

Pursuit of Financial Well-Being

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What You See

Modest forward-looking returns may require higher savings going forward
 Values assume you would like to maintain an equivalent lifestyle in retirement

	\$50,000	\$75,000	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000
Current age	Checkpoint (x current household income)						
25	-	0.3	0.6	1.0	1.3	1.5	1.7
30	0.3	0.9	1.2	1.7	2.1	2.4	2.5
35	0.9	1.6	2.0	2.6	3.0	3.4	3.5
40	1.6	2.4	2.9	3.6	4.2	4.6	4.8
45	2.5	3.4	4.0	4.8	5.5	6.0	6.2
50	3.5	4.6	5.3	6.3	7.1	7.7	8.0
55	4.7	6.0	6.9	8.1	9.1	9.7	10.1
60	6.2	7.7	8.8	10.2	11.4	12.2	12.6
65	8.1	10.0	11.3	13.0	14.5	15.5	16.0

How to use:

- Household income is assumed to be gross income (before tax and savings).
- Go to the intersection of your current age and your closest current household income.
- Multiply your salary by the checkpoint shown. This is the amount you should have saved today, assuming you continue contributions of 10% going forward.
- Example: For a 40-year-old with a household income of \$100,000: \$100,000 x 2.9 = \$290,000.

This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan's model is based on J.P. Morgan Asset Management's (JPMAM) proprietary long-term capital market assumptions (10-15 years) and an 80% confidence level. Household income replacement rates are derived from an inflation-adjusted analysis of: Consumer Expenditure Survey (BLS) data (2013-2016); Social Security benefits using modified scaled earnings in 2017 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums; and 2017 OASDI and FICA taxes. For more details, see slide 15.

Consult with a financial advisor for a more personalized assessment. Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward tradeoffs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.

MODEL ASSUMPTIONS

Assumed annual gross savings rate: **10%***

Pre-retirement investment return: **6.0%**

Post-retirement investment return: **5.0%**

Inflation rate: **2.25%**

Retirement age –

- Primary earner: **65**
- Spouse: **62**

Years in retirement: **30**

*10% is approximately twice the U.S. average annual savings rate

Saving

What's My Number (\$50,000)?

- Age 35: \$45,000
- Age 45: \$125,000
- Age 55: \$270,000
- Age 65: \$405,000

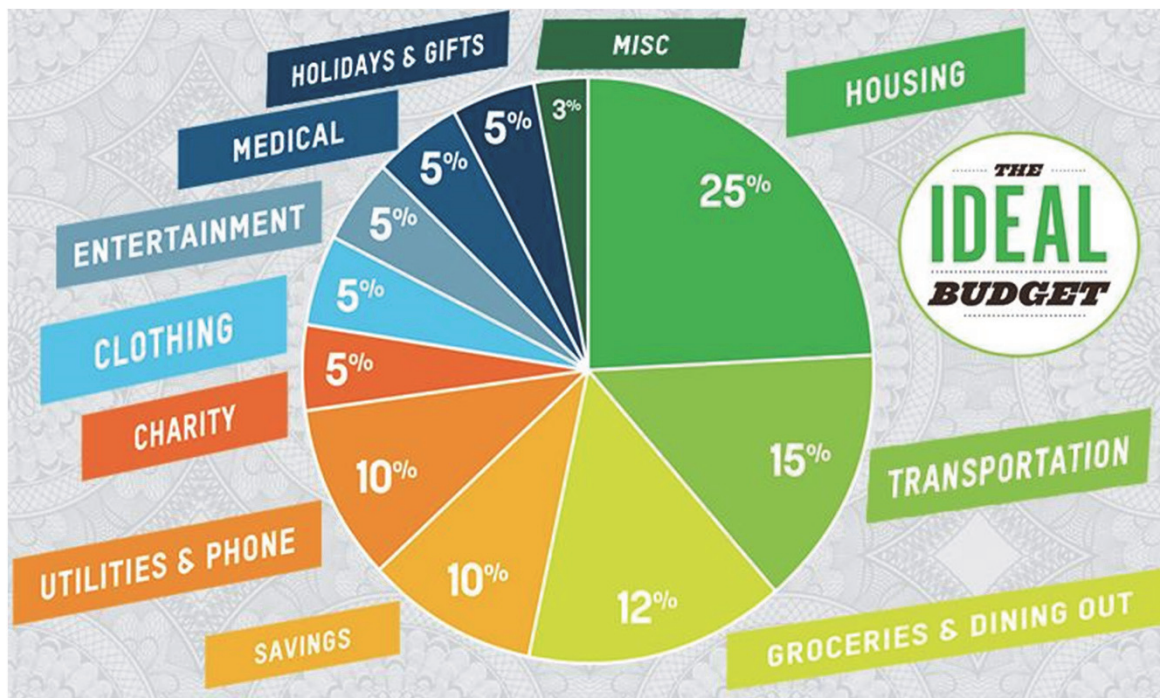
What's My Number (\$75,000)?

- Age 35: \$120,000
- Age 45: \$255,000
- Age 55: \$450,000
- Age 65: \$750,000

What They Assume

“In a Perfect World You Would . . .”

- Start Saving Big and Early
- Not pay any money towards your or your children’s education
- Never have any health issues
- Experience consistent returns every year until you retire (No 2008 or COVID-19!)



What is Reality?

The Competing Dollars Dilemma

- Retirement Savings
- Debt elimination
- Education and family needs
- ENJOYING LIFE!

Getting Back to Basics

Getting Back to Basics

- Identify and Automate Your Savings
- Insure The Insurables
- Optimize Your Debt
- Build With Balance
- Leave The Right Legacy

Identify and Automate Your Savings

A Lazy Man's Budget

1. Sweep your accounts for fluff
2. Set priorities at the top of your budget
3. Allocate surplus to:
 - A. Savings
 - B. Debt elimination
 - C. Whatever you want!

A Lazy Man's Budget

Income: \$5,000/month

Current savings balance: \$9,500

Desired savings balance: \$10,000

Priority budget

Savings/Retirement: \$250/\$250

Food: \$500

Bills and Expenses: \$3,500

Insurance: \$200

\$300 surplus

Automated Savings Contributions

- Set a minimum expectation
 - Favorite meal
 - A trip to the movies
 - Streaming services
- Automate it!
 - Checking to savings transfer
 - Direct deposit

Health Savings Accounts

- Designed to allow participants to set aside money for their own health costs, rather than depending on the health insurer to do so (PRETAX)
- Must be paired with a high deductible health plan
- Unused funds “roll over” each year, and can be invested
- After age 65, funds can be used without restriction to health-related expenses

Flex Spending Accounts

- Covers a wider variety of health and family expenses
- Account does not earn interest
- Do not need to be paired with health plan
- Unused funds do not roll over

Dependent Care FSAs

- Allows participants to set aside money for the costs of caring for children or eligible seniors. Funds DO NOT rollover (PRETAX)
- Does not need to be paired with any other plan
- Eligible uses
 - Before and after school care/after school program
 - Babysitters
 - Day camps
 - Nanny/au pair
 - Preschool

NYSUT Benefit

Synchrony Bank

Insure the Insurables

Transfer of Risk

Life Insurance Pension Optimization

- The 5% Rule
 - Example: Father/mother who wants to provide \$50,000 of annual income upon their death would need, at minimum, \$1 million of insurance
- Workplace Plans = Icing, Not the Cake
 - Portability and Convertibility

Transfer of Risk

Disability Insurance

- Group policies
 - Taxable
 - Overtime/Bonuses
 - “Own occupation”

Transfer of Risk

Long-Term Care Insurance

- Activities of Daily Living
- “Partnership Policies”
- Control of how you receive care

NYSUT Benefit

- Term and Permanent Life Insurance
- Disability Insurance
- Long-term Care Insurance

Optimize Your Debt Payments

Optimize Your Debt Payments

Debt To Income Ratio
(monthly expenses/monthly income)

- 33% Front-end DTI (house payment/monthly income)
- 50% Back-end DTI

Loan killers

- Student loans
- Credit cards
- Late payments

Consolidation Loans and Balance Transfers

Consolidation loan

- Personal loan used to consolidate high interest debt
- Considered installment debt (credit utilization)
- Establishes payoff date for debt

Credit card balance transfer ("credit card surfing")

- Utilizes introductory 0% balance transfer rate for new cards
- Allows borrowers to pay off debt at 0% interest
- Lowers minimum payment
- Improves utilization
- High credit score is typically required
- Increases possibility to mishandle debt

Credit

FICO Score

- 35% Payment History
- 30% Credit Utilization
- 15% Age of Accounts
- 10% Credit Inquiries
- 10% Credit Mix

Balance transfer

- Eliminates interest rate
- Lowers minimum payment
- Improves utilization

Personal Loan

- Installment debt vs. revolving debt
- Lowers overall interest rate
- Establishes definitive payoff date

Student Loans

Income Driven Plans

- Payment based on INCOME, not loan balance (Discretionary Income)
- Remaining loan balances after 20-25 years are forgiven (taxable)
- Goal: have the lowest REQUIRED payment possible
- $DI = \text{Adjusted Gross Income} - 1.5 \text{ (Federal Poverty Level)}$

Things that reduce your Adjusted Gross Income (OAMT!)

- Pretax retirement contributions
- HSA, FSA, Dependent Care FSA contributions
- Entrepreneurship!

Public Service Loan Forgiveness

- Federal program that forgives student loans in full after 10 yrs. of qualifying payments

Three requirements of PSLF

- Loans must be repaid using Income-Driven Plans
- Must be working full-time for an eligible institution
- Only Direct Loans will be forgiven (beware Stafford loans and IBR!!)

NYSUT Benefit

Student Loan Center

Synchrony Bank

Build with Balance

The 5% Rule

Pensions: The Rule Breaker

- \$30,000 Pension = \$750,000 account

Guaranteed Income vs. Nest Egg

- Roth IRAs
- Nonqualified Brokerage account
- 457 plan

Inflation Protection

- Asset Accumulation vs. Income Creation

Income Creation

- Real estate
- Business ventures
- Gig economy/Part-time employment

NYSUT Benefit

Financial Counseling Program

Leave the Right Legacy

Legacy

Estate Planning

- Clear Delineation of “who gets what” and “who pays what”
- Protection from family squabbles
 - Beneficiary disputes
 - Future spouses of widow(er) and other descendents

NYSUT Benefit

Legal Service Plan

Where Does this Leave You?

Thank You!

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