

It's Your Money

Financial Planning II



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"Ask First!"

This form is to be filled out by any person who is offering legal, financial, retirement, insurance, accounting, estate, long-term care or similar planning services. Respond to ALL categories completely; sign and date at the bottom of the page.

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Kevin Henss, President and Founder of Strivent Financial, since 2018
Certified Financial Planner™ (CFP®), since 2012
Personal Financial Planning Certificate (PFP), UC Irvine (UCI), since 2011

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☐ I DO practice law, and have an active license to practice law in California.

☐ I DO practice law, but DO NOT have an active license to practice law in California. I am, however, under the supervision of the following attorney who has an active license to practice law in California:

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Date: 5/20/2023	Business Name: Strivent Financial
Signature:	Address: 27201 Puerta Real, Suite 300, Mission Viejo, CA 92694
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Kevin Henss is a Certified Financial Planner (CFP) professional and President of Strivent Financial in Mission Viejo, CA. He is a graduate of the Personal Financial Planning Program from the University of California at Irvine (UCI) and has a Master of Arts degree from the University of Houston. Kevin has been providing comprehensive financial planning advice for over ten years and previously worked for an independent financial planning firm that specialized in serving women that are going through significant changes in their lives including a career, caring for loved ones, divorce, retirement, and the loss of a spouse. He is an avid speaker and presenter of financial planning concepts having presented to hundreds of financial advisers at the Financial Planning Association in Orange County and Santa Barbara Chapters. Kevin served on the board of the Financial Planning Association in Orange County (FPA-OC) as the Director of Communications and was voted "Volunteer of the Year" in 2011 for his successful achievements and contributions. He continues to volunteer and is currently the coordinator of the FPA-OC's Internship Program.

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Putting It All Together

1. Financial planning should cover all aspects of your finances and align with your life goals.
2. Financial planning process follows 6-steps.
3. Find a financial planner that is right for you: CFP designation, fee-only (RIA) firm, fiduciary duty, trustworthy, good personality, and specializes in your needs.
4. Get your financial plan in writing and review it regularly.
5. Get your basic financial statements in order.

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What does a Financial Planner do?

1. Cash Flow Management

2. Risk Management

3. Investment Management

4. Tax Planning

5. Retirement Planning

6. Estate Planning

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1. Cash Flow Management

- Net Worth Statement (Balance Sheet)
- Cash Flow Statement
- Emergency Fund: 3-6 months of expenses

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Saving and Spending

- Saving
 - Pay yourself first
 - Employer matching; IRA contributions
- Spending Plan (Budget)
 - Track your income and spending
 - Set targets and goals

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2. Risk Management

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

- ☐ Health insurance
- ☐ Homeowner's, auto, and personal liability (umbrella) insurance
- ☐ Life insurance
- ☐ Disability insurance
- ☐ Long-term care insurance

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Health Insurance

Usually from work, Covered CA, or Medicare:

- Track your medical expenses
 - Helps pick the right plan next year
 - Medical expenses may be deductible

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Homeowner's, auto, and personal liability (umbrella) insurance

- Check for sufficient coverage levels and avoid gaps
- Bundle policies for coordinated claims and discounts
- Consider a higher deductible to lower your premium
- Consider earthquake coverage

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Life and Disability Insurance

- Does anyone rely on your income?
- How much do they need? Income replacement
- Check and confirm beneficiary designations
- Disability – Own occupation (good) vs. Any occupation (bad). Usually best to get it at work or a member organization.

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Long-Term Care Insurance

- Who should get it?
- Types of long-term care
- How to qualify for benefits, 2 of 6 Activities of Daily Living (ADLs):
 1. Can you eat on your own?
 2. Can you get dressed on your own?
 3. Can you walk?
 4. Can you go to the restroom on your own?
 5. Can you transfer from place to place?
 6. Can you control your bladder?

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3. Investment Management

The basics of investment management:

- ❑ Risk and Return
 - ❑ Risk tolerance, time horizon, financial need
- ❑ Allocation
 - Stocks
 - Bonds
- ❑ Asset Classes
- ❑ Diversification
- ❑ Investment philosophy/ strategy
- ❑ Benchmarks and indexes

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The Randomness of Returns

Annual Return (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Highest Return	34.2	34.5	36.0	39.8	8.8	79.0	28.1	9.4	20.1	38.8	32.0	5.8	31.7	37.8	2.1
	33.2	25.5	32.6	8.2	6.6	53.3	26.9	3.4	18.6	34.5	13.7	4.6	21.3	31.5	1.9
	29.9	21.1	29.6	7.9	4.7	51.4	24.9	2.3	18.1	32.5	13.5	1.5	17.3	28.6	1.5
	26.0	13.8	27.9	6.3	-28.9	37.2	24.5	2.1	17.9	32.4	4.9	1.4	12.0	21.8	-4.2
	22.4	13.1	23.5	5.9	-33.8	28.6	21.2	0.6	17.8	28.3	4.2	1.0	11.6	20.9	-4.4
	22.2	7.0	22.2	5.5	-36.8	27.2	19.2	0.4	17.5	26.0	1.9	0.9	8.4	14.6	-8.3
	18.3	4.9	19.8	3.6	-37.0	26.5	15.5	-4.2	17.1	21.7	1.2	0.2	8.0	13.7	-11.0
	16.5	4.7	16.4	2.5	-39.2	20.6	15.1	-5.5	16.3	1.2	0.2	-3.0	6.7	7.8	-12.9
	10.9	4.6	15.8	-0.2	-44.3	19.7	3.8	-10.6	16.0	0.6	-1.8	-4.4	4.7	3.8	-14.2
	2.7	3.1	4.3	-1.6	-45.6	2.3	3.7	-15.5	2.1	0.3	-5.0	-7.5	1.5	1.1	-14.5
	1.3	2.4	4.1	-9.8	-47.8	0.8	2.0	-16.4	0.9	-0.1	-5.4	-8.0	1.0	0.7	-17.8
Lowest Return	0.8	1.3	3.8	-17.6	-53.2	0.2	0.8	-18.2	0.2	-2.3	-5.6	-14.6	0.8	0.6	-17.9
US Large Cap	10.9	4.9	15.8	5.5	-37.0	26.5	15.1	2.1	16.0	32.4	13.7	1.4	12.0	21.8	-4.4
US Large Cap Value	16.5	7.0	22.2	-0.2	-36.8	19.7	15.5	0.4	17.5	32.5	13.5	-3.8	17.3	13.7	-8.3
US Small Cap	18.3	4.6	18.4	-1.6	-33.8	27.2	26.9	-4.2	16.3	38.8	4.9	-4.4	21.3	14.6	-11.0
US Small Cap Value	22.2	4.7	23.5	-9.8	-28.9	20.6	24.5	-5.5	18.1	34.5	4.2	-7.5	31.7	7.8	-12.9
US Real Estate	33.2	13.8	36.0	-17.6	-39.2	28.5	28.1	9.4	17.1	1.2	32.0	4.5	6.7	3.8	-4.2
International Large Cap Value	22.4	13.1	29.6	7.9	-44.3	37.2	3.8	-10.6	17.8	21.7	-5.6	-8.0	8.0	20.9	-14.5
International Small Cap	29.9	25.5	19.8	3.6	-47.8	51.4	24.9	-15.5	17.9	26.0	-5.0	5.8	4.7	31.5	-17.8
International Small Cap Value	34.2	21.1	27.9	2.5	-45.6	53.3	21.2	-16.4	20.1	28.3	-5.4	1.5	8.4	28.6	-17.9
Emerging Markets	26.0	34.5	32.6	39.8	-53.2	79.0	19.2	-18.2	18.6	-2.3	-1.8	-14.6	11.6	37.8	-14.2
One-Year US Fixed	0.8	2.4	4.3	5.9	4.7	0.8	0.8	0.6	0.2	0.3	0.2	0.2	0.8	0.6	1.9
Five-Year US Government Fixed	1.3	1.3	3.8	8.2	8.8	0.2	3.7	3.4	0.9	-0.1	1.2	0.9	1.0	0.7	1.5
Five-Year Global Fixed	2.7	3.1	4.1	6.3	6.6	2.3	2.0	2.3	2.1	0.6	1.9	1.0	1.5	1.1	2.1

* In US dollars. US Large Cap is the S&P 500 Index, data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. US Large Cap Value is the Russell 1000 Value Index. US Small Cap is the Russell 2000 Index. US Small Cap Value is the Russell 2000 Value Index. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. US Real Estate is the Dow Jones US Select REIT Index, data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. International Large Cap Value is the MSCI World ex USA Large Cap Value Index (gross div.). International Small Cap is the MSCI World ex USA Small Cap Value Index (gross dividends). International Small Cap Value is the MSCI World ex USA Small Cap Value Index (gross dividends). Emerging Markets is the MSCI Emerging Markets Index (gross dividends). MSCI data © MSCI 2019, all rights reserved. One-Year US Fixed is the ICE BofAML One-Year US Treasury Note Index, ICE BofAML index data © 2019 ICE Data Indices, LLC. Five-Year US Government Fixed is the Bloomberg Barclays Treasury Bond Index 1-5 Years. Bloomberg Barclays data provided by Bloomberg. Five-Year Global Fixed is the FTSE World Government Bond Index 1-5 Years (hedged to USD), © 2019 by FTSE Fixed Income LLC. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

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Model Portfolio: Historical Returns

Annual Return (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Highest Return	23.6	13.5	24.6	6.6	6.4	42.4	21.9	1.9	18.6	27.6	6.8	0.7	18.0	18.9	1.9
	19.0	11.3	20.3	5.5	-4.8	34.1	18.1	0.6	15.1	21.7	5.7	0.1	14.6	15.1	-0.8
	14.5	9.0	16.1	4.4	-15.2	25.7	14.1	-0.9	11.5	16.1	4.5	-0.6	11.2	11.4	-3.5
	10.1	6.8	12.0	3.2	-24.8	17.5	10.1	-2.4	8.0	10.7	3.4	-1.3	7.8	7.8	-6.2
	5.8	4.6	8.0	2.0	-33.7	9.3	6.1	-4.1	4.6	5.4	2.2	-2.1	4.4	4.2	-8.9
Lowest Return	1.7	2.4	4.1	0.8	-41.8	1.3	2.0	-5.9	1.1	0.4	1.1	-2.9	1.1	0.8	-11.6

Dimensional Balanced Strategy Index	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Annualized Return	Annualized Standard Deviation
Equity	23.6	13.5	24.6	0.8	-41.8	42.4	21.9	-5.9	18.6	27.6	6.8	-2.9	18.0	18.9	-11.6	8.18	16.61
80/20	19.0	11.3	20.3	2.0	-33.7	34.1	18.1	-4.1	15.1	21.7	5.7	-2.1	14.6	15.1	-8.9	7.22	13.23
60/40	14.5	9.0	16.1	3.2	-24.8	25.7	14.1	-2.4	11.5	16.1	4.5	-1.3	11.2	11.4	-6.2	6.14	9.84
40/60	10.1	6.8	12.0	4.4	-15.2	17.5	10.1	-0.9	8.0	10.7	3.4	-0.6	7.8	7.8	-3.5	4.94	6.48
20/80	5.8	4.6	8.0	5.5	-4.8	9.3	6.1	0.6	4.6	5.4	2.2	0.1	4.4	4.2	-0.8	3.63	3.17
Fixed	1.7	2.4	4.1	6.6	6.4	1.3	2.0	1.9	1.1	0.4	1.1	0.7	1.1	0.8	1.9	2.22	1.10

- For illustrative purposes only.
- Assumes all strategies have been rebalanced quarterly. Standard deviation is a statistical measurement of historical volatility. A volatile stock tends to have a higher standard deviation.
- In US dollars. S&P and Dow Jones data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. ICE BofAML index data © 2019 ICE Data Indices, LLC. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. Bloomberg Barclays data provided by Bloomberg. See "Model Portfolio Index Descriptions" for additional information on Dimensional indices.
- The returns and other characteristics of the allocation mixes contained in this presentation are based on model/back-tested simulations to demonstrate broad economic principles. They were achieved with the benefit of hindsight and do not represent actual investment performance. There are limitations inherent in model performance; it does not reflect trading in actual accounts and may not reflect the impact that economic and market factors may have had on an advisor's decision making if the advisor were managing actual client money. Model performance is hypothetical and is for illustrative purposes only. Model performance shown includes reinvestment of dividends and other earnings but does not reflect the deduction of investment advisory fees or other expenses. Clients' investment returns would be reduced by the advisory fees and other expenses they would incur in the management of their accounts. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Not to be construed as investment advice.

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Diversifying Stocks

Domestic vs. international stocks

Growth vs. value funds

- Growth: high price/earnings ratio
- Value: low price/earnings ratio

Small cap vs. large cap funds

Market capitalization – number of shares outstanding

multiplied by share price

- Small cap: generally less than \$5 billion
- Mid cap: generally between \$5 - \$10 billion
- Large cap: generally more than \$10 billion

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4. Tax Planning

What is your adjusted gross income (AGI)?
What is your marginal tax bracket?

- ☐ Adjusted gross income
- ☐ Standard deduction vs. Itemized deductions
- ☐ Taxable income
- ☐ Credits
- ☐ Tax withheld
- ☐ Tax owed

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Tax Strategies

- Defer income
- Accelerate deductions
- Maximize pre-tax savings
- Itemized Deductions
 - Medical
 - Taxes
 - Interest
 - Charitable contributions
- Roth Conversions
 - Bracket filling
 - RMD, QCD, tax-loss harvesting
 - Lower tax environment until 2025, when TCJA sunsets

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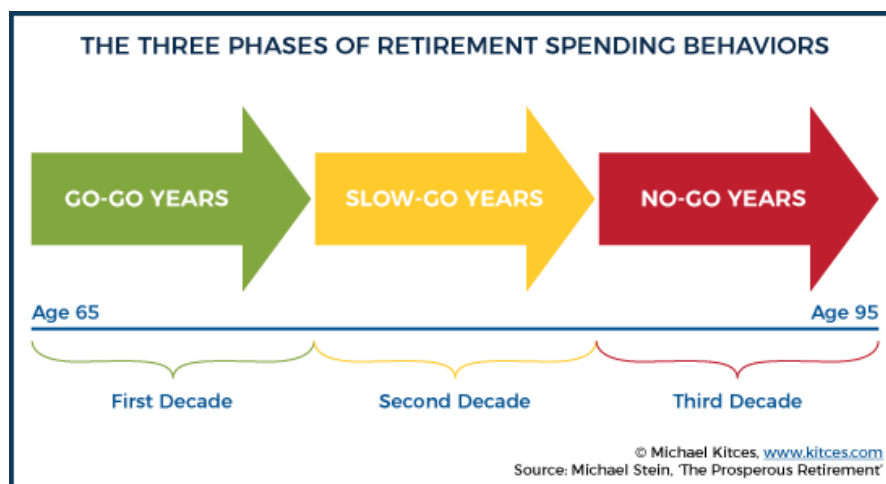
5. Retirement Planning

The basics of retirement planning:

- ☐ When can I retire?
- ☐ How much do I need?
- ☐ Will I have enough?
- ☐ A shift in perspective: Accumulation vs. Distribution
- ☐ Retirement planning strategies

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Retirement Expenses Vary Over Retirement



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How much do I need?

Assumes: 3% inflation and a 30-year retirement.

Annual Pre-Tax Expenses	Rate of Return 2%	Rate of Return 5%	Rate of Return 8%
\$75,000	\$2.6 million	\$1.7 million	\$1.2 million
\$100,000	\$3.5 million	\$2.3 million	\$1.6 million
\$150,000	\$5.2 million	\$3.5 million	\$2.5 million
\$200,000	\$6.9 million	\$4.6 million	\$3.3 million

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How much do I need to save?

Assumes: 20-years to save before a 30-year retirement.

Annual Pre-Tax Expenses	Savings per year for 20 years	Rate of Return 5%
\$75,000	\$51,000	\$1.7 million
\$100,000	\$70,000	\$2.3 million
\$150,000	\$106,000	\$3.5 million
\$200,000	\$139,000	\$4.6 million

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Saving for Retirement

- 401k – In 2023, contribution max. \$22,500 with an additional \$7,500 catch up if your 50 or over.
- IRA and Roth IRA – In 2023, contribution max. \$6,500 with an additional \$1,000 catch up if your 50 or over. Confirm the MAGI limit.

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Retirement Income Resources

- Social Security
- Employer retirement plans
- Pension
- Other savings:
 - Spouse/partner's retirement plans
 - Plans from former employers
 - IRAs or Roth IRA
 - Regular investment accounts
 - Inheritance?

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Social Security offers income you can't outlive

If your monthly benefit is \$2,000 today and you live:

10 more years	you'll receive a total of	\$301,141	in lifetime benefits
20 more years		\$659,382	
30 more years		\$1,122,454	

Assumes 2.6% annual cost-of-living adjustments

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Advantages to Delaying Benefits

Age at which benefits are claimed	% of PIA if FRA = 67	Benefit without COLAs (\$)	Benefit with COLAs (\$)
62	70.00	1,960	1,960
63	75.00	2,100	2,155
64	80.00	2,240	2,358
65	86.67	2,427	2,621
66	93.33	2,613	2,896
67	100.00	2,800	3,183
68	108.00	3,024	3,527
69	116.00	3,248	3,887
70	124.00	3,472	4,263

Assumes PIA = \$2,800 and 2.6% annual COLAs from age 62

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When to apply for Social Security: Key points to remember

- What is your health status and life expectancy?
- If you apply early, your benefit starts lower and stays lower for life.
- COLAs magnify the impact of early or delayed claiming. The longer you live, the more beneficial it is to delay benefits.
- Decision impacts survivor benefits as well: delaying benefits may give surviving spouse more income. Surviving spouse could get 100% of the deceased spouse's benefit if they claimed at FRA or later.

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Taxation of Social Security benefits

Filing status	Provisional income*	Amount of SS subject to tax
Married filing jointly	Under \$32,000 \$32,000 - \$44,000 Over \$44,000	0 Up to 50% Up to 85%
Single, head of household, qualifying widow(er), married filing separately & living apart from spouse	Under \$25,000 \$25,000 - \$34,000 Over \$34,000	0 Up to 50% Up to 85%
Married filing separately and living with spouse	Over 0	85%

*Provisional income = AGI + one-half of SS benefit + tax-exempt interest

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6. Estate Planning

The basics of estate planning:

- ☐ Will(s) for each of you
- ☐ Living trusts
- ☐ Durable power of attorney for finances
- ☐ Advanced health care directive
- ☐ Letter of instruction

- ☐ Probate – Public, takes a long time, and costly

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Key Takeaways

1. Financial planning can be very complex and feel overwhelming.
2. People seeking a financial planner because they: don't have the time, knowledge, or desire to do it themselves.
3. Find a financial planner that is right for you: CFP designation, fee-only (RIA) firm, fiduciary duty, trust, and specializes in your needs.

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Please complete the evaluation form

Thank you!



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