



L I F E T I M E P L A N N I N G

Spending and Debt

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Build Your Emergency Fund

“I didn’t invent the rainy day, man. I just own the best umbrella.” —Jimmy Fallon



3.75 months*

If you expect to be re-employed in short time.



6 Months

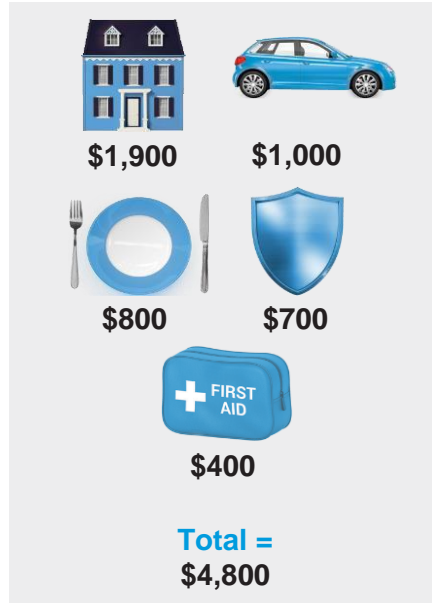
If you have a limited safety net and volatile income sources.



12 Months

If your income fluctuates wildly from year to year and you work in a profession where it is hard to find work.

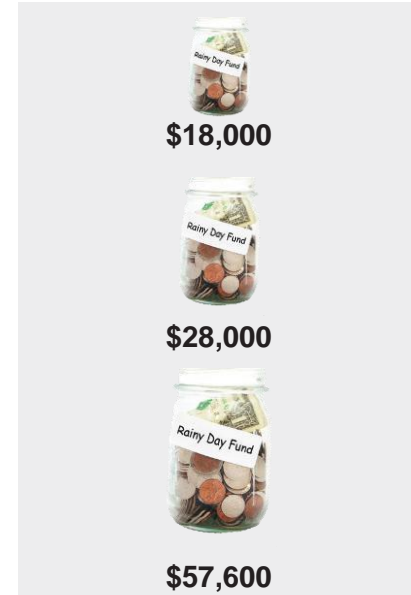
Average Monthly Expenditures



Needed Duration



Fund Size



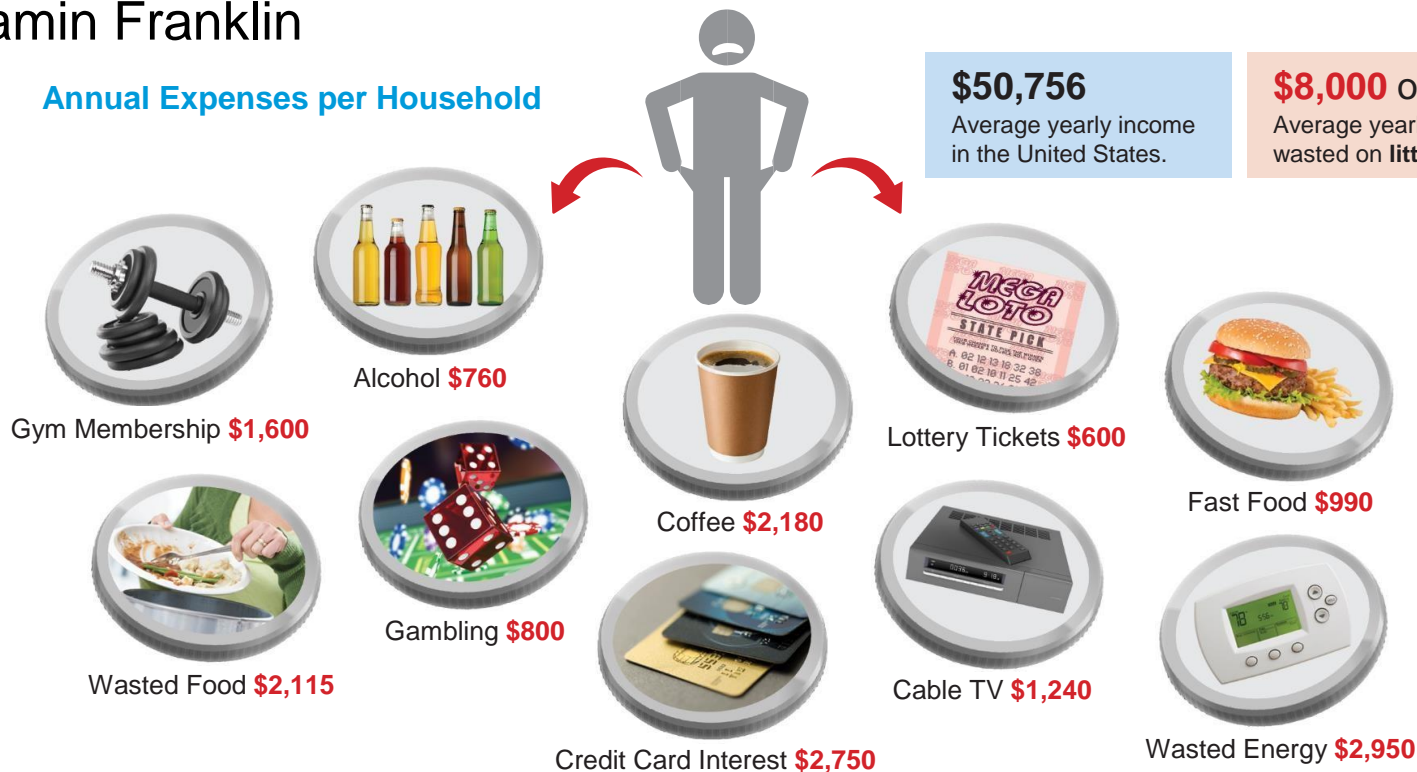
National average unemployment benefits 4 months (3/1948–7/2016) Source: Bureau of Labor Statistics, 12/31/16.

Beware of Little Expenses

“Beware of little expenses. A small leak will sink a great ship.” —

Benjamin Franklin

Annual Expenses per Household

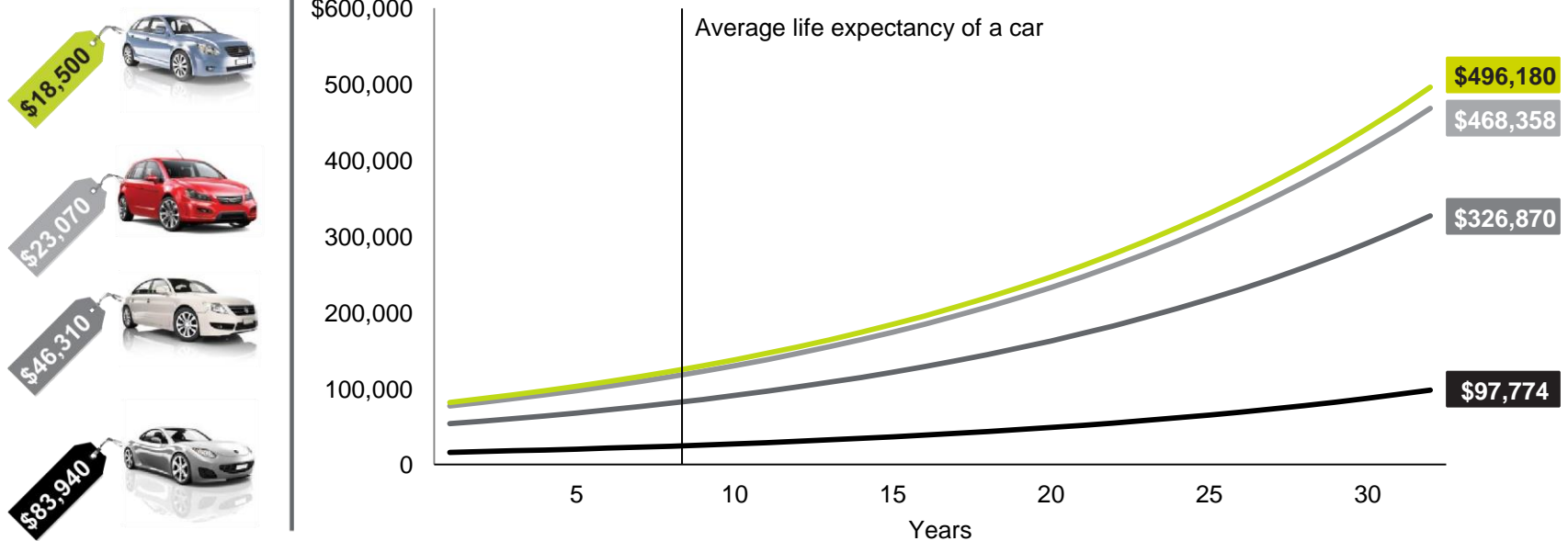


Sources: Bureau of Labor Statistics and *USA Today*, 12/31/16.

The Bigger the Purchase, the Bigger the Opportunity Cost

“Intelligent people make decisions based on opportunity cost.” —Charlie Munger

How to Spend \$100,000...Buy a Car and Invest the Rest



Source: Kelly Blue Book, 12/31/16. For illustrative purposes only. Assumes a 6% per year market return. 6% market return is based on a hypothetical mathematical example, not the performance of any market.

Buy or Lease a Car?

Example 1: Keep car after 3 years

Buy

Lease to Buy

Example 2: Don't keep car after 3 years

Buy and Sell

Money Down \$ 2,000

3-Year Payments (\$ 590 x 36)

Perpetually Leasing

Money Down \$ 2,000

3-Year Payments (\$ 189 x 36)

Finance Purchase

Eventual ownership	Higher monthly payments
Can sell vehicle	Maintenance costs
Unlimited miles	Depreciates in value
Can modify vehicle	Selling hassles
May last years	

Lease Car

		3-Year Payments		Pros	Cons
	\$ 23,240			\$ 2,000	Money Down Money Down \$ 2,000
Resale – \$ 17,000	Total Cost			(\$ 590 x 36)	3-Year Payments 3-Year Payments (\$ 189 x 36)
6,240	\$	\$ 8,804			Buyback \$ 17,000
		+ Miles & Wear and		\$ 23,240	
	Total Cost Total Cost	\$ 25,804		+ Maintenance	
		+ Miles & Wear and Tear			

Should I Rent or Buy?

Cons

Lower monthly payments	Never own vehicle
New car every 3 years	Limited mileage
Lower repair costs	Wear and tear charges
No selling hassles	Higher insurance premiums

Pros



“Ask five economists and you’ll get five different answers—six if one went to Harvard.” —Edgar Fiedler

Rent \$_____per month

Pay Rent ▶ \$_____per year

Invest the Rest ▶ \$_____at_____% = \$_____

Net Cost ▶ \$_____per year

Interest ▶

Tax Deduction ▶

Property Tax ▶

Maintenance ▶

Net Cost

Buy \$ _____
purchase price _____at_____

Borrow \$ _____%

\$_____per year

\$_____at_____% tax rate = \$ _____

\$_____at_____% = \$ _____

\$ _____

\$_____per year

RENT

BUY

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How Much Can I Afford to Pay for a House?

“It’s not how big the house is, it’s how happy the home is.” —Unknown



Annual Income Required per Loan Value and Mortgage Rate If Monthly Payment = 35% of Pre-Tax Income

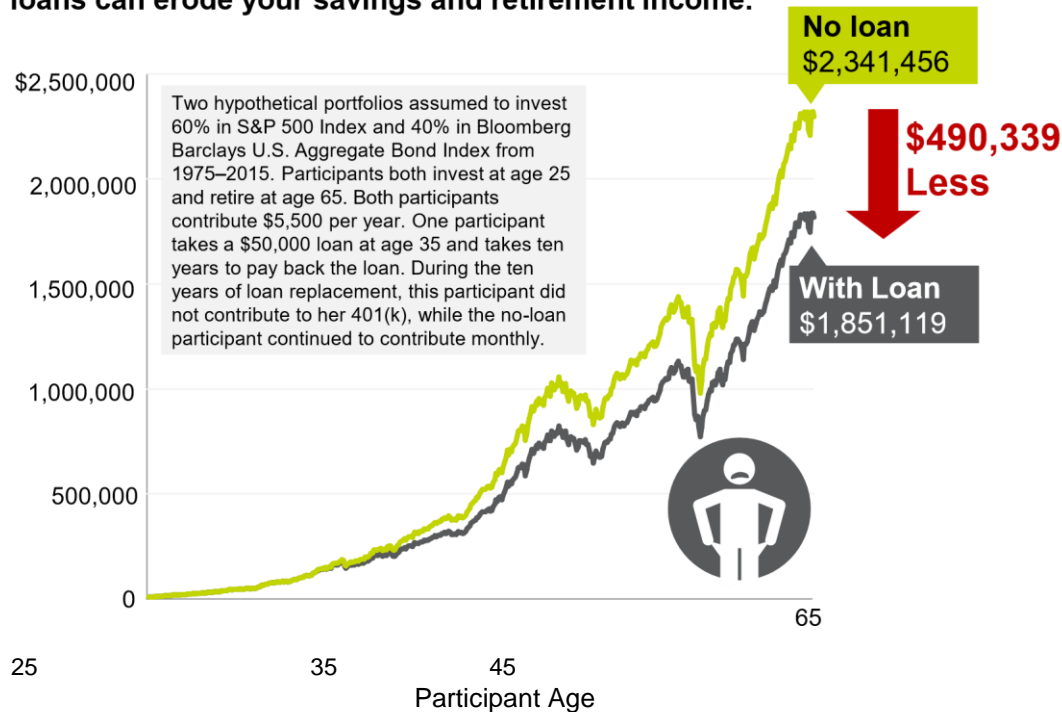
		Loan Value				
Mortgage Rate		\$200,000	\$400,000	\$600,000	\$800,000	\$1,000,000
	3%	\$28,903	\$57,806	\$86,743	\$115,646	\$144,549
	4%	\$32,743	\$65,486	\$98,194	\$130,937	\$163,680
	5%	\$36,823	\$73,611	\$110,434	\$147,257	\$184,046

6%	\$41,109	\$82,217	\$123,326	\$164,434	\$205,577
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The Toxic Effect of Loans on Retirement Savings

“Every time you borrow money, you’re robbing your future self.” —Nathan Morris

Retirement accounts are for long-term savings. Taking out loans can erode your savings and retirement income.



Right-hand chart source: Bloomberg, 12/31/16. Left-hand chart source: irs.gov, 12/31/16.

Borrowing from 401(k): Potential Penalties



Failure to make payments for 90 days:

- Considered a distribution
- Taxed as income
- Plus 10% penalty is under 59½



If you lose your job, you must repay entire loan within 60 days or:

- Considered a distribution
- Taxed as income
- Plus 10% penalty is under 59½

Pay Off Your Highest Interest Debt

“Compound interest is the eighth wonder of the world. He who understands it, earns it...he who doesn't...pays it.” —Albert Einstein



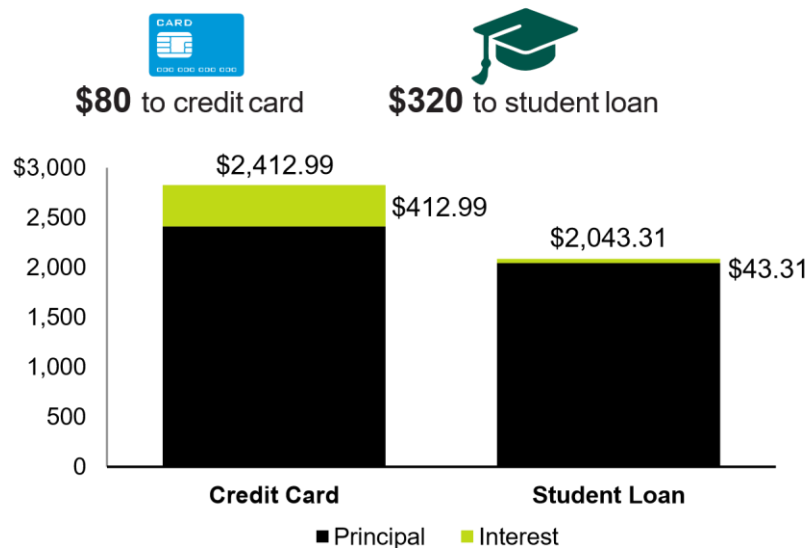
\$2,000 credit card debt at 15%,
minimum monthly payment \$80

and

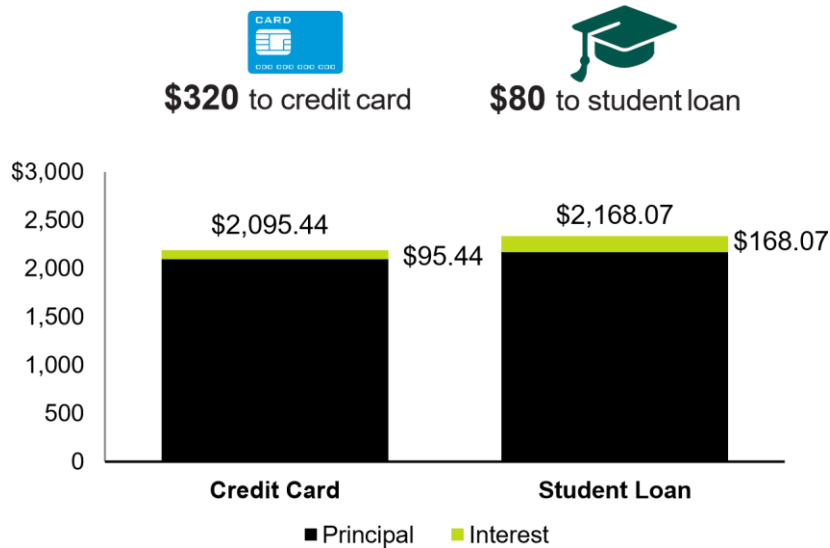


\$2,000 student loan at 7%,
minimum monthly payment \$80

Scenario 1: Total interest cost = **\$456.30**



Scenario 2: Total interest cost = **\$263.51**

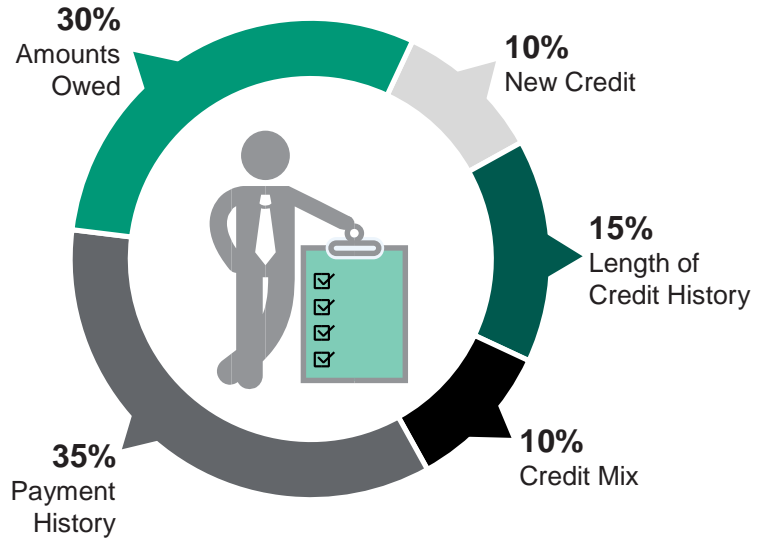
















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Protect Your Credit Score

“It’s amazing how fast later comes when you buy now.” —Milton Berle

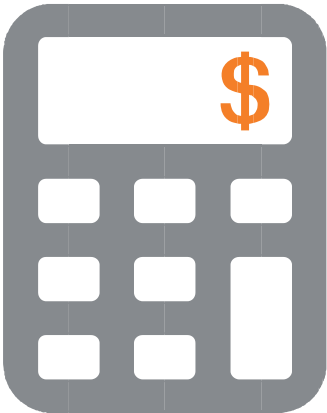
How a FICO Score Breaks Down



 30-Year Fixed Rate Loan				 5-Year Car Loan			
 Loan Value: \$250,000				 Loan Value: \$20,000			
Credit Ranges		APR for Home Loan	Total Interest Paid	Credit Ranges		APR for Car Loan	Total Interest Paid
800+		3.73	\$166,242	800+		2.63%	\$821
740_799		3.96	\$177,653	740_799		3.60%	\$1,129
670_739		4.35	\$198,137	670_739		6.42%	\$2,041
580_669		5.33	\$251,340	580_669		10.71%	\$3,473
579 or less		Not available	Not available	579 or less		Not available	Not available

Retirement Needs: How Much Is Enough?

“Retirement is like a long vacation in Las Vegas. The goal is to enjoy it the fullest, but not so fully that you run out of money.” —Jonathan Clements



Preretirement Income	80%	Years in Retirement	Your Total
\$50,000	\$40,000	20 years	\$800,000
\$75,000	\$60,000	20 years	\$1,200,000
\$25,000	\$20,000	x 20 years	\$400,000

\$100,000

\$80,000

x 20 years

\$1,600,000

Index Definitions

The 10-Year U.S. Treasury Yield is generally considered to be a barometer for long-term interest rates.

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs).

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of U.S. Government and corporate bonds that includes reinvestment of dividends.

The Bloomberg Barclays Aggregate Corporate Bond Index represents primarily investment-grade corporate bonds within the Bloomberg Barclays U.S. Aggregate Bond Index. The Bloomberg Barclays Aggregate U.S. Treasuries Index represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

The Bloomberg Barclays High Yield Bond Index covers the universe of fixed rate, non-investment-grade debt. The JPMorgan GBI-EM Global Diversified Index tracks total returns for local-currency-denominated money market instruments in the emerging markets.

The Bloomberg Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market and includes bonds rated investment-grade by at least two of the three major rating agencies (Moody's, S&P and Fitch). SBBI U.S. Large Company Stock Index is an unmanaged index of stocks of large U.S. companies.

SBBI U.S. Long-Term Government Bond Index is an unmanaged index generally representative of the bond market. SBBI U.S. Small Company Stock Index is an unmanaged index of stocks of small U.S. companies.

SBBI U.S. (30-day) Treasury Bills is generally representative of the rate of return on a savings investment.

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap Index measures the performance of mid-capitalization stocks.

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

The S&P 500 Index is a market-capitalization weighted index of the 500 largest domestic U.S. stocks. Shiller Home Price Index tracks changes in home prices throughout the United States.

Treasury Inflation Protected Securities is generic U.S. Government inflation-index bonds.

The U.S. existing home sales median price tracks changes in residential property prices of existing single-family homes, condos and co-op sales.

Indices are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance does not guarantee future results.**

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