

It's Your Money



# Prioritizing your goals into a financial roadmap

## 1. Write down your financial goals

Include the 8 steps of your foundation, things you want to save for, dreams you want to accomplish, etc.

## 2. Sort: Must-haves vs nice-to-haves

Must-haves make the list first. Nice-to-haves get slotted in later.

## 3. Sort: Short-term vs long-term

Short-term goals are things you want to do in the next 1–2 years (saving). Long-term goals are for 2+ years out (investing).

## 4. Use your core values

Think about how each goal relates to your values and use that to decide what gets a place in your roadmap, what can get scaled up or down, etc.

# Assets

- ✓ Appreciating, wealth creating assets
  - ✓ Savings Accounts
  - ✓ Stocks
  - ✓ Bonds
  - ✓ Alternatives
  - ✓ Real Estate
  
- ✓ Depreciating assets
  - ✓ Car
  - ✓ Computer

# Liabilities

- ✓ Wealth creating debt
  - ✓ Mortgage
  - ✓ Student loans
  - ✓ Business loans
- ✓ “Bad” debt
  - ✓ Credit card debt
  - ✓ Personal loans

# Net Worth Statement

## Investment & Cash Balance Sheet

ACCOUNT	MARKET VALUE	NOTES
Checking	\$120,359	• As of 6/10/22
Joint Investments	\$1,834,559	• As of 4/30/22, 80% Equity/18% Liquid Alternatives/2% Cash, Cost Basis: \$1,203,401
Roth IRA	\$783,413	• As of 3/31/22, 100% US Equities
IRA	\$1,563,991	• As of 5/31/22, 34% Equity/6% Bonds/44% Liquid Alternatives/16% Cash
401(k)	\$1,129,831	• As of 6/11/22, maxing out contributions, 89%/8.5%/2.5%
<b>TOTAL INVESTMENT ASSETS</b>	<b>\$5,432,153</b>	

## Additional Balance Sheet

ACCOUNT	MARKET VALUE	NOTES
37 River Avenue	\$1,800,000	• Estimate by Zillow, Cost Basis: \$1,204,000
Investment Property	\$450,000	• Estimate provided by client, own outright
<b>TOTAL REAL ASSETS</b>	<b>\$2,250,000</b>	
Mortgage 37 River Avenue	\$930,000	• 2.5%, 30 year fixed, origination: 2021
<b>TOTAL PROPERTY ASSETS</b>	<b>\$930,000</b>	
<b>TOTAL OTHER ASSETS</b>	<b>\$6,752,153</b>	

# 8 steps to a strong financial foundation

1. Get to know your current spending habits
2. Adjust as needed (where possible)
3. Take advantage of your employer's 401(k) match
4. Save up one month's worth of take-home pay
5. Clear away high-interest debt
6. Finish your emergency fund
7. Attack medium-interest debt
8. Start investing toward your goals

50/30/20 RULE

~50%

TO NEEDS

Rent, groceries, phone,  
internet, work clothes, debt  
minimums

~30%

TO WANTS AND FUN

Netflix, fancy takeout, travel,  
books, sauv blanc, supporting  
causes

~20%

TO FUTURE YOU

Emergency fund, 401(k),  
saving for a house, paying  
down debt

HIGH-INTEREST DEBT

Pay off debt with an interest rate greater than 10%







## Debt avalanche

pay off the highest interest rate first



## Debt snowball

pay off the smallest balance first

*1*

Some quick investing basics

# investing

*in • vest • ing*

*Using money to buy investments that will hopefully gain value over time. As the value of your investments goes up (or down), the value of your investment account goes up (or down).*

# Investing vs. Savings

KNOW THE DIFFERENCE

10%

vs.

1%

INVESTING

- 10% is the average annual return of the stock market since 1926
- Investing entails risk, including loss of principal; no guarantee of return

SAVINGS

- 0.08% is the average interest rate on savings accounts today
- No risk

# Common types of investments

## Stocks

- ✓ Slices of ownership in a company
- ✓ Value can go up or down depending on the company's performance & market demand
- ✓ Sometimes pay dividends
- ✓ Higher risk, but historically higher returns

## Bonds

- ✓ Like making a loan to a company or government
- ✓ At the end, the investor gets paid back, plus regular interest payments along the way
- ✓ Sometimes called “fixed income”
- ✓ Generally safer, but historically lower returns

## Alternatives

- ✓ Basically anything that isn't a stock or bond
- ✓ Examples: real estate, gold, energy, art

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# investment fund

*in • vest • ment fund*

*A basket of many different investments all in one. You can buy shares of the fund in order to own small portions of all the investments inside.*



## TWO TYPES OF FUNDS

### Exchange-traded funds (ETFs)

Often cost less, trades are  
guided by rules

### Mutual funds

May cost more, trades are  
guided by human judgment

2

Deciding what to invest in

It's all about balancing  
*risk* and *return*.

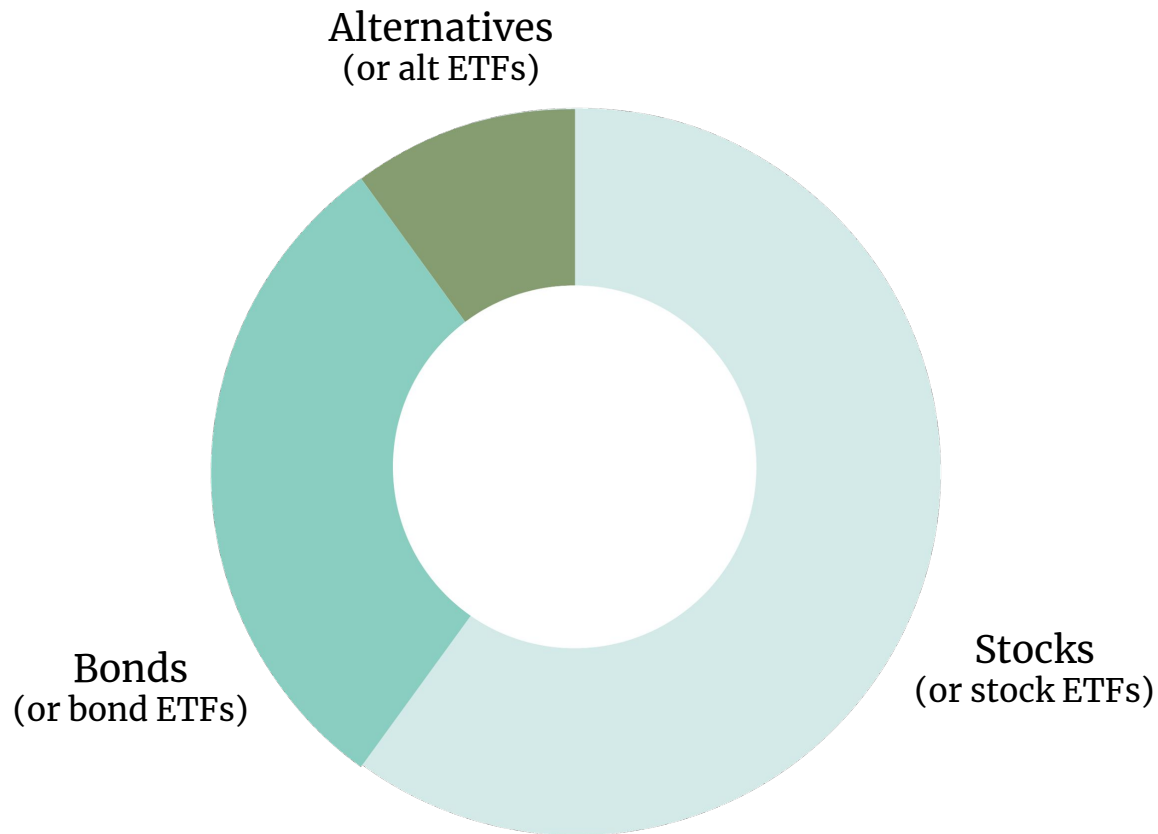
# diversification

*di • vers • i • fi • ca • tion*

*Owning lots of different types of investments that all act differently from one another.*

# Layers of diversification

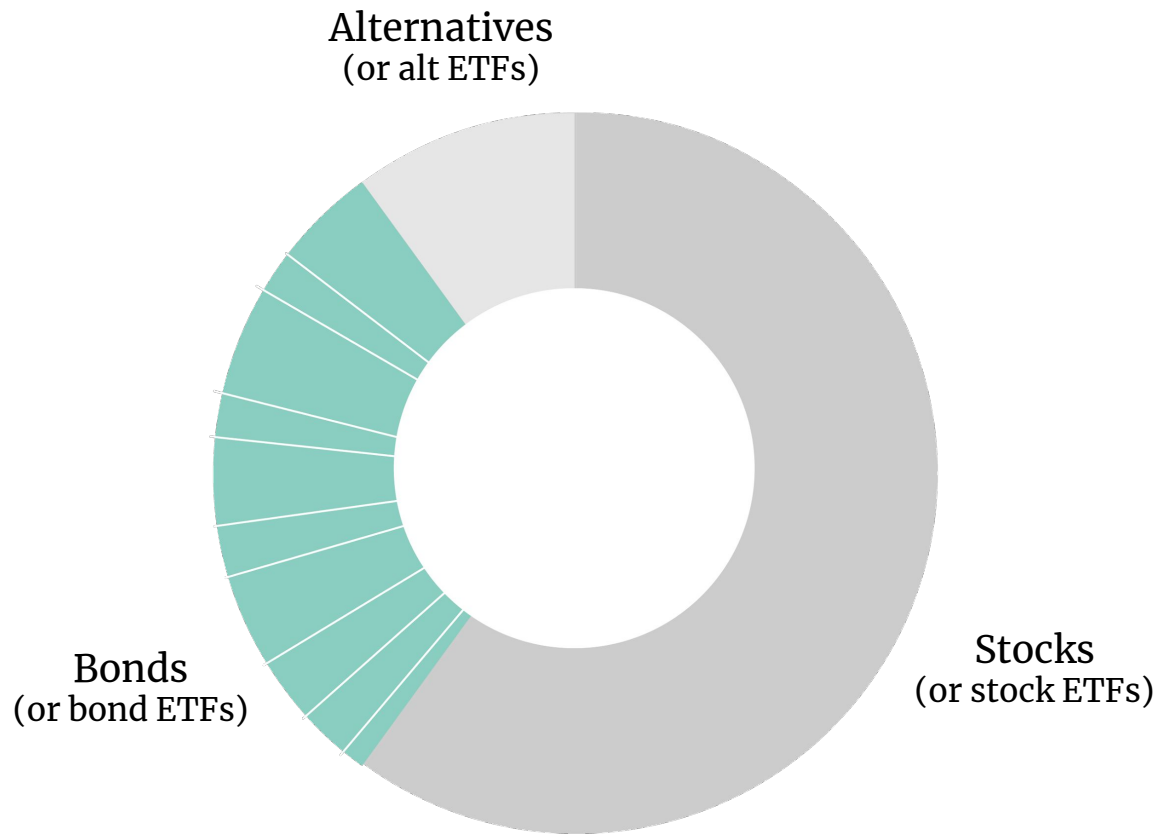
Highest level: having a mix of stocks, bonds, and alternatives



This chart is meant for illustration purposes only, does not represent a specific investment portfolio, and should not be relied on as investment advice.

# Layers of diversification

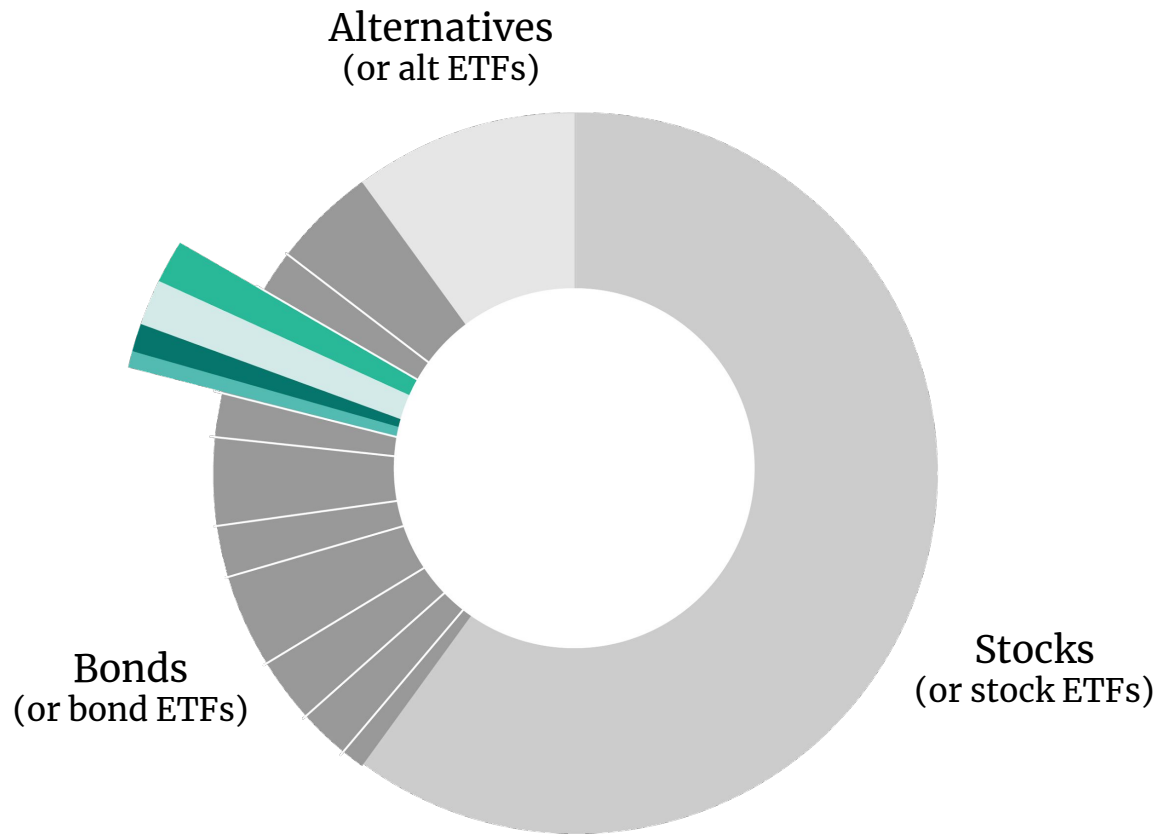
Middle level: having a range of different *types* of stocks, bonds, and alternatives



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# Layers of diversification

Most granular level: having a number of different *individual* investments



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# Investment Philosophy

We don't try to time the market. Instead, our approach is centered on things we can control: risk management, cost reduction, and tax optimization.

## 1. GOALS-BASED INVESTING

We take the time to learn about you and your household, identify your goals, and build your investment strategy accordingly

## 2. TOP-DOWN ASSET ALLOCATION

We build a mix of equities, bonds, and alternatives based on your objectives and risk preferences

## 3. HOLISTIC, TOTAL PORTFOLIO APPROACH

We manage your assets considering your entire portfolio, not just the assets you hold with us

## 4. TAX OPTIMIZATION

We manage your portfolio considering your tax posture and the cost basis of your investments



3

How investing at Ellevest works

HOW MUCH RISK?

“Risk tolerance”

Goal-based  
investing

*Too much risk* could knock you off track.

*Too little risk* could leave you short of your goal.

We look for the level of risk that could best help *maximize* your potential returns while *minimizing* the chance that you won't hit your goal.

4

When should you invest?

We recommend investing  
*ASAP* and *regularly*.

# compounding

*com • pound • ing*

*The mathematical phenomenon that happens when you take a number and increase it over and over again by a percentage (“10% annual growth”), as opposed to increasing it by a fixed number (“add 10 each year”).*

Timing the market  
*doesn't work.*

# dollar-cost averaging

doll • ar cost av • er • ag • ing

*The practice of investing a fixed amount of money at regular, consistent intervals of time.*



# Timing the market

MONTH	\$ INVESTED	MARKET PRICE	SHARES PURCHASED
January	\$100	\$50	2
February	\$0	\$25	0
March	\$0	\$20	0
April	\$0	\$10	0
May	\$0	\$10	0
June	\$500	\$20	25
Total	\$600		27

Total shares you own	27
Current market value per share	\$20
Total value of your investments	\$540

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## Dollar-cost averaging

MONTH	\$ INVESTED	MARKET PRICE	SHARES PURCHASED
January	\$100	\$50	2
February	\$100	\$25	4
March	\$100	\$20	5
April	\$100	\$10	10
May	\$100	\$10	10
June	\$100	\$20	5
Total	\$600		36

Total shares you own 36  
Current market value per share \$20  
Total value of your investments \$720

# Questions to Ask a Financial Advisor

- **Are you a fiduciary?**
- **What will your services cost me?**
- **What services do you provide?**
- **What's your investment philosophy?**
- **What's your investing process?**

## **Other Important Questions:**

- Can you help me invest in the things I care about?
- Does your firm sell its own investment products?
- What are all the ways you get paid?
- Do you accept payment for order flow?
- Do you accept “shelf space” payments from asset management firms?

# What can an advisor help you with?

- Creating a diversification plan from your stock concentration
- Investment plan
- Monitoring the day to day of your investment accounts and take action when needed
- Financial planning
- Tax-loss harvesting
- Introductions to other financial team members

Time for Q&A

# Disclosures

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