Financial Confidence

Key points from Brian Ford's Wellbeing Matters speaker series session

Let's be well together.

Net worth

When considering net worth, there are a few things to consider. First, calculations should include the assets and liabilities of your spouse or partner if your goals for retirement will focus on the combined result. This will allow you to work together towards these goals. Secondly, your net worth goals will depend on your age. A general rule to use in your retirement planning is by age 40, to have a net worth of two times your annual salary and by age 60, six times your annual salary. And finally, the net worth calculation is a simple one that you can track on your own — assets minus liabilities equals net worth or everything you own minus everything you owe). To start, list the name and dollar amount of each of your assets, and add them together for your total. Hint: Arranging them by category is helpful, and for any non-liquid assets, use a conservative, market value if sold today. Next, list your liabilities and add them together for your total. Again, arranging by category is helpful. Now subtract your total liabilities from your total assets to obtain your net worth.

Brian Ford, financial wellness expert and author

Diversification

Diversification simply means to spread your money around. This decreases your risk because If one type of investment goes down, only a small portion of your portfolio is affected. So, what's TRUE diversification? Well, most people think they're diversified if they have some stocks and bonds.

This is the old way. To be truly diversified we need many different types of assets in many different places. Your investment professional can help you build the right mix of assets, such as:

- Stocks from companies of different sizes, industries, and countries
- Bonds with different yields, durations, ratings, and tax treatment
- Real estate (normally called a REIT or Real Estate Investment Trust)
- Alternative Investments like commodities, and natural resources
- Money markets and other cash, like savings

Now, we realize that when investing you have many options. Our point here is to open your mind to TRUE diversification and spur a conversation between you and your advisor to take a second look at the different funds your retirement money is invested in.

Adobe

Paying debt vs. investing

If debt stresses you out or you have a significant outstanding balance, put all your effort toward eliminating it. On the other hand, if you only have a small amount of debt subject to low interest rates, it might make more sense for you to let that debt linger for a while and build up your savings.

Investing

Investing brings up a few considerations as well. First, don't be afraid to take action. Get started by implementing five time-tested and proven strategies: take a long-term view of your investments; diversify; implement systematic strategies (e.g., dollar cost averaging and rebalancing); utilize tax-advantaged investment vehicles; and keep expenses low.

Next, a general rule for saving and investing is 10% to 15% of your annual income. When considering taxes on investments, it is always a good idea to consult your tax and investment advisor, so you can get advice specific to you and your situation. In addition, there are those that choose to invest "ethically." Take some time to outline what an ethical investment looks like to you. Then do your research to start building a portfolio that aligns with your moral compass.

Rebalancing / reviewing

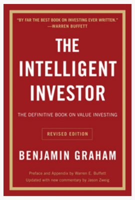
Rebalancing is the process of buying and selling portions of your portfolio in order to set the weight of each asset class back to its original state. Over the course of the year, the market value of each security within your portfolio will earn a different return, resulting in a weighting change. A popular belief among many investors is that if an investment has performed well over the last year, it should perform well over the next year. Unfortunately, past performance is not always an indication of future performance. Portfolio rebalancing allows you to keep your risk levels in check and minimize risk. As a general rule, you may rebalance annually, or when an allocation changes more than 5% in either direction. With more complex rebalancing dynamics, it's always best to consult with your tax and investment advisors.

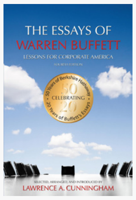
Retirement

When you're ready to retire, one frequently used rule of thumb for retirement spending is known as the 4% rule. It's relatively simple: You add up all of your investments, and withdraw 4% of that total during your first year of retirement. In subsequent years, you adjust the dollar amount you withdraw, to account for inflation. It's always best to speak with a financial advisor to ensure you have a solid retirement plan based on your individual needs.

Resources

Watch a replay of the *Financial Confidence* session.





To learn more about investing, there are some resources online for investor education and locating a financial advisor at cfp.net and finra.org (U.S. only). Or see the Financial Advisor Checklist for questions to ask a potential financial advisor.

You may also choose to read *The Intelligent Investor* by Benjamin Graham and/or *The Essays of Warren Buffet* by Lawrence A. Cunningham. The main point is to keep learning.

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