# It’s Your Money!

## Investment World

Presented by: Michael Allbee, CFP® & Henry VanBuskirk, CFP®

Benefit Financial Services Group

FINANCIAL & ESTATE LITERACY

# Michael Allbee, CFP®

Principal, Senior Portfolio Manager

https://www.bfsg.com/our-team/

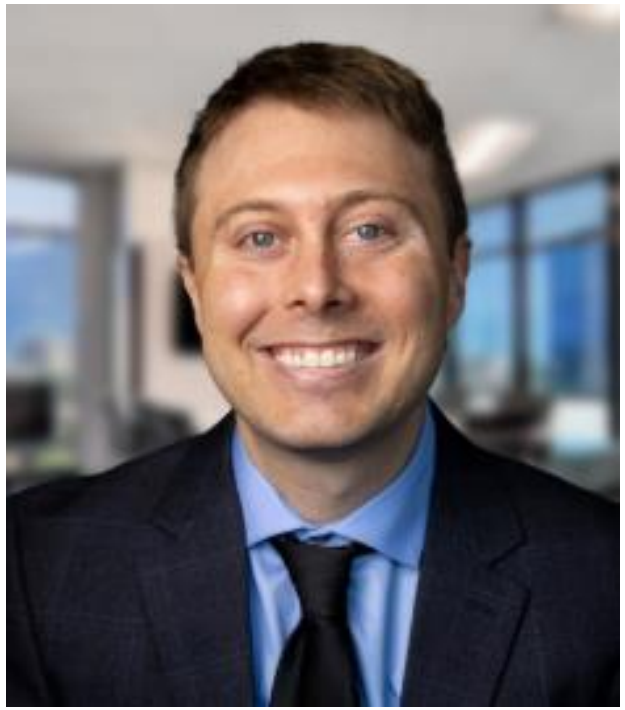
- Michael is a member of the Investment Committee. His main responsibilities include managing and monitoring client portfolios, researching and monitoring investments, and reviewing portfolios with clients. He has been with Benefit Financial Services Group (BFSG) since 2007. He became a principal at BFSG in 2020 and serves as BFSG's Chief Compliance Officer.

- Michael has a Bachelor of Science degree in Psychology from the University of California, Los Angeles (UCLA). He is a Certified Financial Planner™ (CFP®) professional and is a notary public.

- When not working with clients, Michael can be found having fun playing sports with his 2 sons (especially basketball), or in the mountains or at the beach with my wife and family. He loves to travel and have new experiences or help others through volunteer service.

# Henry VanBuskirk, CFP®

Wealth Manager



- Henry is a Wealth Manager whose main responsibilities are constructing and monitoring financial plans pursuant to each client's unique goals as well as being a member of the Investment Committee for BFSG. Before joining BFSG, Henry worked for a private wealth management firm as a Financial Planner and Investment Analyst. Henry has been in the financial services industry since 2014.
- Henry received his Bachelor of Arts in Mathematics from the University of California, Santa Cruz in 2013 and a Master's Degree in Business Administration from California Lutheran University in 2015.
- When not working with clients, Henry enjoys hiking, playing basketball, and spending time with his wife and daughter.

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# Registered Investment Advisor vs. Brokers

## Fee-Only Registered Investment Advisor

- Legally functions under the **fiduciary** standard
- A ***fee-only*** registered investment advisor does not sell products.
- Act with prudence, that is, with the skill, care, diligence and good judgment of a professional
  - A fee-only registered investment advisor is agnostic to the investment providers used when managing assets
- Full and fair disclosure of important facts
  - Internal fees are disclosed and exposed to negotiate lower costs. Fiduciary duty requires cost controls and making decisions based on participant and beneficiaries best interests
- Eliminate and disclose conflicts of interest and fairly manage unavoidable conflicts in the client's favor

## Registered Representative (Broker)

- Legally functions under the **best interest** standard, effective June 30, 2020
  - Must act in the best interest of the retail customer at the time the recommendation is made
  - Broker needs to take into consideration only the brokerage accounts available (not the overall relationship)
- Sells a product for a commission
  - ***Transactional relationship*** vs. ongoing
- Must exercise reasonable diligence, care, and skill
  - May be able to recommend more expensive security or investment strategy if there are other factors about the product or strategy that reasonably allow the broker to believe it is in the best interest of the retail customer, based on that retail customer's investment profile
  - Does not prevent a broker from offering only proprietary products, placing material limitations on the menu of products, or incentivizing the sale of such products through its compensation practices
- Identify and at a minimum disclose conflicts of interest (does not apply to associated persons of broker-dealer)

# How to Find a Financial Advisor

**Not all advisers are created equal. Here are some important considerations:**

**Fiduciary** – Make sure they legally function under the “fiduciary standard” and must act in your best interest and not simply under the “best interest standard”. Under the “best interest standard” it is more of a transactional relationship.

**Fee Only** – This aligns their interests with yours and reduces conflicts of interest (no product sales, no commissions, no referral fees).

**Proper Education** – Most widely recognized designations are:

- Certified Financial Planner™ (CFP®) – Specializes in financial planning
- Certified Public Accountant (CPA) – Specializes in taxes
- Chartered Financial Analyst (CFA®) – Specializes in investments

**Assets should be held at a 3rd party custodian** – Have your assets with a custodian like Schwab, Fidelity or others for your protection.

**Confirm they can meet your individual needs**:

- Do they work with similar clients?
- How often will they meet with you?
- How do they make investment decisions?
- What services do they offer?

**Research potential Advisers and their firm**:

- Review Form ADV at https://www.adviserinfo.sec.gov.
- Use Broker Check to see advisers background and potential disciplinary history at https://brokercheck.finra.org/.

# What Do These Licenses Mean?

Series 7: sell all securities products except commodities and futures

Series 24: supervise and manage branch activities at a broker-dealer

Series 53: supervise municipal securities activities of a securities firm or bank dealer

Series 63: holder can solicit orders for any type of security in a particular state

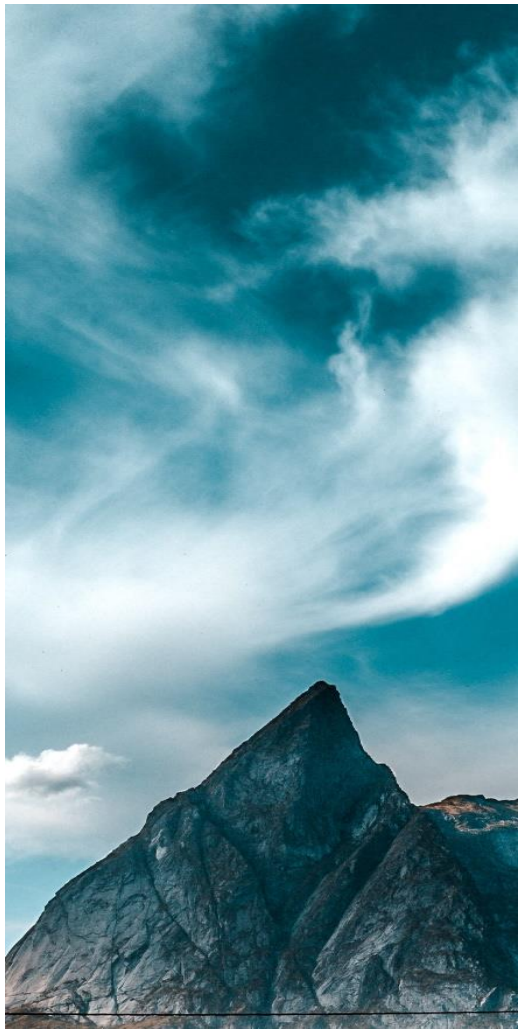
Series 65: holder can give investment advice

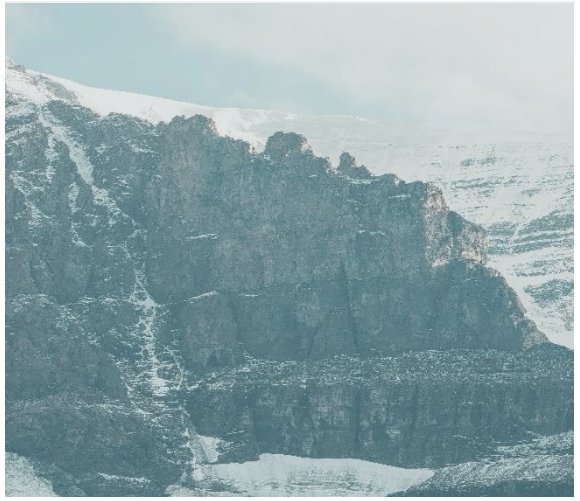
**Use BrokerCheck.finra.org to do background check on any prospective advisor**

# Life Insurance: Term vs. Permanent

| Term | Permanent |
|---|---|
| • Covers for a specific term (Usually between 10 to 20 years or until age 65) | • Covers for the entire life |
| • Premiums are relatively lower but increase after term expires (Annual Renewable Term, Level Term, Decreasing Term) | • Premiums are higher but remain level for lifetime (vary from single premium to level premiums) |
| • Expires with no cash value, all of the premiums go to securing a death benefit to beneficiaries | • Build a cash value from a percentage of premiums<br>• Cash value grows without being taxed<br>• Receive interest on the cash value |
| • No flexibility, no ability to borrow against policy or to withdraw money | • Flexibility including ability to borrow against your policy |
| • Very inexpensive at young ages | • Expensive and there is no flexibility with premium payments |

# Types of Permanent Life Insurance





- Whole Life
- Universal Life
- Variable Life
- Indexed Life

# Types of Deferred Annuities

**Fixed Annuity** - Receive a guaranteed rate of return for the money to grow. Similar to a certificate of deposit (CD). Older contracts this may be 3% or more but new contracts are between 4-6%.

**Variable Annuity** – Money is invested in stocks and/or bonds, so the returns fluctuate with market returns. You carry the investment risk and have the potential to make or lose money.

**Indexed Annuity** – Your return is linked to a stock market index and capped. You make money if the index goes up but if the index is negative, you limit your downside exposure (buffer or floor).

# Understanding Annuity Fees

**Surrender Period -** The amount of time you must keep an annuity without paying a fee to end the annuity contract.

**Sample Surrender Fee Schedule**

| Period of Time Held Contract (Years) | Surrender Penalty (%) | * Annuity Balance | = Surrender Fee ($) |
|---|---|---|---|
| 1 | 8% | $100,000 | $8,000 |
| 2 | 8% | $100,000 | $8,000 |
| 3 | 7% | $100,000 | $7,000 |
| 4 | 6% | $100,000 | $6,000 |
| 5 | 5% | $100,000 | $5,000 |
| 6 | 4% | $100,000 | $4,000 |
| 7 | 3% | $100,000 | $3,000 |

**Most annuities allow you to withdraw 10% of the contract value per year without penalty**

# Understanding Variable Annuity Fees

Variable Annuities – Since the potential growth is uncapped, they have higher fees than other annuities

- Mortality and Expense - The general cost to have the annuity
- Administration – This fee can be combined
- Fund Expense – Annual costs for the underlying investments
- Rider Costs (if any) – Costs for additional guarantees on the annuity

| **Example of VA Fees** | |
|---|---|
| Mortality and Expense | 1.25% |
| Administration | 0.25% |
| Fund Expense Ratio | 1.00% |
| Living Benefit Rider | 1.00% |
| **Total Fees paid each year** | **3.50%** |

# Two Indexed Annuities. Two Very Different Results

| | |
|---|---|
| **Product Type:** | IRA - Indexed Annuity |
| **Product Name:** | Athene Agility℠ 10 |
| **Issue Date:** | 8/11/2018 |
| **Date Prepared:** | 8/11/2026 |

| | |
|---|---|
| **Accumulated Value as of 8/11/2025** | **$200,000.00** |
| Your Withdrawals and Charges | $0.00 |
| **Accumulated Value as of 8/11/2026** | **$200,000.00** |
| **Current Death Benefit** | $200,000.00 |
| **Additional Values** | |
| Surrender Value as of 8/11/2025 | $197,660.00 |
| Surrender Value as of 8/11/2026 | $199,820.00 |
| Market Value Adjustment as of 8/11/2026 | $0.00 |
| Free Withdrawal Amount as of 8/11/2026 | $20,000.00 |
| Remaining Withdrawal Charge Period | 1 year |
| Benefit Base | $250,000.00 |
| Lifetime Income Withdrawal Availability Date | 8/11/2028 |

**Your Annual Statement:**
**06/29/2025 - 06/29/2026**

**Brighthouse Shield Level Select**
**6-Year Annuity**

**408 Traditional IRA**

| | |
|---|---|
| Issue Date: | 06/29/2022 |
| Maturity Date: | 09/01/2054 |

**Contract Summary**

**Statement Period:** 06/29/2025 - 06/29/2026

| | |
|---|---|
| **Beginning Account Value** | **$362,299.28** |
| Gain or (Loss)[1] | $31,157.74 |
| Total Withdrawals[2] | ($0.00) |
| **Ending Account Value** | **$393,457.02** |
| Surrender Value[3] | $379,292.57 |

**Since Issue:** 06/29/2022 - 06/29/2026

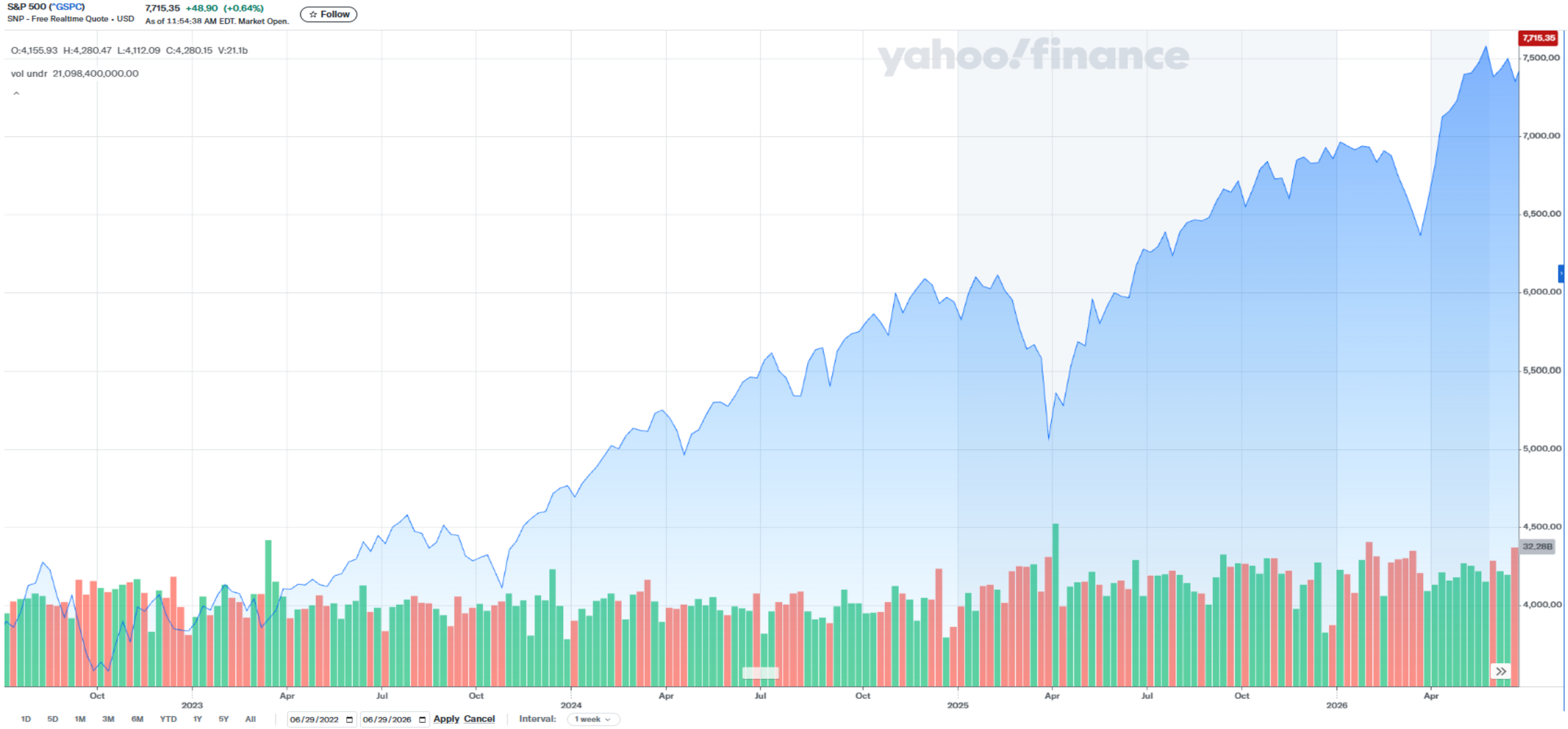
| | |
|---|---|
| **Purchase Payment** | **$270,808.63** |
| Total Withdrawals[2] | ($0.00) |
| **Your Personal Rate of Return[4]** | **45.29%** |

**Benefits Overview**

**Death Benefit Features**

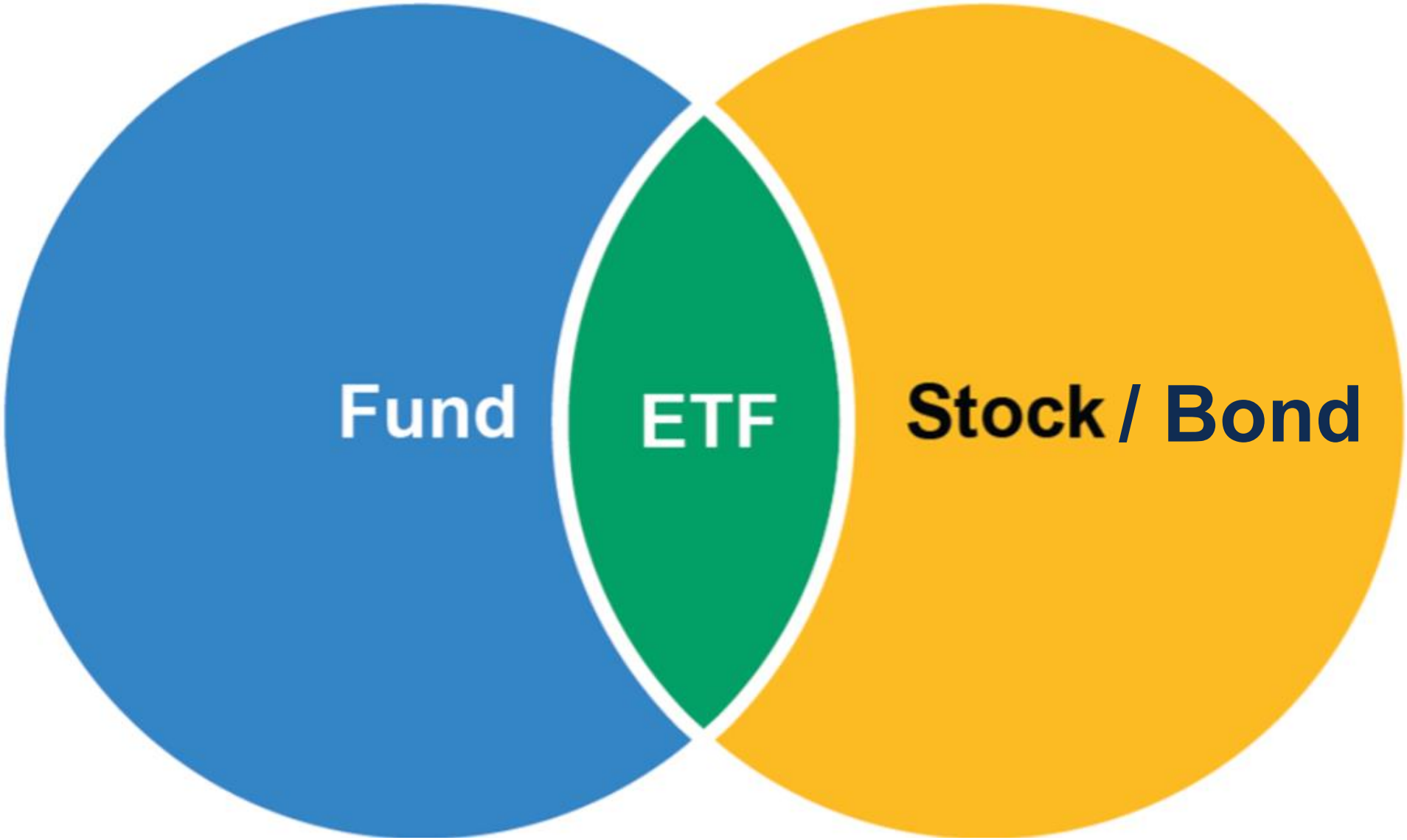
| | |
|---|---|
| Death Benefit Amount[5] | $393,457.02 |

# Impact of Dividends



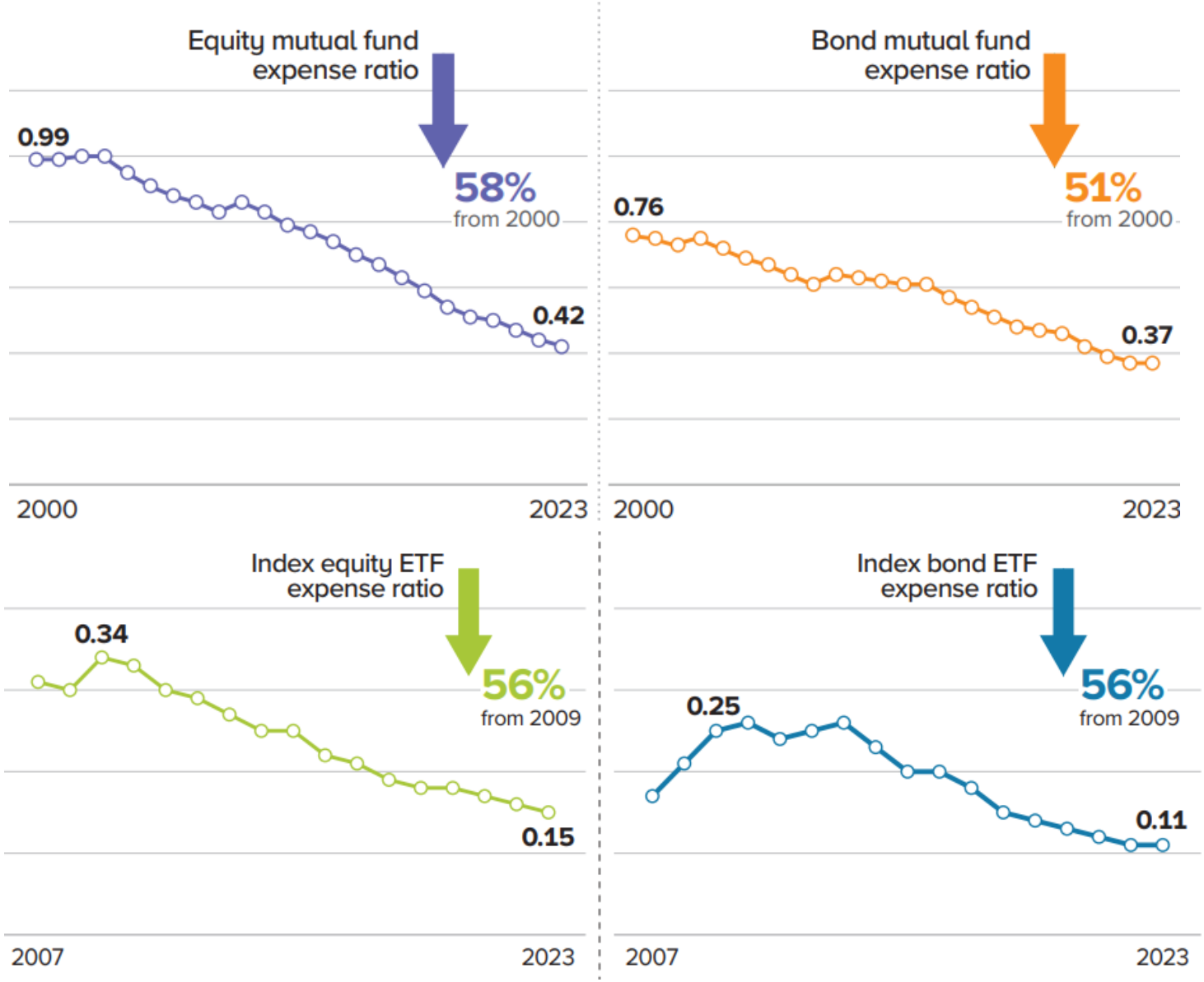

Performance Returns were pulled from https://finance.yahoo.com/quote/%5EGSPC/ and can be replicated upon request.

# Investment Vehicles




Source: J.P. Morgan Asset Management. Shown for illustrative purposes only.

# Fund Expenses




Source: 2024 Investment Company Factbook (www.icifactbook.org). Asset-weighted average as of 12/31/23.

# Mutual Fund Sales Loads

**Mutual Funds With Loads**: Sold by brokers or licensed insurance agents and carry a large commission

**Class A**: Front load of typically 5.75% and lower ongoing expenses

Example: Invest $100,000 will have a commission of $5,750 so you only invest $94,250

**Class B**: Back Load and higher ongoing expenses

Tip: Possibly the worst share class with the highest fees

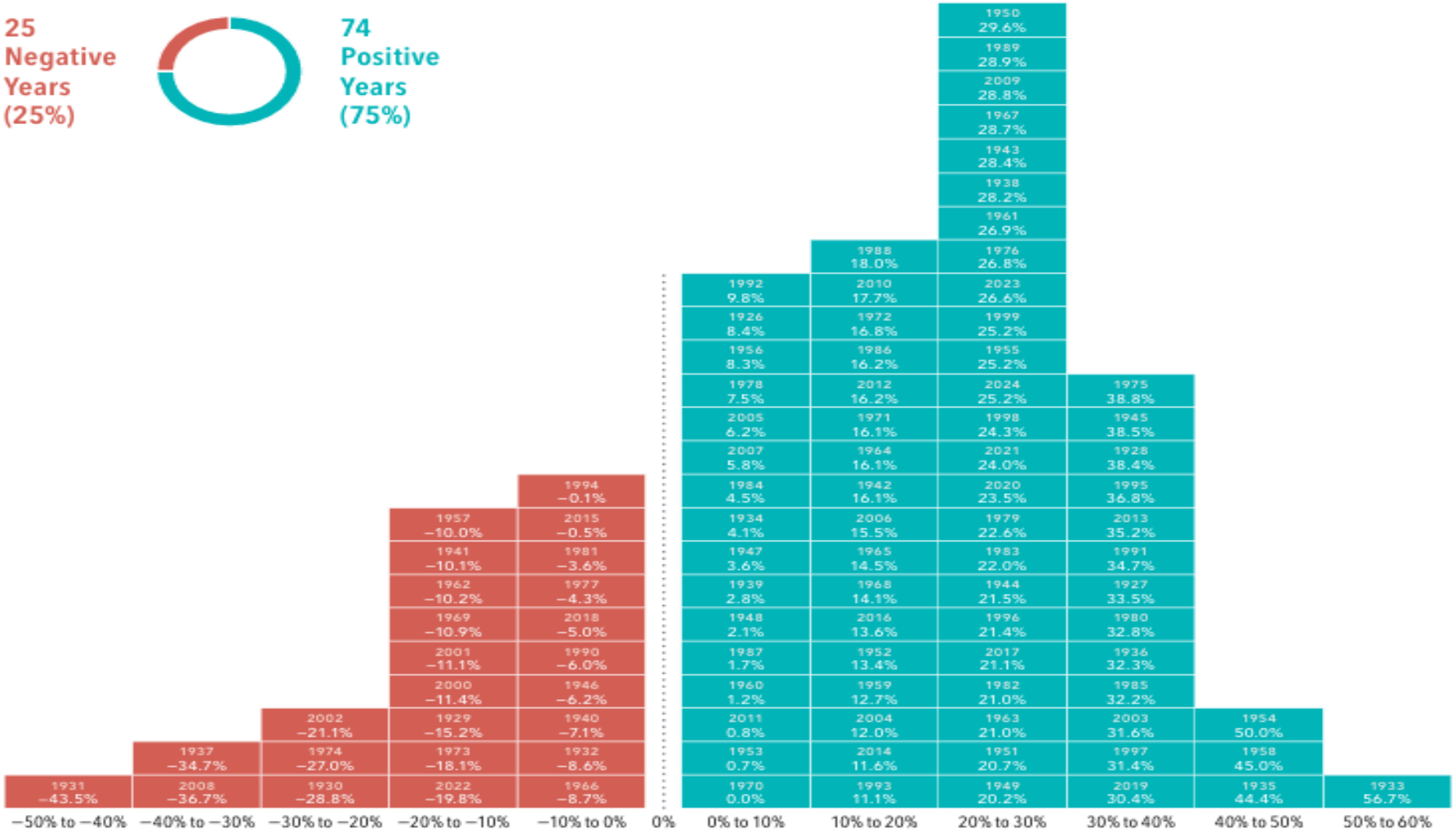
**Class C**: No initial fee but higher ongoing expenses typically around 2% per year

Example: Invest $100,000 and then pay annual fee of $2,000

**Mutual Funds With No Loads**: Sold directly from the mutual fund company and there is NO commission

# Rewarding Distribution of U.S. Market Returns

CRSP 1–10 INDEX RETURNS BY YEAR
1926–2024

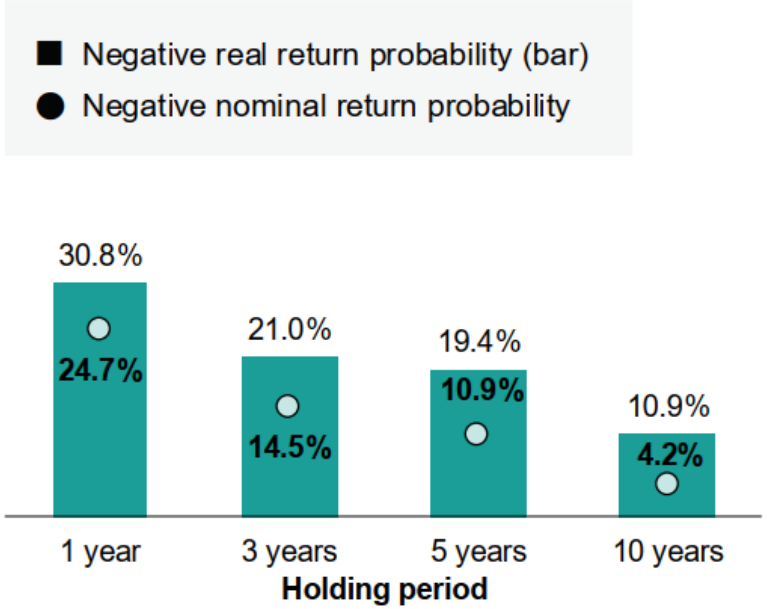



In USD. Return in 1970 was 0.002%. CRSP data provided by the Center for Research in Security Prices, University of Chicago. The CRSP 1–10 Index measures the performance of the total US stock market, which it defines as the aggregate capitalization of all US securities listed on the NYSE, NYSE MKT (formerly AMEX), and Nasdaq Global Market.

# Buy and Hold

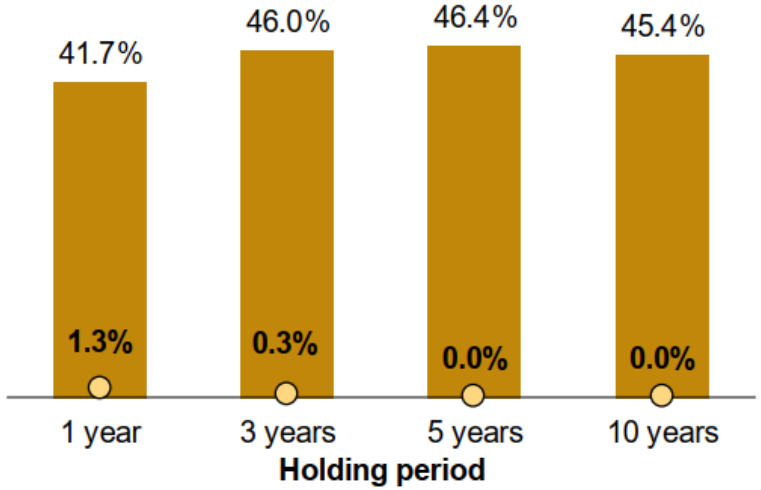
## Historical probability of negative return for various holding periods

### 100% stocks



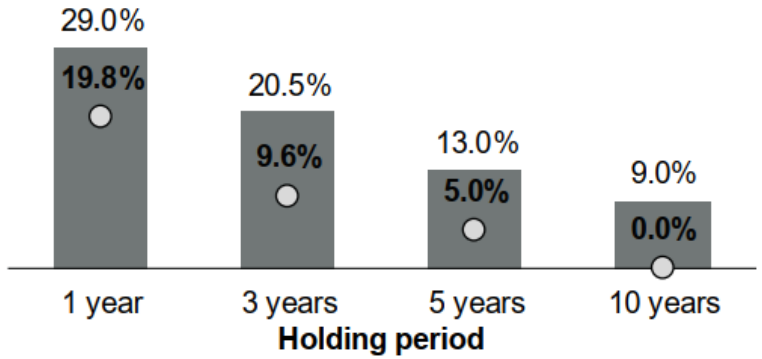

### 100% Treasury bills

Understanding inflation risk: When adjusted for inflation, U.S. Treasury bills are more likely than stocks to have negative returns.




### 60% stocks/40% bonds

Benefit of diversification: A 60/40 portfolio has 36% less volatility than a portfolio that is 100% stocks.




**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**
All investments are subject to risk, including the possible loss of the money you invest. Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income. Investments in bonds are subject to interest rate, credit, and inflation risk.
**Source:** Vanguard calculations as of December 31, 2024.
**Notes:** Rolling return periods are based on quarterly return data. Nominal return is expressed in the money of the day, while real return includes the effect of inflation. When determining which index to use and for what period, we selected the index that we deemed to be a fair representation of the characteristics of the referenced market, given the information currently available. For U.S. stock market returns, we used the Standard & Poor's 90 Index from 1935 through March 3, 1957, the S&P 500 Index from March 4, 1957, through 1974, the Wilshire 5000 Index from 1975 through April 22, 2005, the MSCI US Broad Market Index from April 23, 2005, through June 2, 2013, and the CRSP US Total Market Index thereafter. For U.S. bond market returns, we used the S&P High Grade Corporate Index from 1935 through 1968, the Citigroup High Grade Index from 1969 through 1972, the Lehman Brothers U.S. Long Credit AA Index from 1973 through 1975, the Bloomberg U.S. Aggregate Bond Index from 1976 through 2009, and the Bloomberg U.S. Aggregate Float Adjusted Bond Index thereafter. For Treasury bill returns, we used the Ibbotson 1-Month Treasury Bill Index from 1935 through 1977 and the FTSE 3-Month Treasury Bill Index thereafter.

# Beware of “Hot Tips”

**1711**
**South Sea Bubble**
A speculative mania that ruined many British investors, centered on the fortunes of the South Sea Company and trade with Spanish America.

**1840s**
**Railway Mania**
Britons were swept up again in a speculative frenzy, many lost their life savings.

**1990s**
Americans were swept up the “**Tech Bubble**” of the late 1990s.

**2022**
Speculative behavior from r/wallstreetbets movement driven by **“FOMO”**

1600s | 1700s | 1800s | 1900s | 2000s

**1636**
**Dutch Tulip Mania**
First bubble in modern history.

**1792**
**Panic of 1792**
a credit crisis that hit newly formed Bank of the United States.

**1929**
**Great Depression**
Roaring 20s culminate with a prolonged depression in the US

**2008**
**US Financial Crisis**
Began with a crisis in the US mortgage market and developed into a full-blown international banking crisis.

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# Additional Resources

**BFSG Resources**

- Is An Annuity Right For You?
- Financial and Investment Products You Should Avoid
- Do You Need Life Insurance? (short video)
- BFSG University (webinars and short videos covering a variety of financial planning topics)

**Other Resources**

- The Complicated Risks and Rewards of Indexed Annuities
- What is a Variable Annuity?

# THANK YOU

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# BFSG Disclosure

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