

Ahoy, Money! Webinar

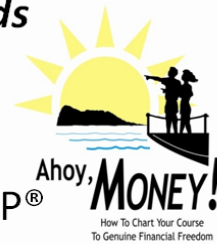
Webinar Session 5

Chapter 4 –

Avoiding Deadly Hazards

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Worksheet page 44

1

Welcome to session 5 of the Ahoy Money Bonus Webinar.

This session I'll give you guidance in completing Chapter 4, Worksheet 4 – Waking up to a Blind Spot – Saving for Retirement.

You're probably used to the routine by now. I suggest you already have read Chapter 4 – "Avoiding Deadly Hazards" before listening to this Webinar session. You can either complete Worksheet 4 while listening to this video, or you can listen first and then go complete the worksheet.

Since Worksheet 4 involves several sub-worksheets, I recommend you simply pause the video and complete the worksheets as you listen.

Webinar Session 5

Chapter 4

Worksheet 4 – Waking Up to a Blind Spot – Saving for Retirement

- Worksheet 4 – the Core of “Ahoy, Money!”
 - Integration of philosophy with practical financial management.
 - Transformation is always rooted in both intention (honoring your life) and information (facing your life).
 - Entire Worksheet 4 Process should take only 1-1.5 hours.



Worksheet pages 44-57

2

This slide emphasizes the importance of Worksheet 4.

As I've said before, philosophy without practical application is useless. You have patiently waited for some answers to your financial concerns – and now you'll be given some feedback.

If you decide now to follow my instructions very carefully, the entire process shouldn't take you more than a couple of hours. If you get in a hurry, however, you could easily double that time and not come up with an accurate reflection of your retirement saving reality.

Who Needs To Complete Worksheet 4?

- Everyone!
 - Those already retired – enter your actual retirement income, expenses and investment balances to see if you have saved enough.
 - The “young” – charts allow for 42 years to retirement, so 20 yr. old could use.
 - The “old” – charts allow for 1 yr. to retirement, so 69 yr. old could use.
 - Non US Citizens: Simply enter your pension benefit estimates and tax rates.



Worksheet page 44-57

3

You may be reading Ahoy Money and already be retired – do you need to complete all these worksheets? YES – they will confirm you’ve saved enough, or tell you if you need to adjust your retirement assumptions.

This slide reveals the flexibility of Worksheet 4 – to provide retirement feedback to those from 20-69.

Even if you live outside of the US, Worksheet 4 will provide you with a good idea of how much you need to be saving based on various retirement assumptions.

Worksheet 4- The 5 Step Process

- Important to complete in the order listed.
- Recommend making multiple copies of:
 - “My Investments with Risk Considered”
 - “Am I Saving Enough to Retire?”
- After initial analysis, you can repeat steps 4 and 5, with new assumptions for investment return, retirement earnings, viability of social security, etc.



Worksheet page 44

4

Page 79 of your worksheet packet lists the 5 step process of Worksheet 4 –

1. Read the Instructions Page.
2. Gather your financial information.
3. Calculate your marginal income tax rates.
4. Adjust your investment balances for risk.
5. Calculate if you are saving enough.

This slide suggests you make multiple copies of the Step 4 and Step 5 Worksheets. Since you have downloaded the worksheets, you can always go back and print additional pages that you need later on.

The reason you may need additional worksheets is you need to be able to change assumptions and come up with different answers – until you like what you see and it realistically fits into your current financial situation.

Instructions for Completing the ***Financial Information Summary Sheet***

- Couples – see highlighted instructions under second bullet.
- “Gross” earnings simply means total earnings before taxes or other deductions. If, however, you are self-employed, enter “net income” – or profit after expenses.
- “Monthly pension” applies to fixed pension payments you expect to receive – but doesn’t refer to money you plan to withdraw from your own retirement accounts.



Worksheet page 45

5

Start by turning to page 80 and reading these instructions. Don't worry if you have a partner or spouse- if you combine your finances, then enter both of your information as indicated on the 2nd bullet. If you keep your finances separate – each of you should complete the Worksheet 4 process separately.

If you find these financial terms “seizing you up” or making your mind freeze in fear – simply move on to the next step and come back to the item you’re struggling with later. If you still are stuck, call a friend or ask your partner for their input.

Keep in mind that this is normal and it's good practice for you to not run away. I feel this same panic when my counselor asks me to ‘share my feelings’. You’ve most likely whizzed through the ‘feeling’ sections of this book – just be patient with your ‘information’ processor!

Financial Information Summary Sheet –Line “I”

1. Find your most recent investment statements
2. Enter the Account Name in column 1 and write the date for the statements above “Total Value of Account.”
3. Write down the total value of each account in the 2nd column.
4. See notes in Section “I” regarding estimating the stock or equity portion of each account. Enter the stock portion in column 3.
5. Use your calculator and divide the total of column 3 by the total of column 2.
6. Enter this percentage on line “I”.



Worksheet page 47

6

Page 47 of your worksheet packet asks you to list your investments. This includes any money you’ve saved for your future. Please don’t include savings that you have set aside for your short-term needs or as an “emergency fund”.

If all your savings are in bank CD’s – simply list your bank name and the total in column 2 of your current CD balance. Column 3 would be 0 since bank CD’s are not “stocks” as defined at the bottom of this chart.

Please read the highlighted sections at the bottom of page 47 and top of page 48.

All we’re trying to do is calculate what percentage of your savings is invested in stocks or mutual funds that invest in stocks – whether that be US or foreign companies.

Worksheet 4 – Step 3
“Calculating My Marginal Income Tax Brackets”

- Practice not being frightened by financial terms.
- “Marginal” – the highest income tax rate you are taxed at.
- Your “Effective” Tax Rate is your total income tax divided by your “Total Income” vs. your “taxable income.”



Worksheet page 50-51

7

After completing Step 2 or gathering your financial information, you'll turn to page 50 of your worksheets.

The goal of this worksheet is to simply find out the highest federal income tax rate you are subject to. We'll add to that your state income tax rate and arrive at your total federal/state marginal income tax rate on line 3C on page 51.

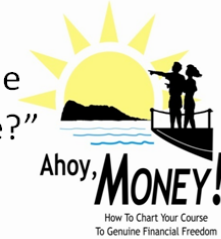
I'd suggest circling the tax year of the table that reflects your most recently filed tax return. Use that table in completing Step 1. (You might even want to draw a big X through the other 2 tables so they don't distract you.)

References to the “Financial Information Summary Sheet” are found on pages 46-49 of your worksheet packet.

The last item on this slide is just a reminder that your “marginal income tax rate” is very different from your “effective income tax rate”. Turn to your latest tax return and calculate your “effective federal income tax rate” and write it on this slide after bullet point 3.

Worksheet 4 – Step 4 “My Investments with Risk Considered”

- Projecting investment return without considering the risk or volatility of that investment is dangerous.
- This step of the Worksheet 4 process provides a simple method of considering both risk and return in estimating how much money you need to fund your retirement.
- Transfer the number from line “h” to line “f” of the “Am I Saving Enough to Retire?” Worksheet.



Worksheet page 52

8

Now turn to pages 52 of your worksheets, which should be filed in section 4 of your Worksheet Binder.

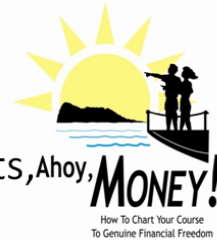
What we’re doing here is comparing the risk of your investment portfolio (a fancy word for the basket of all your investments) with the 3 listed at the top of this worksheet.

We’re then subtracting from your current total investment balance, a percentage of that total number which you could potentially lose.

We then use that reduced number to do our calculations on the “Am I Saving Enough to Retire?” Step of Worksheet 4.

“My Investments with Risk Considered” – Investment Notes

- Before selling investments consider the tax impacts.
- Before moving IRA's and retirement accounts consider certain rules.
- Before reinvesting, consider low-cost simplicity.
- Before forgetting your investments, remember annual rebalancing.



Worksheet page 53

9

This slide relates to page 53 of your Worksheets. Please turn to that page.

There are 4 reminders here that can help you avoid a lot of headaches when it comes to managing your investments.

The first point relates to “non retirement accounts”. That just means that if you are making sales within an IRA, 401(k), 403(b) or other retirement account – you don’t have to worry about paying any taxes now. That’s because you aren’t taking any money now from those accounts.

The 2nd bullet cautions you about transferring your retirement accounts – just don’t touch the money- and if you do – put it back in a retirement account within 60 days.

The 3rd bullet recommends you keep it simple. You wouldn’t do too bad if you just used the funds listed underneath the chart on page 52.

Finally – don’t forget to keep your stock/bond percentages in balance at least once a year since market values change.

Worksheet 4 – Step 5

“Am I Saving Enough to Retire?”

- You should have the same number on line (f) for all 3 columns.
- Refer to the legend for the “Source of Information” column and transfer numbers from those sources to this worksheet.
- The 1st time through – take your time – carefully review the highlighted notes.
- Each Step 5 Worksheet should have only 1 of the Portfolio boxes checked based on the Step 4 portfolio being used.



Worksheet page 54-55

10

The Am I Saving Enough to Retire WS – Step 5 – is the worksheet that ties all the other worksheets together. It's found on pages 54-55 of your packet.

Note the instructions on this slide. Take your time. It's simply a matter of transferring numbers from your other worksheets and tables and using your calculator.

Note the last point on this slide. Turn back to page 52 and notice which portfolio you circled in Step 2 – Conservative, Moderate, or Aggressive? Now turn back to page 54 and check that portfolio box in the upper right hand corner.

If you want to recalculate page 52 for a different portfolio, then you'll need to complete a new Step 5 worksheet, checking that new portfolio box.

Worksheet 4 – Step 5

Tables 1 & 2

- To determine your yrs. Until retirement:
 Desired retirement age _____
 subtract: your age < _____ >
 Equals: Yrs. Until Retire _____
- Circle the portfolio that matches the box checked on the “Am I Saving Enough to Retire?” Worksheet.
- For each retirement age you are testing, circle the factor that lines up with your “Yrs. Until Retire”.
- Transfer that factor to your “Am I Saving Enough to Retire?” Worksheet.



Worksheet page 56-57

11

Now please turn to pages 56-57 of your worksheets. This is where you find the factors that relate to your age until retirement and the risk of your investments.

Just keep in mind that you'll be using only 1 of the portfolios at a time – so circle that portfolio and ignore the other 6 columns of numbers. You can always come back later and test another portfolio.

Notice you'll have different numbers on all 3 columns of lines g and j – because your age is different. Again – just take your time and these worksheets will fall into place easily.

Are you saving enough? (Have you saved enough – if retired?)

- Are you shocked or relieved?
- What impact did varying retirement ages make?
- Which retirement age is most realistic?
- What other assumptions could you test?
 - Investment Return
 - Part time retirement income
 - Reduced living expenses



Worksheet pages 54-55

12

Now you've come up with numbers on line (p) of page 55!

No matter what the number, you most likely feel relieved in that you finally know what is real – rather than worrying about what might be.

If none of the retirement savings goals are realistic, go back through the process and change some of the assumptions listed in this slide.

Using Worksheet 4 as a Financial Planning Tool

- When your financial picture changes, go through these 5 steps and test the impact of those changes on your retirement funding.
 - Give money your attention – not your energy by;
 - Using the P-A-U-S-E process.
 - Testing the financial impact using Worksheet 4.
 - Making a financial decision.



Worksheet pages 54-55

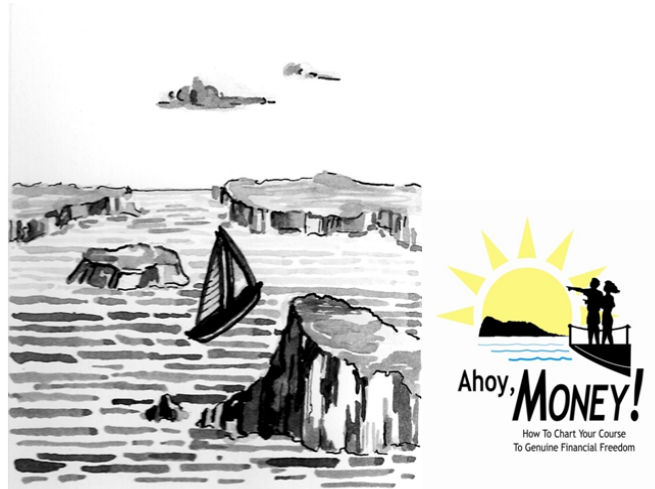
13

You might wonder why I have you complete this process manually when there are hundreds of financial planning calculators on the web.

The answer is that this process helps you understand what is involved in the solution. If you are given the answer without this understanding you can easily fail to do what is needed to make these projections a reality.

I'd recommend you repeat the Worksheet 4 Process at least annually – or whenever there is a significant change in your financial situation.

Avoiding Deadly Hazards



Worksheet pages 54-55

14

What are the greatest hazards to you and I reaching the shore of our “one true life”?

- Falling asleep at the wheel and running aground on the realities of life.
- Naively believing everything we’re told about money providing us security.
- Resorting to financial fixes rather than PAUSING to notice what we’re really needing and what money is showing us.
- Relinquishing our responsibilities to another in hopes they will save us.
- Pretending our lack of attentiveness to money and our lives doesn’t matter.

The chapter 4 sketch reminds us we can navigate these hazards and reach our destination. I want to pause to honor your diligent efforts to do just that.

This concludes session 5. Please finish Worksheet 4 if you haven’t done so already, readh chapter 5 – “The Captain and His/Her Ship” and rejoin me for Webinar Session 6.

So long til then, mates!