

## Consider This Program

Episode Date:

**June 22, 2019 Episode**

Best of

### Show Notes:

#### Topics include:

- Taxes
- What happens when you hear something different than your CPA tells you
- Life Insurance
- Market Volatility

#### **CONVO 1:**

When are taxes due?

- April 15th (*Payment!*)
- October 15th for the year prior (*Completed!*)
- Arbitrage
  - Ex) You're in the 15% Tax Bracket and you do a Roth Conversion. What happens when the next year you're only in the 12% Tax Bracket?
  - 2018 was the last year to do a Roth Recharacterization on a Conversion
  - Ex) \$2 million in 403(b) living in a 10% Tax Bracket, not 70.5 years old yet, no RMD's. CPA said they didn't need to do Roth Conversion. Recognize what you could be paying at a lower tax bracket!

#### **CONVO 2:**

What happens when you hear something contrary to what you're trusted CPA tells you to be true?

- Although you may like & trust someone, they might not have all the answers.
- Ex) The CPA was someone that attended the same church as the couple that they trust and respect for, but the CPA didn't have the best advice.
  - Focus on:
    - Do you like & trust the person?
    - Do you think the person knows what he or she is talking about?
    - Do you understand his or her process?



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- When was the last time you got a second opinion on something you wanted to hear?
- Know the facts!

### **CONVO 3:**

What happens when things change?

Life Insurance:

- How much insurance do you need?
- What kind of investing are you doing: fixed or variable?
  - Market
  - Taxes
- What can the Financial Enhancement Group do for you:
  - We can combine our understanding of the Tax Code, Life Insurance, & Investing and create a better situation than if you overreact when life happens.
- Are you in the right fiduciary relationship?
  - How are you spending your money?
  - Are you paying for guidance or a product?
- What our team would ask:
  - What is your tax basis?

### **CONVO 4:**

Market Volatility

Check your sources!

Dollar Cost Averaging:

- We don't know where the market will be at any given time.
- Set up an amount (percentage of income) that invests in the market
- You pick out the things you want in your nest egg.
  - 401(k) is a form of Dollar Cost Averaging

If you look at the S&P 500 between 2000 and 2014, Vanguard S&P 500 Fund earned a 4.1% each year. This was the same as the return generated by Vanguard's S&P 500 Short Term Bond Index Fund, but with seven times less volatility.

- Ex) Despite saving only \$180,000 cumulatively (15 years x 12 months in a year x \$1,000 a month), your total ending portfolio balance would be \$352,202, which is twice the amount you saved, for a rate of return on your contributions of 8.5% per year.
  - How can this be?
    - The S&P 500 only averaged 4.1% per year, but not all your savings averaged 4.1%. It's all about consistency!
    - The more volatility there is for stocks & Dollar Cost Averaging, the better off you will be. This isn't true for bonds though.



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- Compound interest is important!
- General rule: When you are accumulating, you want your bad returns first.
  - *Volatility in the landing will wreck the plane!*

### **CONVO 5:**

Why is our website: [yourlifeafterwork.com](http://yourlifeafterwork.com)?

What can be found on our website?

If you knew what would happen before it happened, what would you do about your finances?

- JFK's Assassination
- Hurricane Katrina
- 9/11
  - The market has a mind of its own! You can't predict the market, even if you knew what would happen before it happened.

The Financial Enhancement Group invests based on a Risk Barometer.

What does retirement look like? We want you to be able to maintain your standard of living after you leave work. It's hard to sacrifice something in retirement. *You can sacrifice chocolate to lose weight, but losing weight to quit eating chocolate doesn't work as well!*

*Disclaimer: Joseph Clark is a Certified Financial Planner™ and the Managing Partner of Financial Enhancement Group, LLC an SEC Registered Investment Advisor. He is the host of "Consider This" found on WIBC Saturday mornings from 6-7a.m. as well as three other Indiana-based radio stations. Joe has served as an Adjunct Assistant Professor at Purdue University where he taught the capstone course for a degree in Financial Counseling and Planning.*

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