



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

# Talking About Money

**Brian Padrick, CFP®   Eric Smith, JD, CFP®**  
**Brandon Smith**

[www.lifetimeplanning.biz](http://www.lifetimeplanning.biz)

# Financial Literacy

We don't talk enough about money. We worry that conversations about money will hinder our children's ambitions, will lead to fights with our spouses, will alienate our friends, will be misinterpreted by our parents. However, not talking about money or articulating the best practices for securing the financial health of a household can lead to suboptimal outcomes.




The financial literacy program is designed to help advance the wealth conversations in which families need to be engaging. The goal is to help families better understand how to accumulate, protect, and distribute wealth while building and maintaining a family legacy that will endure across multiple generations.

The program provides a framework for incorporating all family members into these conversations and delivers financial and investment guidance for each stage of the life cycle.

## Understand the Power of Compounding

“Compound interest is the 8th wonder of the world.” —Albert Einstein

**Would You Rather Double a Penny Every Day for 31 Days or Receive \$5 Million?**

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1 	2 	3 	4 <b>\$0.08</b>	5 <b>\$0.16</b>	6 <b>\$0.32</b>	7 <b>\$0.64</b>
8 <b>\$1.28</b>	9 <b>\$2.56</b>	10 <b>\$5.12</b>	11 <b>\$10.24</b>	12 <b>\$20.48</b>	13 <b>\$40.96</b>	14 <b>\$81.92</b>
15 <b>\$163</b>	16 <b>\$327</b>	17 <b>\$655</b>	18 <b>\$1,310</b>	19 <b>\$2,621</b>	20 <b>\$5,242</b>	21 <b>\$10,485</b>
22 <b>\$20,971</b>	23 <b>\$41,943</b>	24 <b>\$83,886</b>	25 <b>\$167,772</b>	26 <b>\$335,544</b>	27 <b>\$671,088</b>	28 <b>\$1,342,177</b>
29 <b>\$2,684,354</b>	30 <b>\$5,368,709</b>	31 <b>\$10,737,418</b>				

Slide is for illustrative purposes only.

## Wealth? It's All Relative

“Wealth after all is a relative thing since he that has little and wants less is richer than he that has much and wants more.” —Charles Caleb Colton

Annual income measured in floors of the Burj Khalifa, the world's tallest building

**Top 1%** is on the top floor:

- \$600,000
- 160th floor

**Top 10%**

- \$160,000
- 35th floor

**Median**

- \$50,000
- 13th floor

**World Median**

- \$10,000
- 2nd floor

If Aaron Rodgers is on the top floor

- \$22,000,000



If Larry Ellison is on the top floor

- \$550,000,000



If Mark Zuckerberg is on the top floor

- \$5,000,000,000



Larry Ellison (\$550,000,000) is on the 18th floor



Aaron Rodgers (\$22,000,000) is on the 6th floor



The top 1% (\$600,000) is on the 4th floor

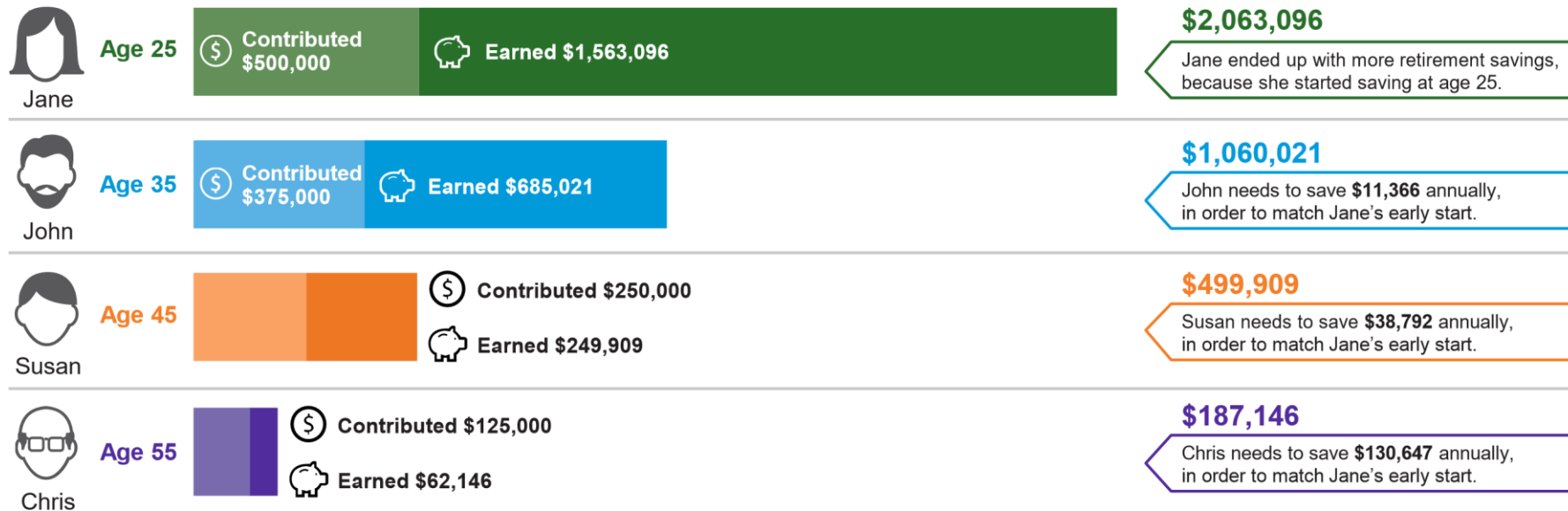
Source: Brookings Institute, 12/31/16. Dubai's Burj Khalifa is 2,717 feet tall.

# Start Young

“Money, says the proverb, makes money. When you have got a little, it is often easy to get more. The great difficulty is to get that little.”—Adam Smith

## Growth of \$12,500 Annual Investment\* by Starting Age

## End Sum at Age 65

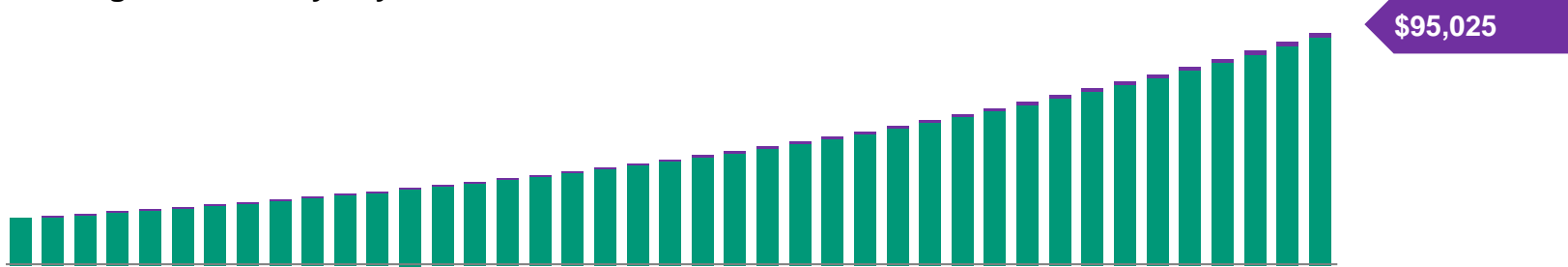


\* Assumes a 6% annual return on investments through age 65. Slide is for illustrative purposes only.

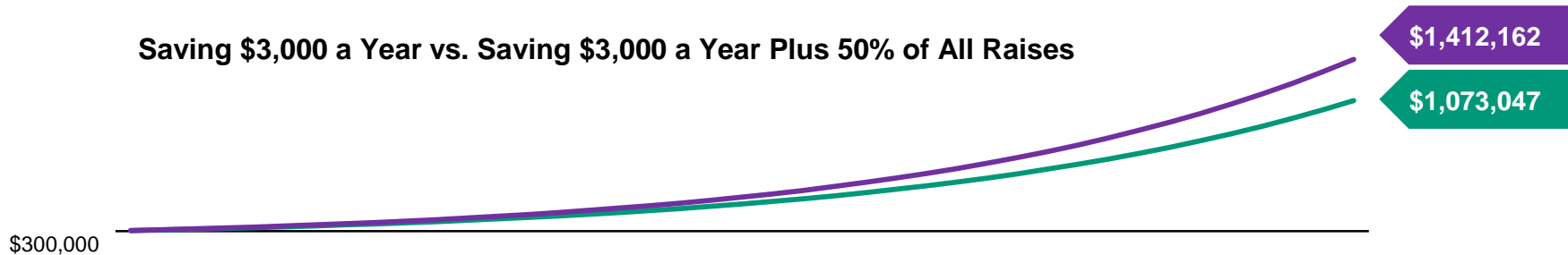
# Save 30%–50% of Every Pay Raise

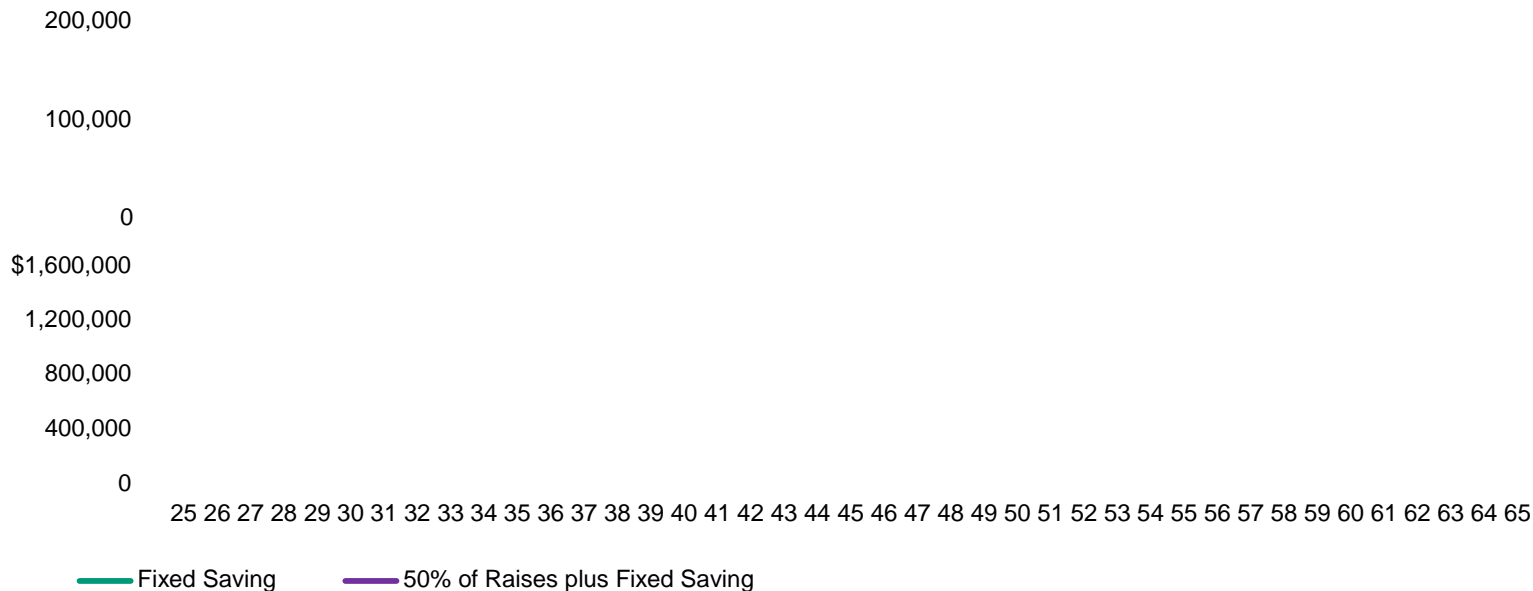
“To get rich, you have to be making money while you’re asleep.” —David Bailey

## Saving 50% of Every Pay Raise



## Saving \$3,000 a Year vs. Saving \$3,000 a Year Plus 50% of All Raises





Source: Assumes a starting salary of \$50,000 and 4% annual raises with a 6% average rate of return on savings in the stock market. The first savings path assumes investor starts out saving 10% or \$5,000 and continues at that level. The second scenario assumes the same savings level, but also adds in the additional savings from 50% of all annual raises. Past performance does not guarantee future results.

# The Difference Between Rich and Wealthy

“I’m not talking about rich. I’m talking about wealthy...Wealth is empowering...Wealth can uplift communities...Wealth is passed down from generation to generation...Rich you can lose with a crazy summer...” —Chris Rock

**Rich:** It’s all about income

**Wealthy:** It’s all about what you do with your income



**Allen Iverson**  
**\$200M**

Lifetime Earnings



**Nicholas Cage**  
**\$150M**

Lifetime Earnings

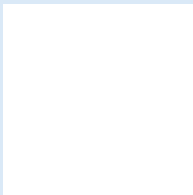


## The millionaire couple next door

Age (average): 57 years old



Relationship status: Married



Children: 3

Professions: Self employed (66%)



Average annual taxable income: \$247,000

Average household net worth: \$3.7 million

Average home value: \$320,000

Education: College degree and beyond

Likes

Dislikes



**Curt Schilling**

**\$115M**

Lifetime Earnings

**Mark Brunell**

**\$50M**

Lifetime Earnings

**Living below our means:** We wear inexpensive clothes and drive older cars.

**Budgeting:** We are very conservative with our money.

**Education:** We spend heavily for the educations of our offspring.

**Investing:** We invest nearly 20% of our household realized income each year.

**Profligate spending:** We believe that charity begins at home.

**No margin for error:** We have accumulated enough wealth to live without working for 10+ years.

**Laziness and excuses:** We are first generation affluent. 80% of us worked our way up.

Source: Forbes, 12/31/16. For illustrative purposes only.

# Deferring Gratification



“Too many people spend money they haven’t earned to buy things they don’t want to impress people they don’t like.”

—Will Rogers

# **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.

# Investments 101: Top Investment Rules

“A goal without a plan is just a wish.” —Antoine de Saint-Exupery

**1** Create an emergency fund



**2** You don't have to be safe to succeed



**3** Diversify your investments



**4** Automate your investments



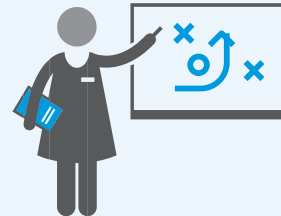
**5** Minimize taxes



**6** Beware of hot tips



**7** Have a plan and stick to it



**8** Seek professional advice



# Let's Talk About Money

“Shirtsleeves to shirtsleeves in three generations.” —Andrew Carnegie



We don't talk  
to the kids  
about money

“They'll discuss it in the wrong  
company.”

“If they know how much we have  
it will hinder their ambitions.”

“They'll worry about our  
situation.”

“Our parents  
never discussed  
finances with us.”

“It will change  
their values.”



We don't talk  
to our spouses  
about money

“It will cause  
stress.”

“It will lead  
to fights.”

“He/She doesn't know anything.”

“He/She isn't  
interested.”

“That's his/her  
job.”

“It will come between us.”



We don't talk  
to our parents  
about money

“They will misinterpret my intentions.”

“Our parents never discuss  
money.”

“They'll worry about my situation.”

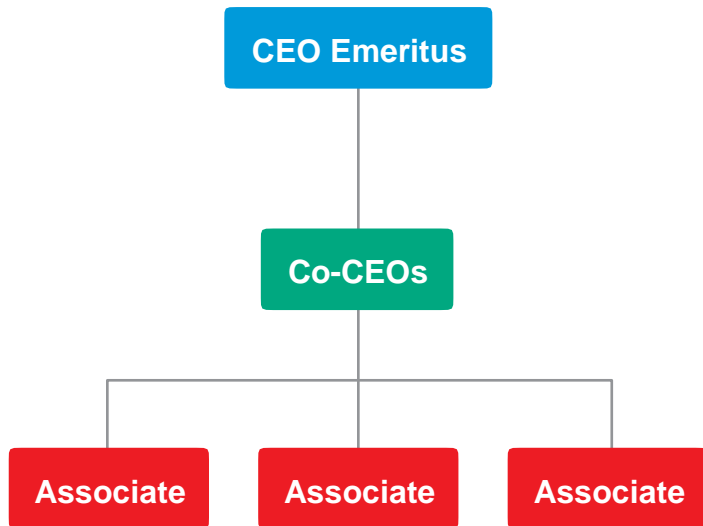
“It will come between us.”

# Everyone in the Family Has a Role

“Each one of us matters, has a role to play, and makes a difference.” —Jane Goodall

**Organization**Organization

**Responsibilities**



### CEO Emeritus:

- Promote the family legacy
- Distribute resources to next generation of leaders
- Prepare co-CEOs for the future



### Co-CEOs:

- Develop strategic vision
- Monitor and report on finances
- Make strategic investments • Train next generation of leaders



### Associate:













- Educated to be a future leader
- Receive salary and bonus
- Given reach assignments
  - Attend meetings
  - Involved in decisions



# Children: The Family's Next Generation of Leaders

“Teach the children so it will not be necessary to teach the adults.” —Abraham Lincoln







	How to Get Money	How to Understand the Value of Money	How to Save and Invest
Preschool	<b>Money is earned</b> Bring your child to work to teach them how you earn money 	<b>Money has value</b> Teach the value of currency 	<b>Money should be saved</b> Fill a jar or piggy bank with money so they can learn how each penny adds up 
Elementary School	<b>You can earn money</b> <ul style="list-style-type: none"> <li>Chores</li> <li>Good grades</li> <li>Helping around the house</li> </ul> 	<b>Money has tradeoffs</b> You can't have everything. Choose what you spend money on 	<b>Money in the bank earns interest</b> Open an account for your child so they can deposit the money they save 
Middle School	<b>Others will value your services</b> <ul style="list-style-type: none"> <li>Jobs around the neighborhood</li> <li>Babysitting</li> <li>Dogsitting/catsitting</li> </ul> 	<b>Money is a finite resource</b> <ul style="list-style-type: none"> <li>Make them pay</li> <li>Clip coupons</li> </ul> 	<b>Money in equities can produce better returns</b> 
High School	<b>Part-time jobs provide steady income</b> Find an after-school job 	<b>Money can be borrowed</b> <ul style="list-style-type: none"> <li>Open a credit card</li> <li>Show how to pay bills</li> <li>Teach them mistakes</li> </ul> 	<b>Wealth management is about more than just returns</b> Involve them in wealth planning meetings 

# Parents: The Co-CEOs of the Enterprise







“Annual income twenty pounds, annual expenditure nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.” —Charles Dickens

## The family income statement

### Revenue

	
Wage and Salary	
Rental Income	
Interest Income	
Transfer Payments (Ex: Social Security)	



### Expenses









Housing	35.6%	
Transportation	19.6	
Dining Out	15.0	
Insurance/Pensions	12.8	
Health Care	6.8	
Entertainment	5.1	
Apparel	4.1	
Education	2.7	

## The family balance sheet

### Assets

### Liabilities

Personal Care	1.3	
Miscellaneous	1.3	
Alcohol	0.8	
<b>Revenue – Expenses = Net Income</b>		

<b>Safe Assets:</b> <ul style="list-style-type: none"> <li>• Savings</li> <li>• Checking accounts</li> <li>• Certificates of deposit</li> </ul>	 	
<b>Financial assets:</b> <ul style="list-style-type: none"> <li>• Bonds</li> <li>• Stocks</li> </ul>		
<b>Non-financial assets:</b> <ul style="list-style-type: none"> <li>• Residential property</li> <li>• Business property</li> <li>• Art</li> <li>• Jewelry</li> <li>• Furniture</li> <li>• Cars</li> </ul>	 	
<b>Entrepreneurial assets:</b> <ul style="list-style-type: none"> <li>• Business</li> <li>• Intellectual property</li> </ul>		
		<b>Mortgage debt/rent</b>
		<b>Student Loans</b>
		<b>Credit card debt</b>
		<b>Car loans</b>

Source: U.S. Department of Labor, 12/31/16.

# CEO Emeritus

“Youth is the gift of nature, but age is a work of art.” —Stanislaw Jerzy Lec



### Promote the family legacy



Family History



Family Values



Family Traditions



### Impart wisdom on and distribute resources to the future leaders



### Prepare the CEOs

- ☐ List of assets and liabilities
- ☐ Estate planning documents
- ☐ Bank account numbers
- ☐ Insurance policy numbers
- ☐ Retirement account numbers
- ☐ Brokerage account information
- ☐ Income source breakdown (by percentage)
- ☐ Financial planner's information
- ☐ Accountant's information
- ☐ Doctors' names and information
- ☐ List of prescription drugs
- ☐ Medical history
- ☐ Important passwords

Slide is for illustrative purposes only.

# Who Gets What?

“The acceptance of death gives you more of a stake in life, in living life happily, as it should be lived.” —Sting

### Large Estates with No Named Beneficiaries



**Howard Hughes**  
\$3.8 billion



**Michael Jackson**  
\$825 million



**Pablo Picasso**  
\$500 million



**Elvis Presley**  
\$400 million



**Kurt Cobain**  
\$400 million



**Prince**  
\$300 million

Source: Forbes, 12/31/16.

## 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.**

## Disclosures and Special Risks

These views represent the opinions of OppenheimerFunds, Inc. and are not intended as investment advice or to predict or depict the performance of any investment. These views are as of the open of business on December 31, 2017, and are subject to change based on subsequent developments.

Investing involves risk and the possible loss of principal. Mutual funds and exchange traded funds are subject to market risk and volatility. Shares may gain or lose value. Capital gains distributions are taxable as capital gains.

**Shares of Oppenheimer funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including the possible loss of the principal amount invested.**

This material is provided for general and educational purposes only, is not intended to provide legal or tax advice, and is not for use to avoid penalties that may be imposed under U.S. federal tax laws. OppenheimerFunds is not undertaking to provide impartial investment advice or to provide advice in a fiduciary capacity. Contact your attorney or other advisor regarding your specific legal, investment or tax situation.

*Before investing in any of the Oppenheimer funds, investors should carefully consider a fund's investment objectives, risks, charges and expenses. Fund prospectuses and summary prospectuses contain this and other information about the funds, and may be obtained by asking your financial advisor, visiting [oppenheimerfunds.com](http://oppenheimerfunds.com) or calling 1 800 CALL OPP (225 5677). Read prospectuses and summary prospectuses carefully before investing.*

Oppenheimer funds are distributed by OppenheimerFunds Distributor, Inc.

225 Liberty Street, New York, NY 10281-1008

© 2017 OppenheimerFunds Distributor, Inc. All rights reserved.

TH0809.100.1117 December 31, 2017