

Personal Financial Matters That Matter To You

Presented by Rich Arzaga, CFP®
Honored Instructor, U.C. Berkeley Personal
Financial Planning

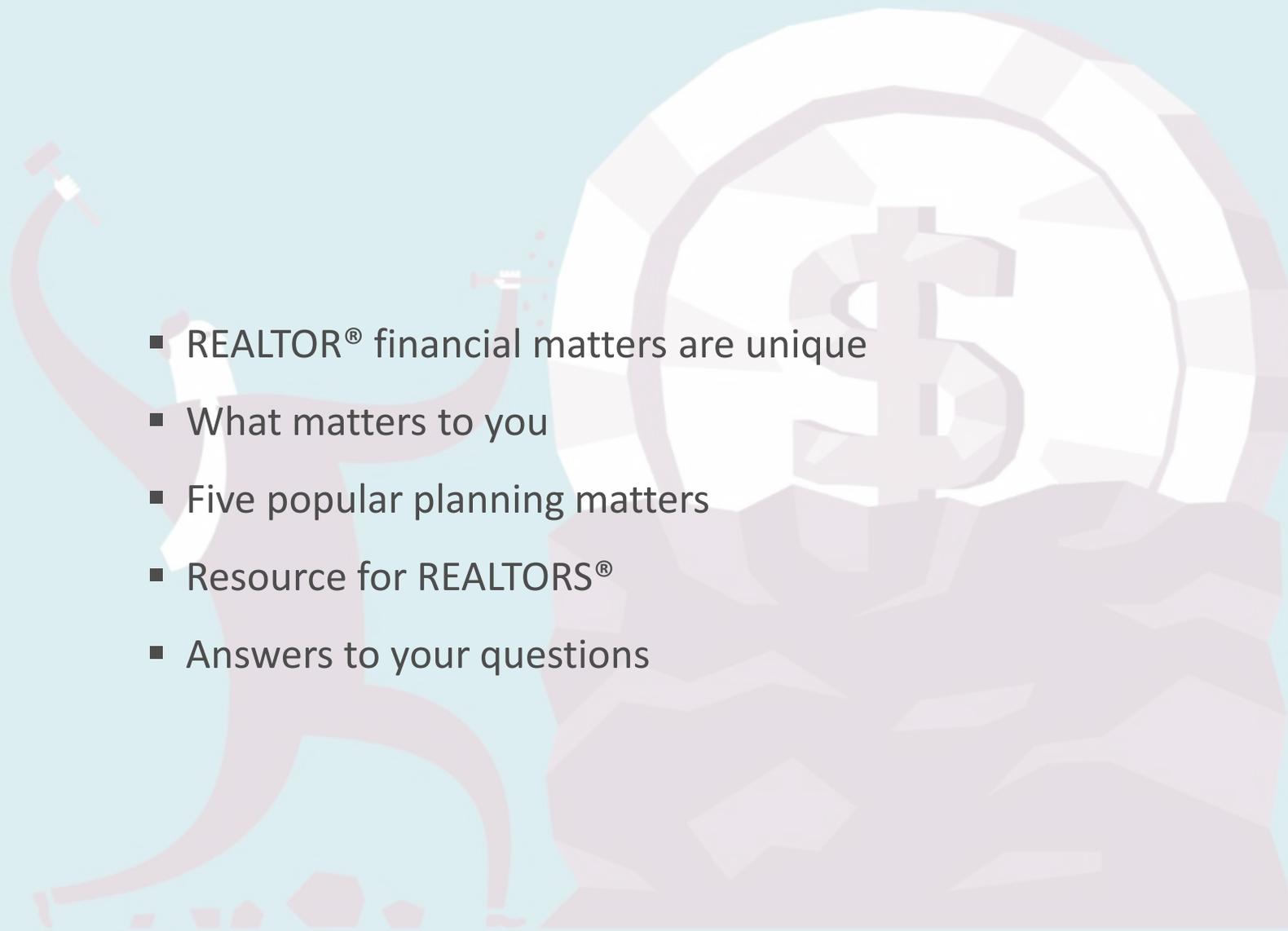


Educational workshop disclosure

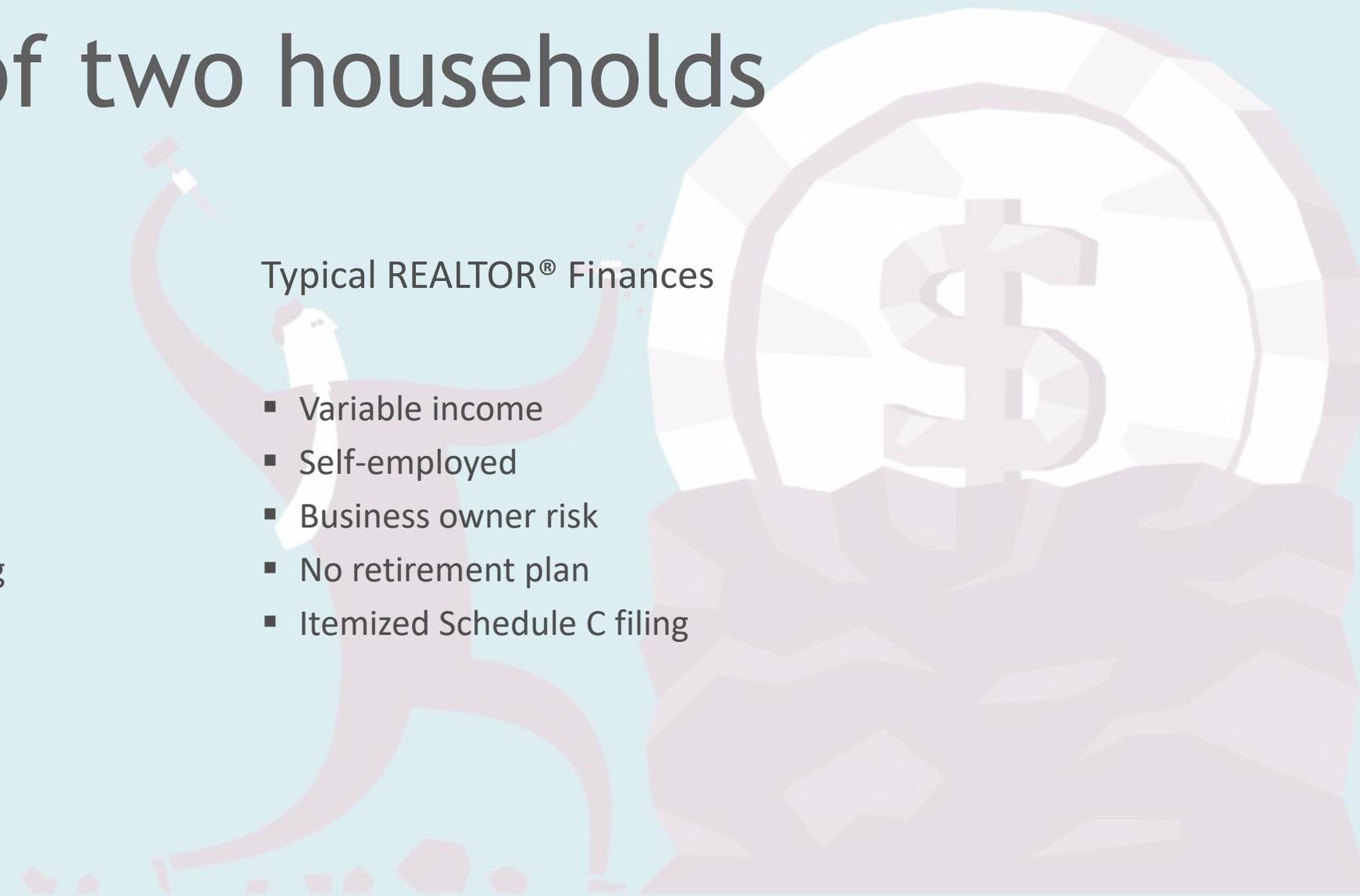
The opinions voice in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.

To determine which investment(s), tax. or financial strategy may be appropriate for you, consult your qualified financial or tax professional.

Agenda

- REALTOR® financial matters are unique
 - What matters to you
 - Five popular planning matters
 - Resource for REALTORS®
 - Answers to your questions
- 
- A stylized illustration in shades of pink and purple. On the left, a person is shown from the waist up, holding a hammer aloft in their right hand and a small trumpet in their left. To the right, a large, stylized dollar sign (\$) is superimposed over a circular, segmented background that resembles a globe or a large coin. The entire scene is set against a light blue background with a faint, low-poly landscape at the bottom.

The tale of two households

A stylized illustration in shades of pink and purple. On the left, a man in a suit and tie holds a gavel aloft. On the right, a large dollar sign is mounted on a pedestal. The background is a light blue gradient.

Typical Non-REALTOR® Finances

- Steady income
- Employee benefits
- Employee protections
- Retirement plans/matching
- Simpler W2 tax filing

Typical REALTOR® Finances

- Variable income
- Self-employed
- Business owner risk
- No retirement plan
- Itemized Schedule C filing

The Tennessee REALTORS® A.R.E.A. Financial Wellness Survey

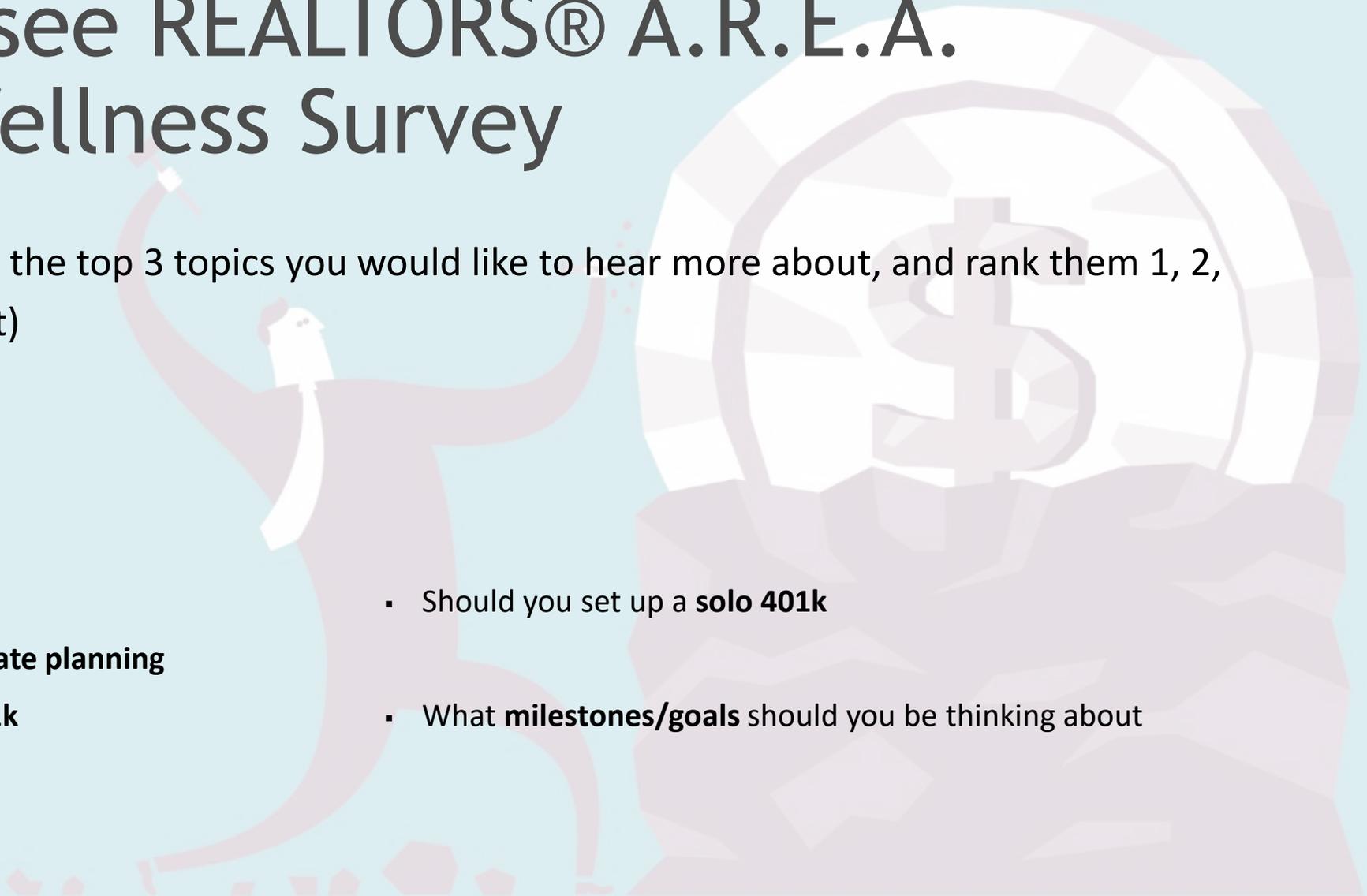
From the list below, choose the top 3 topics you would like to hear more about, and rank them 1, 2, 3 (1 = being highest interest)

- Impact of the **Biden tax plan**
- Subject to **bias - investment you own**
- Subject to **bias - investment you don't own**
- Start making **estimated fed tax payments**
- What should you consider - **estate planning**
- Should you consider a **Roth 401k**
- What to consider - **reviewing tax return**
- What should you consider - **reviewing health/life insurance policies**
- Should you consider - **aging parents**
- Should you consider **LTC insurance**
- Can you make **deductible HSA** contributions
- Should you set up a **solo 401k**
- Should you **consider - fund college**
- What **milestones/goals** should you be thinking about
- What to consider - **reviewing investments**
- What **documents should you keep** on file

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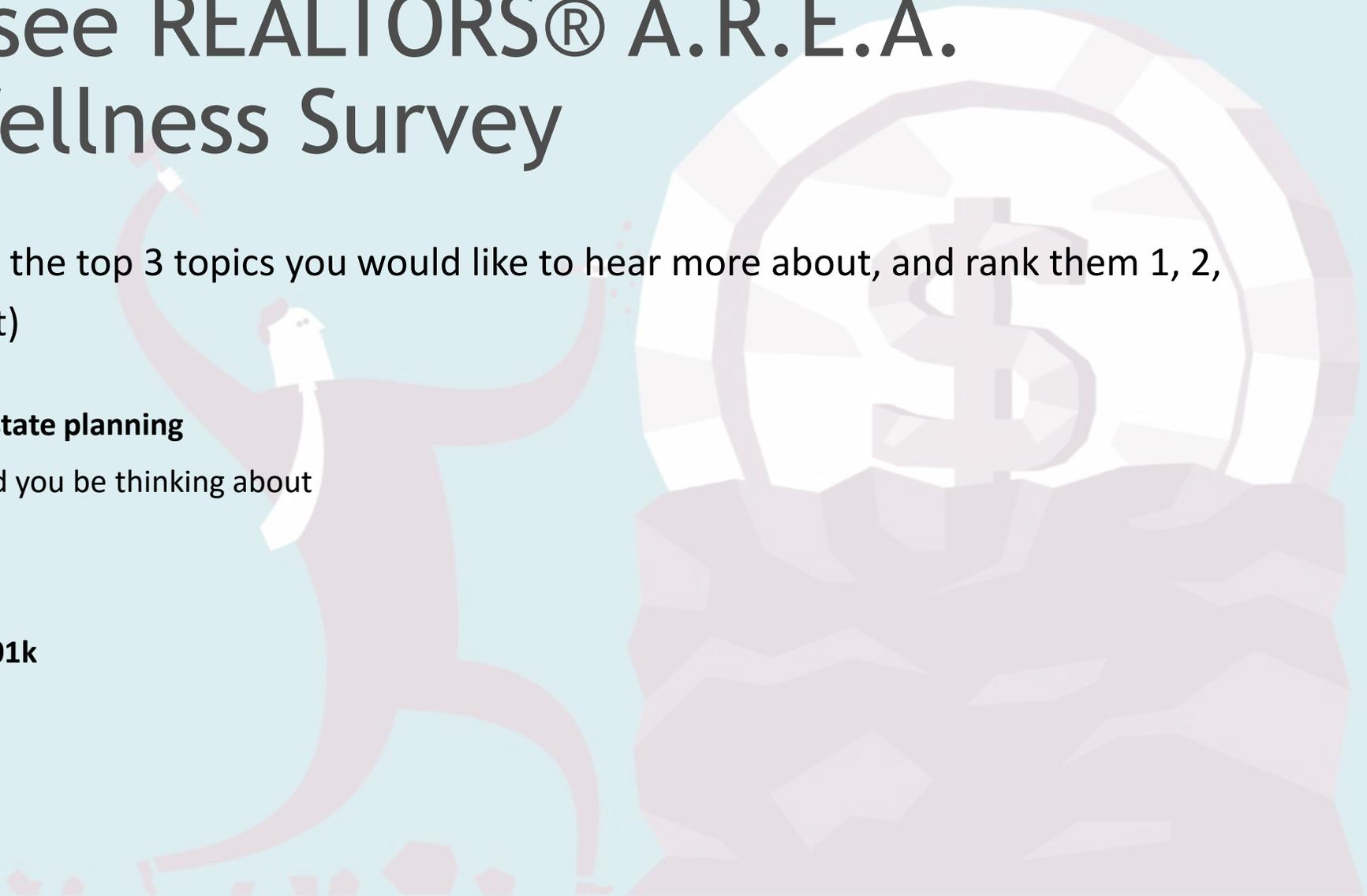
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- What should you consider - **estate planning**
- Should you consider a **Roth 401k**
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1. What should you consider - **estate planning**
2. What **milestones/goals** should you be thinking about
3. Should you set up a **solo 401k**
4. Impact of the **Biden tax** plan
5. Should you consider a **Roth 401k**



A landscape photograph showing a paved road that curves through a green field. The sky is filled with heavy, grey clouds, suggesting an overcast or stormy day. The lighting is dramatic, with some highlights on the clouds and the road.

1. Estate planning issues you should be thinking about



Estate planning

What does this mean, what's at stake

- What if ... ?
- Everyday examples
- Positive impact
- Consequences

Triggers for updates:
Relationships, assets, law,
and residence

Documents to consider

- General Power of Attorney
- Healthcare POA, Directive, and Living Will
- Revocable Living Trust
- Irrevocable Trusts
- Misc. documents

Resources

- Local attorneys (estate planning is done by state)
- Checklist: "What Issues Should I Consider Before I Update My Estate Plan?"
- Center for Financial Wellness



Wellness Checkup

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Financial Journey

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Common Questions

Wellness Essentials

Budgeting & Finance

Real Estate Investing

Retirement Planning

Succession Planning

Tools & Calculators

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Estate Planning: Knowing the Basics...

Video

This webinar will give a broad overview of the estate planning process, focusing on the different elements that make up a cohesive estate plan.

December 21, 2020



www.financialwellness.realtor

2021 · WHAT ISSUES SHOULD I CONSIDER WHEN REVIEWING MY ESTATE PLANNING DOCUMENTS?



| THRESHOLD ISSUES | YES | NO |
|--|--------------------------|--------------------------|
| Have you recently changed residency? If so, ensure that you have established your domicile (i.e., legal home), and that your estate plan is valid under the laws of your domicile. | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you need to review the applicable laws and any changes that have occurred since you executed your documents (state or federal)? If so, review how your plan may have been affected, and update it accordingly. | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you need to confirm and share the location of your original documents? If so, ensure that your documents are kept in a safe but accessible place, known to your family and/or fiduciaries. | <input type="checkbox"/> | <input type="checkbox"/> |

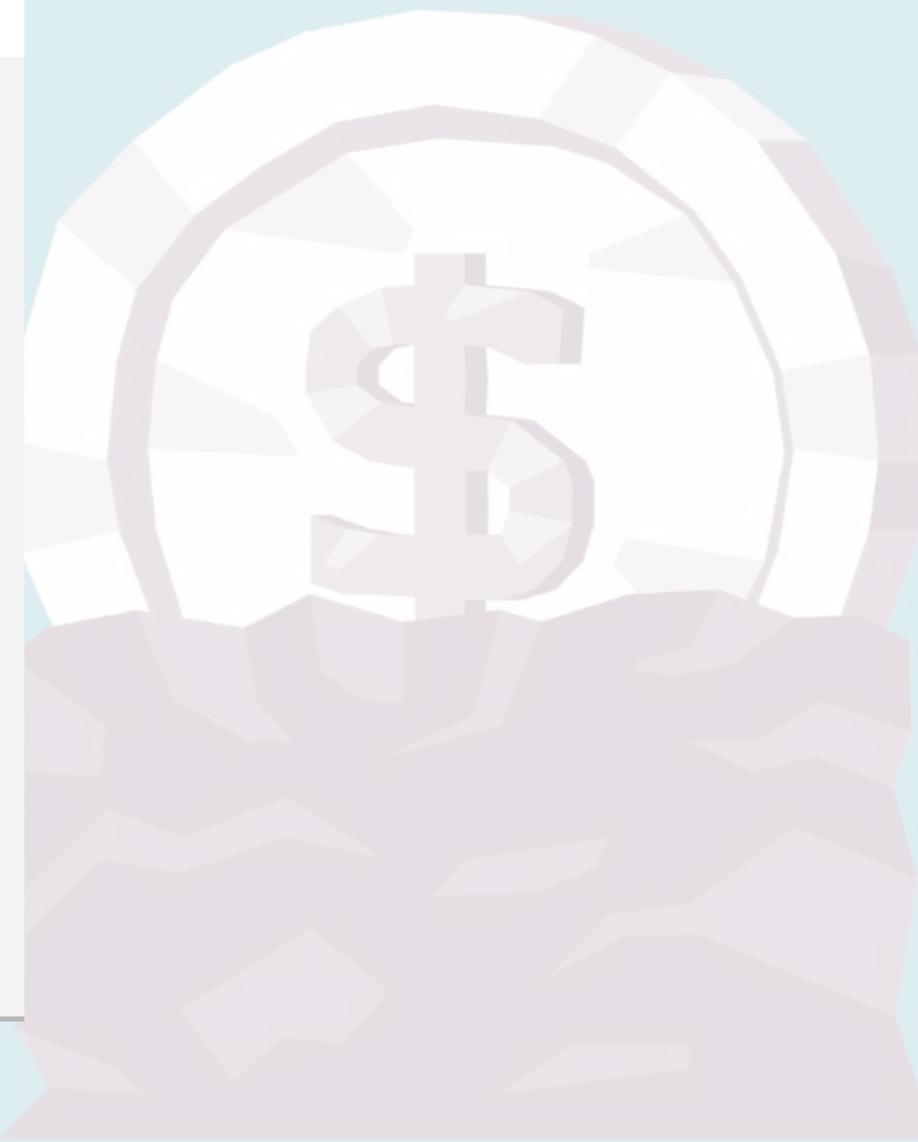
| GENERAL POWER OF ATTORNEY | YES | NO |
|--|--------------------------|--------------------------|
| Do you need to confirm the terms of your General POA? If so, review whether the powers are effective immediately or are "springing" (contingent upon the occurrence of a factor, such as incapacity), and whether they are durable (continue beyond your incapacity). | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you need to review your appointed agents? If so, consider the following: <ul style="list-style-type: none"> ■ If you name multiple agents, review whether they may act individually or must act jointly. Understand the complexities that can arise when agents must act together, and consider naming individual agents under concurrent General POAs if convenience is a priority. ■ Confirm that your successor agents are good back-ups for your primary agents. | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you want to limit your agents' powers? | <input type="checkbox"/> | <input type="checkbox"/> |
| Is there a need or good reason to record your General POA? | <input type="checkbox"/> | <input type="checkbox"/> |
| Have you revoked any prior General POAs? If so, consider appropriate steps to prevent unauthorized action by your prior agents. In some cases, recording may be advisable or necessary. | <input type="checkbox"/> | <input type="checkbox"/> |

| HEALTH CARE POWER OF ATTORNEY AND LIVING WILL | YES | NO |
|---|--------------------------|--------------------------|
| Do you need to review your appointed agents? If so, consider the following: <ul style="list-style-type: none"> ■ Given the nature of this role, local or readily available agents may best serve your needs. ■ If you name multiple agents, review whether they may act individually or must act jointly. Understand the potential inefficiencies and any disputes that could arise among co-agents with respect to your health care. ■ Confirm that your successor agents are good back-ups for your primary agents. | <input type="checkbox"/> | <input type="checkbox"/> |
| Are you planning to undergo a health procedure? If so, consider executing the relevant medical institution's Health Care POA form, in addition to what you might have in place. | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you need to review your Health Care POA to confirm HIPAA authorizations? | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you need to confirm that you clearly expressed your wishes regarding your end-of-life treatment options? If so, review your Living Will Declaration and your instructions regarding the provision of artificial nutrition, hydration, palliative care, and life-prolonging medical procedures in the event of a terminal condition, vegetative state, etc. | <input type="checkbox"/> | <input type="checkbox"/> |

| LAST WILL AND TESTAMENT | YES | NO |
|---|--------------------------|--------------------------|
| Do you need to review your Executor/Personal Representative appointments and successors? If so, consider the following: <ul style="list-style-type: none"> ■ Confirm that your appointed fiduciary is qualified to serve under your state laws, and consider whether they are capable of fulfilling their duties. ■ If you are naming co-fiduciaries, weigh the benefits against the possible complications. | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you have minor children? If so, consider the following: <ul style="list-style-type: none"> ■ Confirm that your plan includes trust provisions (e.g., in a testamentary trust or in a living trust) to control the timing and amount of access to funds, and to properly support and protect your children. (continue on next page) | <input type="checkbox"/> | <input type="checkbox"/> |

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What is a legacy?

It's planting seeds in a garden you never get to see.



Your kids!

2. Financial milestones / goals you should be thinking about



32 Issues You Must Consider Before You Retire



| CASH FLOW ISSUES | | YES | NO |
|------------------|--|--------------------------|--------------------------|
| 1. | Will your cash flow needs change? If so, consider developing a new income and expense plan. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | Will you receive a pension? If so, consider the following: <ul style="list-style-type: none"> There may be multiple payout options (single, joint). Coordination strategies may exist between pension, Social Security, or life insurance. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. | Could there be pensions and/or retirement benefits from a previous employer that you may be forgetting? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. | Are you retiring early? If so, consider the following: <ul style="list-style-type: none"> Social Security benefits may be reduced if you earn more than \$18,240 and are collecting benefits prior to your full retirement age (FRA) or if you earn more than \$48,600 in the year you reach FRA. Social Security benefits will be reduced if you collect prior to your FRA. You can access your 401(k) penalty-free if you leave your employer in the year you turn 55 or later. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. | Will you or your spouse receive a pension from an employer that did not withhold Social Security taxes? If so, consider the impact of the Social Security Windfall Elimination Provision or the Government Pension Offset. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. | Are you currently married? If so, consider additional Social Security claiming strategies. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. | Were you married previously and currently unmarried? If so, consider the following: <ul style="list-style-type: none"> If the marriage lasted 10 years and ended in divorce, you may be eligible for benefits under your ex-spouse's record. See "Am I Eligible For Social Security Benefits As A Divorced Individual?" flowchart. If the marriage lasted more than nine months and ended due to your spouse passing away, you may be eligible for benefits under | <input type="checkbox"/> | <input type="checkbox"/> |

| HEALTH INSURANCE ISSUES | | YES | NO |
|-------------------------|---|--------------------------|--------------------------|
| 8. | Will you be retiring before age 65 and need health insurance? If so, consider the following: <ul style="list-style-type: none"> You are not eligible for Medicare until age 65 (unless you qualify for an exception). If household income is between \$12,490 and \$49,960 for one person in the household (\$16,910 to \$67,640 for two people in the household), you may be eligible for the Premium Assistance Tax Credit. | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. | Will you have to change your employer-sponsored health insurance upon turning 65 or upon retiring from your employer? If so and you are under age of 65, you may need to look to COBRA or the Health Insurance Marketplace. If you are age 65 or over, you may need to sign up for Medicare. | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. | Will you need additional insurance such as vision or dental coverage? | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. | Are you contributing to an HSA? If so, consider HSA and Medicare coordination issues. See "Can I Make A Deductible Contribution To My HSA?" flowchart. | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. | Will your MAGI exceed \$87,000 (single) or \$174,000 (MFJ)? If so, you may be subject to Medicare IRMAA Surcharges. Reference "Will I Avoid IRMAA Surcharges on Medicare Part B & Part D?" flowchart. | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. | Are you disabled? If so, you may be eligible for certain benefits or have the ability to access benefits early. | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. | Have your needs for life insurance changed? | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. | Are you concerned about funding long-term care? If so, consider LTC insurance, self-insurance strategies, and assisted living communities. | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. | If you have LTC insurance, does it need to be reviewed to | <input type="checkbox"/> | <input type="checkbox"/> |



Reach These Milestones



By Age 30

- Take over car insurance and cell bill
- Maintain positive cash flow
- Build emergency fund
- Pay down student loans
- Get medical insurance
- Build credit
- Invest early and often
- Target 1x salary saved

By Age 40

- Invest in real estate
- Make retirement savings a priority
- Create a financial plan
- Consider life insurance
- Get disability insurance
- Diversify investment portfolio
- Consider HSA account
- Target 3x salary saved

By Age 50

- Schedule annual visits with financial planner
- Complete estate planning
- Add alternative investments to portfolio
- Target 6x salary saved

By Age 60

- Pay down, master debt
- Max retirement savings
- Create a long term care plan
- Reevaluate life, disability insurance need
- Review portfolio risk for suitability
- Review Social Security options
- Target 8x salary saved

By Age 67

- Consider Roth conversion
- Review estate distribution
- Consider charitable strategy
- Target savings of 12x former salary

Disclosure:

Presented for illustration purposes. Every individual and situation is different.

Wellness Checkup



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Common Questions



Wellness Essentials



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Search by keyword



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Question

“What should you consider when purchasing long term care insurance? Something I have not stopped to consider is the need for the long haul.

I do not want to be a burden on my children and want to have in place the long care health plan.”



3. Should I Set Up A
Traditional 401k (SEP) for My
Business?



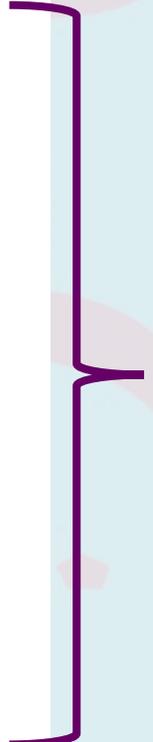
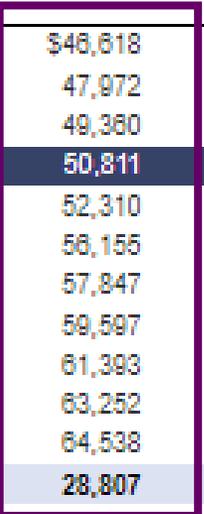
Benefits of a Qualified Retirement Plan

- Defer ordinary income taxes
- Lower your marginal tax rate
- Saving for financial independence
- Wealth-building strategy
- Creditor protection



Earning
years

| Age | Taxes Paid |
|-------|------------|
| 54/52 | \$46,618 |
| 55/53 | 47,972 |
| 56/54 | 49,380 |
| 57/55 | 50,811 |
| 58/56 | 52,310 |
| 59/57 | 53,155 |
| 60/58 | 57,847 |
| 61/59 | 59,597 |
| 62/60 | 61,393 |
| 63/61 | 63,252 |
| 64/62 | 64,538 |
| 65/63 | 28,807 |
| 66/64 | 32,306 |
| 67/65 | 7,825 |
| 68/66 | 6,704 |
| 69/67 | 6,316 |
| 70/68 | 5,813 |
| 71/69 | 5,278 |
| 72/70 | 15,525 |
| 73/71 | 16,551 |
| 74/72 | 27,407 |
| 75/73 | 102,821 |
| 76/74 | 9,215 |
| 77/75 | 9,778 |
| 78/76 | 10,457 |
| 79/77 | 11,114 |
| 80/78 | 11,826 |
| 81/79 | 12,462 |
| 82/80 | 13,219 |
| 83/81 | 13,891 |
| 84/82 | 14,720 |
| 85/83 | 15,430 |
| 86/84 | 16,148 |



Retirement
years



The power of compounding: \$1,000

| 50-year-old | |
|---------------------------------|----------|
| Retirement Age | 65 |
| Years to retirement | 15 |
| Investment profile | 7% |
| Value of \$1,000 saved per year | \$25,129 |

| Results | |
|----------------------------------|-------------|
| Future Value: \$25,129.02 | |
| PV (Present Value) | \$9,107.91 |
| N (Number of Periods) | 15.000 |
| I/Y (Interest Rate) | 7.000 |
| PMT (Periodic Deposit) | \$1,000.00 |
| Starting Amount | \$0.00 |
| Total Periodic Deposits | \$15,000.00 |
| Total Interest | \$10,129.02 |

**\$1,000 =
\$25,000**

| 30-year-old | |
|---------------------------------|-----------|
| Retirement Age | 65 |
| Years to retirement | 35 |
| Investment profile | 7% |
| Value of \$1,000 saved per year | \$138,237 |

| Results | |
|-----------------------------------|--------------|
| Future Value: \$138,236.88 | |
| PV (Present Value) | \$12,947.67 |
| N (Number of Periods) | 35.000 |
| I/Y (Interest Rate) | 7.000 |
| PMT (Periodic Deposit) | \$1,000.00 |
| Starting Amount | \$0.00 |
| Total Periodic Deposits | \$35,000.00 |
| Total Interest | \$103,236.88 |

**\$1,000 =
\$138,000**

Retirement Plan Options

Overview

This chart is designed to give you a basic overview of contribution limits. It is not intended as a substitute for specific individualized tax advice. It is recommended that clients consult with a qualified tax advisor before making a contribution.

| Tax Year | 2021 | 2020 | 2019 |
|--|---------|---------|---------|
| IRA Contribution Limit - 219(b)(5)(A) - Under Age 50 | 6,000 | 6,000 | 6,000 |
| IRA Catch-Up Contribution Limit - 219(b)(5)(B) - Age 50 or Over | 7,000 | 7,000 | 7,000 |
| SIMPLE IRA Maximum Contributions - 408(p)(2)(E) - Under Age 50 | 13,500 | 13,500 | 13,000 |
| SIMPLE IRA Maximum Catch-Up Contribution - 414(v)(2)(B)(ii) Age 50 or Over | 16,500 | 16,500 | 16,000 |
| Coverdell ESA Contribution Limit * | 2,000 | 2,000 | 2,000 |
| Employer Defined Contribution Limit - 415(c)(1)(A) | 58,000 | 57,000 | 56,000 |
| Elective Deferral Limit - 402(g)(1) | 19,500 | 19,500 | 19,000 |
| Elective Deferral Catch-Up Limit - 414(v)(2)(B)(i) | 26,000 | 26,000 | 25,000 |
| Annual Compensation Cap - 401(a)(17)/404(l) | 290,000 | 285,000 | 280,000 |
| SEP Minimum Compensation - 408(k)(2)(C) | 650 | 600 | 600 |
| SEP Maximum Compensation - 408(k)(3)(C)6. | 290,000 | 285,000 | 280,000 |
| 457 Elective Deferrals - 457(e)(15) | 19,500 | 19,500 | 19,000 |
| Defined Benefit Limit - 415(b)(1)(A) | 230,000 | 230,000 | 225,000 |
| Highly Compensated Employee (HCE) - 414(q)(1)(B) | 130,000 | 130,000 | 125,000 |
| Key Employee - 416(i)(1)(A)(i) | 185,000 | 185,000 | 180,000 |
| Taxable Wage Base | 142,800 | 137,700 | 132,900 |

No FDIC/NCUA Insured

Not Bank/Credit Union Guaranteed

May Lose Value

Not Insured by any Federal Government Agency

Not a Bank/Credit Union Deposit

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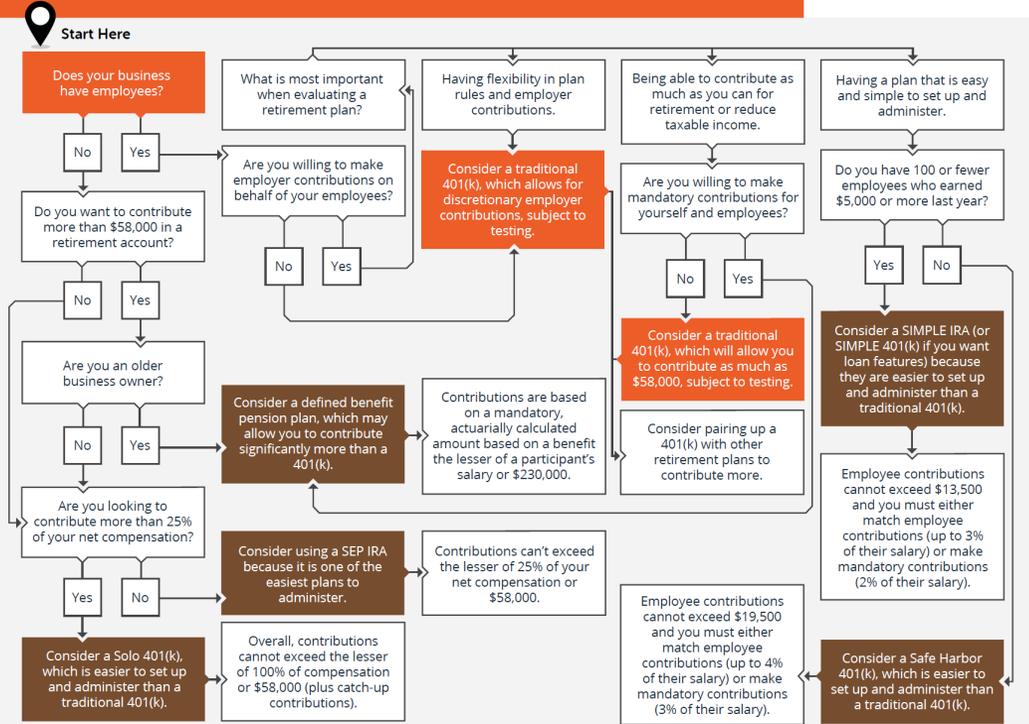
Retirement Planning



Succession Planning

Tools & Calculators

2021 · SHOULD I SET UP A TRADITIONAL 401(K) FOR MY BUSINESS?



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4. How Might President Biden's Tax Plan Affect Me?



Kim Shinlever

“How might the Biden tax plan impact you? My concerns are how policies could affect business owners, entrepreneurs, investors, independent contractors, property management, development, lenders and buyers and sellers. What will this picture look like for the upcoming year?”



Bottom line

- Benefits for households earning < \$400k year
- Significant tax increases for HHs > \$400k year
- Significant estate tax impact for most
- The Biden tax bill is subject to compromise
- Plan, but do not react

Impact of the Biden tax proposal for

Most everyone

- Increased Child Tax Credit, phaseout MAGI > \$200,000 single, \$400,000 joint
- Additional Child Tax Credit, phaseout MAGI > \$75,000 single, \$150,000 joint
- Additional Child Care Credit (under age 13), subject to qualification
- Additional first-time homebuyer incentive
- Credit for LTC services
- Retirement contributors receive a flat credit – about 26%
- Step-up in basis would be eliminated

HH with earned wages > \$400k (\$452,700/\$509,300)

- Additional Social Security Tax

HH with total income > \$400k

- Top Federal tax rate would revert to 39.6%
- in eligible for 1031 exchange
- Itemized deductions capped at 28% of value
- Pease limitation reinstated, capping certain itemized deductions (e.g., mortgage interest, state and local taxes, charitable contributions, etc.).
- QBI deduction would be phased out

HH with total income > \$400k

- Long-term capital gains and qualified dividends would be taxed at ordinary income tax rates.

HH with estate over \$5m

- Estate tax exemption drops to ~\$5m per person
- Estate tax rate increases from 40% to 45%
- Gift tax rate increases from 40% to 45%

Business owners

- Credit for adopting a workplace retirement savings plan
- Corporate Federal tax rate increases from 21% to 28%

Visit www.financialwellness.realtor for checklist titled “How might Biden’s Tax Plan Affect Me.”



Patt*
(Name
redacted)

“Can my LLC buy my boat, name it ‘EXIT TLC Realty,’ and write off taking buyers out to view a listing from the lake. A fish-eyes view, so to speak! LOL

I haven't had a chance to ask my advisor yet.”

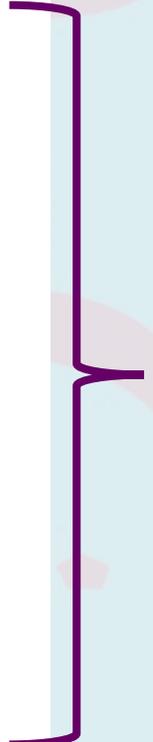
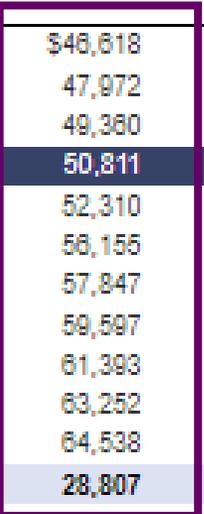
A black and white photograph of a man with glasses, wearing a dark shirt, shouting with his mouth wide open and fists clenched. He is surrounded by a large amount of falling 100-dollar bills, which are scattered all around him, some in the air and some on the floor. The background is a plain, light-colored wall.

5. Should I contribute to a
Roth 401k?



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years

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| 66/64 | 32,306 |
| 67/65 | 7,825 |
| 68/66 | 6,704 |
| 69/67 | 6,316 |
| 70/68 | 5,813 |
| 71/69 | 5,278 |
| 72/70 | 15,525 |
| 73/71 | 16,551 |
| 74/72 | 27,407 |
| 75/73 | 102,821 |
| 76/74 | 9,215 |
| 77/75 | 9,778 |
| 78/76 | 10,457 |
| 79/77 | 11,114 |
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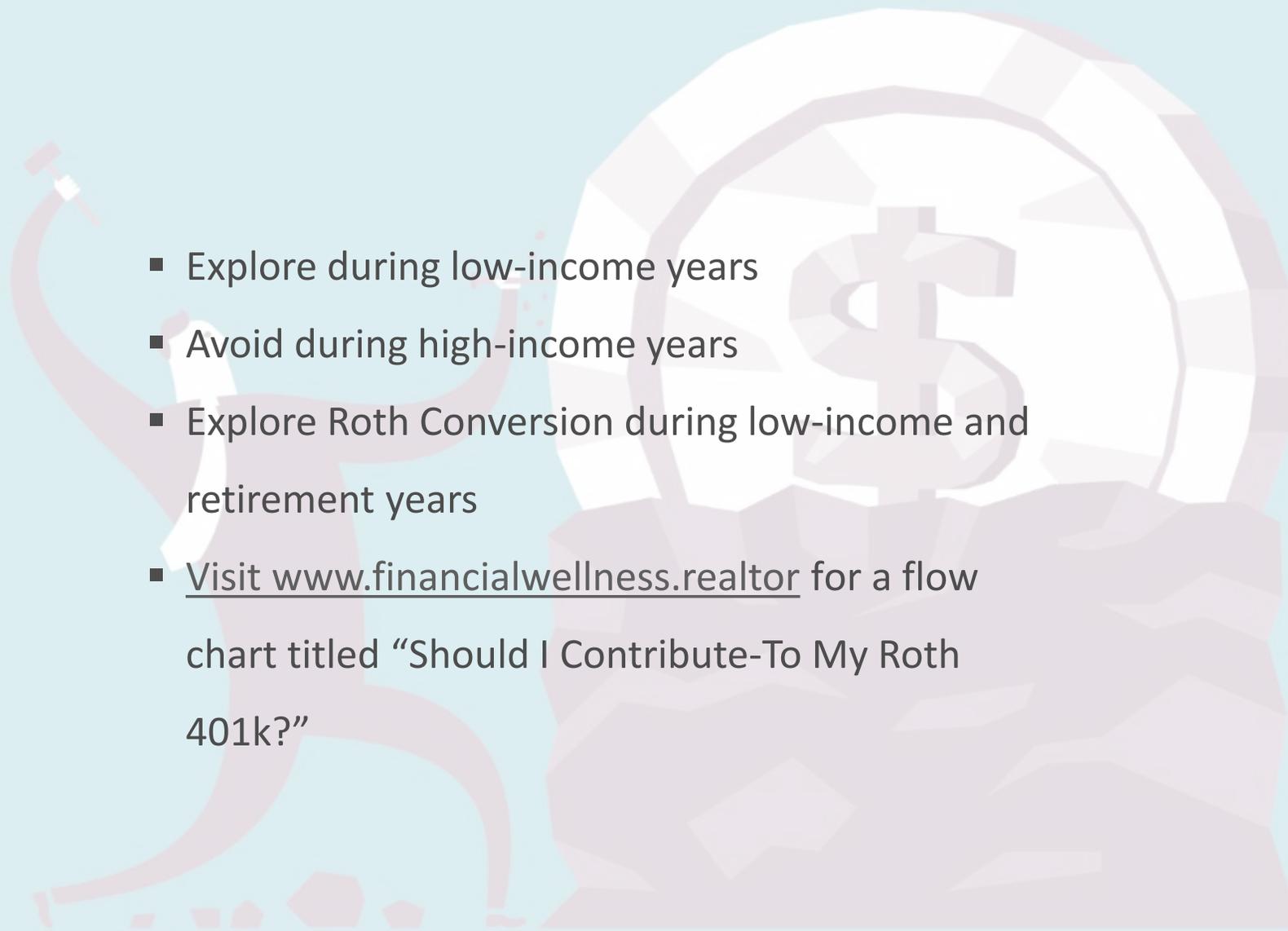


Retirement
years





Roth IRA strategies

- Explore during low-income years
 - Avoid during high-income years
 - Explore Roth Conversion during low-income and retirement years
 - Visit www.financialwellness.realtor for a flow chart titled “Should I Contribute-To My Roth 401k?”
- 

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- Subject to **bias - investment you own**
- Subject to **bias - investment you don't own**
- Start making **estimated fed tax payments**
- What should you consider - **estate planning**
- Should you consider a **Roth 401k**
- What to consider - **reviewing tax return**
- What should you consider - **reviewing health/life insurance policies**
- Should you consider - **aging parents**
- Should you consider **LTC insurance**
- Can you make **deductible HSA** contributions
- Should you set up a **solo 401k**
- Should you **consider - fund college**
- **Milestones/goals** you should be thinking about
- What to consider - **reviewing investments**
- What **documents should you keep** on file

Question

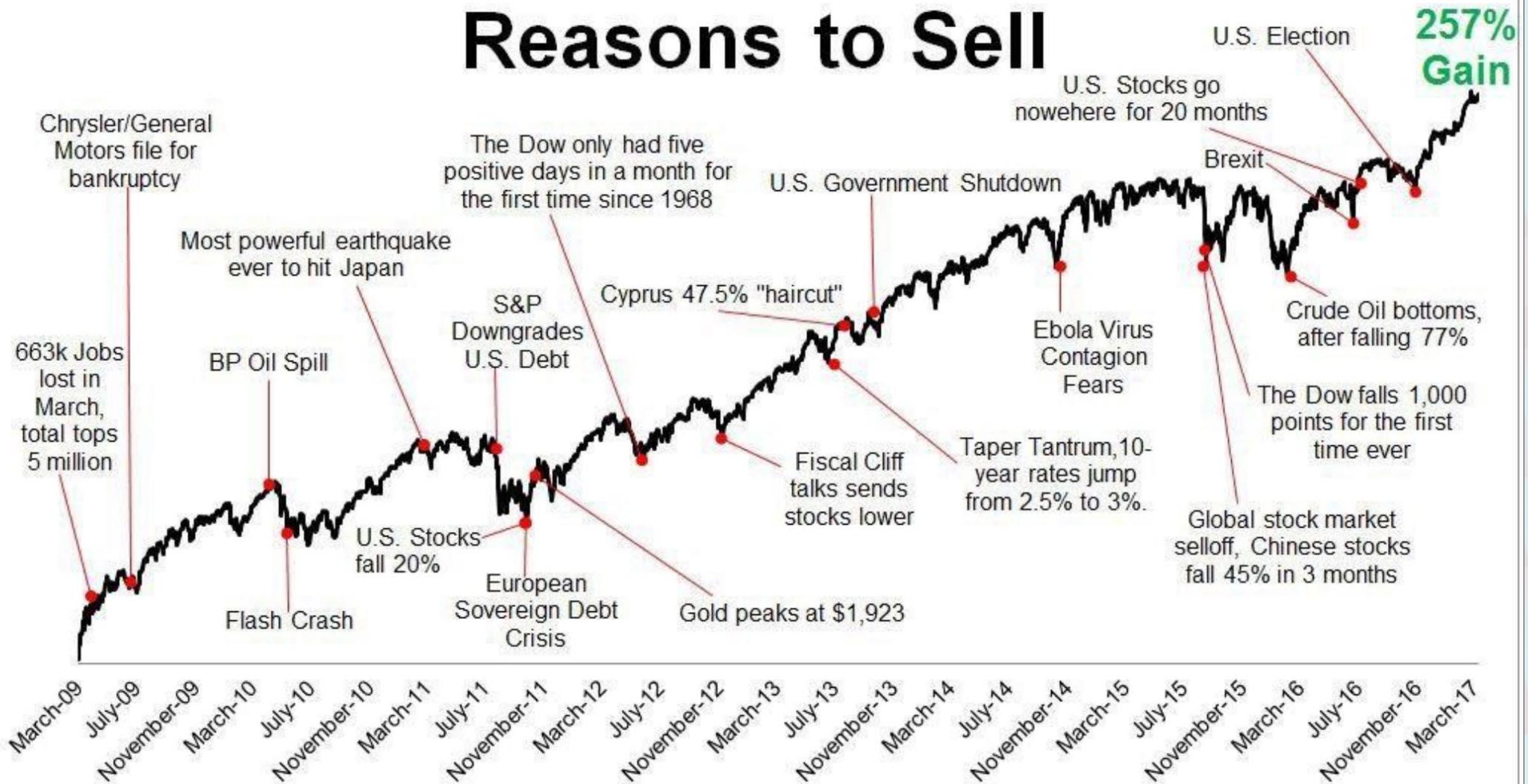
“Surviving a market of despair in 2008 and rebuilding into this current market of 2021 raises many questions for me.

I especially know I am more gun shy about my investments in this market after surviving such a downfall.

I would like to know (a safer) investment direction and who to trust for that advice.”



Reasons to Sell





Conservative to
Moderate Conservative

5.89%



Moderate

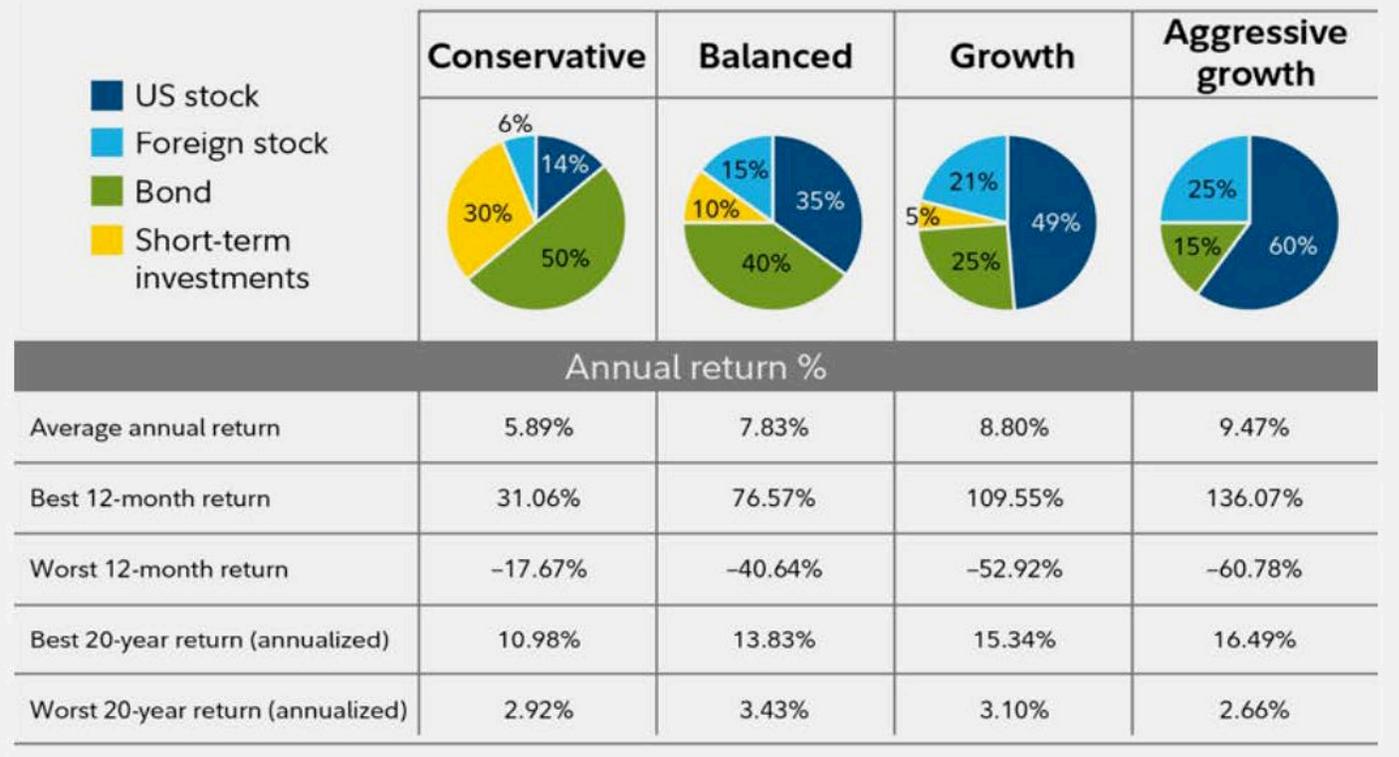
7.83%

Growth to
Aggressive Growth

9.13%

Investment Returns 1926-2018

Choose the amount of risk you are comfortable with



This is a hypothetical example and is not representative of any specific situation. Your results will vary. The hypothetical rates of return used do not reflect the deduction of fees and charges inherent to investing.

Data source: Morningstar Inc., 2019 (1926–2018). **Past performance is no guarantee of future results.** Returns include the reinvestment of dividends and other earnings. This chart is for illustrative purposes only and does not represent actual or implied performance of any investment option. See footnote 2 below for detailed information.

The purpose of the target asset mixes is to show how target asset mixes may be created with different risk and return characteristics to help meet a participant's goals. You should choose your own investments based on your particular objectives and situation. Remember, you may change how your account is invested. Be sure to review your decisions periodically to make sure they are still consistent with your goals.

Kayla

“How to set up an account where commission goes into, and you pay yourself out of the account. I’ve heard of several top producers doing this around the country, but no one has really provided information on how they do it.

I was told a by a top producing agent to have a company credit card and make all the business expenses on the card, and then pay off the card over time to build business credit. However, I feel like I’m always behind because the interest added onto the card adds extra expenses.”

Essential financial products and services

Tools

- Business checking account
 - with e-Checking, money transfer (ex. Zelle)
- Business credit card
- Quickbooks (or equivalent)

Expense and payment flow example

- Pay business expenses with (in order)
 - Credit card > eCheck > Zelle > cash/receipt
- Pay credit card down each month
- Reconcile Quickbooks (or equivalent)

Who gets paid 1st, 2nd, etc.

1. Business obligations and debtors
2. Percent for savings and investments
3. Household obligations
4. Quarterly taxes
5. Fund reserves
6. Invest excess (free) cash flow

Best practices

- Protect yourself with an entity, and maintain
- Title/register bank and credit card to entity
- Review business financial statements monthly: business profit and loss, balance sheet
- Review personal financial statements: cash flow, net worth statement

Contact information

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