3rd Annual Johns Hopkins Women in Business (WIB) Affinity Conference
Remarkable Women: Power, Purpose, Passion

Personal Financial Planning, Retirement Planning, Investment Planning:
Making it all fit for you
This panel/Q&A will help attendees understand the confusing financial advisor landscape, and help them answer the question – “How can I find an appropriate financial planner who acts in my best interest?” It will also cover financial planning – including the areas of retirement planning, investment planning, risk/insurance planning, and tax planning. Attendees will benefit from learning how expert, objective, fiduciary advice in these areas can significantly increase their net worth and get their financial house in good order. There will be plenty of time for Q&A – so attendees can have their questions addressed.
Topics

1. Financial Planner Landscape
2. What is Financial Planning
3. What is Investment Planning
4. Educational Slides/Bringing it all together - benefits
5. Questions
The Financial Planner landscape

– What is a financial advisor/planner/consultant, wealth manager, insurance agent, broker, wealth advisor?
  • Confusion reigns supreme

– What are the requirements to be one of the above?
  • Basically none. You do need licenses to sell though.
  • Am not sure you can call them qualifications
The Financial Planner landscape

– What is a **Certified Financial Planner (CFP)**? Why is that important?
  • Education
  • Ethics
  • Examination
  • Experience

– Is this sufficient? Why not?
  • CFPs can be employed by brokerages and sell products. So to the same client a CFP can be an advisor and a salesperson – does the client always know this? Not sure.
The Financial Planner landscape

- What is a **Registered Investment Advisor**? Why is that important?
  - “Registered” with the State or SEC
  - Legally bound to a FIDUCIARY standard so have to act in clients best interest
    - (vs brokers who are registered with FINRA)
    - (vs brokers who are bound to a “lower” suitability standard – and do not have to act in clients best interest)
The Financial Planner landscape

- What does “Fee-Only” mean? Why is it important?
- What does “Fee-based” mean? Why this should raise caution.
- What is a fiduciary? Why is that important?
- What is the difference between a broker/agent and a fiduciary? Why is that important?
The Financial Planner landscape

– Why is all this so important?

• The “Fat” in the Wall Street “Fat Cat” comes from hidden costs in expensive products (high/hidden costs in insurance policies, annuities, mutual funds) sold to you

• Every 2% annual difference in hidden cost to you makes an approx 75% difference in your net-worth over a 30 year accumulation period.

• Would you rather have a nest egg for yourself of $1,750,000, or of $1,000,000? Staggering transfer of wealth FROM YOU to the Wall Street machine - isn’t it?
The Financial Planner landscape – Why is this EVEN more important to women?

• **Longevity**
  – About 80% outlive their husbands in the US. Average age of widowhood in the US is shockingly low – 56. (US Census Bureau)

• **Divorce**
  – Approximately 2 of every 5 American marriages end in divorce (NY Times)

• **Being financially uninformed**
  – Even though many women are highly educated and well-trained in their fields, this does not translate into being financial planning experts. Contrary to common belief, the impact of the financial decisions made may not be obvious, and may, in fact, be detrimental to long-term wealth building.

• **Receiving questionable advice**
  – It is often salespeople (insurance agents, brokers etc.) who end up providing financial “advice” - and it is often provided "free". But, in reality, you are likely being sold products with high, undisclosed expenses, which negatively impact your wealth.
The Financial Planner landscape

Only approx. 1,200-1,800 financial “advisors” are:

CFPs, FIDUCIARY RIAs
AND NAPFA Fee-only
1 of every 200!

CFPs - 60,000
NAPFA - 2,000
RIAs - 20,000

Financial Advisor/Wealth Manager - 300,000

FOCUS on Fiduciary
The Financial Planner landscape

– Look for a planner:
  • Expertise (at least a CFP)
  • Objectivity (fee-only)
  • Full disclosure (fiduciary)
  • Chemistry, communication skills, accessibility, “like-ability”, trust, style of business
  • Cost is what you pay; value is what you get

• Ask: "Please sign a statement on your official letterhead stating that in all transactions, you will be a fiduciary to me, act in my best interest, and will fully disclose all fees you earn from our relationship, and any conflict of interest.”
The Financial Planner landscape

– How do you find a financial planner?

• www.napfa.org
• www.feeonlynetwork.com
• www.cfp.net

• Read this guide: http://www.feeonlynetwork.com/documents/find-right-financial-advisor.pdf

• MAKE SURE THAT YOU RESEARCH YOUR ADVISOR
  – SEC Advisor Search (if Registered Investment Advisor)
  – FINRA Broker Check (if broker)
  – Google
Financial Planning

– The process of determining how to manage your resources to best meet your objectives.

– The “process” is deliberate and repeatable:
  • Gather Data
  • Analyze and Evaluate
  • Recommend
  • Implement
  • Monitor
Financial Planning: Subject Areas

1. Goal Setting, Planning, and Projections
   1. Retirement
   2. Education
   3. Charitable

2. Cash Flow Optimization

3. Net Worth Maximization

4. Risk Management

5. Income Tax Minimization

6. Estate Planning

7. Investment Design and Management
Financial Planning: How is Advice Delivered?

- Project vs. Ongoing
- Just Financial Planning with no Investment Management vs. Wealth Management
- Subject Specific vs. Holistic and Comprehensive
- Compensation can be time or project based and/or an annual investment based fee
Investment Planning

— Investment

Use of capital to create more money, either through income producing vehicles or through more risk-oriented ventures designed to result in capital gains.

— Investment Planning

The accumulation of capital and the management of a person’s investment portfolio oriented towards specific, identified goals.
Investment Planning: Portfolio Design Considerations

- **Liquidity needs**
  - money kept outside portfolio for short-term goals & unexpected emergencies

- **Time horizon**
  - length of time your money can stay invested

- **Risk tolerance**
  - interaction between attitude (emotional tolerance for risk) and risk capacity

- **Composition of portfolio**
  - types of investment securities

- **Diversity**
  - the interrelationship of asset classes in portfolio
Investment Planning

1. Creating an Investment Policy Statement (IPS) based on risk-tolerance and time-horizon
2. Deciding on appropriate asset allocation between domestic and international equities, domestic and international fixed income, alternative investments and cash
3. Selecting appropriate types of investments: low cost Exchange Traded Funds (ETFs), no load mutual funds, etc.
4. Considering “Active” vs “Passive/Index” approaches
5. Managing taxable/tax-deferred/tax-free investments in a tax-efficient manner, including tax-loss harvesting
6. Incorporating investments in company retirement plans into the overall investment planning
7. Providing periodic reports and analysis
8. Providing informational sessions to reduce detrimental investment behaviors that inhibit wealth creation
Educational Slides

• What is the safe withdrawal rate?
  – Answer:

• Based on $1m of investable assets at retirement, how much income can you expect to receive, without the fear of outliving your money?
  – Answer:

• Based on your annual lifestyle expenses, how much will you need as a nest egg at retirement?
  – Answer:
Monthly savings amount to generate $1m in assets at retirement at age 65 (7% compounded rate of return)

Fill in the blanks:

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Questions?
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