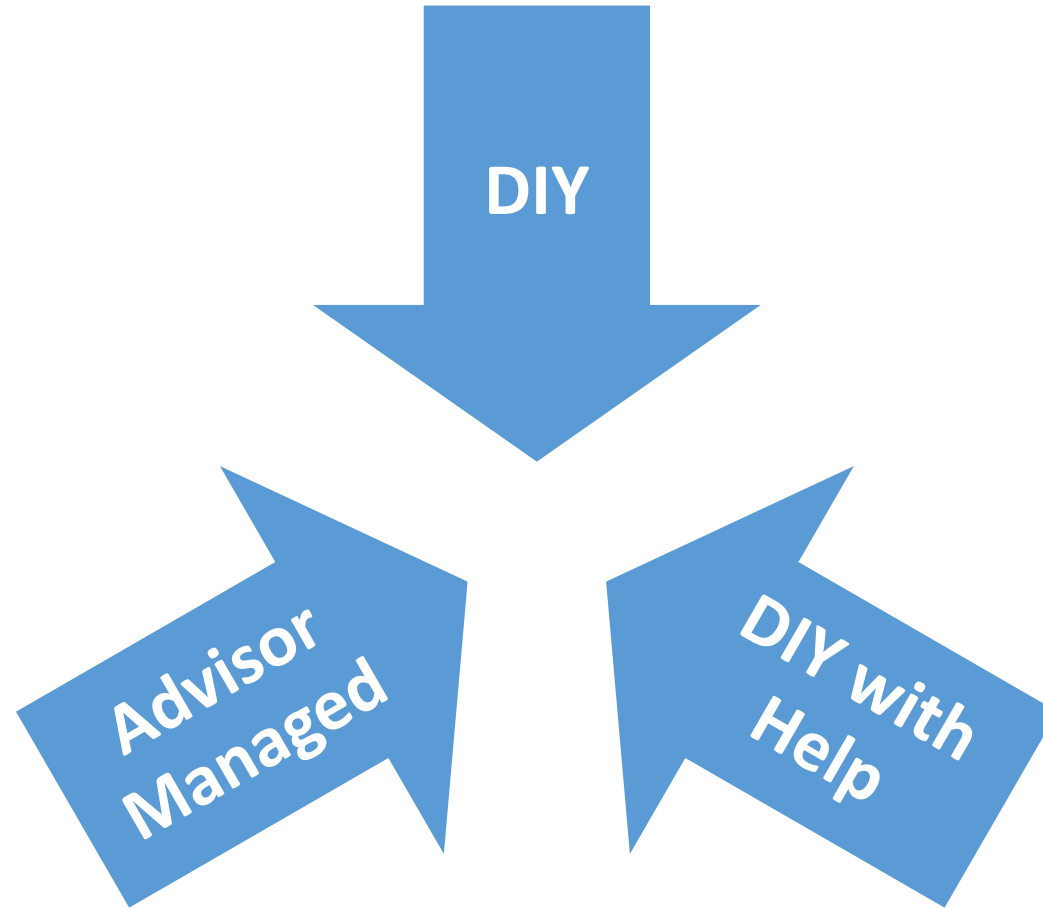
**Other
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...

**Wise Investing
Principles**

Wise Investing Principles

Three Investment Pathways



Do It Yourself

Build a portfolio
of Index Funds

Use a Target Date
Fund

Do It Yourself With Help

1

Subscribe to an Investing Newsletter

Invest according to their recommendations

2

Use Robo advisor services

Provide your basic financial information and goals – receive automated, customized advice for your situation

Advisor Managed Investing

**An agreement with a Financial
Advisor/Planner to handle
your investing decisions***

***Your money is still (always)
your responsibility!!
Understand the decisions; ask
the right questions.**

Wise Investing Principles

Where Do I Go And Who Do I Use ...?

- Most important aspect is the relationship
- Find a person with the heart of a teacher
- Use someone you trust! Use referrals
- Should have Fiduciary Duty



Wise Investing Principles

Where Do I Go And Who Do I Use ...?

- Avoid financial advisors who ...
 - *Want to sell you something TODAY!*
 - *Do not disclose how they make their money*
 - *Don't tell you how much they will make from you*
 - *Has no interest in teaching you*



Wise Investing Principles

Putting it All Together

Creating a written investment plan that describes your long-term financial goals and investment strategy will help you make better investment decisions. It will also give you a steady reference point during market storms.



Putting it All Together

- Data Needed

Current situation

- Age
- Annual Income
- Financial Goals – short and long term
- Current contribution to retirement accounts – Monthly/each paycheck/etc.



Putting it All Together

- Data Needed

Current situation

- **Run some numbers, online retirement calculators**
 - **Adjustments**
 - **Choose appropriate investments**



Wise Investing Principles Planning Example



Mike & Mary Brown

- Age – both 32, two children ages 4 & 2
- Annual Income - \$82,000 (Mike full time \$72k; Mary PT - \$10k)
- Current Retirement Savings - \$120,000

Wise Investing Principles

Planning Example



Mike & Mary Brown

- **Current Monthly Retirement Contributions - \$800**
 - **Mike - 9% of his salary deducted automatically (\$540) – Company match 50 cents per dollar up to 6% (\$180)**
 - **Mary - \$80 per month to a Roth IRA**
 - **Browns also contribute \$100 per month to college savings for each child (\$200)**

Wise Investing Principles Planning Example



Mike & Mary Brown

- **Retirement by age 67 with financial freedom**
 - **Run some numbers - Retirement Calculators online – BankRate.com, Fidelity, Schwab, etc.**
 - **Make Adjustments**

Wise Investing Principles

Closing Thoughts ...

- The Bible says a foolish person has “empty shelves.”

“In the house of the wise are stores of choice food and oil, but a foolish person devours all he has.”

Proverbs 21:20

Maintain A Biblical Balance in Saving & Kingdom Investing!

Wise Investing Principles

Closing Thoughts ...

- Jesus called the man who hoarded too much stuff a “fool.”

But God said to him, “You fool! ... who will get what you have prepared for yourself?” This is how it will be with anyone who stores up things for himself but is not rich toward God.

Luke 12:20-21

Mt. 25 Investors: "Well done...!!" or "You wicked, lazy servant...?"

Maintain A Biblical Balance in Saving & Kingdom Investing!

‘Finish Lines...’

Wise Investing Principles

Finish Lines...

Three Questions:

How much is enough (for me/us) ?

How much is enough for our children?

What will you do with the rest?

Remember God 'brought da pie'!! 