

FUNDAMENTALS OF  
**PERSONAL FINANCIAL  
MANAGEMENT**

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**GET ON BASE**

**W** WATERWORTH  
WEALTH ADVISORS, LLC

We are independent financial advisors. All information contained in this workbook is solely our opinion. This workbook is for general information only and is not intended to provide specific investment advice or recommendations for any individual.

Managing your employer retirement program(s) and the analysis associated with decision-making about personal financial matters is unique to each individual. You should use the information presented to help you focus on the factors that are most important to you.

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**“Every day is a new opportunity. You can build on yesterday’s success or put its failures behind and start over again. That’s the way life is, with a new game every day, and that’s the way baseball is.”**

**Bob Feller**

Baseball Hall of Famer  
World War II Navy Veteran

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## CHAPTER 1

# INTRODUCTION LETTER

This workbook is designed to serve as a guide to those in career transition who want to gain a better understanding of their financial picture. During a transition, it helps to know your financial position, good or bad, so you can manage your money and job search strategy appropriately until the next door opens. Whether you are getting ready to start a new career or looking forward to retirement, there will be many personal financial trade-offs to evaluate when making decisions about your future. This workbook is intended to give you fundamental tools and information to support your decision-making process.

The decisions you make today can affect your financial well-being for the rest of your life! Therefore, devoting time to evaluating your financial position and options for action is crucial. It can elevate your immediate job search by identifying baseline requirements for salary and benefits. In addition, it can help you process the economic side of the bigger, strategic questions you are likely working through, including but not limited to what's next for your career and what the end game for your lifetime of work will be.

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**A trusted financial advisor can provide a clearer view of the range of available options and trade-offs for your unique situation. We believe a better personal financial management experience begins by putting your big picture into focus with a thorough understanding of your needs, wants, and goals, as well as the resources you have to achieve your objectives. We know of no better way to gather, organize, and analyze this information than the financial planning process.**

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For some, the subject matter may be a bit dry. To make this information more accessible, consider a baseball-themed analogy. Why baseball? Well, there are many similarities. The objective of personal financial management is to achieve your financial goals, which for many include financial security during retirement and not outliving your money. In baseball, in order to win, players must score by safely arriving at home plate; and on defense, they need to make plays and avoid errors. Finally, it takes a team effort to win the game. In this guide we offer you the fundamentals of personal financial management, which include knowing your numbers, effectively managing risk, and avoiding errors, as well as assembling a team that will help you win the game of personal financial management.

### Play ball!

Timothy J. Waterworth, CFP®, AIF®

## CHAPTER 2

# OBJECTIVES

This workbook is intended to help you sort through important personal financial management decisions often encountered before you enter retirement. Whether you are closing in on your retirement years or not, it is important to assess where you are financially relative to your goals in order to make appropriate plans.

In the context of financial planning, goals are planned expenses occurring in the future. Examples of financial goals are buying a home, sending a child/grandchild to college, traveling in retirement and ultimately not outliving your money! The objective of financial planning is to help get you on track to confidently achieve your financial goals.

The learning objectives for this workbook are to ensure you know how to find help when you need it, to support good decision-making, and to provide valuable information and tools for you to understand and assess your financial circumstances.

### Objectives:

**1**

Complete a Personal Financial Assessment to identify and prioritize topics that warrant your attention.

**2**

Gather and organize your financial data into basic financial statements so you can assess your position and streamline getting assistance should you need it.

**3**

Assess and manage risk while balancing the cost of being adequately protected.

**4**

Identify useful resources and tools to manage personal financial matters and find good advice during all stages of your financial journey.



**“Baseball is the only field of endeavor where a man can succeed three times out of ten and be considered a good performer.”**

**Ted Williams**

“The Greatest Hitter Who Ever Lived”, Baseball Hall of Famer, World War II Navy and Marine Corps Veteran

CHAPTER 3

**ASSESSMENT:  
KNOW YOUR NUMBERS**

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**CHAPTER 3****PERSONAL FINANCIAL ASSESSMENT**

Answer **Yes/No** to the following questions. If you answer **Yes**, great! But does your investment, estate, and financial plans align with each other (i.e., no conflicts or gaps)? If you answer **No**, you have some research and investigating to do in this area!

**Financial Planning Foundation**

- \_\_\_\_\_ I know my monthly budget and where I can reduce expenses if needed.
- \_\_\_\_\_ I have a personal balance sheet and know my net worth.
- \_\_\_\_\_ I have an adequate emergency fund to cover 3-6 months of living expenses.
- \_\_\_\_\_ I know how long my severance and savings will sustain me before having to tap retirement accounts

» [WWA BLOG: CAREER TRANSITION FAQ – SHOULD I PAY OFF DEBTS NOW OR LATER?](#)

**Managing Employer Retirement Plan Benefits**

- \_\_\_\_\_ I understand my choices for managing employer retirement benefits (i.e., 401(k), pension, stock options) critical timeframes and potential tax impact of each.
- \_\_\_\_\_ I have established specific retirement income and other financial goals.
- \_\_\_\_\_ I have a plan to achieve my goals and periodically monitor my progress.
- \_\_\_\_\_ Investments in my 401(k) are invested according to my goals, risk tolerance, & time horizon.
- \_\_\_\_\_ I have evaluated my 401(k) funds for performance and reasonableness of fees.

» [WWA BLOG: SIX POTENTIAL 401\(K\) ROLLOVER PITFALLS](#)

» [WWA BLOG: ECONOMICS OF BORROWING FROM YOUR 401\(K\)](#)

## Risk Management

- \_\_\_\_\_ I understand my health insurance options to include COBRA and the health insurance alternatives available to me under the Affordable Care Act and in the private market.
- \_\_\_\_\_ In the event of my, or my partner's, untimely death; my dependents would be able to maintain their standard of living and still realize long term goals (college & retirement).
- \_\_\_\_\_ Arrangements are in place should I, or my spouse, need long-term care (living arrangements, long-term care insurance).
- \_\_\_\_\_ I have software in place to secure, back up, and protect my online and digital files (encryption, cloud storage, virtual private Wi-Fi network, antivirus software, etc.)
- \_\_\_\_\_ I take adequate precautions to protect myself from cyber-security threats.

» [WWA SURVIVORS FINANCIAL CHECKLIST](#)

» [WWA TECHNOLOGY SECURITY AND IDENTITY THEFT PROTECTION CHECKLIST](#)

## Estate Planning

- \_\_\_\_\_ I have a current estate plan in place (wills, trust, directive to physicians and durable power of attorney).
- \_\_\_\_\_ Beneficiary designations on my retirement accounts and life insurance policies are current and aligned with my estate plan.

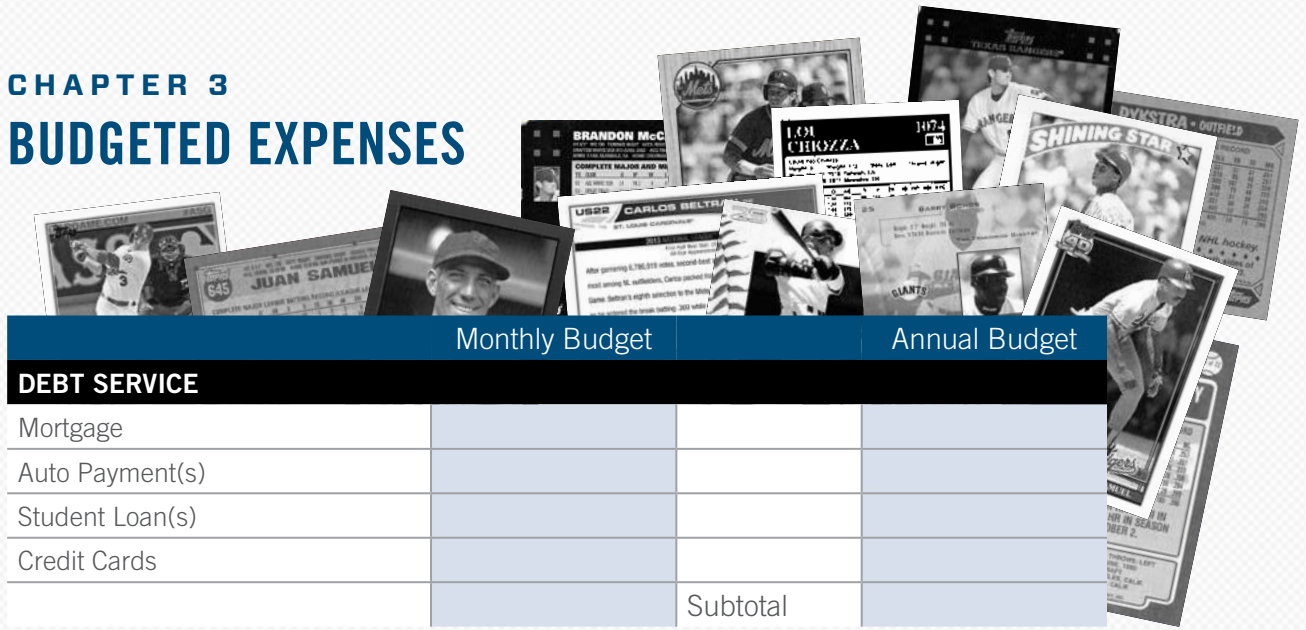
» [WWA BLOG: IS IT TIME TO UPDATE YOUR BENEFICIARY DESIGNATIONS?](#)

## Competent Help

- \_\_\_\_\_ I have a financial advisor whom I trust and value.
- \_\_\_\_\_ I have an estate attorney I trust and value.
- \_\_\_\_\_ I have a CPA I trust and value.
- \_\_\_\_\_ I have a health insurance professional I trust and value



## CHAPTER 3 BUDGETED EXPENSES



	Monthly Budget	Annual Budget
<b>DEBT SERVICE</b>		
Mortgage		
Auto Payment(s)		
Student Loan(s)		
Credit Cards		
		Subtotal

<b>TAXES</b>		
Income Tax		
County Tax		
School Tax		
		Subtotal

<b>HOME</b>		
Electricity		
Water		
Gas		
Phone		
Cable TV		
Internet Service Provider		
Home Repair/Maintenance		
Home Security		
Pest Control		
Lawn Service		
Home Furnishings		
Home Improvements		
		Subtotal

	Monthly Budget		Annual Budget
<b>CAR EXPENSES</b>			
Gasoline			
Repairs/Maintenance			
Detailing/Cleaning			
		Subtotal	

<b>INSURANCE</b>			
Life – Husband			
Life – Wife			
Medical - Family			
Dental – Family			
Home Insurance			
Auto(s) Insurance			
		Subtotal	

<b>CLOTHING</b>			
Dad			
Mom			
Kids			
		Subtotal	

<b>MEDICAL</b>			
Doctor Visits			
Dentist			
Prescriptions			
		Subtotal	

<b>SAVINGS</b>			
General			
Investments			
Retirement			
		Subtotal	

	Monthly Budget		Annual Budget
<b>DONATIONS</b>			
Church			
Charity			
		Subtotal	
<b>GIFTS</b>			
Birthdays			
Holidays			
		Subtotal	
<b>ENTERTAINMENT</b>			
Dining Out			
Movies			
Babysitter			
Sports Tickets			
Club Dues			
Children's Activities			
		Subtotal	
<b>PERSONAL</b>			
Gym/Personal Trainer			
Hair Care			
Vacations			
Hobbies			
Magazines/Newspapers			
		Subtotal	
		<b>TOTAL</b>	

## CHAPTER 3

# CASH FLOW STATEMENT

Monthly Income		Monthly Expenses	
Salary		Debt Service	
Severance		Taxes	
Unemployment		Home	
Final Wages		Car Expenses	
Vacation		Insurance	
Sick Pay		Clothing	
Rents		Medical	
Interest		Savings	
Dividends		Donations	
Other		Gifts	
Other		Entertainment	
Other		Other	
<b>TOTAL</b>		<b>TOTAL</b>	

**Calculate:**

- 1**  $\text{Income} - \text{Expenses} = \text{Monthly Surplus or Deficit}$
- 2**  $\text{Savings} / \text{Current Income} = \text{Savings Rate}$
- 3**  $\text{Debt Service} / \text{Income} = \text{Debt Ratio}$
- 4**  $\text{Income} - \text{Taxes} = \text{Net Income}$
- 5**  $\text{Net Income} - \text{Non-discretionary Expenses} = \text{Discretionary Income}$

## CHAPTER 3

# BALANCE SHEET

Assets		Liabilities	
<b>LIQUID</b>		Mortgage	
Cash & Equivalents		Car Loan	
Investments		Student Loan	
Other		Credit Card	
Other		Other	
<b>TOTAL</b>		Other	
<b>ILLIQUID</b>		<b>TOTAL</b>	
Home			
Auto(s)			
Personal Property			
Retirement Accounts			
Real Estate			
Other			
Other			
<b>TOTAL</b>			

Calculate:

- 1 Assets – Liabilities = Net Worth
- 2 Liquid Assets / Monthly Deficit (aka Burn Rate) = Months Until Liquid Assets Depleted  
*In career transition, it is helpful to know how long your severance and savings will sustain you. Knowing your burn rate and the runway you have before taking more drastic financial measures can be useful motivation in a career search and in the evaluation of job offers.*

**Once liquid assets are depleted, then what? You can:**

- Sell assets
- Take on debt
- Tap retirement accounts

## CHAPTER 3

# DEBT MANAGEMENT

If you find yourself in career transition, cash management is king. The duration of your job search is probably uncertain, and creditors will be unlikely to extend credit to you until you are reemployed.

It's a natural urge to want to pay off debt when in transition. However, it may be better to preserve your cash and keep making payments against debt as scheduled. This extends the amount of time you have to secure your next opportunity without having to take more drastic measures such as tapping retirement accounts, selling assets, or taking on more debt.

### **Debt management tips during transition include:**

- *Pay off high-cost debt (credit cards) if you have sufficient cash.*
- *For longer-term loans with lower fixed rates, maintain this debt in place and stay current on your payments. Decide if you want to pay them off or refinance them after you land your next opportunity.*
- *If you get into a financial pinch and cannot meet your debt repayment obligations, contact your lenders to make them aware before you miss any payments.*
- *If you have student loan debt and are strapped for cash, try reducing or suspending student loan payments by submitting an unemployment deferment request to your loan service provider.*

## CHAPTER 3

# UNDERSTAND WHERE YOUR MONEY GOES

The surest way to build wealth comes down to one simple habit: spend less than you earn. It sounds easy enough, and nearly everyone has a good handle on his or her income; however, keeping track of what you spend and where your money goes can be challenging.

Understanding your cash outflows is critical to your financial health. It allows you to determine where you may be able to cut your costs and what you have available to invest. It is also the basis for estimating your future needs and accurately predicting your future financial status.

Thanks to technology, tracking where your money goes is no longer the difficult task people remember or anticipate it being. Take advantage of the many free apps and budgeting websites available. We recommend checking out personal financial management tools such as [Mint](#), [You Need a Budget](#), or budgeting features through your banking institution.

### Features to look for in Modern Personal Financial Management Technologies:

- **Account Creation:** *Sign up in just a few minutes.*
- **Information Security:** *Check that their services are “read-only,” and all the account information you provide is encrypted. If you have any questions or concerns, go to their website and read over their security and privacy policies.*
- **Cost:** *Free financial management technologies are often funded by advertisements rather than charging you for the service. Some technologies are ad-free but charge a monthly or yearly fee. The paid-for programs usually offer more robust features than the free programs.*
- **Accessibility:** *In today’s mobile technology-based world, having the ability to check your financial information on the go via an app on your smart phone or tablet is a key benefit for any financial tool.*
- **Set up:** *As time-saving as these personal financial management technologies are, it does require upfront time and effort. You need to input your account information before it can begin track all of your electronic deposits and expenses. If your service offers budgeting tools, this also can require more initial onboarding time to create spending categories and limits.*

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**One word of advice: Use credit and debit cards that link to Mint.com (or whatever program you go with) for as many of your purchases as possible. Avoid using checks, cash, and non-linked accounts. This simple step will significantly cut down on manual entry and editing. However, if you are using a credit card, pay off the balance every month!**

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**Defense usually doesn't make many headlines, but it goes a long way towards winning baseball games. There are a number of ways to make an impact during the course of a game, and playing solid, sound defense is one of them.**

**Derek Jeter**

New York Yankees all-time career leader and All-Star

CHAPTER 4

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DEFENSE**

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## CHAPTER 4

# AVOIDING RISK

A fundamental principle of effective risk management is not to accept large, financially devastating risks. On the opposite end of the risk management spectrum, risks you can realistically afford (if they occur) should be accepted. Risks you can neither afford nor transfer to an insurance company should be mitigated or eliminated.

Reviewing insurance policies as you begin to head toward your retirement can reveal opportunities to reduce expenses and ensure you have adequate insurance coverage.

Conducting an insurance review involves gathering your insurance policies and organizing them to methodically review what risks they cover and don't cover, as well as your financial obligations in terms of premiums and out-of-pocket cost in the event of a claim. To be comprehensive, this insurance review should include a review of all forms of insurance: property and casualty, liability, health, life, and long-term care. You may also have special lines of insurance for recreational vehicles or other activities.

Once you have gathered your documents, it may make the most sense to review your insurance coverages with a qualified insurance professional. This may be your current insurance agent or another credentialed insurance broker with a good reputation.

The review will look for ways to close gaps, eliminate overlaps, find opportunities to improve your overall risk profile, and save premium dollars. The thinking as you assess your insurance program should follow the standard risk management decision-making process outlined below.

### The Risk Management Decision-Making Process:

- *Define and size risk*
- *Accept: Can you afford the loss if the risk becomes reality?*
- *Transfer: Are you better off transferring the risk to an insurer by purchasing an insurance policy?*
- *Mitigate: Can you reduce the risk by changing behavior, disposing of an asset, or otherwise changing another aspect about the source of the risk?*
- *Eliminate: Can you avoid or eliminate the risk altogether?*

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**NOTE: Often, the appropriate solution is a combination of these risk management techniques!**

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## CHAPTER 4

# MEDICAL INSURANCE

Health insurance is complex, dynamic, and expensive. Therefore, do your homework and get qualified expert advice! Here are some considerations to take into account as you evaluate your options:

- 1** If you are going to change to a health insurance plan with higher out-of-pocket costs to reduce your premiums, refill any prescriptions and schedule necessary medical appointments so they take place before your current coverage's end date.
- 2** Under COBRA (the Consolidated Omnibus Budget Reconciliation Act), you can stay on your former employer's health insurance program and avoid the hassle of potentially changing doctors under a new plan. However, the cost is likely high, as employers often cease making contributions toward premiums for former employees.
  - *You may be able to find a less expensive plan with a higher deductible through your former employer's plan offerings.*
  - *You must accept and sign up for COBRA within 60 days of termination.*
  - *You will be able to keep coverage for no longer than 18 months.*
- 3** Join the health insurance plan offered by a spouse's employer. Be aware that federal law imposes a 30-day sign-up deadline from the date of job loss or benefit loss.
- 4** Shop around for lower-cost coverage through the health insurance marketplace at <https://www.healthcare.gov/see-plans/>. A special enrollment period is available to those who no longer have job-based coverage due to job loss. You do not need to wait for an open enrollment period.
- 5** Health Savings Accounts (HSAs) can be accessed without tax or penalty, as long as withdrawals are for qualified medical expenses. Use an HSA to:
  - *Pay for qualified medical expenses (e.g., prescriptions, physicals, and eye exams).*
  - *Cover health insurance deductibles or COBRA premiums.*
- 6** Beware of plans that pay first dollar and have specific limits for a wide variety of medical expenses. Referring back to the risk management decision-making process, be sure to consider what's covered in a catastrophic claim. Many indemnity types of plans pay first dollar but cap the upper limits at low levels and therefore charge a low premium. If the premium is much lower than your other alternatives, be very wary and get a second qualified opinion before proceeding.

## CHAPTER 4

# LIFE INSURANCE

Reducing costs by canceling life insurance may be tempting, but terminating life insurance may mean leaving your family unprotected. In addition, if you decide you need coverage later, you may end up having to reapply at higher rates due to increased age or changes in health.

There are two basic types of life insurance policies: term life insurance and cash value life insurance. Though the two basic types can have a myriad of variations, generally speaking, term life insurance is for a specific period of time with no cash value, whereas cash value life insurance (often referred to as permanent insurance or whole life insurance) has some aspect of a cash value.

From a cash flow perspective, term life insurance is the most affordable. Cash value insurance has higher premiums and is fundamentally designed to build a cash value so you won't have to pay higher insurance premiums in the future when your income has changed due to retirement.

Which type of life insurance makes the most sense for you depends on your circumstances, preferences, and financial plan.

### Cash Value Policies

If you have a cash value policy now, you may be able to access the cash value through loan, withdrawal, or surrender – they all have different characteristics. It is important to understand your options and the consequences of each option before accessing the cash value of a life insurance policy. Be aware that if you borrow (make a loan) against your policy, you'll likely have to pay it back to keep the policy performing as originally intended.

### Converting Group Term Life Insurance

Your former employer may have offered group term life insurance. Typically, there is a base amount of insurance (e.g., \$50,000) that every employee receives. In addition, these plans often allow an employee to purchase additional insurance, with the maximum limit based on a multiple of salary. The employee may also be able to buy riders with this insurance to get coverage for a spouse and children.

When you leave the sponsoring company's employment, you likely will have the opportunity to convert the group term life insurance into an individual policy that you can continue.

The primary benefit of converting group term life insurance into individual insurance is that you can continue coverage without a medical examination. Generally, there is a time frame to do so, which depends on your policy and when you received notice. Look for a "Notice of Group Life Conversion Privilege Form" from your former employer. You will need to complete an Application for Conversion, sign it, and return it to the provider before the deadline.

If you are healthy, and you don't mind submitting yourself to a more involved application and medical examination, you very likely will be able to buy new term life insurance with lower premiums than the group term life conversion offer. If you go this route, be sure to shop among term carriers and ask the life insurance agent about conversion privileges to cash value life insurance in the future.

## CHAPTER 4

# CYBERSECURITY

Managing personal finances and staying on top of your personal cybersecurity go hand in hand. If someone else has a grip on your bank account, credit cards, or tax ID number (Social Security number) that means you don't!

### Take a password inventory

- *Do all your accounts have different passwords consisting of the recommended mix of uppercase and lowercase letters, a number, and a special character?*
- *How long has that password been in use for that account?*
- *Reset your passwords at least every 90 days.*
- *Use a password manager not only to store your passwords but also to generate new ones and notify you when the same password is repeated.*
- *Enable multifactor authentication when available.*

### Prevent cyberattacks

- *Avoid using public Wi-Fi or public hotspots when not connected to a known network. Instead, use a Virtual Private Network or your mobile phone as a hotspot (wireless data charges may apply).*
- *Install an anti-virus, anti-spyware software.*
- *Ensure that your computer's firewall software is enabled and working.*
- *Block ad tracking by downloading anti-tracking software.*
- *Enable automatic updates for your software.*
- *Make it a habit to confirm that the "s" is in "https://" when accessing sensitive sites like your financial accounts or purchasing anything online. Consider installing a browser extension such as HTTPS Everywhere.*

### Stay social media and email savvy

- *Connect on social media only with those you know personally.*
- *Know the limits of your profile security settings and who can view your photos and postings.*
- *Don't click links from unknown senders.*
- *Assume that everything you put online is permanent.*

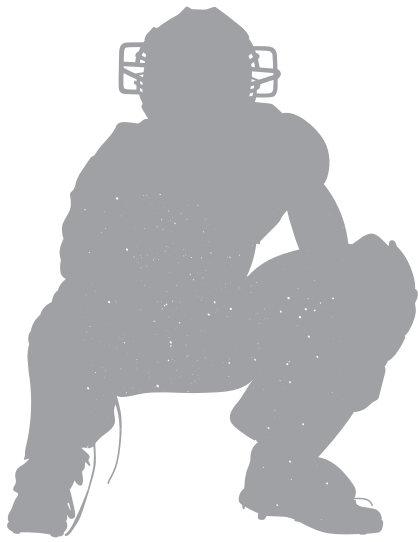
## Email hazards

We see suspicious emails nearly every day. You've likely seen them too. The Nigerian Prince, sketchy links to view a contract you're supposedly a party to, winning a contest you didn't enter ... the list goes on and on. This is known as "phishing" – don't take the bait!

Remember, certain information such as non-public personal identification numbers (Social Security number, driver's license number, etc.) and account numbers should never be revealed in an unencrypted email.

## Cybersecurity Blog Posts

- [Seven Best Practices: Personal Identity Protection](#)
- [How Safe Is Your Identity?](#)
- [Don't Take the Bait! 7 Dead Giveaways to Tell If You Are Being Phished](#)
- [Dangers of Public Wi-Fi and 2 Must-Use Tricks to Boost Online Security](#)
- [Has Your Email Been Compromised?](#)
- [Wire Transfer Email Scams](#)
- [Cybersecurity: You're Not Paranoid if Everyone's out to Get You!](#)
- [Thwart Cyber Pirates After Your Bitcoin Booty](#)



**“You’ve got to be very careful if you don’t know where you are going, because you might not get there.”**

**Yogi Berra**

Catcher for the New York Yankees 1946-1963

CHAPTER 5

**IMPORTANCE OF FINANCIAL PLANNING**

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## CHAPTER 5

# TOPICS TO ADDRESS

Financial planning is the process of strategically developing a game plan to accomplish your goals for the period leading up to and during retirement. Many individuals have little more than a vague sense of how they are tracking toward their goals. Too often, they have not engaged in a time-proven planning process, which means that the many pieces of their financial picture do not fit together.

According to a [2017 study by Charles Schwab](#), only 24 percent of Americans have a written financial plan. Those with a plan are more likely to have a budget, a “rainy day” fund, and a savings goal. A true financial plan determines how an individual or family can meet life goals and includes an ongoing process to ensure the proper management of financial resources. Topics addressed in a financial plan include:

- *Setting and prioritizing goals and objectives*
- *Creating a summary of your current financial situation, including a net worth statement, cash flow analysis, and insurance analysis*
- *Analyzing your current investment portfolio and developing an asset management strategy*
- *Constructing an action plan for contributions to employer-sponsored retirement plans and managing executive benefit programs*
- *Developing financial projections and analysis*
- *Using tax planning strategies to optimize your financial position*
- *Formulating recommendations, supported by relevant financial summaries, designed to meet your stated goals and objectives*



## CHAPTER 5

# STICKING TO IT

A financial plan can bring confidence about what you can do now to reach your desired outcome later by bringing clarity to this complex subject. Fitting the pieces of your financial picture together is an important step to knowing where you currently stand and the actions you need to take to get where you want to go.

Needless to say, life doesn't always go as planned. A sudden career change, a parent transitioning into a long-term care facility, the desire to purchase a second home, or the commitment to support a child pursuing an advanced education can all have significant impacts on your financial plan. In addition, such emotionally charged life events can cloud judgment. During these times, a trusted advisor can assist you to assess the impact of these major developments to your plan and provide guidance to help you stay on track.



**Like Retirement,  
“[Baseball] is a game  
with a lot of waiting  
in it; it is a game  
with increasingly  
heightened  
anticipation of  
increasingly limited  
action.”**

**John Irving**

Author of *A Prayer for  
Owen Meany*

## CHAPTER 6

# RETIREMENT PLAN BASICS

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## CHAPTER 6

# INTRODUCTION TO EMPLOYER-SPONSORED RETIREMENT PLANS

During a career transition, deciding what to do with a former employer's retirement plan can be very complex. It is certainly important to assess each option carefully in the context of your unique personal circumstances. The second book in this series, *Retirement Plans: Decisions*, covers key considerations for making decisions about employer-sponsored retirement plans.

The first step in assessing your options is to gather the facts about the plan(s) in which you are participating. The first document you'll need is a Statement or Estimate of Benefits, which tells you what you're personally entitled to under the plan. Another important retirement plan document is the Summary Plan Description (SPD).

### Importance of the Summary Plan Description

An SPD documents the rights of an employee participant in a retirement or health care plan covered by the Employee Retirement Income Security Act (ERISA). The SPD explains in laymen's terms the benefits available to employees and acts as a guide to understanding how the plan works.

#### Items in an SPD:

- *Plan name and IRS number*
- *Type of plan (health or retirement)*
- *Eligibility requirements, such as length of employment*
- *How benefits are calculated and paid*
- *How to claim benefits*
- *When benefits become vested*
- *Information about your investment options*
- *Other rules about the plan*

#### Where to locate your SPD

Employers are required to give their employees a copy of the Summary Plan Description in hard copy or digital format. You can get a copy by:

- *Contacting the human resources department at your current or former company*
- *Calling the plan administrator*
- *Checking the plan website*

Once you have your statement and SPD, you can accurately assess the benefits you are entitled to within your financial plan. This also allows you to explore likely scenarios to test the outcomes of different options for receiving those benefits.



**“The way a team plays as a whole determines it’s success. You may have the greatest bunch of individual stars in the world, but if they don’t play together, the club won’t be worth a dime.”**

### **Babe Ruth**

Legendary Player for the Boston Red Sox and New York Yankees

## CHAPTER 7

# ASSEMBLING A TEAM

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## CHAPTER 7

# FINDING, INTERVIEWING, AND SELECTING PROFESSIONAL ADVISORS

During a fast-paced career or career transition, you will likely find yourself looking for some type of advice.

There is a broad range of topics for which you may find yourself in need of professional assistance. Whether that means consulting on health insurance, retirement planning, investments, estate planning, taxation, debt management, or a new business startup, having a professional advisor in your lineup can make all the difference in the world.

I do mean to emphasize **professional** advisor. However good their intentions may be, the advice of family, friends, and peers will most often not be what you need.

### Professional Collaboration Is Vital to Success

Successful wealth management demands the effective collaboration of professionals from multiple disciplines. An important part of our role is helping each client integrate a variety of subject-matter experts into a cohesive solution. We don't give legal or tax advice, but we help the client recognize when they may need it.

As a comprehensive wealth management boutique, we are frequently working with our clients' other professional advisors. Because our clients often need a referral to an advisor, we have developed a process for curating a list of professionals for our clients to interview and select. Over the years, this has resulted in a network of many qualified professionals we know and with whom we have worked. These advisors can be excellent networking resources as well, as they too have a network of peers in their specialty through their professional associations.

If a client has a need in a geographical area where we don't have a connection, we have a method for finding them help.

### Sourcing Credentialed and Established Professionals

When looking for a professional to advise you on a particular topic, it is helpful to start with an understanding of the credentials that professionals in that area of expertise typically possess. The credential may be a mark earned from a professional association's board of standards, or there may be a governmental licensing and regulatory oversight

body that provides directories of registered and licensed professionals.

Having the credential doesn't mean they're necessarily a good advisor or consultant, but it does show that they devoted enough time to study, complete required coursework, and pass an exam. Furthermore, most of the widely recognized licenses and credentials have continuing education requirements to encourage their membership to keep their knowledge current.

In the age of the internet, some online directories have become very robust and allow you to search by a variety of criteria such as the area of specialization or geography. In addition, local chamber of commerce websites almost always offer a directory. Once you've identified a professional with the credentials, location, and other attributes you're looking for, the next step is to do some research.

### Narrowing the List

If a prospective advisor has a website, I start there to get a feel for them and their practice. I also check for a profile on LinkedIn. What do they do? How long have they been doing it? Who do they serve? I make a special effort to carefully read their bio to get a sense of their background, years in business, and how they present themselves.

#### **Factors that disqualify a prospect from consideration include:**

- *Having a P.O. Box as an address*
- *Being slow to return calls and emails*
- *Having a sloppy online presence*
- *Being a Jack of all trades, master of none*

After this research, I have a pretty good feel for the professional's focus and background and can decide confidently whether I should contact them.

### Contact the First Round Picks

The next step is to call or email the prospective advisor and request a phone meeting. The purpose of the phone meeting is to get acquainted and ask a few questions. How quickly they respond to phone messages and emails is revealing. If it takes multiple attempts to get a callback, that may be a sign they treat their clients the same way!

When I get them on the phone, I tell them how I found them and (without divulging my client's identity) describe the specific services my client requires. I want to determine if this type of opportunity is within the area of the prospective advisor's focus. You can tell a lot about a professional's competency by the questions they ask and the information

they offer. Finally, I ask them to explain how they are paid and, in general terms, what the scope of the work would be for the type of services discussed, then ask for an estimate or an estimated range of total costs.

If I have the impression that this professional will provide quality and timely advice at a reasonable cost, I'll add them to the list for client consideration. I generally shoot for a list of three, and I rank them based on my subjective assessment of overall fit for my client. I'll also suggest that my client call and introduce themselves to the professional to have their own questions answered and to get a feel for chemistry before setting an appointment.

Here's a list of questions to consider when you are vetting potential advisors, whether over the phone or in person.

- 1** What background, experience, qualifications, and education do you have?
- 2** What licenses and/or certifications do you have?
- 3** What services do you offer?
- 4** Do you typically work with clients in a situation similar to mine?
- 5** How are you compensated? How much do you typically charge?
- 6** Do you have a written agreement that details services that will be provided?
- 7** Could anyone besides me benefit from your recommendations?
- 8** Have you ever been publicly disciplined for any unlawful or unethical actions in your professional career?

## CHAPTER 7

# TYPES OF FINANCIAL ADVICE

How to ensure that consumers get quality financial advice has been an ongoing topic of public debate for the media, regulators, politicians, and financial services associations since the stock market crash of 1929. The laws, regulations, and oversight authorities have evolved as the markets have changed, as the sophistication of products has increased, and as each financial crisis occurred. It can be quite a lot to keep up with!

Most recently, the U.S. Department of Labor (DOL) attempted to implement what was known as “The Fiduciary Rule.” The rule proposed to make sweeping changes to the rules for advisors giving investment advice to 401(k) plan participants and individual retirement account (IRA) owners. To say the rule and its implementation process was controversial within the industry would be an understatement. As of this writing, it appears that the DOL’s Fiduciary Rule has faded into obscurity, as it was vacated by the Fifth U.S. Circuit Court of Appeals in March 2018 before being fully implemented.

The regulatory financial advice reform torch appears to have been passed to the U.S. Securities and Exchange Commission (SEC). SEC regulators have recently floated an early-stage initiative referred to as the “best interest principle.”

The legal framework intended to protect consumers of financial services is a labyrinth of regulations spanning registration, monitoring, and enforcement. Many of the regulations manifest as prospectuses, disclosures, and a lot of fine print to which, in my experience, most investors don’t pay a lot of attention.

### So How Do You Get Quality Financial Advice?

First, don’t solely rely on regulators to protect you from bad advice – ultimately, you must take ownership of evaluating and selecting your advisors. This reality mandates that a consumer of financial advice should commit to understanding personal financial management fundamentals, set goals, and have a system for monitoring financial accounts.

Second, get clear about the type of financial services you need and want. It may be helpful to separate financial services into two broad categories: transactional and advisory. If you know the product you want, you may be able to complete that transaction either directly with a representative of a company that offers that product or through a broker. This is a transactional financial service. However, if you are looking



for a professional to advise you on what's in your best interest, you are looking for an advisory financial service. This professional should not be employed by a product sponsor or compensated on a transactional basis; ideally, your advisor is not financially incentivized to recommend one alternative over another.

## Standards of Care

In the financial world, there are many types of advisors with a variety of backgrounds. But fundamentally, they all fall under one of two standards of care – or, to complicate things, sometimes both! It is essential for you as an investor to know the difference and understand the role the person offering financial services is performing for you and which standard of care they fall under. The two general standards of care in the financial services business are the suitability standard and the fiduciary standard.

### Suitability Standard

- *The advisor primarily considers the client's suitability (e.g., age, income level, financial objective) to base their recommendations.*
- *Solutions are offered from a range of financial products, which are often carried by the representative's company but also may be offered on a brokerage basis from a variety of companies.*
- *Representatives are typically paid a commission based on a transaction.*
- *Brokers, also known as registered representatives, are regulated under the Financial Industry Regulation Authority (FINRA).*

### Fiduciary Standard

- *The word "fiduciary" is derived from the Latin word meaning "trust."*
- *The advisor is obligated to put their client's best interests first, above their own.*
- *The advisor has expertise and a process for analyzing client needs and options for meeting those needs as well as ultimately arriving at a recommendation.*
- *The advisor avoids conflicts of interest or, where they cannot be avoided, discloses them and takes steps to minimize their impact.*
- *The advisor discloses and documents their fees and decision-making process.*
- *The relationship between the advisor and the client is typically an ongoing advisory relationship.*

When it comes to long-term financial planning, it is of paramount importance that you make informed decisions based on your unique and holistic circumstances. Having a trusted financial advisor who can help weigh the variety of considerations associated with a career transition or the beginning of your retirement years can make all the difference

in your long-term financial security.

In the prior section, we laid out an approach to finding, vetting, and interviewing professional advisors of any type. Below are additional considerations and resources unique to selecting financial advisors.

## Checking out Financial Advisors

If you are considering working with a financial advisor, one of the first things you should do is check the public disclosure websites the financial industry regulators make available. These sites offer information on advisors and registered representatives, as well as their firms. For example, you can verify whether a person or firm is registered, as required by law, to sell securities (including stocks, bonds, mutual funds, and others), offer investment advice, or both. You can also check out their employment history and licensing information and view any regulatory actions, arbitrations, disciplinary actions, and complaints.

- [Financial Industry Regulatory Authority \(FINRA\) BrokerCheck](#)
- [Securities & Exchange Commission \(SEC\) Investment Adviser Public Disclosures](#)
- [Securities & Exchange Commission \(SEC\) Action Lookup](#)

### Additional questions to ask when choosing a financial advisor:

- 1** Do you offer financial planning? What is your approach and philosophy?
- 2** What is your investment management approach and philosophy?
- 3** Could anyone besides me benefit from your recommendations?

I'm of the view that for a financial advisor to deliver advice that is in their client's best interest, they must have a comprehensive understanding of the client's "big picture." This understanding should span the client's goals, resources, risk profile, expectations, and concerns. It should also include family dynamics, health status, and past experiences with financial matters, to name a few. In my experience, there is no other way to achieve such a deep level of understanding than through a comprehensive financial planning process.

## Financial Designations

Designations are not the be-all and end-all of determining who is a trustworthy advisor, but they are a good place to start. They can also work as a screening tool for determining a match between your needs and their expertise. There are many different designations in the financial industry – look for ones that are widely recognized and require a combination of experience, knowledge, and continuing education. There should also be a professional association that defines and enforces standards of professional conduct for the designation.

Two examples of designations that meet the criteria described above are CERTIFIED FINANCIAL PLANNER™ (CFP®) and Accredited Investment Fiduciary® (AIF®).

### CFP®

A CERTIFIED FINANCIAL PLANNER™ is a licensed professional in financial planning. Through their training, they learn the framework and process of designing a financial plan for an individual or family's unique circumstances. In order to earn the CFP® mark, they must pass a certification exam, have 6,000 hours of experience recorded, and abide by the CFP® Board's Code of Ethics. They are required to complete continuing education courses each year to keep their knowledge current as the industry changes.

### AIF®

The Accredited Investment Fiduciary® designation represents an advisor's thorough knowledge of the fiduciary process. AIF® designees must also pass a certification exam, have two years of relevant experience, satisfy the Code of Ethics and Conduct standards, and complete continuing education courses each year.



## CHAPTER 8

# CONCLUSION

**“There are three types of baseball players: Those who make it happen, those who watch it happen and those who wonder what happens.”**

### **Tommy Lasorda**

Baseball Hall of Famer and  
Legendary Los Angeles  
Dodgers Manager

## CHAPTER 8

# CONCLUSION

I hope you found this guide valuable and that it achieved the objectives we set out to accomplish. You completed a comprehensive assessment and prepared personal financial statements. Now, equipped with this information, you should be in a better position to set your personal financial management strategy. This work is the basis of managing your day-to-day finances and the foundation for longer-term financial planning.

An often-overlooked component of managing personal finances is risk management and insurance coverages. Considering the many forms of risk and insurance coverages you have is an important aspect of successful personal financial management. Once you've gathered your information and considered your situation, I encourage you to review that information with an insurance professional that offers comprehensive risk management reviews and insurance brokerage services.

Also, don't forget to include a strong cybersecurity defense! Preventing identity theft and financial fraud is the single best example of the old adage, "An ounce of prevention is worth a pound of cure." You very likely know people who've been victims of some kind of identity theft. The aftermath can be extremely inconvenient, time-consuming, and costly!

Having confidence and believing in your personal financial plan and in your trusted professional advisors are key elements for long-term personal financial success. Successful personal financial management is an ongoing and dynamic process. It is a long-term commitment to have the systems and support in place to monitor your progress and adapt as life unfolds. I hope this guide helps you achieve your goals and wish you the best of success!

### Upcoming books in our series:

- *Book 2:* **Retirement Plan: Decisions**
- *Book 3:* **Investment Management: Evidence-Based Investing**
- *Book 4:* **Executive Compensation**



## CHAPTER 9

# RESOURCES: USEFUL WEBSITES

**“The way to catch a knuckleball is to wait until the ball stops rolling and then to pick it up.”**

### **Bob Uecker**

Player, Sportscaster,  
Comedian, and Actor

## CHAPTER 9

# USEFUL WEBSITES

### Comprehensive Personal Financial Management

» [DALLASFED.ORG/CD/WEALTH/INDEX.CFM](http://DALLASFED.ORG/CD/WEALTH/INDEX.CFM)

Building Wealth: A Beginner's Guide to Securing Your Financial Future offers introductory guidance to individuals and families seeking help to develop a plan for building personal wealth. Presents an overview of personal wealth-building strategies.

» [MINT.COM](http://MINT.COM)

One of the most comprehensive options for personal financial websites available.

» [WATERWORTHWA.COM](http://WATERWORTHWA.COM)

Links to articles, resources, calculators and other tools

### Online Investment Encyclopedia

» [INVESTOPEDIA.COM](http://INVESTOPEDIA.COM)

An extensive source for financial content, terms, and definitions produced in an easily digestible format.

### Retirement Planning

» [CHOOSETOSAVE.ORG](http://CHOOSETOSAVE.ORG)

The Choose to Save® public education program promotes the idea that saving today is vital to a secure financial future. The Ballpark E\$timate quickly helps identify how much you need to fund a comfortable retirement.

» [NCEO.ORG](http://NCEO.ORG)

Non-profit research organization with a major focus on employee stock ownership plans and options. Offers articles, newsletters, workshops, and conferences.

» [PENSIONRIGHTS.ORG](http://PENSIONRIGHTS.ORG)

Did you leave a pension behind of a former employer and lose track of it? Site sponsored by a Washington advocacy group.

» [PBG.COV](http://PBG.COV)

Site sponsored by the Pension Benefit Guaranty Group. Offers an online search tool to help locate pension benefits.

» [SA.GOV/PLANNERS/BENEFITCALCULATORS.HTML](http://SA.GOV/PLANNERS/BENEFITCALCULATORS.HTML)

Verify your earnings and get a rough estimate of your Social Security benefits (in today's dollars) as well as compare the benefit amount if you file for early or delay benefits.

### Health Insurance Decisions due to Career Transition

» [DOL.GOV/AGENCIES/EBSA](http://DOL.GOV/AGENCIES/EBSA)

Contact the DOL's Employee Benefits Security Administration for assistance in continuing coverage after employment ends.

» [HEALTHCARE.GOV](http://HEALTHCARE.GOV)

few health insurance choices during career transition and life change.

» [MEDICARE.GOV](http://MEDICARE.GOV)

Enrolling in Medicare can offset the rising costs of healthcare and health insurance for those over 65.

» [MEDICAID.GOV/MEDICAID/ELIGIBILITY](http://MEDICAID.GOV/MEDICAID/ELIGIBILITY)

Medicaid is a program for disabled and indigent individuals that meet specified criteria to receive health care and related benefits from program providers.

» [LONGTERMCARE.ACL.GOV](http://LONGTERMCARE.ACL.GOV)

Click through this website to see the planning considerations and options for a variety of age groups when it comes to long-term care.

## Debt Management / Mortgages

### » [BANKRATE.COM](http://BANKRATE.COM)

Comprehensive and current information about consumer finance rates of all types. Current mortgage rates, substantial educational content and calculators.

### » [ELOAN.COM](http://ELOAN.COM)

Compare loans, quotes, and calculators.

### » [AARP.ORG/REVMORT](http://AARP.ORG/REVMORT)

AARP's website with educational information about reverse mortgages.

## Personal Credit Reports

### » [ANNUALCREDITREPORT.COM](http://ANNUALCREDITREPORT.COM)

Can get a free credit report once a year.

### » [EXPERIAN.COM](http://EXPERIAN.COM)

One of the three major credit reporting companies. Helps you understand the factors affecting your credit score, and provides tools to monitor and correct your credit score; fee charged.

### » [TRANSUNION.COM](http://TRANSUNION.COM)

One of the three major credit reporting companies. You must be prepared to provide detailed information (i.e.; account numbers and credit limits) to get a basic credit report and score; fee charged.

### » [EQUIFAX.COM](http://EQUIFAX.COM)

One of the three major credit reporting companies. Helps you understand the factors affecting your credit score, and provides tools to monitor and correct your credit score; fee charged.

## Finding and Checking out Professional Advisors

### » [FPANET.ORG](http://FPANET.ORG)

Website of the Financial Planning Association. "Plannersearch" feature finds local Certified Financial Planners.

### » [BROKERCHECK.FINRA.ORG/](http://BROKERCHECK.FINRA.ORG/)

BrokerCheck tells you if a person or firm is registered to sell securities (stocks, bonds, and mutual funds), offer investment advice, or both.

### » [TBLS.ORG](http://TBLS.ORG)

To find Texas attorney - The Texas Board of Legal Specialization was established in 1974 by the Supreme Court of Texas at the request of State Bar of Texas and is the only governing board authorized to certify attorneys in legal specialty areas. Search for a Board Certified attorney here.

### » [CERTIFIEDLAWYER.COM](http://CERTIFIEDLAWYER.COM)

The CertifiedLawyer.com website was designed with one focus - a web portal for the general public and legal professionals to locate and access information about attorneys who have specialized skills and have taken the time to meet the rigorous standards of Board Certification.

### » [TSBPA.STATE.TX.US](http://TSBPA.STATE.TX.US)

The Texas State Board of Public Accountancy (Board)

### » [CPADIRECTORY.COM](http://CPADIRECTORY.COM)

The National Directory of Certified Public Accountants has connected thousands of business owners and individuals to local CPAs for a free, no-obligation consultation.