

Week 8 – Investing / Retirement / Housing / Insurances

- Proverbs 28:20 - A faithful man will abound in blessings, but he who hastens to be rich will not go unpunished
- Ecclesiastes 11:2 - Give a portion to seven, and also to eight; for thou knowest not what evil shall be upon the earth.

Steps to Financial Freedom

- 1. Emergency Fund- \$1000**
- 2. Eliminate Debt**
- 3. Increase Emergency Fund
(3-6 month's living expenses)**
- 4. Start Investing for your Retirement**
- 5. Start Investing to help pay for College**
- 6. Pay off Mortgage Early**
- 7. Financial Freedom & Giving Opportunities**

Investing - Review

- **Keep it simple**
- Understand what you are investing in
- Never Invest **Borrowed** money
- Diversesification
- Higher the risk the higher the reward, the lower the risk the lower the reward

Wise Counsel - Review

- Proverbs 15:22 Without counsel purposes are disappointed: but in the multitude of counsellors they are established.
- Proverbs 12:15 - ¹⁵ The way of a fool is right in his own eyes: but he that hearkeneth unto counsel is wise.
- Proverbs 24:6 - ⁶ For by wise counsel thou shalt make thy war: and in multitude of counsellors there is safety.

Types of Investment - Review

- **Money Market**
- **Single Stock**
- **Bonds**
- **Mutual Funds**
- **Real Estate**
- **Annuities**
- **Money Pits – Commodities, Day Trading, Futures**

Retirement Goals - Review

- Finding ways to maximize your return on investment with the least paid in though taxes
- Plan ahead so you can enjoy your retirement
- Start early, but don't put the cart before the horse

Qualified Plans IRA - Review

- IRA – Individual Retirement Arrangement
 - IRA is flexible you can invest it in almost whatever you want, from stocks and mutual funds to bonds and real estate.
 - You can put up to 15% of income / 5000 (6,000 if over 50 for catch up) in a Roth IRA
 - You must have earned income from a job
 - Roth IRA grows tax free

Pension

- Paid a certain sum of money each month when you retire
- Very few still in existence and requirements and payouts are continually changing.
- PA still has one for government and schools, ect
- May require vesting
- Guaranteed money

401K

- Defined contribution plan offered by a corporation to its employees
- Allows employees to set aside tax-deferred income for retirement purposes,
- In some cases employers will match their contribution dollar-for-dollar.
- Taking a distribution of the funds before a certain specified age will trigger a penalty tax.
- Investment are defined by the company, but you may have choices

403B

- Retirement plan offered to employees of non-profits, educational institutions, and some self-employed ministers.
- The 403(b) plan is often compared to a 401(k) plan because it shares many of the same characteristics, withdrawals, contribution limits, tax rules, and investment choices.

457B

- Tax-deferred compensation plan that works very much like other retirement plans such as the 403(b) and 401(k).
- Two main types of 457 plans exist: governmental and tax-exempt 457(b) plans.

Retirement Recommendations

- **Roll retirement into IRA when you leave a company**
 - Direct Transfer
- **401, 403, 457**
 - Fund even if they don't **_MATCH_**, pre tax
- **Never Borrow against your retirement funds**
 - Proverbs 22:7 The rich ruleth over the poor, and the borrower is servant to the lender.

Recommendations

- **How to Fund your retirement – Fund 15%**
 - Fund 401K, 403B, 457B up to Match
 - Roth fully
 - Back to 401K

Dr. Israelsen Portfolio Study

Study of various asset allocations, such as a one-asset portfolio (all cash), two-asset portfolios (cash and bonds), three-asset portfolios (cash, bonds and large U.S. stocks), etc., He studied a total of ten possible portfolio combinations for 37 years for highest return with lowest risk

The absolute best portfolio allocation, providing an average yield of 11.25% over thirty-seven years with the lowest standard deviations for risk, was the portfolio that included all seven assets. In fact, with this portfolio, the chance of losing 10 percent or more of the value of your portfolio in any one year was zero.

Housing / Mortgages

- Luke 12:34 - For where your treasure is, there will your heart be also.
- 1 Peter 2:11 Dearly beloved, I beseech you as strangers and pilgrims, abstain from fleshly lusts, which war against the soul
- Psalm 23:6 Surely goodness and mercy shall follow me all the days of my life: and I will dwell in the house of the LORD for ever.

Scriptures

- Luke 14:28-30 - 28For which of you, intending to build a tower, sitteth not down first, and counteth the cost, whether he have sufficient to finish it? 29Lest haply, after he hath laid the foundation, and is not able to finish it, all that behold it begin to mock him, 30Saying, This man began to build, and was not able to finish.
- Proverbs 24:27 - 27Prepare thy work without, and make it fit for thyself in the field; and afterwards build thine house.

Buying a Home - "Patience is waiting. Not passively waiting. That is laziness. But to keep going when the going is hard and slow - that is patience."

- Do not buy if you are not **___ready___** to buy
- It is ok to **___rent___** and show patience
- You should not come straight out of school , and buy the same cost house as your **___Parents___** worked for all of their life
- Payments should be no more than **___25%___** of take home pay
- Forces you to save

Buying a Home - “The key to everything is patience. You get the chicken by hatching the egg, not by smashing it.”

- Works with **___Inflation___**
- Grows virtually tax free (250,000 single, 500,000 for a married couple)
- Look for **___Bargains___** – bad landscaping, old carpet, ugly wallpaper
- Make sure it has a good **___Floor___** plan
- Good street / curb appeal potential / View / Water

Buying a Home

- Good **__Location__**
- Look for 15 year, **__Fixed__** rate
- At least 10% Down
- You should be able to still have a fully funded **__Emergency__** **__Fund__** after closing costs are paid

30 Year vs 15 year Mortgage

		Payment	Total	Pay Back
Home Purchased	200,000	30 yr	\$885	318,600
Down Payment	20,000	15 yr	\$1,354	243,720
Mortgage amount	180,000	Difference	\$469	74,880

You save \$74,880

Avoid - “Any structural weirdness you are willing to overlook, will cost you in resale”

- **_Time_ shares**
- Mobile homes, trailers
- Adjustable Rate Mortgages – too much risk
- Interest Only – you never gaining principle in the house
- **_Reverse_____ Mortgage** – you are putting a paid for house at tremendous risk
- Accelerated payment plans – they charge you a fee for something you can easily do yourself
- Buying a **_____Home__** for the tax benefit
- PMI – Private mortgage insurance

<u>Should I Refinance?</u>	
Current Principal and interest payment (Not including taxes and Insurance)	
minus	
New Principle and interest Payment	
Monthly Savings	
Total Cost divided by savings = number of months to break even	
Amount of closing costs	
Amount of monthly savings	
Number of months to break even	

Estimated closing costs	
Loan Amount	Closing Costs
30,000	1500
35000	1550
40,000	1600
45000	1650
50,000	1700
55000	1725
60,000	1775
65000	1800
70,000	1825
75000	1850
80,000	1900
85000	1925
90,000	1950
95000	1975
100,000	2000
150000	2300
200,000	2600
250000	2900

Selling a Home - “You never get a second chance to make a first impression” – Zig Ziglar

- **Curb** appeal tremendously important
- Spend the extra time and money to have the house in **Great** condition
- Make sure the house is listed on the **Internet**
- Get an **Experienced** realtor with proven record
 - Interview them
 - Avoid using family and friends
- **MLS** system is worth the cost to list

Insurances

- Job 1:21 And said, Naked came I out of my mother's womb, and naked shall I return thither: the LORD gave, and the LORD hath taken away; blessed be the name of the LORD.
- 1 Timothy 5:8 But if any provide not for his own, and specially for those of his own house, he hath denied the faith, and is worse than an infidel.

Isaiah 43:1-4

- 1But now thus saith the LORD that created thee, O Jacob, and he that formed thee, O Israel, Fear not: for I have redeemed thee, I have called thee by thy name; thou art mine. 2When thou passest through the waters, I will be with thee; and through the rivers, they shall not overflow thee: when thou walkest through the fire, thou shalt not be burned; neither shall the flame kindle upon thee. 3For I am the LORD thy God, the Holy One of Israel, thy Saviour: I gave Egypt for thy ransom, Ethiopia and Seba for thee. 4Since thou wast precious in my sight, thou hast been honourable, and I have loved thee: therefore will I give men for thee, and people for thy life.

Insurance – Purpose of Insurance is to transfer risk

- **Basic Types of Insurance**
 - **Home Owner's or Renter's Insurance**
 - **Auto Insurance**
 - **Health Insurance**
 - **Disability Insurance**
 - **Long Term Care Insurance**
 - **Identity Theft Protection**
 - **Life Insurance**

Home Owner and Auto Insurance

- If you have a fully funded emergency fund, you can raise the deductible
- Carry Adequate Liability
- Consider dropping collision on old cars
- Homeowner should be guaranteed replacement cost or make sure it goes up each year

Health Care

- Keys to saving on Health Care
 - Increase deductible
 - Increase your stop-loss, but never maximum payout
 - Check into Health Savings Account (Tax sheltered saving account)

Life Insurance Quotes

- James 4:14 - 14Whereas ye know not what shall be on the morrow. For what is your life? It is even a vapour, that appeareth for a little time, and then vanisheth away.
- 1 Timothy 5:8 But if any provide not for his own, and specially for those of his own house, he hath denied the faith, and is worse than an infidel.
- Proverbs 13:22 A good man leaveth an inheritance to his children's children: and the wealth of the sinner is laid up for the just.

Life Insurance

- Replace income lost due to death
- Two Types Term and Cash Value
 - Term is for a specified period of time substantially cheaper
 - Cash Value (Whole Life) is for life, more expensive, and funds a savings plan
- Goal is to become self insured
- Life insurance investment are historically low
- Die with cash value, they can keep the cash above amount
- Fees deducted are unreasonably high
- Before you cancel, get a new policy, it is better to have a bad policy than no policy at all

Purchasing Term Life Insurance

- Include Spouse
- Stay away from fancy options
- Children only enough for burial
- Only low cost level term
- Get 10 times your income level, invest and live on the interest

Disability Insurance

- Replace income due to short term or permanent disability
- Choose insurance that pays if you are unable to do the job you were trained / educated to do
- Coverage should be 65% of current income
- Elimination Period – time between event and payouts, longer time, cheaper payments

Long Term Care & Identity Theft

■ Long Term Care Insurance

- Used for nursing home, assisted living facilities, or in home care

■ Identity Theft Protection

- Don't buy just for monitoring
- Needs to include restoration services and counselor to fix issues

Avoid

- Credit Life and disability
- Credit Card Protection
- Cancer and Hospital indemnity
- Accidental Death
- Mortgage life insurance
- Duplicate coverage

FIRE INSURANCE

- Most Important thing
- Foundation for all other principals in the class
- Personal Decision, not a “team” decision
- Best Risk vs Reward available
- Can't beat the benefits package
- Be a salesperson
- Transfer of Risk
- No Loopholes
- Covered from the moment you sign up
- Free

Tools that can Help

- <http://www.socialsecurity.gov/OACT/population/longevity.html> - Estimates on Life Expectancy
- <http://www.socialsecurity.gov/estimator/> - Social Security Benefits estimate
- <http://www.bankrate.com/calculators/insurance/life-insurance-calculator.aspx> - Life Insurance Calculator