LIGHTHOUSE FINANCIAL

It’s Your Money!

Investment World

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Jayce Lowe, ChFC® has been a financial planner for 13 years. He joined Lighthouse in 2017 as a Wealth Manager and helps clients achieve their financial goals. He and his wife Kristen live in Rancho Cucamonga with their dogs and cats.

Jayce graduated from Texas Tech University with a degree in Personal Financial Planning. Right after graduating he started to work as a Financial Advisor (earning his Series 7, 66, and general lines insurance license) with local Broker Dealers and soon after received his ChFC®, certification where he graduated to an investment advisor representative with Lighthouse Financial Services; a Registered Investment Advisor.

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 Certification – Most widely recognized designations are:

- Chartered Financial Consultant (ChFC®); Certified Financial Planner™(CFP®) – Specializes in Financial Planning
- Certified Public Accountant (CPA) – Specializes in taxes
- Chartered Financial Analysts (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 www.adviserinfo.sec.gov
- Use Broker Check to see advisers background and potential disciplinary history at www.brokercheck.finra.org/

Who Oversees the Financial Services Industry?

The Security and Exchange Commission (SEC): U.S. governmental agency that regulates securities transactions, activities of financial professionals and mutual fund trading to prevent fraud, manipulation and deception

The Financial Industry Regulatory Authority (FINRA): A self-regulatory organization (SRO) and the member regulation, enforcement and arbitration operations of the New York Stock Exchange. It is a non-governmental organization that regulates member brokerage firms and exchange markets

The SEC is the government agency and ultimate regulator of the securities industry including FINRA

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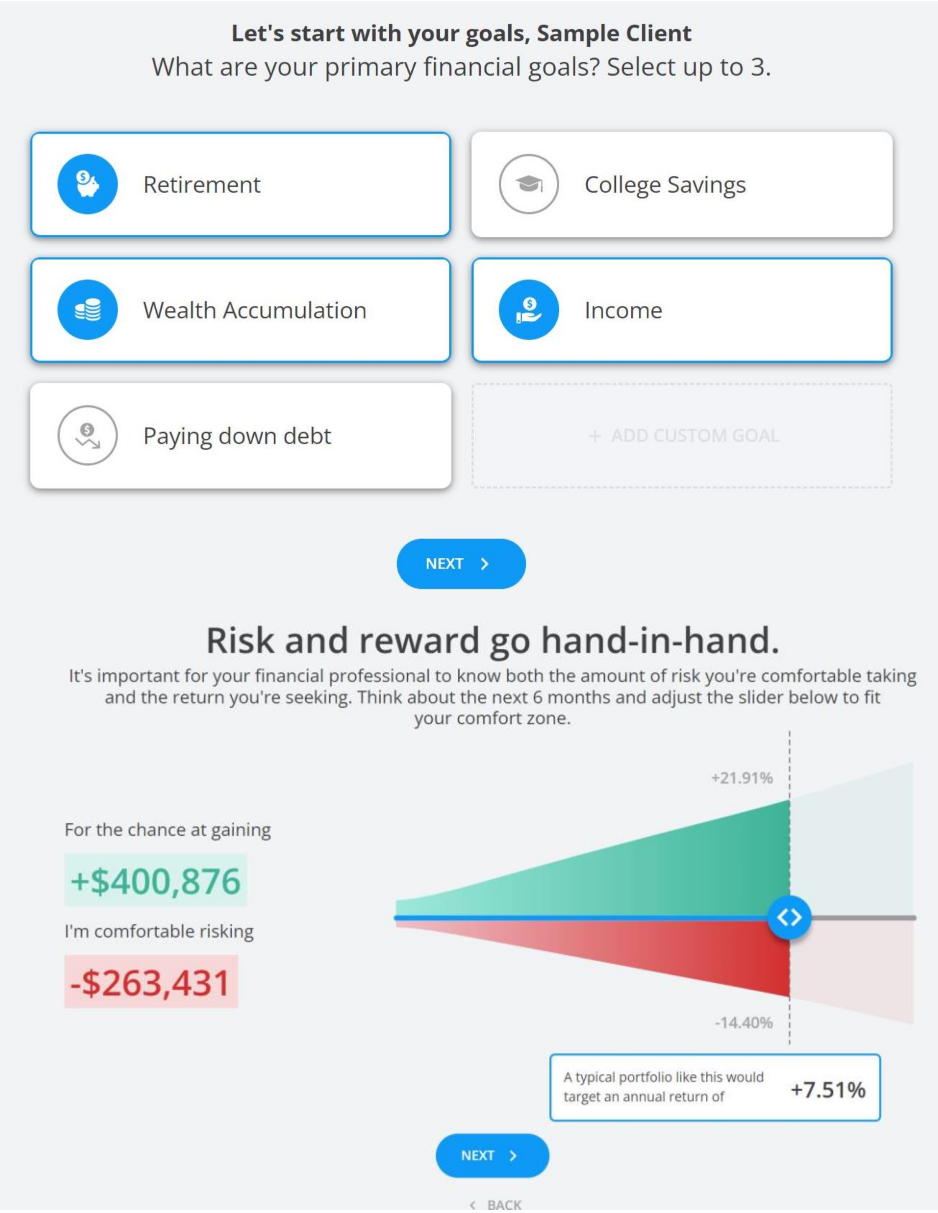
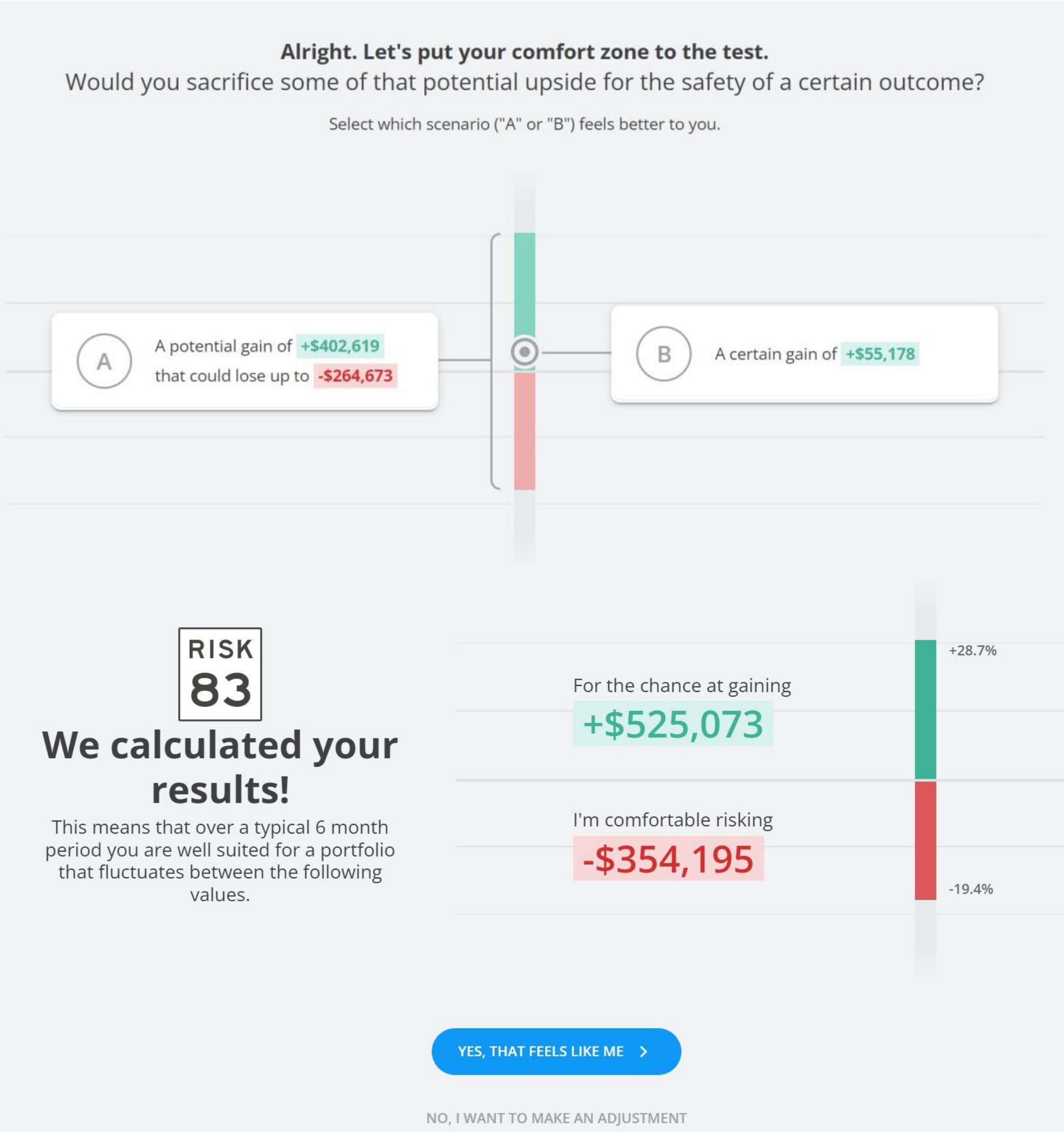
What do Series… licenses mean?

- **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 advise
- **Series 66:** combination of (**Series 63 and Series 65**).

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

What is your Risk Tolerance?





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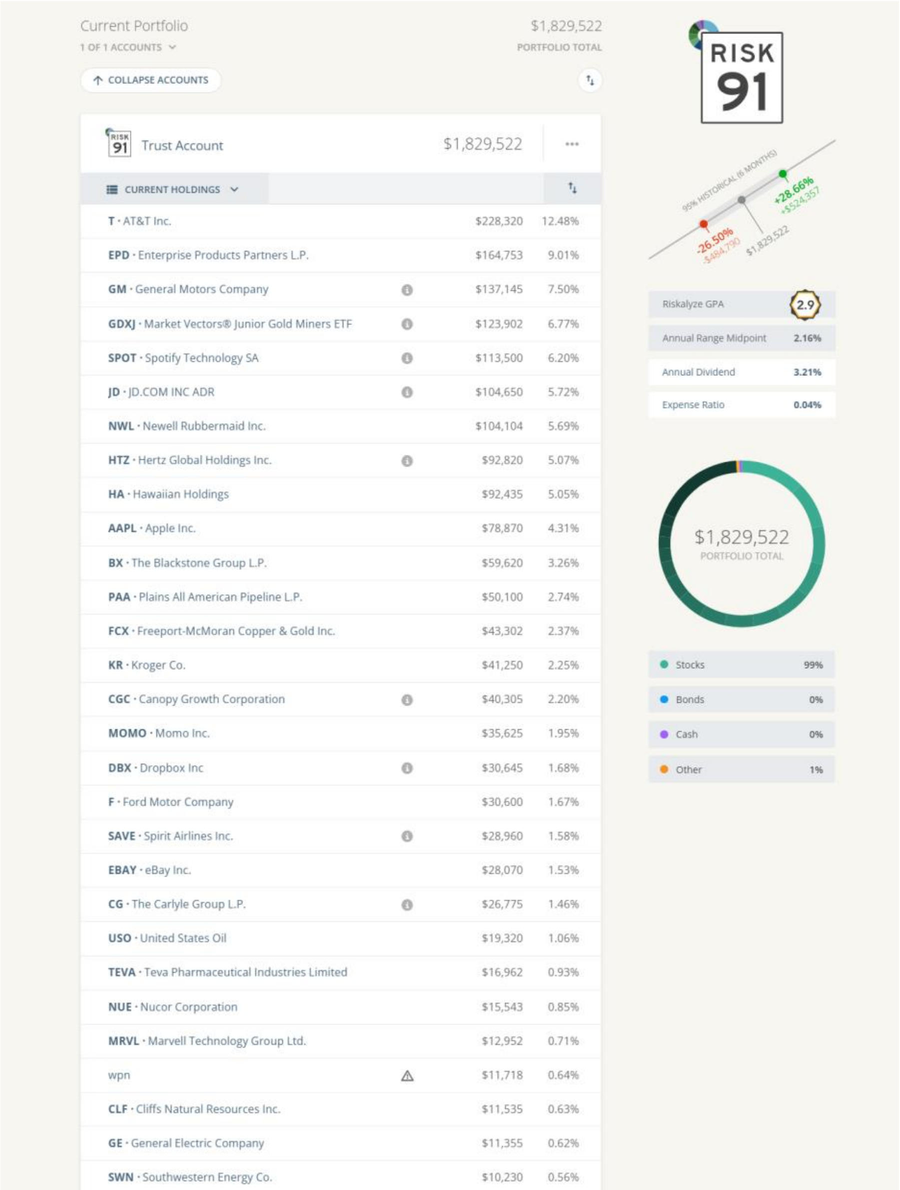
What is your Risk Score?



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Life Insurance: Term vs. Permanent (Whole, Universal…)

Term	Permanent
• Covers for a specific term (Usually between 5 to 25 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 • Cash value grows without being taxed • 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

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Types of Annuities:

Fixed Annuity - Receive a guaranteed rate of return for the money to grow. Older contracts this may be 3% or more but new contracts are under 1%.

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 (most commonly the S&P 500). You make money if the index goes up but if the index is negative your return is 0% instead of losing money.

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	7%	$100,000	$7,000
2	6%	$100,000	$6,000
3	5%	$100,000	$5,000
4	4%	$100,000	$4,000
5	3%	$100,000	$3,000
6	2%	$100,000	$2,000
7	1%	$100,000	$1,000

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%**

Understanding Index Annuities

Index Annuity – There are caps on potential returns, so you typically will not absorb any market losses. Fees are low but surrender periods can go as long as 12 years.

Example of a client's index annuity return for 2021

S&P 500 Index

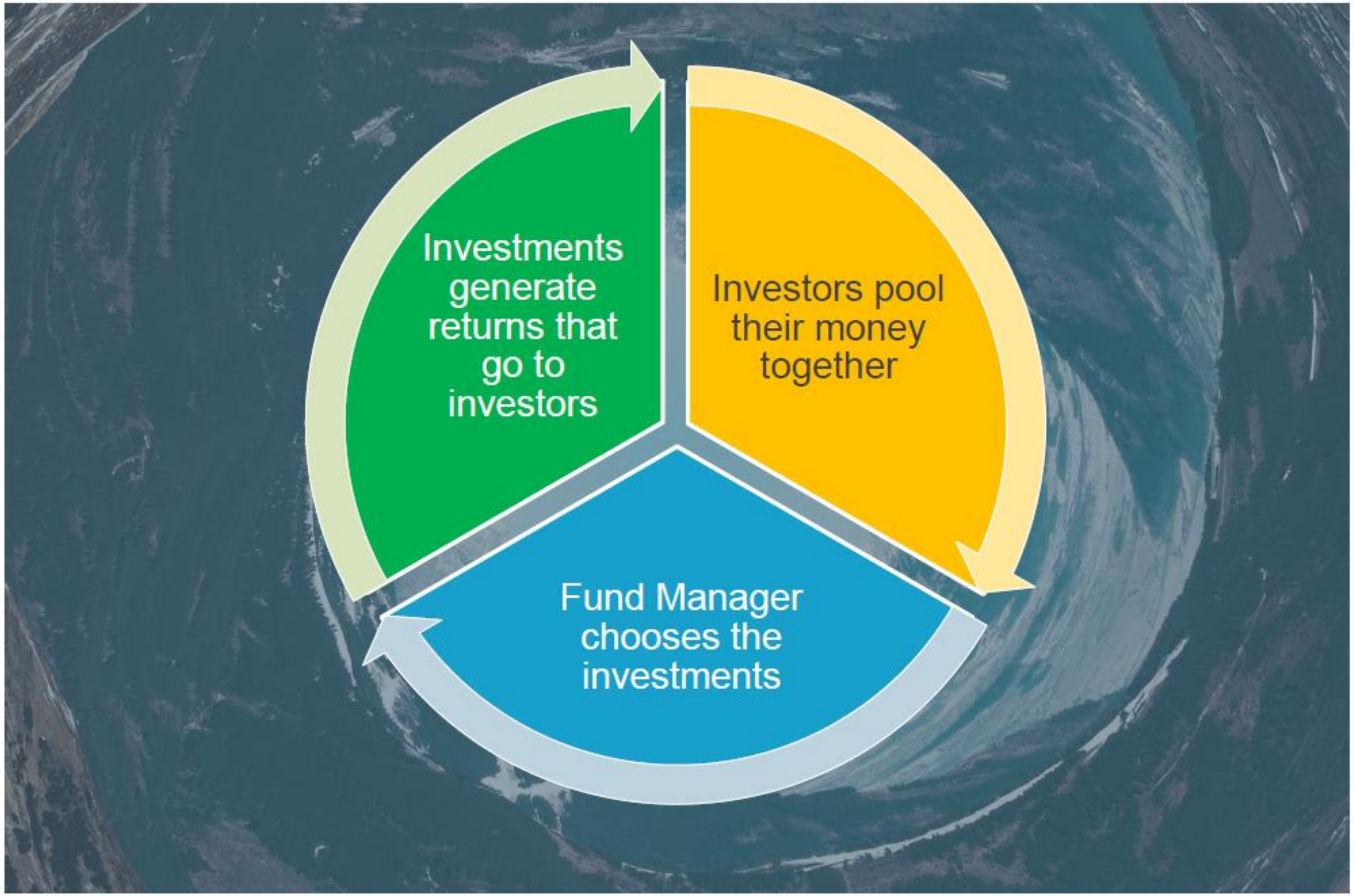
Monthly Cap .50% (6% Per Year)

Policy Month	Monthly Index Rate	Capped Monthly Rate
1	2.36%	.50%
2	.07%	.07%
3	5.9%	.50%
4	.064%	.064%
5	1.69%	.50%
6	2.95%	.50%
7	2.07%	.50%
8	-.019%	0%
9	.034%	.034%
10	4.63%	.50%
11	.016%	.016%
12	-2.16%	0%
Sum of Capped Monthly Rates:		3.18%
Annual Index Rate:		**17.60%**

The total return for the S&P 500 was 17.60%.

The index annuity company will take 14.42% of your gain will letting them take the burden of a negative market.

What are Mutual Funds?



Mutual Fund Expenses

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

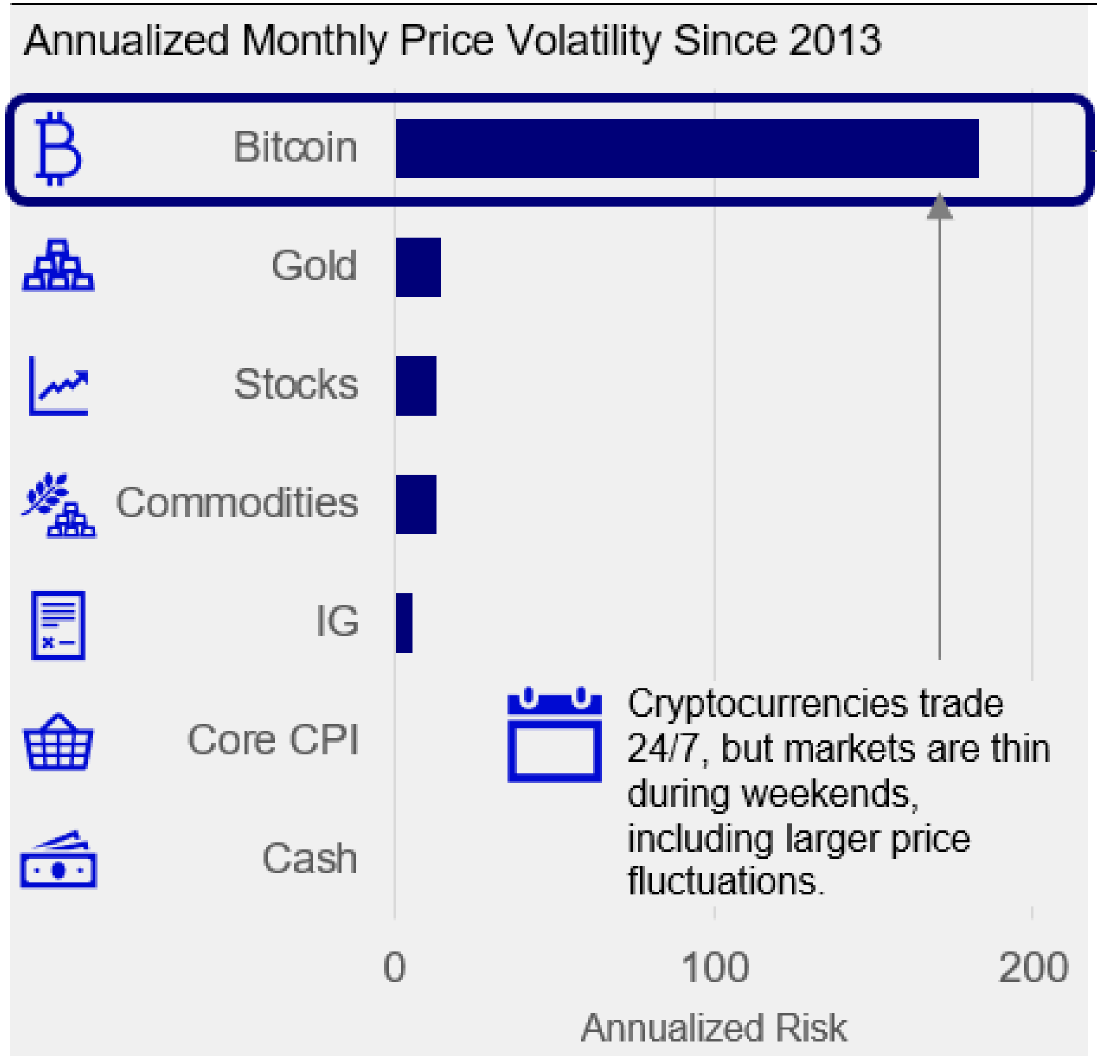
Tip: Possibly the worst share class with the highest fees

Class C: No initial fee but higher ongoing expenses typically between 1-2% per year

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

Mutual Funds With No Loads: Available directly from the mutual fund company or through a "Fee Only" advisor and there is NO commission.

Bitcoin: Is it meant for every investor?



Store of Value

- Bitcoin is far too volatile to be considered a reliable store of value
- Price behavior is erratic with 183% annualized volatility

Unit of Account

- Product prices are not quoted in bitcoin amounts. Instead, pricing is based on a fiat currency amount converted using bitcoin's spot rate

Medium of Exchange

- While some platforms permit the use of Bitcoin for payment, there is little evidence to suggest that this is what makes it attractive

- Sources: Bloomberg, as of 31 March 2021, and *Bitcoin – Currency of the Future or Speculative Asset*, John Greenwood and Adam Burton. Note that "Core CPI" refers to the United States consumer price index, less the effects of food and energy. Past performance does not guarantee future results.

Beware of “Hot Tips”

1600s · 1700s · 1800s · 1900s · 2000s

1636
Dutch Tulip Mania
First bubble in modern history.

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.

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

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

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

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

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

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

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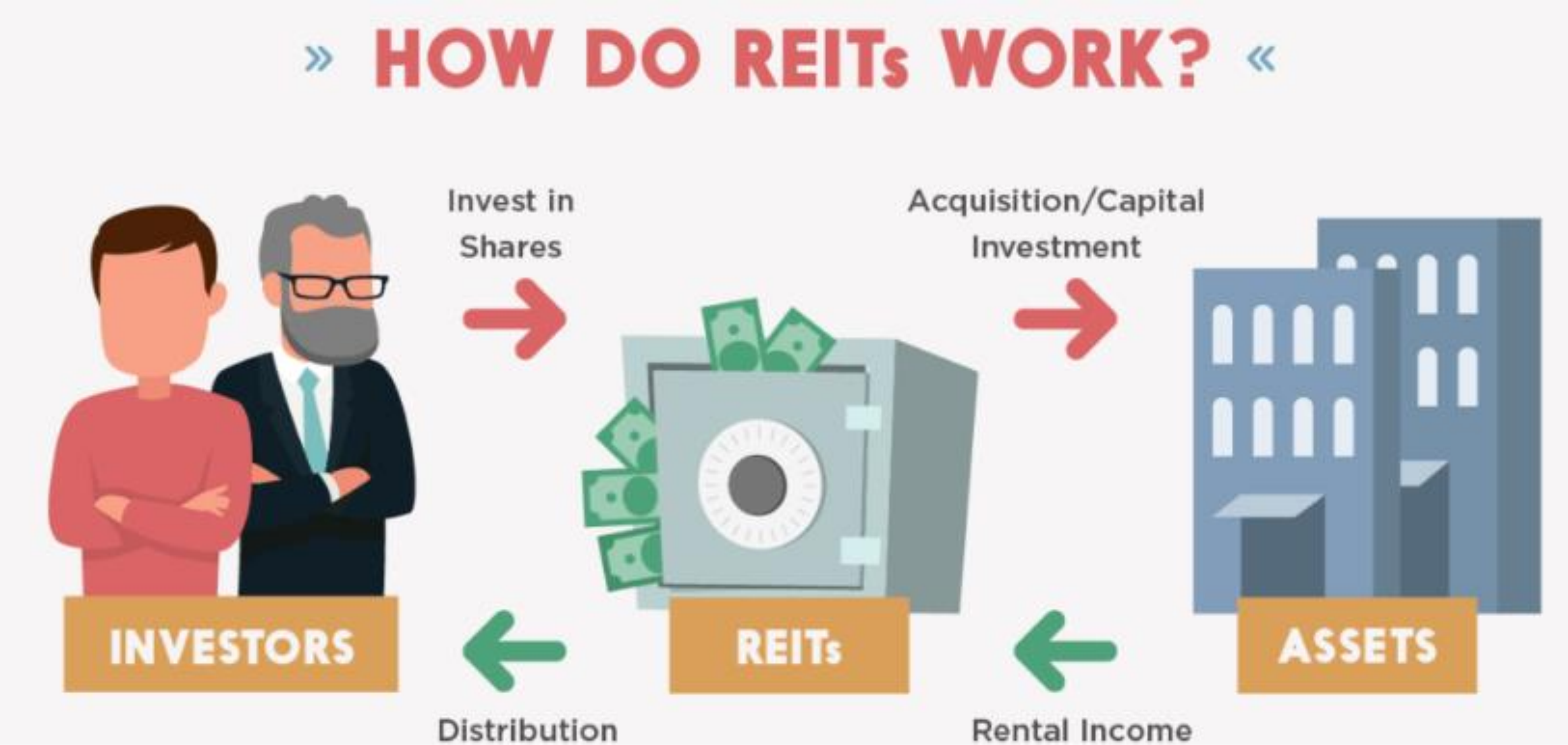
Real Estate Investments (REIT)



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Reverse Mortgage

The Spectrum of Potential Reverse Mortgage Uses	
Portfolio/Debt Coordination for Housing	Pay off an Existing Mortgage Transition from Traditional Mortgage to Reverse Mortgage Fund Home Renovations to Allow for Aging in Place HECM for Purchase for New Home
Portfolio Coordination for Retirement Spending	Spend Home Equity First to Leverage Portfolio Upside Potential Coordinate HECM Spending to Mitigate Sequence Risk Use Tenure Payments to Reduce Portfolio Withdrawals
Funding Source for Retirement Efficiency Improvements	Tenure Payments as Annuity Alternative Social Security Delay Bridge Tax Bracket Management & Taxes for Roth Conversions Premiums for Existing Long-Term Care Insurance Policies
Preserve Credit as Insurance Policy	Support Retirement Spending After Portfolio Depletion Protective Hedge for Home Value Provides Contingency Fund for Spending Shocks (In home care, health expenses, divorce settlement)

- Sources: Wade D. Pfau, www.retirementresearcher.com

THANK YOU!

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