

It's Your Money

Financial Planning II

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Today's topics

Ask First! Form

Formulating your plan

- Net worth
- Insuring what you have
- Key estate planning documents
- College 529 plans
- Saving and investing
- Retirement



The financial planning process

Understand your personal and financial circumstances

Identify and select goals (and prioritize them)

Analyze current course of action and potential alternatives

Develop the financial planning recommendations

Present the financial plan

Implement the planning recommendations

Monitor and update/adjust the plan

Net Worth statement

Net Worth Statement As of April 18, 2025

ASSETS	Frank	Joanna	Joint	Total
NON-QUALIFIED ASSETS				
<i>Cash Alternatives</i>				
Cash / Emergency Fund	—	—	\$25,000	\$25,000
<i>Insurance Policies</i>				
Whole Life Policy on Frank	\$35,500	—	—	\$35,500
Total Non-Qualified Assets	\$35,500	—	\$25,000	\$60,500
RETIREMENT ASSETS				
<i>Qualified Retirement</i>				
457 plan	\$450,000	—	—	\$450,000
457 plan	—	\$250,000	—	\$250,000
<i>Roth IRAs</i>				
Joanna's Roth IRA (converted)	—	\$10,000	—	\$10,000
Roth IRA 1	—	—	—	—
Total Retirement Assets	\$450,000	\$260,000	—	\$710,000
Total Liquid Assets	\$485,500	\$260,000	\$25,000	\$770,500
STOCK OPTIONS				
Stock Option 1	—	—	—	—
Total Stock Options	—	—	—	—
REAL ESTATE ASSETS				
Real Estate 1	—	—	\$1,200,000	\$1,200,000
Total Real Estate Assets	—	—	\$1,200,000	\$1,200,000
PERSONAL ASSETS				
Cars	—	—	\$60,000	\$60,000
Total Personal Assets	—	—	\$60,000	\$60,000
Total Assets	\$485,500	\$260,000	\$1,285,000	\$2,030,500

LIABILITIES	Frank	Joanna	Joint	Total
LONG TERM LIABILITIES				
Credit Card	(\$3,643)	—	—	(\$3,643)
Mortgage on Home	—	—	(\$426,385)	(\$426,385)
Total Long Term Liabilities	(\$3,643)	\$0	(\$426,385)	(\$430,028)
Total Liabilities	(\$3,643)	\$0	(\$426,385)	(\$430,028)
Total Net Worth	\$481,857	\$260,000	\$858,615	\$1,600,472

Total Net Worth \$1,600,472

Risk management

Obtain objective advice to be sure you have proper types of insurance and amounts of coverage

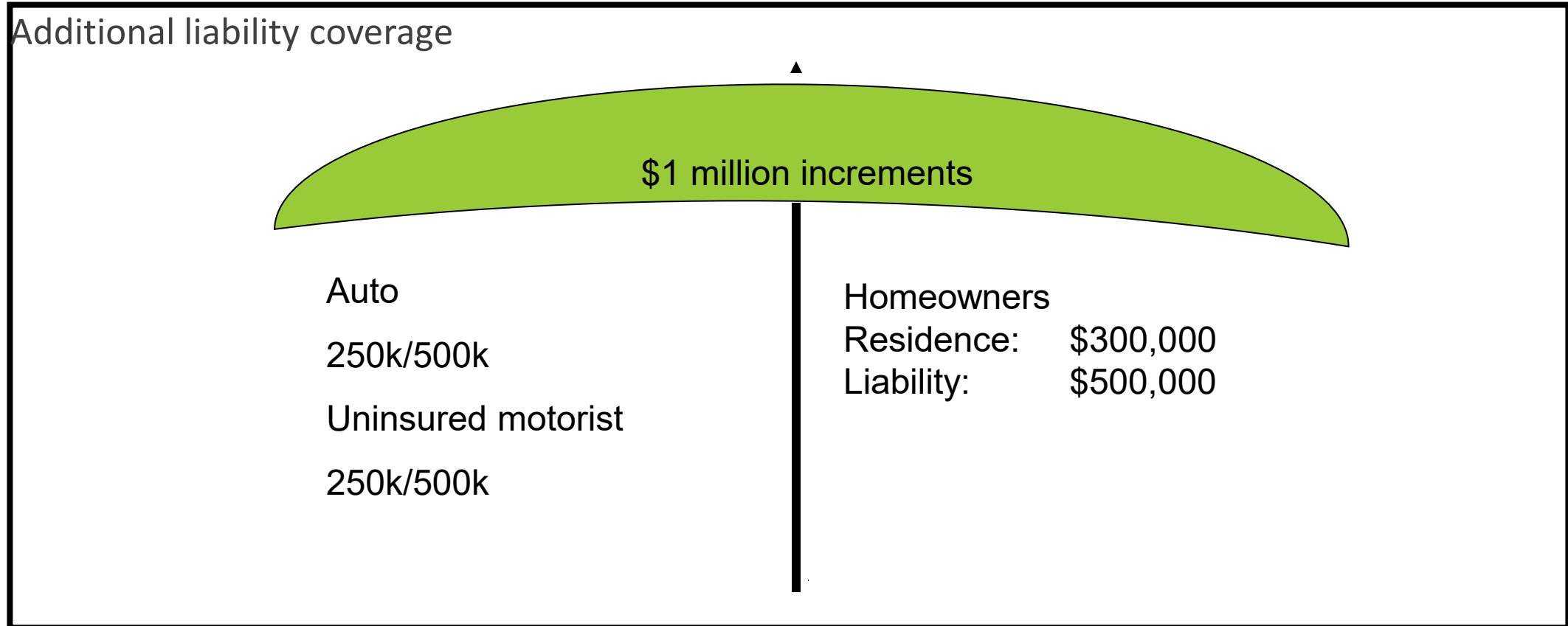
Health insurance

Homeowner's, auto, and personal liability and earthquake insurance

Long-term care insurance

Life insurance

Risk management - the Umbrella concept



Risk management – life insurance

Do you have existing policies?

Review old policies periodically

- Do you still need the policy
- Cash value policies – ask agent for “in-force” illustration
- Do NOT cancel a policy until you are SURE you don't need it

Get more for your cash/savings

* Online high-yield savings accounts such as VIO Bank 4.03%*

* Online CDs 4% 9 mos Marcus; 4.1% 11 mos Capital One; 4.1% 1 yr Etrade.

-- bankrate.com, nerdwallet.com

MaxMyInterest.com – A service that moves your funds among high-yield savings accounts

* Vanguard Treasury Money Market Fund VUSXX 3.61% 7-day SEC yield*

* Brokerage firms for US Treasuries (free of CA tax)*

3, 6, or 9 month US Treasuries 3.7% yield to maturity...1 yr 3.87%

* as of May 7th, 2026

Education planning

529 Savings Plans (now also for private K-12)

- Individual funds
- Age-based and risk-based funds
- Tax-free withdrawals for qualified expenses
- Contribution/balance limit \$529,000 for CA
- Small initial investment – as low as \$15

www.savingforcollege.com

Vanguard 529 comparison tool

529 plans open 15 years+ may be converted to Roth IRAs for the account beneficiary

Lifetime limit of \$35,000 per beneficiary

Annual amount limited to that year's contribution limit, less any regular contributions (no "doubling up"). \$7,500 contribution limit in 2026.

Beneficiary required to have **qualifying earned income** the year of the rollover.

Can "prime the retirement pump" for the beneficiary.

Waiting for further IRS clarification

529 ABLÉ accounts

Tax-advantaged savings accounts for individuals with disabilities, beneficiary not taxed on earnings in account

Onset of disability before age 26

Total annual contributions for a single tax year is \$20,000 in 2026

SSI exempts the first \$100,000 from the SSI \$2,000 individual resource limit

Can transfer up to \$20,000/yr from a regular 529 plan to a 529 ABLÉ account

<http://news.morningstar.com/all/dow-jones/fund-news/201802138706/the-new-tax-law-529-education-savings-accounts.aspx>

<http://www.ablenrc.org/about/what-are-able-accounts>

More on 529 ABLÉ accounts

Any amount of ABLÉ savings up to the plan limit, which can be between \$235,000 – \$596,925 depending on the plan, will NOT affect eligibility for:

- Social Security and Disability Insurance (SSDI), or
- Housing Assistance – Housing and Urban Development programs (HUD),
- Supplemental Nutrition and Assistance Program (SNAP),
- Free Application for Federal Student Aid (FAFSA),
- Medicare Parts A, B, C, or D, Medicare Savings Programs, and Extra Help, or
- Any type of Medicaid benefit including Medicaid waiver services.

Key estate planning documents

- Will (and guardian for minor children or other dependents)
- Durable power of attorney for finance
- Advanced health care directive
- Revocable “living” trust – for non-retirement assets
 - Home and rental properties
 - Brokerage accounts
 - Savings and checking
- Who will be your successor trustees, executor and/or agents? May need professional trustee.

Remember, retirement accounts and life insurance and annuities have “built-in” beneficiaries, so they don’t go in your trust.

Retirement planning

How much will you have?

How much will you need?

Calculate impact of additional savings

What is the impact of taxes and inflation?

How much can you spend?

How should you invest to meet your goal?

Social Security and Medicare

Retirement planning – retirement income resources

Social Security

Employer retirement plans

Other savings

- Spouse/partner retirement plans
- Plans from former employers
- IRAs
- Regular investment accounts
- Inheritance?

Retirement planning – Social Security

Maximum monthly benefit

For someone retiring in 2026, based on a retiree who has paid the maximum into the Social Security system over his or her entire career.

Age 62	\$2,969
At FRA	\$4,152
Age 70	\$5,181

Key changes due to SECURE ACT 2.0

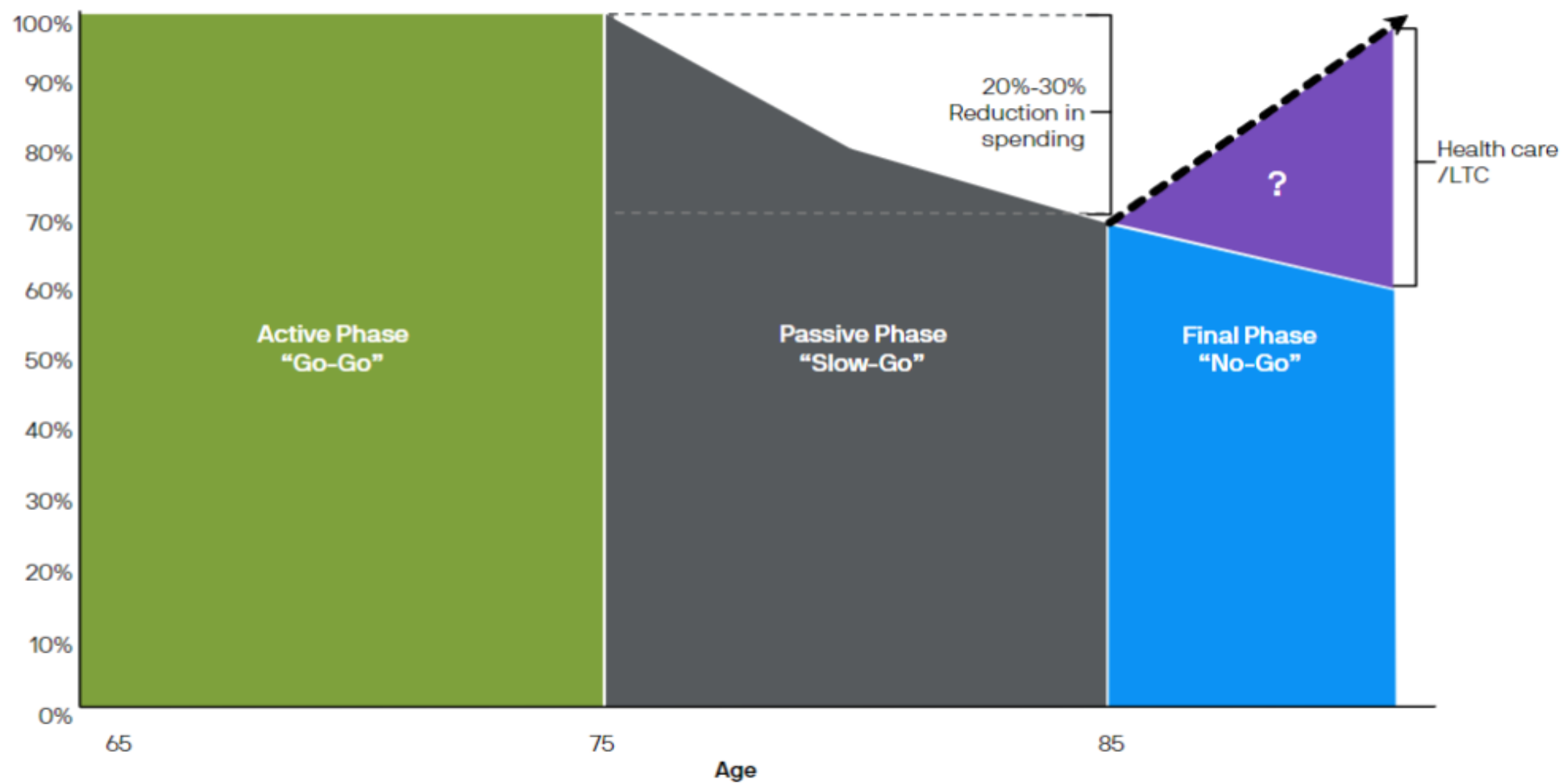
The following table summarizes the ages at which RMDs are generally required to begin under SECURE Act 2.0:

Birth Year	Age at Which RMDs Begin
1950 or earlier	72 (70½ for those who turned 70½ prior to 2020)
1951 - 1959	73
1960 or later	75

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“The Prosperous Retirement”: theoretical spending profile

Percentage of pre-retirement spending



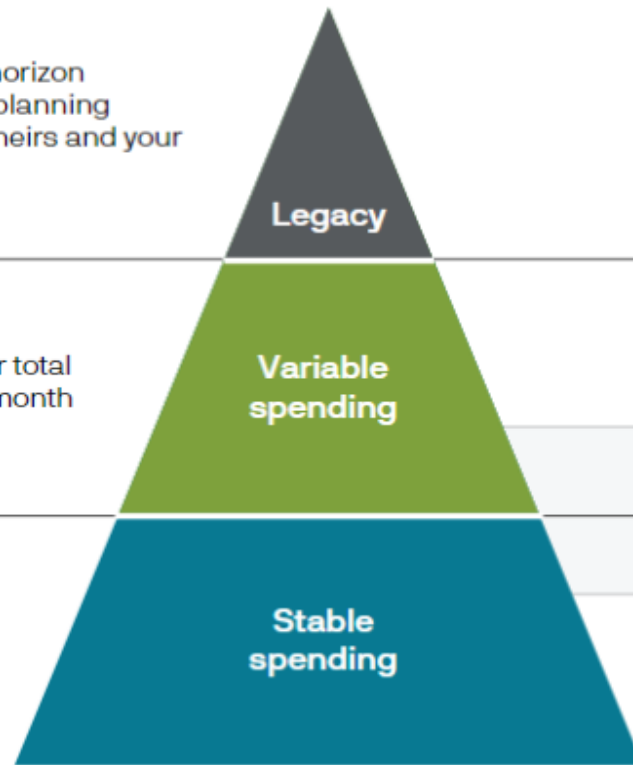
Source: The Prosperous Retirement: Guide to the New Reality, Michael K. Stein, CFP, 1998. pp. 16-18.

Considerations

What is the time horizon and appropriate planning strategy for your heirs and your estate goals?

How much of your total spending **varies** month to month?

How much do you **regularly spend** each month?



Potential solutions

- Growth-oriented portfolios
- Capital preservation strategies
- Alternatives*

- Cash and cash equivalents

- Income distributed from:
- Dividend-paying stocks/funds
 - Fixed income securities/funds
 - Multi-asset solutions

- Protected lifetime income
- Pension
- Social Security

Building your plan

It may be useful to match dependable income sources with regular retirement spending, while coordinating income-oriented solutions and a cash reserve to meet more variable expenses.

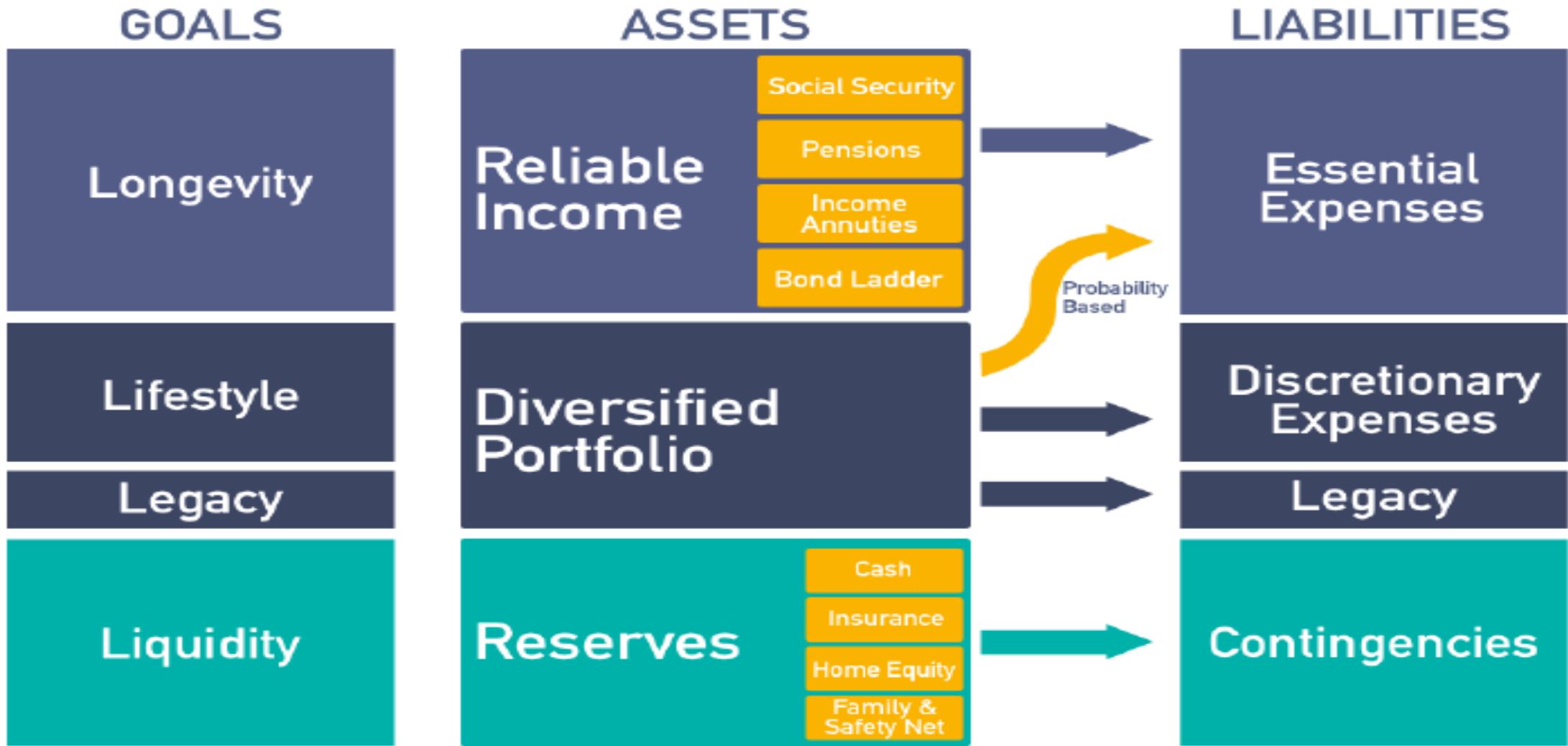
For illustrative purposes only. Fixed income is subject to interest rate risk. Fixed income prices generally fall when interest rates rise. The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Investing in alternative assets involves higher risks than traditional investments and is suitable only for the long term. They are not tax efficient and have higher fees than traditional investments. They may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain.

*Equity, fixed income and cash are considered "traditional" asset classes. The term "alternative" describes all non-traditional asset classes. They include private and public equity, venture capital, hedge funds, real estate, commodities, distressed debt and more.

Source: J.P. Morgan Asset Management.

Retirement Optimization Plan

 Retirement Researcher



Review how your investments are allocated

The Two Big Risks in retirement are

-- inflation

-- sequence of returns risk

- * Know the purpose of your investments, your timeline and risk tolerance
- * Diversification is the market's "one free lunch"
- * Make the most of your cash

Have 2+ years of a cash cushion

- * Protects against sequence of returns risk/market volatility
 - it's impossible to time the market
 - protects you against selling out at just the wrong time
 - helps you ride out the difficult times in the market

Qualified Charitable Distributions (QCDs)

\$100,000 limit to be indexed for inflation (\$111,000 for 2026 *per person*)

One-time opportunity use max of \$55,000 QCD to fund a split-interest entity.

- Charitable Remainder Trust (CRT), Charitable Annuity Trust (CRAT) or Charitable Gift Annuity (CGA)
- Can't use existing CRT or CRAT
- Only income beneficiaries allowed are the IRA owner and spouse.
- Distributions are ordinary income
- Probably only best for CGA. Probably too costly to form CRT or CRAT.
- Income required to begin no less than 1 year after funding, fixed rate 5% or greater.

Financial planners

Overview

- Independent vs. associated with a brokerage firm
- Compensation method
 - Commission
 - Fee plus commission
 - Fee-offset
 - Fee-based
 - Fee-only

Financial planners

Credentials

- Registered investment advisors
- Certified financial planner (CFP)
- Chartered Financial Consultant (ChFC)
- Chartered Financial Analyst (CFA)

Experience

Rapport/trust

For more information

Financial Planning Association (FPA)

- www.fpaocc.org

National Association of Personal Financial Advisors (NAPFA). Fee-only planners

- www.napfa.org
- 888-Fee-Only or 1-888-333-6659

Resources

JP Morgan's Guide to Retirement

Retirementresearcher.com, and Retire with Style podcast, Wade Pfau, PhD.

A Richer Retirement: Supercharging the 4% Rule to Spend More and Enjoy More, by William P. Bengen.