Take Control of Your Financial Future:

Lessons learned from 25+ years as a Financial Advisor

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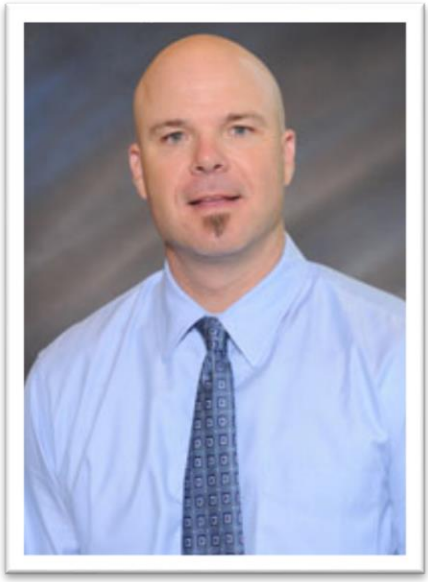
TIPS INSIDE INCLUDE:

- ✓ Things to Consider When Creating a Budget
- ✓ A Better Way to Save
- ✓ A Strategized Escape From Debt
- ✓ Being Retirement Ready
- ✓ Estate Plans and Their Value
- ✓ The Quality and Quantity of Life Insurance
- ✓ How to Select a Financial Advisor
- ✓ What to Expect From a Financial Advisor
- ✓ Investing: “Markets”, Stocks and Bonds

Tips & Financial Strategies:

LESSONS LEARNED FROM 25+ YEARS AS A FINANCIAL ADVISOR



I've been a Financial Advisor for over 25 years, and I consider myself lucky, I truly love my job. For me, at the heart of being an advisor means being a planner. I'm writing this because I wanted to share what I have learned over the years helping clients plan for their financial success, maybe it will help you with your financial journey too.

Before I get to the nuts and bolts here, I'd like to start with a personal testimony of how planning helped me in my earlier life, long before I decided I wanted to do this for a living.

Soon after finishing college, I took my first "real" job at our local community college. The first thing I decided I was going to do was move out of my parents' house, rent an apartment with some friends and buy a new truck because in my mind these were particularly important. Of course, that is what I thought before I discussed this with my dad. What was his response? To put it bluntly, he told me, *"Don't be an idiot"*.

He asked me, "How is your car running?" I said, "*Good*".

"*Then why do you need a new car?*" Well, good point Pops, I thought to myself.

What did he suggest instead? He told me, *"Drive your car, live at home, save your money and then buy a house in two years"*.

This was **NOT** the answer I wanted to hear, but in the end I wound up taking his advice. And, you know what? Two years later, I bought my first home. That was easily the best financial advice I had received as a young adult.

Now that I've grown in experience and education, it is my privilege to help educate others on the importance of planning for their future, wherever that journey may lead. My hope is to do for you what my dad did for me.

Learning the Difference Between Needs and Wants/ Can Vs. Should

Much of budgeting comes down to a pretty simple idea: Needs vs. Wants. You ***NEED*** a roof over your head and electricity in the house. You ***WANT*** a new car though your current car runs just fine. There is a HUGE difference. In the end, the decision between what you want and what you need can have a rather large impact on your overall plan as we will discuss later.

Another thing I like to tell clients (and remind myself), is that there is a difference between what you ***CAN*** afford and what you ***SHOULD*** afford. Can you afford the new car payment? Maybe. BUT, should you? Instead of adding the new car payment, would you be better off driving the car for a few more years and using that extra savings toward your retirement plan/savings/college costs/paying down credit cards? My guess is for most people that answer is yes. "Needs vs. Wants/Can vs. Should", this is what you should keep in mind the next time you are planning a purchase. I'm not saying don't splurge on yourself occasionally, I'm just suggesting you think about it first.

The Cash Only Experiment

I have another idea for you. If you are like many people, you make what should be plenty in income, but at the end of the day it seems like you aren't making progress toward savings. Try this: Take a month or two and use nothing but cash, no credit or debit cards. It's funny how you will probably realize how much money you waste on non-essential items. The experience of taking cash out of your wallet is much different than just running your credit card thru a machine. If you try it, I bet you might just look at your spending a little different.

Let me give you an example of how a small change in daily spending habits, can radically change your budget and your future budget for the good:

> Let's say you buy a coffee every morning on the way to work and buy lunch daily, let's call it $15/day. 20 days in the month that adds up to $300/mo. What if we cut that in half and you start making coffee before you leave and pack your lunch half the time, you have now saved yourself $150/mo. If you invested that extra $150 every month and earned a 5% return on the money do you know how much you would have saved after 20 years? $60,870.67, not bad for skipping an occasional coffee and a lunch.

How Are Your Buckets?

Do you have savings? Or, are you living from check to check? We all have financial priorities in life, so set what yours are and take intentional steps to get there.

What if your plan was to save for retirement, so you put all of your extra savings into your company 401k?

OK, not a bad idea, but what happens if you need new tires on the car or you get a leak in your roof? Do you have savings to cover these expenses?

My advice for setting a plan in motion when saving for the future is that one should have money in "**buckets**", and there can be many of them. Maybe one "bucket" is for general savings, one is for retirement, and another is for college for the kids/grandkids for example. **Set a plan for <u>HOW</u> you are going to fill these buckets and prioritize them**.

ABOVE ALL ELSE, treat these savings "buckets" like a BILL that is due every month and non-negotiable. Now, I understand that things happen, but I encourage you to truly treat them like an electric or phone bill. **<u>It's due every month and non-negotiable</u>**.

To further this point, have money directly deposited to your "buckets" monthly. $X is taken out of your check monthly for retirement, $X is taken out of your checking account and moved to savings automatically, etc. If it's set up automatically, it truly is a bill. If you instead write a check monthly to move the funds, you might often find reasons why maybe it can wait until next month.

Keep in mind inflation causes the rent and other living expenses to increase with time, so should the amount of money you are putting into the buckets. I encourage you to put a note in your calendar every 6 or 12 months to increase the amount you are saving, I do these reminders for many of my clients. **<u>Increase</u>**, even if it is just a little amount, get in the habit and you will be amazed how you learned to live with this new higher "bill".

One last mention on the **general** savings "buckets". I sometimes get clients who want to invest their general savings because they are earning so little at their bank. Everyone

has a need for savings, their safe money, whether it's earning interest or not isn't the *priority* with this particular saving bucket. It may sound tempting to make more money in the "markets", but I don't agree. General savings are for a rainy day, and the time you may need to dip into these savings might just be a bad time in the markets.

DEBT

Mortgage Debt in Retirement

In a perfect world, most of us would like to live without any debt, but in reality it's not likely. Would you love to pay cash for your first home? You bet! But it's likely you don't have that kind of money saved.

My clients will all tell you that the one of thing I encourage the most is to have NO MORTGAGE when you retire. It's the largest retirement expense for most people, so to have that debt gone by your retirement date can make a huge difference on your retirement budget. What do I mean by this?

If you have 25 years left on your mortgage and you plan on retiring in 18 years, then maybe you should start to pre-pay a little extra every month to principal. You might be surprised how much of a difference adding a couple hundred dollars per month can make. Try the calculator below sometime and see for yourself:

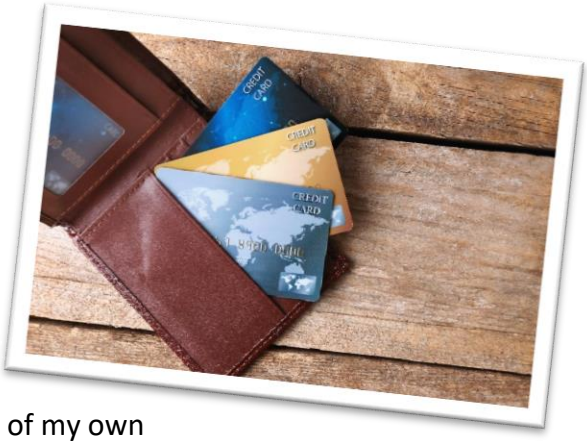
https://www.bankrate.com/calculators/mortgages/mortgage-loan-payoff-calculator.aspx

What if you don't know when you are going to retire? Or, if you're like me, thinking you might never retire. In this case just pick an age, in my case I picked age 60 as a target, just for the sake of having a nice round number. More than anything, it gives me a target, something to aim for.

Another thing to consider with a mortgage is should you get a 30 or 15 year mortgage. Typically, the 30 year will have a higher interest rate than the 15 year, but the 30 year will have a lower payment. How should you decide? Something to consider is creating for yourself a 3rd option by taking the 30 year mortgage, but making the payment as a 15 year, adding extra every month to principal as mentioned earlier. Yes, you are

probably paying a higher interest rate, BUT this also gives you the flexibility to lower your payment (stop paying that extra to principal) if you run into financial difficulty.

I know that some people will argue against paying down the mortgage early. *"What if my rate is super low?" "What about the interest write off?"* Those can be valid arguments, but in the end having NO mortgage at retirement to me is more important than the counter arguments.



Credit Card Debit Strategy

Now, let's get to credit card debt. There's probably no time when this would be considered good debt. I've been there, and I can speak on this with first- hand experience. If you want to get out of credit card debt you need a plan. A couple of things that I did to get rid of my own multiple credit card debt was to turn it into game that I knew if I worked hard at I could win. Maybe this will appeal to your psyche too. Here are some tips I used:

1. The first is simple, never pay just the minimum. If you do, you won't make any real progress.

2. Simpler still, pay off the card with the highest interest rate first.

3. Now, in this tip I'm going to contradict my previous statements. The following example is what I actually did to get out of my debt. I had 3 cards, and I paid more than the minimum of each monthly, BUT I really attacked the card with the lowest balance first to get it paid off. Why? Because, it really was a good feeling to get rid of one. With that first one gone, I was ready to attack the debt on second card. Attacking them all at once might make more sense for some, but the feeling of accomplishment throughout the process as I got rid of them one at a time was more of a motivating factor for me. Moral of the story: figure out the best way to keep yourself on track. Find what keeps you motivated so that you're more like to stick with it.

4. Put together a spreadsheet to track the progress you're making. I still have mine saved somewhere. Many people find it motivating to make part of the process more visible or tangible. So, set up a monthly calendar to update your spreadsheet. Why? It's a reminder that you're in control, you're tracking the progress and watching out

for yourself to never allow a balance on any of your credit cards to become greater than it was the month before.

5. Last, once you have paid off your cards only use them IF you can pay the balance off monthly. Live within your means, you did all this hard work getting out of debt, don't let yourself start this cycle all over again.

RETIREMENT

Are you ready to retire?

When you think you are ready to retire ask yourself one simple question: *"What am I going to do*"? Sounds easy right? But, it's important to really think about this. Sure, maybe during the first 6 months there are tons of projects you have wanted to accomplish around the house. OK, then what? I happen to believe that retirement without a plan can be a one-way ticket to getting old. Maybe you are going to volunteer, travel the world, and check all the boxes off of your bucket list. If so, great, you are probably ready. Just make sure you **are** ready! Everyone needs a purpose and reason to get up in the morning, retirement or not.

Are you financially prepared to retire?

From my years of experience having discussions with clients about retirement readiness, two common concerns regularly come up:

- Running out of money
- Not wanting to have to change their lifestyle in retirement

So, in order to make sure these don't become issues in your future, make sure you financially prepare to retire and start this process many years before your retirement date. This gets back to our previous discussion regarding your "buckets", make sure they are filled to an appropriate level. To assure this happens you need to **PREPARE**. You need to **PLAN**. You need to be **INTENTIONAL**.

Your financial advisor should be able to put together a plan for you to regularly track you progress toward a successful retirement (we do). You may be asking the same questions many of my clients ask: "I've been saving money for years, but how do I know if it's enough"? If you are behind in your planning, you need to know what you need to do to get back on track. If your advisor isn't helping with this, then maybe it's time to look for a new one.

ESTATE PLAN

Do you have an estate plan?

There are many reasons to have a will and/or a trust and they all are important. This hit me personally when we had children. I have two brothers and my wife has a sister. **IF** something were to happen to my wife and I, who would care for our children? One thing I know for sure is I **do not** want a court to decide who would care for our kids. I want my wife and I to decide. So, it's really important to get that decision in writing, legally binding and stored away in safekeeping. There are more reasons to have an estate plan, but this is the reason that made my wife and I get it done and I find it to be the motivating factor for a lot of my clients too.

Is your plan in need of an update?

If you already have a plan, how long has it been since it was updated or reviewed? Has anything changed since it was originally written? These documents are important, so when life changes, so should this document. Too often, people forget or put off making important updates.

LIFE INSURANCE

Do you have life insurance?

I tend to look at life insurance different than many advisors. Now, there are some enormously powerful uses for life insurance such as estate planning and retirement income, which I've helped clients with in the past. But, for most people I think life insurance most importantly should be for an **income replacement**. If you were to pass away, would your spouse/family be able to pay off the house, help put the kids through

college, or do other things that are important to you? If the answer is NO, then life insurance is probably something you should consider.

Tips for buying insurance:

1. In general, get as much life insurance as you NEED and no more. If you think you need $750,000 in life insurance as an income replacement, but someone is suggesting you buy $1,500,000 you should want to know why.

2. Will this life insurance last until I'm age 100 or sometime earlier? You may have a reason to want insurance to age 100, but ask yourself, "*Will I really need life insurance at age 100*?" Is this really for an income replacement? Won't the house be paid off by then? These are questions you should ask yourself and your advisor or agent.

3. Does your employer offer life insurance as part of your benefit package? If so, great, their prices are often much better than you can get in the open market, but not always. A teacher client of ours recently asked us to look at his insurance at work. We found that we could get 4x's as much coverage for a lower cost. Also, keep in mind, most policies through employers stop if/when you leave that employer.

HOW TO SELECT A FINANCIAL ADVISOR

Tips for Choosing an Advisor:

> Full disclosure here, I'm biased and think ***most*** people need expert guidance with investments and planning. Exposing the gaps in people's planning process is what I do for a living. If you are considering finding someone to help with your journey here are a few things I would consider:

1. Interview several people. I often encourage new prospective clients, especially those who don't know me, to interview several advisors before settling on one. I've learned over the years that within the first few minutes of meeting a prospective client you and I will have a pretty good idea if we are a good fit. Ask yourself if you can see the person across the table from you as someone you

want to spend years working with, because that's what you should be looking for. If your answer is no, don't bother.

2. Get recommendations from people you trust.

3. Ask the advisor if they can refer you to current clients of theirs so you can talk with them on how their experience has been.

4. If you have a spouse or significant other, bring them to the meetings. This is a must and here's why. An advisor should want to get to know both of you and your dreams/goals. More often than not, your goals may be different, and if so, that should be discussed as part of your plan.

5. Advisors work with people in different ways. Some like to dazzle with charts and graphs, while others (like myself) are more informal, just want to sit, listen and take notes. Find out what style you are more comfortable with. Most advisors know they're not the advisor for everyone, and as I mentioned earlier, I bet you will know pretty early in the meeting if you are a good fit for each other.

WHAT TO EXPECT FROM AN ADVISOR

Setting the Right Expectations

1. I often advise to new clients that we "date before getting married". Meaning, if you think you found the advisor who you are comfortable with, then start slow. Give yourself a chance to get an idea of how this advisor really works. Honestly, an advisor will want to be the advisor for all your assets, but a respectable advisor should also expect to **earn your business**. I've heard many stories from clients who met someone whom they think is their advisor for the future, only to find out that after the first couple of meetings they either rarely hear from them or have passed them off to one of their staff.

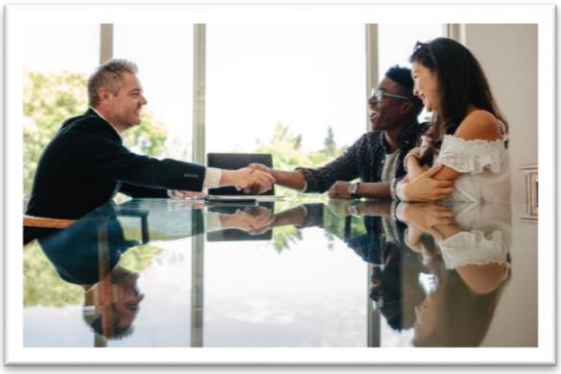
2. Make sure your advisor is equipped to handle YOUR unique situation. There are some out there who specialize in certain areas and not others. Over the years, I've seen about every type of investor, from small businesses looking to open retirement plans, first year teachers looking to save for their retirement, university foundations, to widows who have never handled the family finances before. Here's a personal example:

> A widow who came to see me as a referral from one of my clients, had never handled the family finances and was overwhelmed when her husband had passed. We met and discussed her situation. I suggested that the next time she came to see me that she bring every document/statement that she thought might be relevant. She did and after a few days we met again. I was able to go through all of the paperwork she left with us, explain what she owned, what was important, what she needed to do going forward to keep her finances on track. You should have seen the look of relief on her face when we were done, it was priceless. ***THIS is what I mean by you advisor knowing YOU and your personal situation.***

3. Also, you'll want to know, is your advisor licensed to sell all investments? Does your advisor just offer insurance? If so, that might be fine but what if insurance isn't the best product for your plan? Will they be able to offer you other options? Maybe insurance is the best investment option, but you want to know why it's better than all other available options.

4. You should expect to be educated on financial matters, at least as much as you want to be. I can't tell you how many times I've had clients who come to me from other advisors, and during our *"get to know each other*" phase I end up explaining what it is they actually owned with their previous advisor. You don't need to be an expert in finance, but you should be comfortable knowing/understanding what you own and why you own it.

5. Make sure that cost is a part of the discussion. I've learned over the years the best practice for me is to have cost be a very early part of the discussion. I believe that most people are listening to your thoughts on planning and investments, but in the back of their mind they are waiting for the bad news…. *"What's it going to cost me?*" The fees/costs that an advisor charges should be up front and transparent. Once you know the cost for their services you can make the decision whether it's worth your money. As Warren Buffet likes to say, ***"Price is what you pay. Value is what you get".*** Think about that.



6. You should expect your advisor to put together a plan for you, a roadmap to whatever financial goals you may have; and you should be prepared to review this plan and update it often to make sure you are still on track. For us, we use something called *Goal Planning and Monitoring*. It considers your goals and objectives, wants and needs and shows us whether you are on track for your retirement or whatever goal you have in

mind. If you are not on track, you need to find out why and what you need to change to get there, right?

7. You should expect to review your investments with your advisor at least annually, but probably more frequently. Investments and plans may need to change as your life changes, so expect and/or demand that these plans are reviewed frequently. Too many times I meet with new clients who tell me they have not heard from their advisor for X years! How can an advisor know what is really going on in your life if you don't have regular discussions?

8. Probably more important than anything, you should feel like your advisor knows YOU and not just about your investments. When you speak with them, they should make you feel like you are their only client, not just a number.

INVESTING

"Markets", Stocks and Bonds

You may find it strange for this to be the last section, since managing money for clients is what I do for a living. I just happen to think the other topics listed previously are more important to most peoples' financial future. But, don't get me wrong, because how, where and why you invest are very important.

As far as investing, I encourage you to be an investor not a speculator, meaning don't jump into an investment to try to get rich quick. You should grow your money gradually and at a reasonable rate of return. I often use the analogy that if you want to grow your money at 25% when things are good, then you should be prepared to lose that same money at 25% when things are bad. My opinion is it's not worth the 25% gain if you have to risk to lose 25%. The higher return you hope to earn, the more risk you're going to have to take.

Before you invest, take time to consider how much risk you are really willing to take with your investments and is it the right time for risk taking. This gets back to the earlier discussion about using savings "buckets". The investing of your buckets should be based on how long it is before you might need to use that money. If your child is a year away from starting college, then that's not a time to invest with risk. Investing in your 401(k) at work with 20 years left to retirement might be a better time to take some risk.

Your advisor should be able to build your investment portfolio with a specific allocation of investments to suit YOUR specific goals, because one size does not fit everyone.

Before you invest look in the mirror and ask yourself, "If the investment were to go down 20%, would I be so stressed out that I would want to sell everything"? If so, then you might not be ready to invest. Keep in mind that markets go up and down, if you are a true investor, you need to be prepared to stick to a plan in good times and bad.

> ***"After all, you only find out who is swimming naked when the tide goes out"***.
> Warren Buffet

Whether you have been saving/investing for years or just getting started, my hope is you were able to find some useful tips. At the end of the day, even if there was one thing that you were able to take from this document and use in preparing for your financial future then it was worth it.

I've been honored to be introduced to many wonderful clients over the years who I now consider friends. Some came to me having already saved significant assets, while others were just starting their journey. Some experienced being dropped by big firms or moved to call centers, because they weren't considered big enough clients. Whatever stage of the journey you are in, I'm happy to listen and help in whatever way I can. You can reach out to me on LinkedIn or Facebook. Or, give our office a call.

We Believe Raincross Financial Partners Can Help You Build A More Secure Financial Future.

A second set of eyes on your finances is always a good idea. If you want an experienced financial professional to review your portfolio and financial goals, we urge you to call us at **800-913-1190** for a complimentary evaluation.

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About the Author

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His path towards a career in Financial Services was developed after receiving a football scholarship to the University of Southern California where he earned a degree in economics. Furthering his education, he pursued a Master's degree in Business Administration from the University of Redlands.

His community activities include (or have included):

- Board of Directors, Riverside Community Hospital
- Board of Directors, Old Riverside Foundation
- Riverside Sport Hall of Fame, Former President
- Community Connect, Executive Board Member
- Member of Riverside Chamber of Commerce
- RCC Tiger Backers, Former President
- Member of USC Trojan Football Alumni Club

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He lives in Riverside, CA with his wife and two children. Away from the office he enjoys golf, basketball and just about any other sport and tends to spend his weekends on ball fields all around Southern California wherever his kids have games.

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