10 FINANCIAL PLANNING FUNDAMENTALS

TO NAVIGATE YOUR FINANCIAL FUTURE

PHASE 1 - PLANNING

01 BUILD A BUDGET

Regardless of your spending and saving habits, budgets help you **understand your financial situation.**

HOW

Separate out your fixed costs from variable. **Fixed Costs** are recurring costs that do not change on a regular basis. **Variable Costs** are costs that you can easily control if needed.

FIXED COSTS		VARIABLE COSTS	
Mortgage/Rent	Insurance	Food & Dining	Health & Fitness
Utilities	Car/Student Loans	Travel & Leisure	Shopping

KEEP IN MIND

- Be realistic about your current spending versus what you would like to spend.
- A budget is a guide to help you through your financial journey and should evolve with your circumstances.
- Review your budget on an annual basis. Look out for where you need to adjust to meet your goals.

02 DEFINE A GOALS BASED STRATEGY

Goals, combined with a budget, can help to stay on track towards meeting your objectives.

HOW

Ask yourself the key questions:
What are you saving for?
What is important to you?

Goal Examples: Buying a bigger house, buying a car, building an emergency fund, paying down debt, college planning for children, retirement, etc.

Set a Timeline for Accomplishing your Goals

Short Term: 1 – 3 Years	Intermediate Term: 4 – 7 Years	Long Term: 7+ Years

KEEP IN MIND

- Align your level of risk with your goals. For example, avoid unnecessary risk on dollars that you need to buy a home in the next 6 months.
- Your goals change with you over time. Your strategy might have to change with them.

03 PLAN FOR YOUR RETIREMENT

Making a plan and strategy early can help set you up to meet your goals for when and how you want to retire and help you focus on what you enjoy most down the line.

HOW

Take full advantage of your employer's match if you have a 401k plan. **Contribute to a Roth or Traditional IRA**. Even if you never contributed before, it's never too late (or early!) to start saving for retirement.

KEEP IN MIND

- **Taxation of IRA/401k vs Roth IRA/401k**: The difference between a Traditional IRA and a Roth IRA is that a Traditional IRA provides *tax-deferred* growth and a Roth IRA provides *tax-free* growth.
- **Traditional IRA –** In most cases, contributions are tax-deductible. However, distributions are taxable as ordinary income at time of disbursement (retirement).
- **Roth –** You do not get a tax deduction when funding, but all distributions are tax-free. You are not required to take distributions from a Roth IRA during your lifetime.

PHASE 2 - IMPLEMENTING

04 UNDERSTAND RISK AND ASSET CLASS DIVERSIFICATION

Understanding risk helps determine where to invest and allows you to align your portfolio with your goals.

HOW

Asset class diversification is the key to limiting the risk of not reaching your money milestones. Not all asset classes move in tandem or have historically performed the same. Mixing up the weight and exposure to different asset classes will give you the flexibility to choose between putting your money away to preserve or to grow.

KEEP IN MIND

- Risk should not be viewed as "volatility" or market price swings. As an individual investor, the biggest risk is not meeting your goals.
- Align your portfolio with your time horizon; don't tie up short-term cash in volatile investments or long-term capital in ultra-conservative ones.

05 GET THE MOST OUT OF STOCK OPTIONS & RSU'S

Options and RSU's are not relevant for everybody. Most commonly, we see them as additional methods of compensation. Specifically, options represent a right to purchase company stock at a certain price. RSU's grant you ownership in the company. Both can create significant value but create another layer of complexity and potential tax consequences to your financial picture.

HOW

Given the uniqueness of each option and RSU plan, consider evaluating these with your financial and tax advisors before entering into an agreement with your company.

KEEP IN MIND

- Ask about the section 83(b) election and if you qualify. This gives you the option to pay ordinary income tax on the fair market value. Everything beyond that is taxed as capital gains at time of sale.

06 KNOW YOUR COSTS

There is no reason to be paying too much on money you set aside to grow. Over time even relatively small fees will impact your portfolio. Remember the rule of compounding!

HOW

Be aware of what you're paying and where. See below the most common fees.

Custody Fees	Some custodians charge more than others for housing your assets. Keep an eye out to ensure you get the best price for storing your dollars.
Transaction Fees	Most trading platforms now offer no transaction fees so be aware if your current platform does charge you.
Wire Fees	Try sending ACH instead if your bank charges a wire fee.
Manager Fees	If you're investing on your own, look for low-cost mutual funds or ETFs.

PHASE 3 - MAINTAINING

07 MANAGE YOUR PORTFOLIO & IGNORE THE NOISE

Set your road map, focus on your goals, and don't get caught up in the day-to-day noise. It is important to make a plan that you can stick to, even as things get volatile or difficult.

HOW

Focus on **minimizing emotional reactions.**

Know yourself and be realistic about your risk tolerance. Consider whether owning individual stocks may cause you to focus too much energy on their performance and whether funds and/or professionally managed accounts may allow you more emotional distance from the portfolio

KEEP IN MIND

- Stick to your plan regardless of market swings.

08 NAVIGATE CAPITAL GAIN EXPOSURE

Tax drag can have an impact on your portfolio.

Capital gain (or loss) is the difference between your tax cost basis or purchase price and the price at time of sale.

HOW

Limit short-term capital gains and use losses to offset realized gains throughout the year.

SHORT TERM	LONG TERM
• When a position is held for less than 1 year and is sold at a gain • Tax on any gain will be at your ordinary income tax rate	• When a position is held more than 1 year and is sold at a gain • Tax on any gain will range from 0% - 20% (depending on your tax status and income levels)

KEEP IN MIND

- We recommend consulting with your financial advisor and tax advisor as you evaluate making changes to your portfolio.
- Gains are incorporated into your tax return and are due at the time of filing, meaning that nothing is withheld so you could be left owing Uncle Sam come year-end.

09 IDENTIFY AND MAXIMIZE TAX DEDUCTIONS

Given the standard deduction has been larger in recent years many think itemized deductions are a thing of the past. For some, itemizing will still save you significant money despite slightly complicating your return.

HOW

If you do itemize deductions, here are the most common items you can write off.

TAX DEDUCTABLE ITEMS

- Medical (over a certain threshold)
- Mortgage Interest
- Margin Interest
- Charitable Giving
- State Taxes (up to $10,000)

10 WHAT YOU NEED TO KNOW ABOUT CHARITABLE PLANNING

From tax benefits to making an impact, charitable planning can **help you achieve your goals.**

HOW

Ask yourself, what impact do I want to have and why?

Maybe you're looking to put money directly into the hands of those in need while saving money on your taxes. Maybe you feel strongly about a cause and want to put your dollars to work.

KEEP IN MIND

- Donor-Advised Funds and Private Foundations allow you to receive a deduction today and invest the dollars (which are grown tax-free) to donate to qualified public charities in the future.
- While DAFs may be simpler and less expensive to set up than Private Foundations, Private Foundations allow you to hire staff and make certain types of gifts (such as scholarships) that are not possible with a DAF.