

FINANCIAL FUSION

Are your finances in sync with your life?

A Workshop that helps connect the dots for a unique approach to your financial peace of mind



Partners Promoting Financial Wellness



ROCHESTER
CHRISTIAN
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Presented by Ted Lakkides CFP® CRC®
President, Cygnets Institute

FINANCIAL LITERACY AND THE RETIREMENT DECISION

It is really tempting to look for easy answers regarding the retirement decision. This is compounded by the investment industry trying to make the decision easy in the hopes of getting your account. The bottom line is that there is no way to adequately answer retirement questions without delving into all of the person's assets, needs, goals, and risks. When planning for retirement we must avoid the pitfall of making isolated decisions without considering the impact on one's entire comprehensive retirement income plan. While building a comprehensive retirement income plan is challenging, there are clear steps you can take to figure out the optimal strategy with Social Security, Pension, and 401k, 403b, TSA or 457. If you follow a good process for building a retirement income plan, developing those strategies becomes a far less daunting endeavor.



So, let's look at three major retirement decisions that when viewed in isolation can act as serious traps for retirement income planning: 1. Pension, 2. Social Security, 3. Retirement Savings, and 4. Age of Retirement.

- 1) WHICH PENSION OPTION? Although pensions are not as predominant as they used to be, a lot of people do have a pension. Although the pension is totally handled by the employer, when a person retires, there are usually options that must be selected. Survivor option is the most common. Survivor options can range from 50%, 65%, 75% to 100%. Each option carries a cost which reduces the monthly pension benefit. Although there may be a simplistic way to select an option, the decision is best done by connecting it to all the other decisions.
- 2) WHEN TO BEGIN SOCIAL SECURITY? Social Security is more complicated. One way to handle the Social Security claiming decision is to engage in a break-even analysis. A break-even analysis focuses on trying to get the most money over the course of his or her retirement based in part on when to claim and how long the person will live. Claim too early and you might not meet your income goals later in retirement. Claim too late and you might force yourself to live on a tight budget during your most healthy and active retirement years and deprive yourself of a higher quality of life.
 - a) However, this manner of Social Security claiming can be a dangerous trap because it ignores the impact on the rest of the plan and considers Social Security claiming in isolation. While claiming benefits at age 62 might help you meet your needs today, you might be compromising your later retirement years. However, for others it is more important to have income today in order to travel while they are healthy and are willing to forego higher income in the future when poor health would make this extra money meaningless.

- 3) WHAT IS THE *MAGIC* RETIREMENT SAVINGS NUMBER? You might have heard that retirees need \$1 to \$2 million saved for retirement. That is much more money than most people need in investable assets for retirement. Nonetheless, for some it's not nearly enough. Perhaps you have heard that people need a multiple of 10 to 20 times their current income? While these rules of thumb can be helpful in bringing attention to retirement savings, using them to make retirement decisions is a poor technique. **The correct answer takes a little effort and requires analysis regarding personal lifestyle goals, needs, risks, and income sources.**
- a) To figure out how much you need for retirement; you need to visualize retirement and come up with realistic retirement expenses. Once you can estimate your expenses, you can then start figuring out how much income you need in retirement. **Meeting your income needs and generating a steady paycheck is really the goal for retirement income planning, not just wealth accumulation.** Furthermore, you need to consider all of the assets at your disposal to meet your income needs, not just your investable assets. Someone who works part time in retirement, has Social Security, and a pension will often need far fewer investable assets to meet his retirement income needs than someone with the same income needs who only has Social Security and a 401(k).
- 4) WHEN SHOULD YOU STOP WORKING? With the average retirement age in the United States around age 62, many people experience work and societal pressures to consider retirement as they enter their 60s. Some companies even aggressively support early retirement by offering buyouts to encourage workers in their late 50s or early 60s to retire. As an employee, you might look at the company buyout or early retirement package and say that financially the buyout option is too good to pass up. However, what are you giving up by retiring early? Did you consider whether you will take Social Security early if you take the buyout and retire early? Did you consider how you will pay for healthcare if you retire before age 65?
- a) Even if you can afford early retirement, the non-financial aspects of retirement cannot be ignored either. Did you consider how you will find personal satisfaction and meaning without your employment? Many people derive their sense of purpose through their employment. **While an early retirement package might appear to be an enticing financial deal today, it might not be a good deal for your overall happiness and retirement income plan.** Only by *connecting the dots* will you arrive at the right answer.
- 5) **A comprehensive retirement income plan will force you to coordinate the answers to these questions .** Major retirement decisions like when to retire, which pension option, when to take Social Security, and how much personal savings will be needed should not be made independently of each other. **The only way to get to a good all-inclusive answer for these major retirement decisions is to *connect the dots*.**

IT'S YOUR LIFE

Your plans for the future ARE financially connected to the past

100
95
90
85
80
75
70
65
60
55
50
45
40
35
30
25
20
15
10
5
0

Step #1. In the space above, draw a line across the page at your current age to separate your past life from your future
Step #2. Below the line write down the major events in your life in the past, near the approximate age they occurred.
Step #3. Above the line, write those major events in the future near the age you hope to experience them.

YOUR PERSONAL PERSPECTIVE ON LIFE

Read each item and, as honestly as you can, answer the question: "How characteristic or true is this of me?"

CIRCLE YOUR ANSWER

1. Familiar childhood sights, sounds, smells often bring back a flood of wonderful memories.

Very Untrue	Untrue	Neutral	True	Very True
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2. I often think of what I should have done differently in my life.

Very Untrue	Untrue	Neutral	True	Very True
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3. It gives me pleasure to think about my past.

Very Untrue	Untrue	Neutral	True	Very True
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4. I do things impulsively.

Very Untrue	Untrue	Neutral	True	Very True
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5. If things don't get done on time, I don't worry about it.

Very Untrue	Untrue	Neutral	True	Very True
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6. When I want to achieve something, I set goals and consider specific means for reaching those goals.

Very Untrue	Untrue	Neutral	True	Very True
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7. On balance, there is much more good than bad to recall in my past.

Very Untrue	Untrue	Neutral	True	Very True
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8. When listening to my favorite music, I often lose all track of time.

Very Untrue	Untrue	Neutral	True	Very True
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9. I try to live my life as fully as possible, one day at a time.

Very Untrue	Untrue	Neutral	True	Very True
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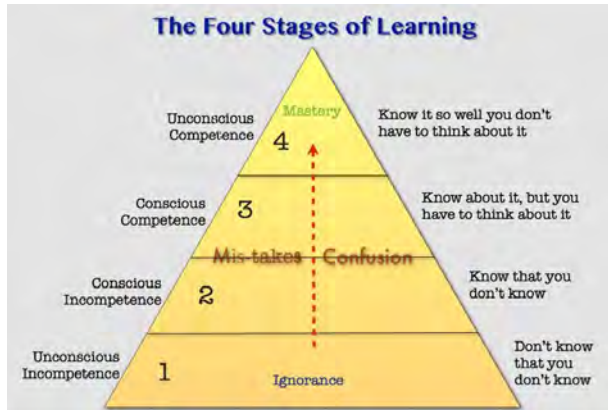
10. Ideally, I would live each day as if it were my last.

Very Untrue	Untrue	Neutral	True	Very True
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HOW DO WE DO WHAT WE DO AND WHY

BRIDGING THE GAP BETWEEN FINANCIAL LITERACY AND FINANCIAL CAPABILITY by Matios Berhe

Time and time again, money (and its management) is cited as one of the leading causes of stress. In various domains, including marital tension, qualitatively poorer college experiences and family strife,



money can be found at the center of many conflicts. Outside of external economic hardship, exceptional life circumstances and sudden changes in employment status, many of the financial issues facing individuals comes down to behavior—the choices people are making with their money.

The 4 Stages of Competence, or the Conscious-Competence Model, is a framework for behavior change (Cannon, Feinstein & Friesen 2010) measured across two dimensions: Consciousness-

Unconsciousness and Competence-Incompetence. The Conscious-Competence Model can be applied to various situations, particularly ones where individuals are not recognizing their behavior as problematic in the first place. As individuals pass through the four learning stages in the model, they are equipped with the skills necessary for success and are driven to use them.

Stage 1: Unconscious Incompetence

Many behavior change programs begin with the premise that if you do not see what is wrong with your behavior, you will never be motivated enough to change it. Unfortunately, when it comes to making sound financial decisions, many people find themselves in this state.

Without taking the first steps to become financially literate, it is close to impossible for people to identify all the ways their money management decisions are hurting them. After the recession, unemployment rates were high, people's living situations were in turmoil and many Americans went from working one full-time job to barely making ends meet with two or three part-time jobs.

There were still a number of people, however, who were not hit as hard by the recession who were still struggling to manage their bills. According to ABC News, the average American spends over \$1,000 on coffee a year. In 10 years, that is a down payment on a car or a good chunk of money to have set aside for emergencies or bills.

Stage 2: Conscious Incompetence

Conscious incompetence is the stage at which an individual recognizes the problem but is not taking or cannot see the proper steps to rectify it. If a person receives a bi-weekly salary that should cover bills and rent with some money left over, yet every Friday they find their bank account close to 0, the solution is simple: spend less money.

While avoiding buying coffee and preparing lunch instead of eating out are great first steps toward reaching financial goals, there are other areas where money can be saved that aren't being addressed. Is the phone plan the most economic one to have? With a mobile data plan, is it necessary to bundle internet with a cable bill? Would it be cheaper to cancel cable and use a streaming service with a monthly subscription?

Stage 3: Conscious Competence

Conscious competence is where a person has learned the skills necessary to avoid a financial problem, but in order to execute them they must be completely focused and aware of their chances to use them. Distractions such as increased stress, fatigue or just plain hunger can lead a person to act counter to their plan.

Limiting monthly expenses can be easy, but family birthdays and holiday celebrations can occur between one and four times a month. From a budgeting standpoint, there might not be holes where money is leaking out, but a night out or a family dinner can make light of a financial plan and undo all the good that was done in a less emotional state.

Stage 4: Unconscious Competence

Unconscious competence is the ultimate goal of any financial literacy program. The idea is to be so familiar with concepts and sound decision-making that when the opportunity presents itself, there is no second guessing. The right decision is made intuitively. That is not to say that people are not thinking critically about major purchases or financial decisions, but in a situation where interest rates on two car loans are separated by a significant number of points, the higher interest rate belonging to the more preferred car, a person will understand that in the long-term, appeasing the desire for that car is not in the best interest of the financial plan.

The right decision is made, but the utility and function of the purchase is still fulfilled.

Conclusion

The Conscious Competence Model is not a quick fix or a magic spell. It is used in a variety of contexts to direct individuals through the learning process. Reaching financial goals is about breaking old habits—often behaviors we have reinforced and used for many years—and replacing them behaviors that can lead to more positive outcomes.

When it comes to financial education, many of us find ourselves at Step 2, where we are aware of a behavioral deficit (making sound financial decisions) but aren't quite sure where to start working on them. In this case we should never be discouraged; we are already on our way toward unconscious competence—mistakes are an integral part of the learning process. The priority should then be identifying which decisions could have been improved and not repeating them.

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USE OF TIME ANALYSIS in minutes for each day (1,440 minutes in a day)

name:		Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	TOTAL
1	Sleeping								
2	Bathing								
3	Dressing								
4	Health Related Self-Care								
5	Personal/Private								
6	Personal Care Activities SUB TOTAL								
7	At home								
8	Out								
9	Eating and Drinking SUB TOTAL								
10	Housework								
11	Food Preparation and Clean-up								
12	Lawn and Garden Care								
13	Household Management (paperwork, banking)								
14	Pet Care								
15	Vehicle Maintenance and Repair								
16	Home Maintenance and Repairs								
17	Home Decorating/Remodeling								
18	Household Activities SUB TOTAL								
19	Gasoline								
20	Groceries								
21	Other Shopping								
22	Dealing with Government Services								
23	Childcare - Daycare								
24	Banking - Legal								
25	Medical								
26	Hair Salons								
27	Barbershops								
28	Nail Salons								
29	Purchasing Goods and Services SUB TOTAL								
30	Physical Care (babysitting)								
31	Playing with Children								
32	Reading to Children								
33	Assist with Homework								
34	Attending Children's Events								
35	Child Health Care								
36	Dropping Off, Picking Up, Waiting For								
37	Caring For and Helping Family SUB TOTAL								
38									
39									
40									
41	Miscellaneous Activities SUB TOTAL								

USE OF TIME ANALYSIS in minutes for each day (1,440 minutes in a day)

		Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	TOTAL
42	Physical Care (babysitting)								
43	Playing with Children								
44	Reading to Children								
45	Assist with Homework								
46	Attending Children's Events								
47	Child Health Care								
48	Dropping Off, Picking Up, Waiting For								
49	Caring/Helping Non-Family SUB TOTAL								
50	Time at Work								
51	Other Income Generating Activities								
52	Job Search								
53	Work and Related Activities SUB TOTAL								
54	Taking Classes at School								
55	Internet Courses								
56	Research and Homework								
57	Extracurricular Activities (except sports)								
58	Extracurricular Activities (with sports)								
59	Educational Activities SUB TOTAL								
60	Government Related (court, town hall meetings, etc.)								
61	Religious Services								
62	Choir, Youth Groups, Sunday Schools								
63	Volunteering								
64	Civic and Religious Activities SUB TOTAL								
65	Sports (not related to school)								
66	Exercise								
67	Recreation (bowling, fishing, pool, movies)								
68	Socializing, Visiting								
69	Watching T.V.								
70	Reading - Relaxing								
71	Playing Games (Computer, Cards, Board Games)								
72	Surfing the Internet								
73	Playing or Listening to Music								
74	Attending Entertainment Events								
75	Leisure and Sports SUB TOTAL								
76	Telephone								
77	`								
78	Communications (not at work) SUB TOTAL								
GRAND TOTAL FOR EACH DAY									

UNDERSTANDING YOUR PERSONAL VALUES

What Do You Really Value? (Pick only the 10 that REALLY matter to you the most)

Achievement	Financial gain	Physical challenge
Advancement and promotion	Freedom	Pleasure
Adventure	Friendships	Power and authority
Affection (love and caring)	Growth	Privacy
Arts	Having a family	Public service
Being around open and honest people	Helping other people	Purity
Challenging problems	Helping society	Quality of what I take part in
Change and variety	Honesty	Quality relationships
Close relationships	Independence	Recognition (respect from others, status)
Community	Influencing others	Religion
Competence	Inner harmony	Reputation
Competition	Integrity	Responsibility and accountability
Cooperation	Intellectual status	Security
Country	Involvement	Self-respect
Creativity	Job tranquility	Serenity
Decisiveness	Knowledge	Sophistication
Democracy	Leadership	Stability
Ecological awareness	Location	Status
Economic security	Loyalty	Supervising others
Effectiveness	Market position	Time freedom
Efficiency	Meaningful work	Truth
Ethical practice	Merit	Wealth
Excellence	Money	Wisdom
Excitement	Nature	Work under pressure
Fame	Order (tranquility, stability, conformity)	Work with others
Fast living	Personal development	Working alone

Source: "Checklist for Personal Values" By C. Roberts, [Fifth Discipline Fieldbook](#)

CRITICAL THINKING CAN HELP YOU OVERCOME BIAS THINKING

DO YOU THINK YOU SHOULD CHANGE YOUR APPROACH?

TEST YOURSELF

You are a "1" if this is how you behave	Rate Yourself (circle) between "1" and "5"	You are a "5" if this is what you do
Are you able to admit a lack of understanding or information?	1 2 3 4 5	Or are you embarrassed and say nothing
Can you suspend judgment until all facts have been gathered?	1 2 3 4 5	Or do you end discussion on the subject
Do you examine beliefs, assumptions, and opinions versus facts?	1 2 3 4 5	Or stick to what you believe you know
Do you listen carefully to others so you can give feedback?	1 2 3 4 5	Or are you concentrating on what you'll say
Do you look for evidence to support assumptions and beliefs?	1 2 3 4 5	Or do you use somebody else's opinion as your own opinion
Are you able to reject information that is incorrect or irrelevant?	1 2 3 4 5	Or do you cave to other people's opinions
Can you adjust your position when new facts are found that contradict your opinion?	1 2 3 4 5	Or do you believe changing your opinion shows weakness

Annual Spending at RETIREMENT

As of this date:		FIXED	VARIABLE	OPTIONAL	TOTAL			FIXED	VARIABLE	OPTIONAL	TOTAL
HOUSING						VEHICLES In this section write expenses for the various vehicles you have					
101	Mortgage					201					
102	Rent					202					
103	Property Tax					203					
104	Mortgage Ins					204					
105	Homeowner Ins					205					
106	Water & Sewage					299	TOTAL VEHICLES				
107	Electricity					FUN - Trips, Sports, Movies, Casinos. Footbal, Baseball or Basketball games					
108	Natural Gas					301	Vacation - flights, hotels				
109	Propane and Oil (Fuel)					302	Vacation - Lodging only				
110	Telephone					303	Sports Vehicles				
111	Cable - SatelliteT.V.					304	Entertainment				
112	Trash Removal					305	Recreational Activities				
113	Appliances					306	General Sports Equipmnt				
114	Furnishings-lamps-etc					307	Mini Trips - Travel - Air				
115	Furniture & Bedding					308	Mini Trips - Lodging only				
116	Home Improvements					309	Day Trips -Transport only				
117	Domestic svcs-lawn-snow					399	TOTAL FUN				
118	Computer & Software					MEDICAL EXPENSES by person - Physicians, Dental, Eye Care, Clinics, Prescripts					
119	Internet					401					
120						402					
121						403					
122						404					
123						405					
149	TOTAL HOUSING					406					
LIVING EXPENSES						459	TOTAL MEDICAL				
151	Groceries					PERSONAL INSURANCE Premiums for Life, Disability, Long Term Care, Health, HSA					
152	Food Out					451					
153	Adult Beverages					452					
154	Tobacco					453					
155	Magazines-Books-Kindle					454					
156	Membership Dues					455					
157	Laundry & Dry Cleaning					456					
158	Hair, Nail, services					499	TOTAL INSURANCE				
159	Cosmetics-Shaving					OTHER REAL ESTATE - second home costs					
160	Mens' Clothing					601					
161	Womens' Clothing					602					
162	Children's Clothing					603					
163	Pet Care and Food					699	TOTAL OTHER REAL ESTATE				
164	Child Care					EDUCATION - Elementary, HS, College Tuition and Fees					
165	Youth Camps					701					
166	Donations					702					
167	Gifts					799	TOTAL EDUCATION				
168	Personal Cash					INCOME TAXES					
169						801					
170						802					
141						803					
172						804					
173						899	TOTAL TAXES				
199	TOTAL LIVING EXPENSES					TOTAL CASH OUTFLOW					

WHAT cash flow do you need - WHEN do you need it - WHERE will it come from

Enter name and age for each person for each year.			Household Wages	Pension Benefit	Pension Benefit	Social Security	Social Security	Distribution from 401k, TSA, 403b	Distribution from after-tax accounts	Expected Household Income
			In each column below enter the ANNUAL income from each source from now until age 95							Add columns A thru G
Age	Age	YEAR	A	B	C	D	E	F	G	A thru G
0		2024								
1		2025								
2		2026								
3		2027								
4		2028								
5		2029								
6		2030								
7		2031								
8		2032								
9		2033								
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28		2052								
29		2053								
30		2054								
31		2055								
32		2056								
33		2057								
34		2058								
35		2059								

Four Steps for Finding a Fiduciary Advisor

① Locate a CEFEX-Certified Registered Investment Advisor

The Centre for Fiduciary Excellence (CEFEX®) is an independent global assessment and certification organization headquartered in Toronto, Canada. Their assessment process is based on ISO 19011 and is conducted in accordance with ISO 17021. CEFEX certification provides an independent due diligence and verification of a firm's conformance to a defined legal standard and its qualification to serve as a professional fiduciary. ISO is the International Organization for Standardization, located in Switzerland. It is an independent international standards organization in 162 countries.

CEFEX® certification is conferred only after an investment firm has successfully undergone a comprehensive due diligence process that includes a detailed assessment of the firm's operational data, client files, and procedures. It also includes on-site interviews with the firm's key personnel. Continued certification is subject to an annual recertification audit and "peer review".

Go to <https://www.cefex.org/CertifiedAdvisors/> and search for CEFEX®-certified advisors in your area.

② Locate a Certified Retirement Counselor® or a Certified Financial Planner™

CFP® and CRC® professionals are bound by a Code of Ethics with the highest principles and standards, centered around the following seven Principles: **Integrity, Objectivity, Competence, Fairness, Confidentiality, Professionalism and Diligence**. These Principles are general statements expressing the ethical and professional ideals these professionals are expected to display in their consulting activities and form the basis of the fiduciary obligation they have to the public, clients, colleagues, and employers.

The fiduciary standard is at the core of the requirement to always place the interest of their clients ahead of their own. When CRC® or CFP® professionals provide financial planning or investment advice, they are obligated to act as a fiduciary. The fiduciary standard of care is an ethical and moral standard that is the highest standard of care under the law which goes beyond technical compliance with rules and regulations.

③ It's important you understand the advisor's business model. Ask these 7 questions:

1. How are you compensated? Commission Fee-only Fee-Commission Hybrid Don't Know ("DK")
2. How much am I going to be charged in fees or commissions? 0% ½% 1% 2% 3% 4% 5% 6% ___% DK
3. How much are you going to get paid up front from this transaction? \$ _____ Don't Know
4. What are the annual fees that I pay outright or are embedded in the product? ½% 1% 2% 3% 4% ___% DK
5. Are you encouraged to sell proprietary or preferred products? YES NO
6. Is there a sales quota that determines your overall compensation? YES NO
7. Do you participate in sales contests that qualify you for prizes or other benefits? YES NO

④ Have the advisor and their supervisor sign the fiduciary oath below:

I believe in placing your best interests first. Therefore, I am proud to commit to the following five fiduciary principles:

- I will always put your best interests first.
- I will act with prudence, which is, with the skill, care, diligence, and good judgment of a professional.
- I will not mislead you, and I will provide conspicuous, full and fair disclosure of all-important facts.
- I will avoid conflicts of interest.
- I will fully disclose and fairly manage, in your favor, any unavoidable conflicts.

Advisor _____ Firm Affiliation _____ Date _____

Supervisor _____ Firm Affiliation _____ Date _____

The fiduciary oath was created by the **Committee for the Fiduciary Standard** www.thefiduciarystandard.org

SEMINAR NOTES AND ISSUES FOR FOLLOW-UP