

FINANCIAL BLUNDERS

Lessons We Never Learn

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The Society for Financial Awareness

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Common Blunders

- ✓ **Not Having a Financial Strategy**
- ✓ **Greed with Stock Investments/Stock Options**
- ✓ **“Deferred Spending” Accounts**
- ✓ **“Saving” Money in the Bank**
- ✓ **Buying Insufficient or the Wrong Type of Life Insurance**
- ✓ **Lack of Tax Planning**
- ✓ **Procrastination**

Blunder: No Plan

“When people start *not caring* who got thrown off the island, and instead have a game plan and an overall intentionality on the issue of money, they make pretty good decisions.”

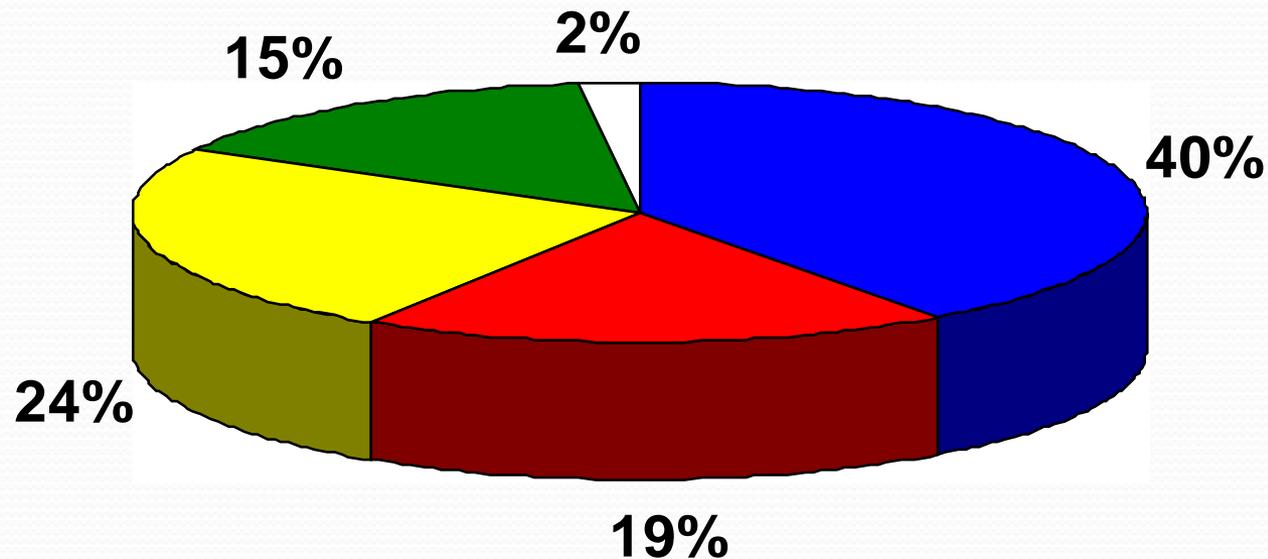
-Dave Ramsey, author of *The Total Money Makeover*

- ✓ **Cash Flow Analysis**
- ✓ **Debt Management**
- ✓ **Emergency Fund**
- ✓ **Proper Protection**
- ✓ **Long Term Asset Accumulation**
- ✓ **Estate Planning**



Though many of us may have any or all of these components, it is far easier putting all the pieces together in one investment strategy.

How Much Am I Responsible For?



■ Social Security 40%

■ Earnings 24%

□ Other 2%

■ Pensions 19%

■ Personal Assets 15%

Blunder: Greed with Stock

- ✓ **When the value of your company, or your portfolio of investments is skyrocketing, why don't you:**
 - ✓ **Sell, lock in the profits?**
 - ✓ **Set aside the taxes?**
 - ✓ **Diversify the chunk?**
 - ✓ **Reduce the risk of decline?**
 - ✓ **Purchase more, dollar-cost averaging in?**
- ✓ **Many times these stocks pitted against our rational behavior to “hope it goes higher” (greed) creates a “lost leader.” We must then wait for the next chance, while our money is now way down.***
- ✓ **Incorporate a “well thought out/defined” strategy ahead of time so when declines do occur, you'll know what to do.**



Learn the lesson! Use logic, not emotion, when investing.

Estate Planning



If you don't have an estate plan, the government has one for you!

- A good estate preservation plan can help you get your assets to your intended heirs.
- A **living trust** may help circumvent the cost and time consumption of probate. The probate process can be as long as 2 years and makes all your affairs available as public knowledge.
- Federal and State estate taxes can erode up to half of your estate's value. Having a living trust only protects you from probate, not estate taxes.
- A good estate planning attorney can help you create your own estate plan, rather than relying on the government's as a default!

Blunder: Insufficient/Wrong Life Insurance

Who's it for?

- ✓ **The primary objective of any life insurance policy is payment of a death benefit to protect heirs from financial hardship in the event of the policy holders death.**

Types

- ✓ **Term Insurance**
- ✓ **Permanent Insurance**

Blunder: No Tax Planning



5 Biggest Tax Errors*:

- ✓ **Incorrect/Missing Social Security number**
- ✓ **Required documentation not attached (W2's)**
- ✓ **Return not signed**
- ✓ **Filing status incorrect**
- ✓ **Math errors (over 4 million in 2005)**

Receiving a tax refund is getting *your* money back, 16 months later, with no interest – it's not a gift or a bonus!

Plain and simple, you may be overpaying your taxes.

Tax planning, in addition to tax preparation, may help you be better prepared.



Debt Management

- Take advantage of zero/low interest rate transfer offers.
- Use a debt elimination strategy, paying as much extra as you can toward the highest interest rate balance *only*. Once that debt is gone, repeat that step going to next highest interest rate balance until all your debt is eliminated.
- Commit to continuing to “live without” that monthly amount by saving it once the debt is gone.

The Vision We Need To Have

Product vs. Strategy

Financial Products

- Mutual Fund
- Stock
- UIT
- 401(k)/403(b)
- IRA/Roth IRA
- Mortgage
- Real Estate
- Bonds
- Certificate of Deposit
- Will
- Living Trust

The Vision We Need To Have

Financial Strategy

- Entry Point
- Defined Purpose
- Defined Time Line
- Flexibility for Unseen Emergencies and Opportunities
- Encompasses Short, Mid and Long-Term Goals
- Asset Allocation to Work Towards Goals
- Exit Strategy

No investment strategy, such as asset allocation, can guarantee a profit or protect against loss in periods of declining values.



Thank you for coming...

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