Financial Literacy for Women

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CEO AND PRESIDENT, BARTLETT & CO.

M.I.A.M.I. WOMEN

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Financial Literacy for Women

Taking Charge of Your Financial Future

Charting a Financial Course

Today, it's critical
that women know
how to **SAVE,**
INVEST, and
PLAN for their future

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Reasons for Optimism

- Women represent almost half the workforce
- Percentage of household income earned by women steadily increasing
- Women-owned businesses growing
- Women earn the majority of all bachelor's, master's, and doctoral degrees
- Economic clout growing

Sources: U.S. Department of Labor, Bureau of Labor Statistics, Women in the Labor Force: A Databook, May 2014; National Women's Business, Council Fact Sheet, 2014; National Center for Education Statistics, 2013 Tables and Figures, Table 318.30

Potential Financial Challenges

- Women have longer life expectancies
- Women generally earn less income and have less savings
- Women are more likely to take career breaks for caregiving
- Women often invest too conservatively

Sources: NCHS Data Brief, Number 168, October 2014; U.S. Bureau of Labor Statistics, Women in the Labor Force: A Databook, May 2014; U.S. Department of Labor, Women and Retirement Savings Online Publication, January 2015

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Women Have Longer Life Expectancies

- Women live an average of 4.8 years longer than men
- Retirement dollars will need to stretch further
- More likely to need long-term care and face some health-care needs alone
- Married women likely to have sole responsibility for financial decisions and disposition of marital estate

Source: NCHS Data Brief, Number 168, October 2014

Women Tend to Invest Too Conservatively

- Inadequate retirement nest egg
- Loss of purchasing power due to inflation
- No risk = no reward

Take Charge of Your Financial Future

5 things you can do:

1. Take control of your money
2. Become a more knowledgeable investor
3. Plan for retirement
4. Protect your income and assets
5. Create an estate plan

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1. Take Control of Your Money

- Realize you have responsibility for your financial well-being
- Know your cash flow
- Establish positive cash flow by budgeting, managing debt, living within means
- Create an emergency fund
- Establish and maintain good credit
- Set clear financial goals

2. Become a More Knowledgeable Investor

There's always room to **learn more** and **adjust your plan** based on your circumstances

Become a More Knowledgeable Investor

Just starting out

- Get some basic information
- Take small steps and learn as you go
- Don't postpone getting started
- Ask questions

More experienced

- Align portfolio with goals, time horizon, and risk tolerance
- Look for ways to manage risk
- Understand what you own
- Keep an eye out for investing ideas
- Consider taxes, fees, inflation
- Make ongoing adjustments
- Have game plan for volatile markets

3. Plan for Retirement

- Save as much as you can
- Put yourself first
- Join employer retirement plan (e.g., 401(k), 403(b) plan)
- Consider IRAs -- traditional, Roth, spousal
- Set savings goal and keep track of progress

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Start Saving Early

Age you start saving for retirement	Save $2,000 per year	Save $5,000 per year	Save $10,000 per year
	at age 65, you'll have…		
20	$425,487	$1,063,718	$2,127,435
30	$222,870	$557,174	$1,114,348
40	$109,729	$274,323	$548,645
50	$46,552	$116,380	$232,760
60	$11,274	$28,185	$56,371

Note: This is a hypothetical example, and does not reflect the performance of any specific investment. Results assume average 6% return and do not account for taxes. Earnings are compounded annually.

Retirement Vehicles

Defined Contribution

- Profit Sharing
- 401-k, 403-b, 457
- IRAs

Defined Benefit

- Pension

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INDIVIDUAL RETIREMENT ACCOUNTS IRAs

- **Traditional**
- **Rollover**
- **Inherited**
- **Roth**

INDIVIDUAL RETIREMENT ACCOUNTS IRAs

- **Traditional** - contribute pre-tax or after-tax dollars. When you make withdrawals after age 59½, they're treated as <u>current income</u>.

INDIVIDUAL RETIREMENT ACCOUNTS IRAs

- **Rollover -** transfer of funds from a retirement account into a Traditional **IRA** or a Roth **IRA**.

INDIVIDUAL RETIREMENT ACCOUNTS
IRAs

- **Inherited –** inherit upon parent's death

INDIVIDUAL RETIREMENT ACCOUNTS IRAs

- **Roth** - retirement savings **account** that allows your money to grow tax-free. You fund a **Roth** with after-tax dollars, meaning you've already paid taxes on the money you put into it.

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4. Protect Your Income and Assets

- Life insurance
- Disability insurance
- Home and auto insurance
- Health insurance
- Long-term care insurance
- Trusts
- Business entities

5. Create an Estate Plan

An **estate plan** is simply a **map** that reflects the way you want your **personal and financial affairs** to be handled in case of your incapacity or death

Creating an Estate Plan

Incapacity

- Living will
- Health-care proxy
- DNR order
- Power of attorney
- Living trust

Death

- Will
- Testamentary trust
- No will--intestacy laws
- Will or no will--some property passes automatically (jointly owned property, property with designated beneficiary, trusts)

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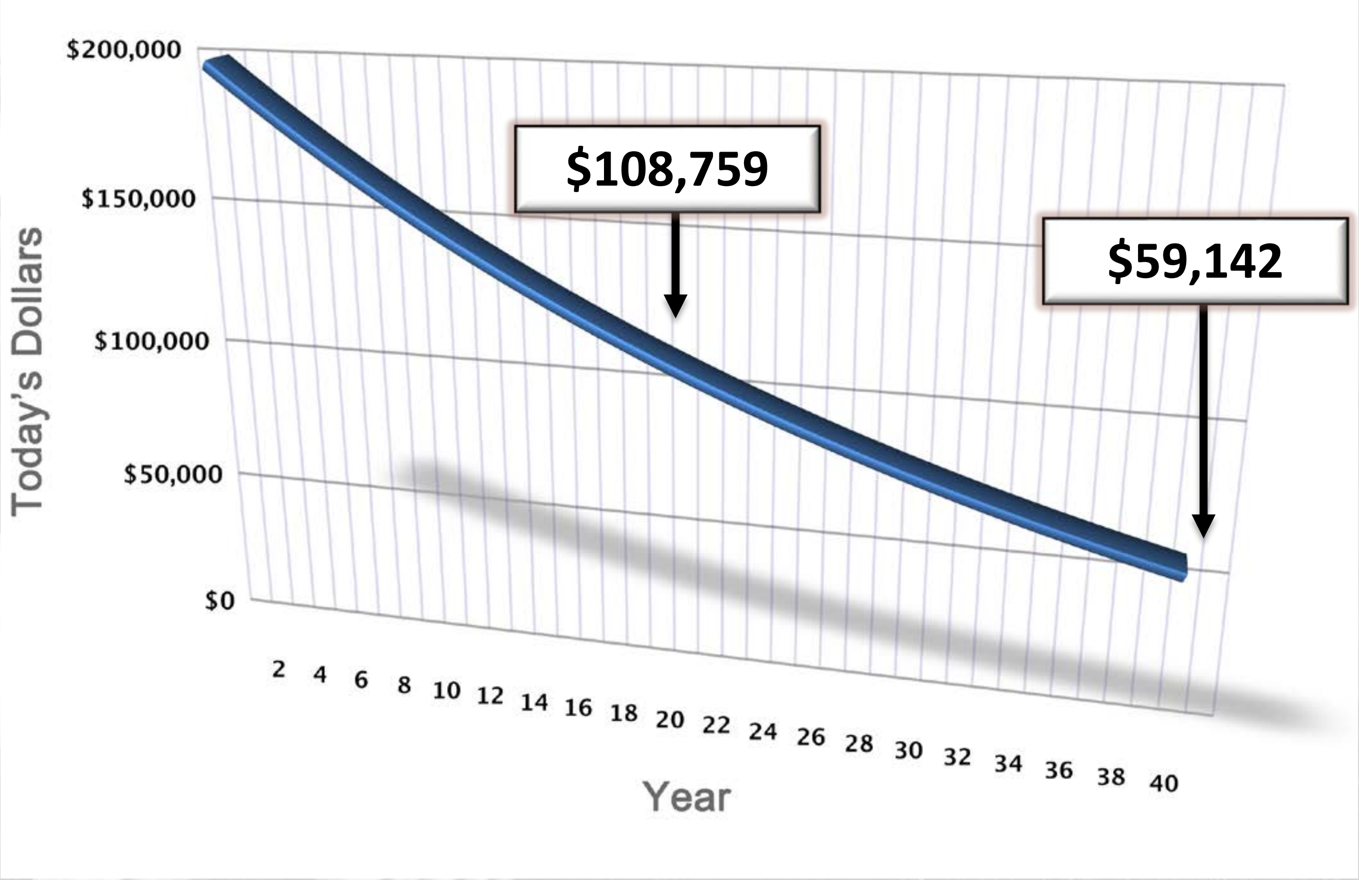
Investment Basics

A Guide to Your Investment Options

Purchasing Power Declines

Due to *The Effect of Inflation*

Purchasing Power of $200,000 at 3% Annual Inflation



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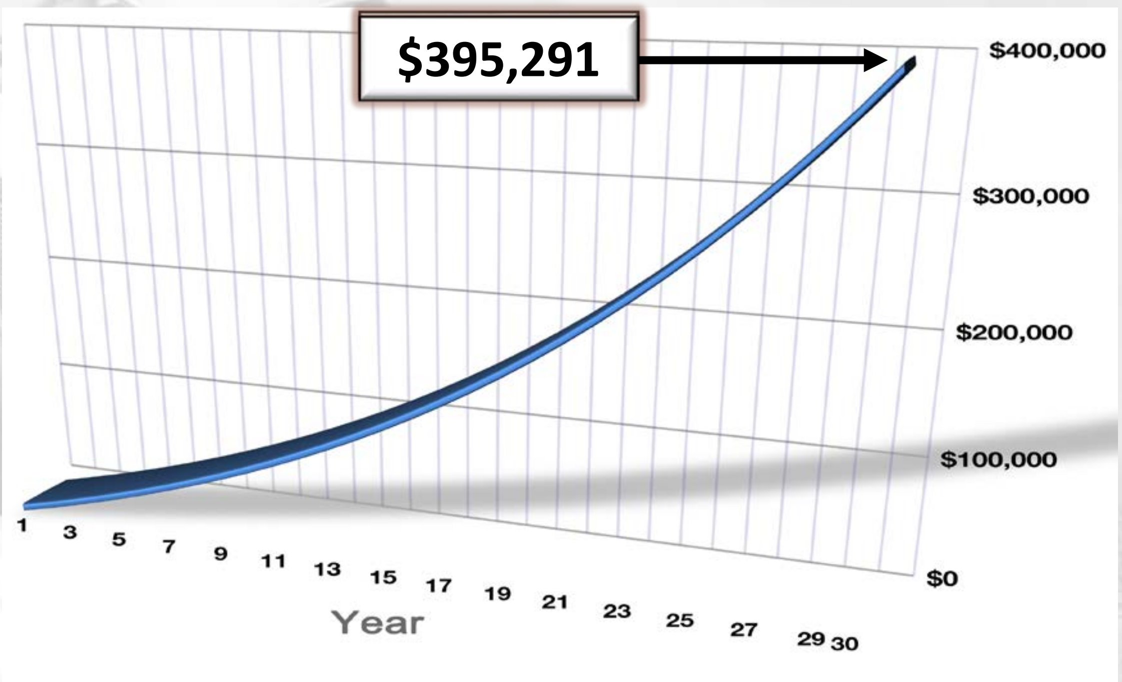
The Effect of Compounding

Growth of Annual $5,000 Investments



- *$5,000 invested annually at the end of each year*
- *6% annual growth rate*
- *All earnings reinvested*

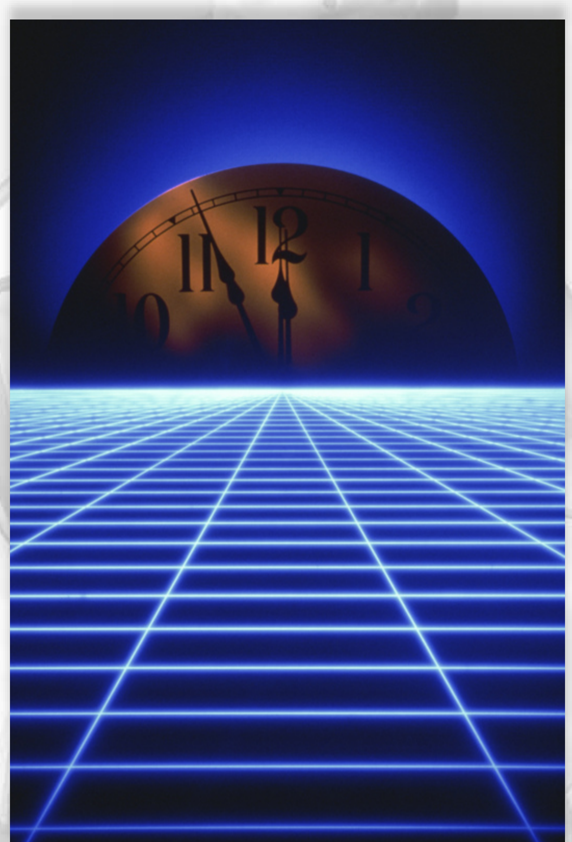
This is a hypothetical example and is not intended to reflect the actual performance of any specific investment.

Investment fees and expenses, and taxes are not reflected. If they were, the results would have been lower.

"Rule of 72"

72 ÷ Rate of Return = Years Needed to Double in Value

Identifying Goals and Time Horizons

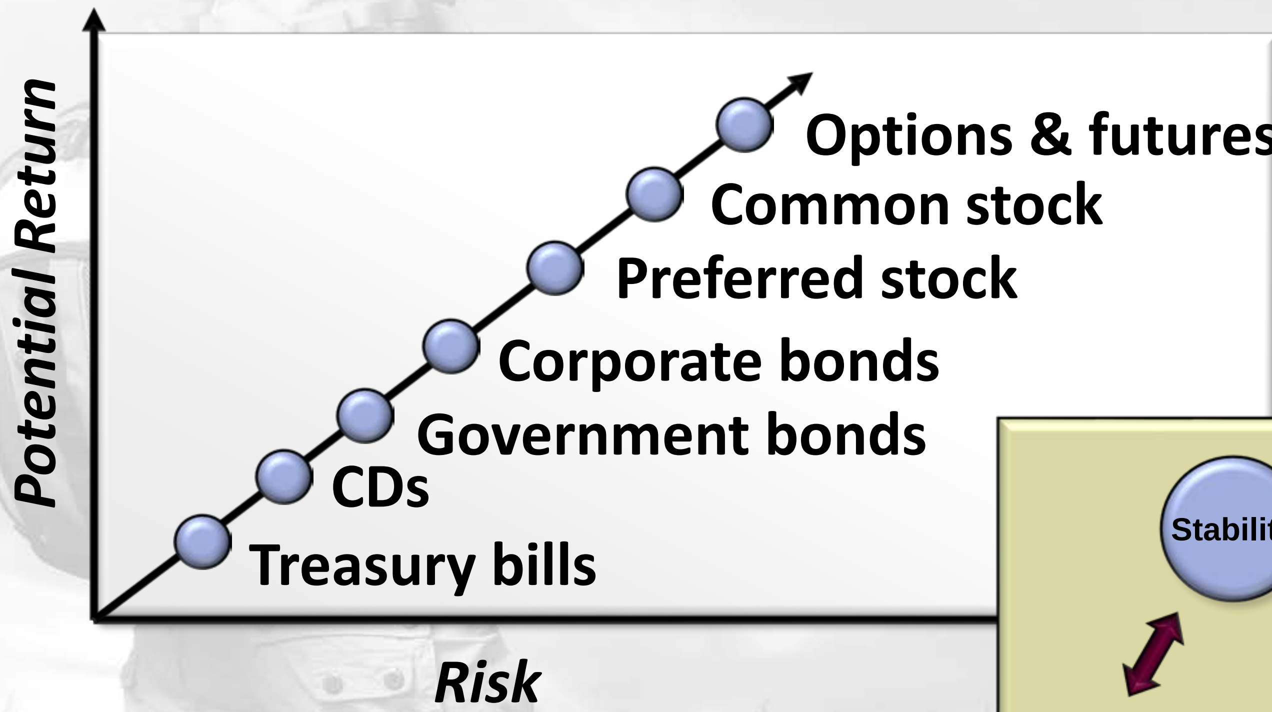


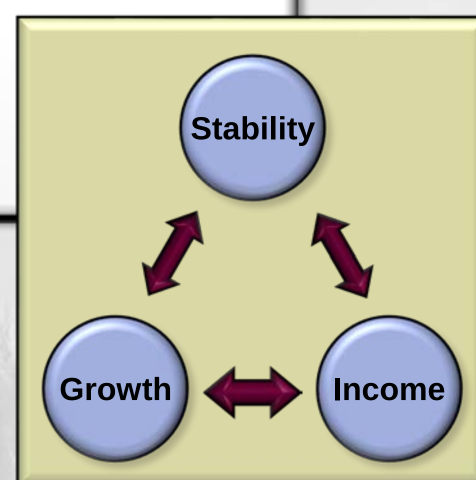
- Investment goals
  - Retirement
  - Education
  - Special purchase
  - Financial security
- Short-term goals vs. long-term goals
- In general, the longer your investment horizon, the more risks you can afford to take

Risk Tolerance

- Ability of investment plan to absorb loss
- Personal tolerance for risk
  - Aggressive
  - Moderate
  - Conservative

Relationship Between Risk & Return





Risk-Return Tradeoff

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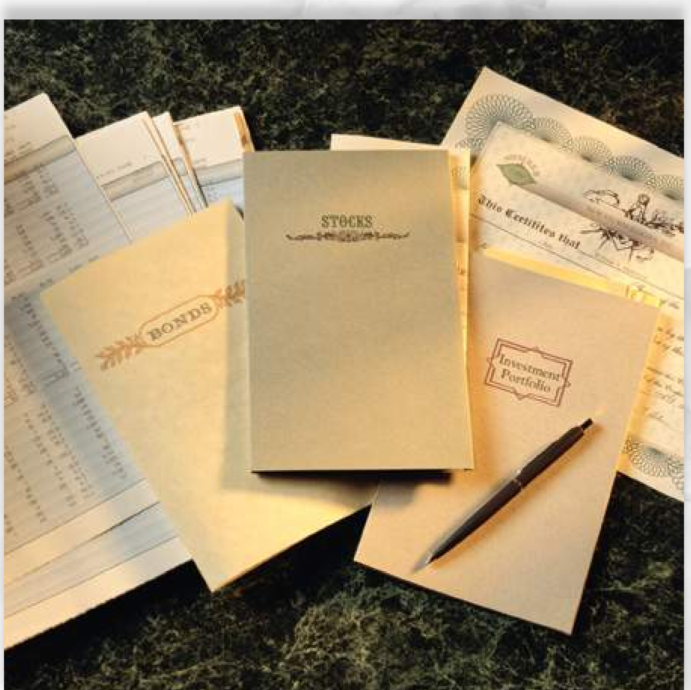
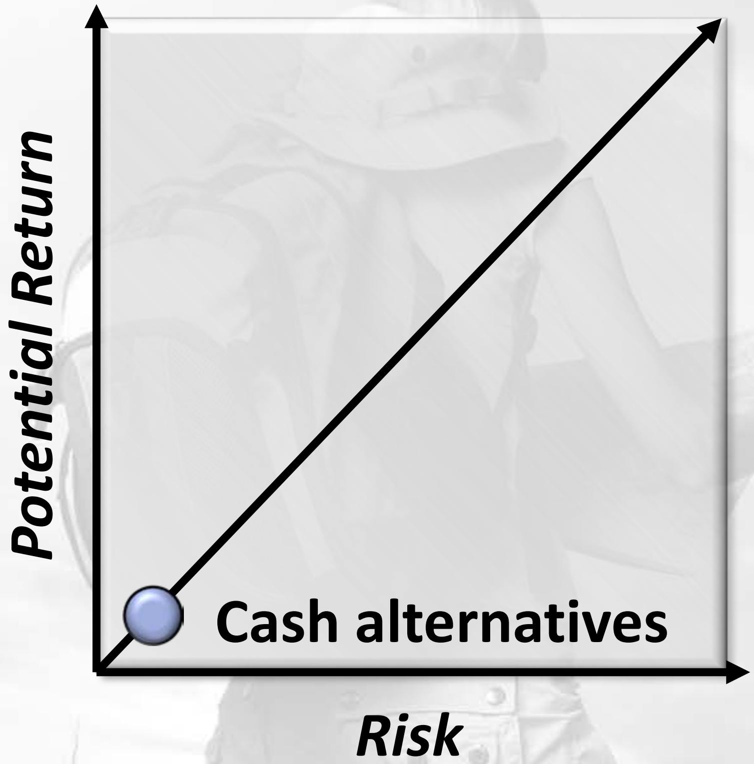
Investment Options--
Types of Investments



- Cash alternatives
- Bonds
- Stocks
- Other investments
- Funds

401(k) plans and IRAs are not investments--they are tax-advantaged vehicles that hold individual investments

Investment Options--*Cash Alternatives*



- Low risk, short-term, relatively liquid
- Examples of cash alternatives include:
  - Certificates of deposit (CDs)
  - Money market deposit accounts
  - Money market mutual funds
  - U.S. Treasury bills (T-bills)

Investment Options--*Cash Alternatives*

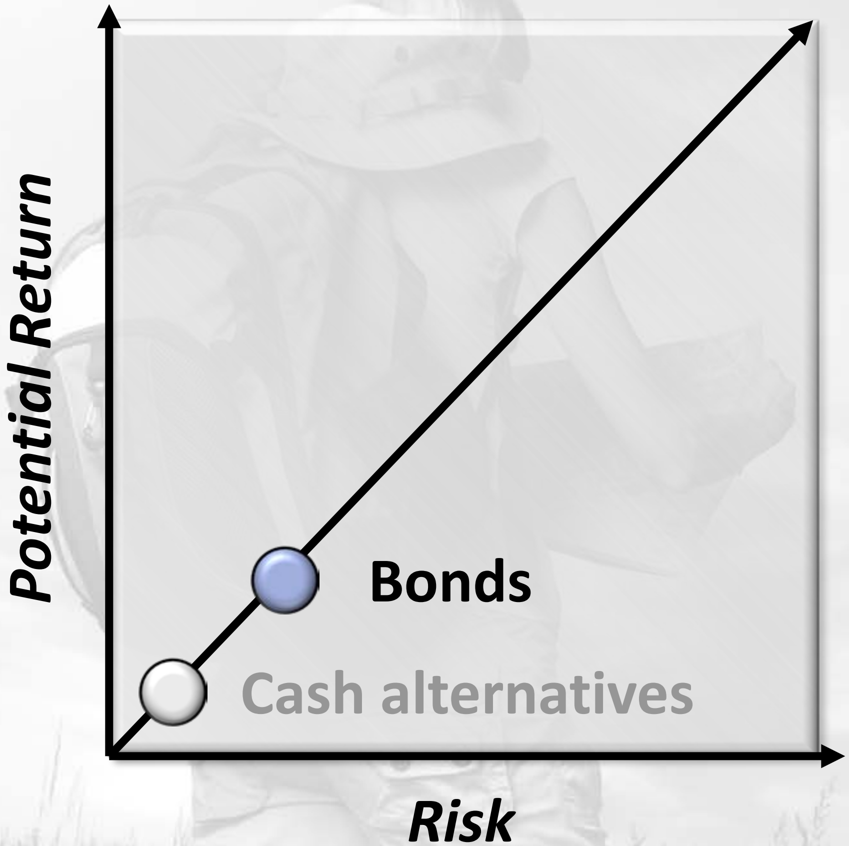
Advantages

- Predictable earnings
- Highly liquid
- Little risk to principal

Disadvantages

- Relatively low returns
- May not keep up with inflation

Investment Options--*Bonds*



- Loans to a government or corporation
- Interest typically paid at regular intervals
- Can be traded like other securities
- Value fluctuates

Investment Options--*Bonds*

Types of bonds include:

- U.S. government securities
- Agency/GSE bonds
- Municipal bonds
- Corporate bonds

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Investment Options--*Bonds*

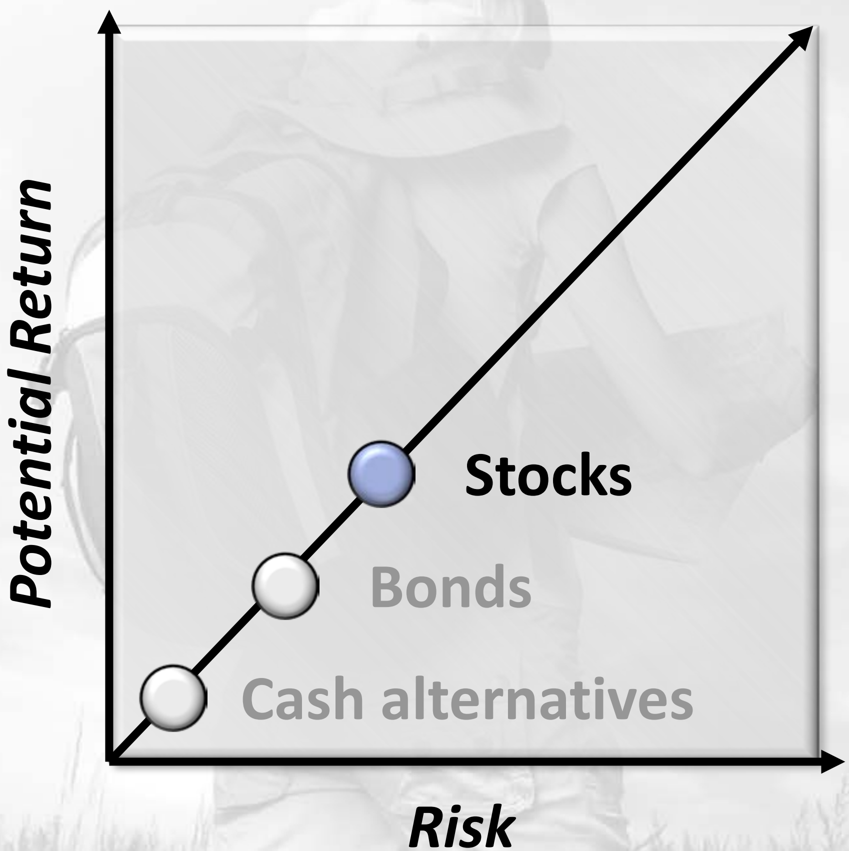
Advantages

- Steady and predictable stream of income
- Income typically higher than cash alternatives
- Relatively lower-risk (compared to options such as stock)
- Low correlation to stock market

Disadvantages

- Risk of default
- Value of bond will fluctuate with interest rates
- Lower risk means lower potential returns (than stock, for example)

Investment Options--*Stocks*



- Shares of stock represent an ownership position in a business
- Percentage of ownership determines your share of profit / loss
- Earnings may be distributed as dividends
- Shares of stock can be sold for gain or loss

Bull and Bear Markets

Investment Options--*Stocks*

- Common vs. preferred
- Categories:
  - Small cap
  - Midcap
  - Large cap
- Stock terminology:
  - Growth stock
  - Value stock
  - Income stock
  - Blue chip stock
  - American Depositary Receipts (ADRs)

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Categories of Stocks

Size defined by market capitalization:

- Market value of outstanding shares

Example: $20 million *($20 per shares x 1 million shares)*

- Small cap < $300 mln-$2 bln
  Big Lots
- Midcap - $2-10 bln
  Cintas
- Large cap $10-$200 bln
  (Blue Chip) *GE*
- Mega cap > $200 bln
  Exxon

Stock Terminology

- Growth stock
- Value stock
- Income stock
- Blue chip stock
- American Depositary Receipts (ADRs)

Investment Options--*Stocks*

Advantages

- Historically, have provided highest long-term total returns
- Ownership rights
- Can provide income through dividends as well as capital appreciation
- Easy to buy and sell

Disadvantages

- Poor company performance affects dividends / value of shares
- Subject to market volatility
- Greater risk to principal
- May not be appropriate for short term

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Investment Options--*Other Investments*

- Real estate
- Stock options
- Futures and commodities
- Collectibles

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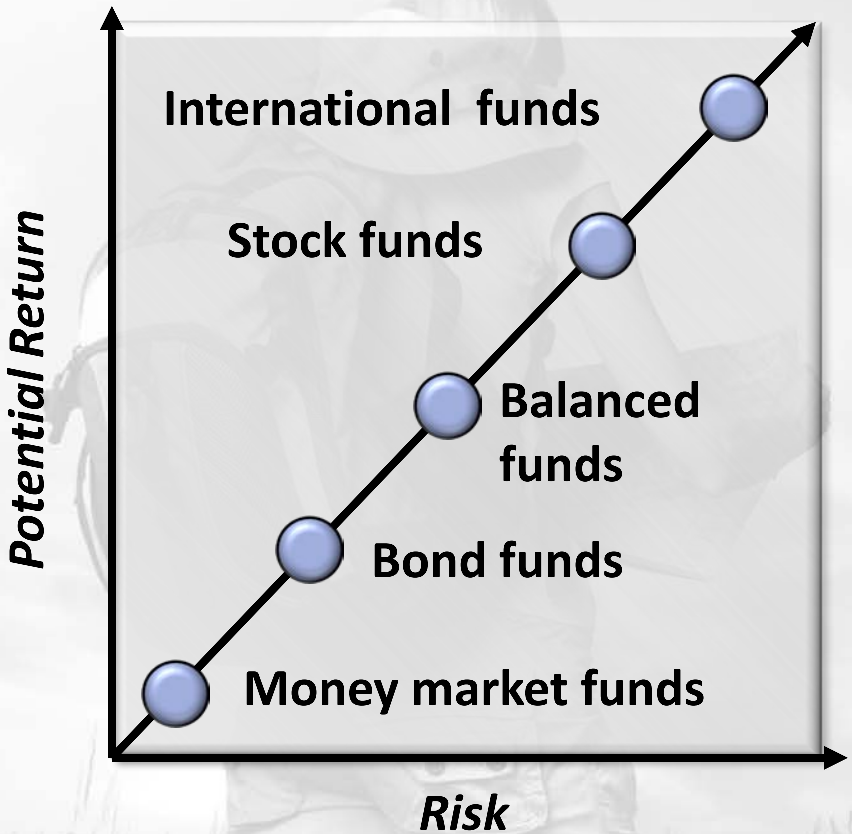
Investment Options--*Mutual Funds*

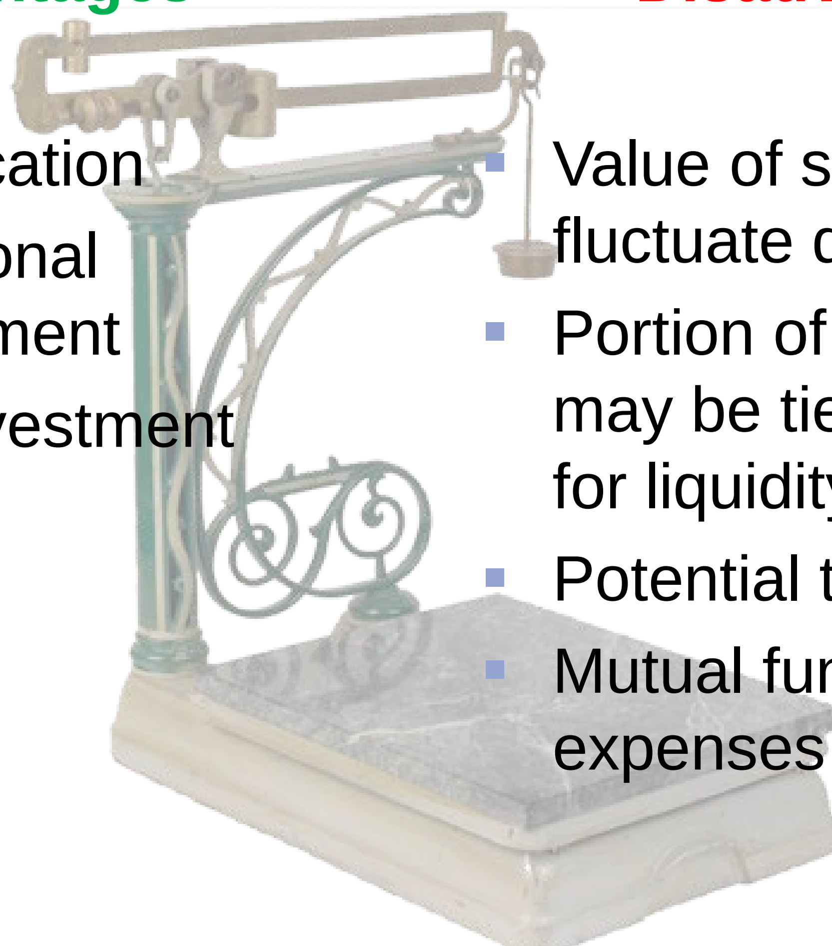
- Your money is pooled with that of other investors
- Fund invests dollars according to stated investment strategy
- You own a portion of the securities held by the fund (instant diversification)

Investment Options - *Mutual Funds*



- Three major investment categories:
  - Money market funds
  - Bond funds
  - Stock funds
- Mutual funds fall all along the risk-return spectrum (e.g., balanced funds, international funds)
- Active vs. passive management

Investment Options--*Mutual Funds*



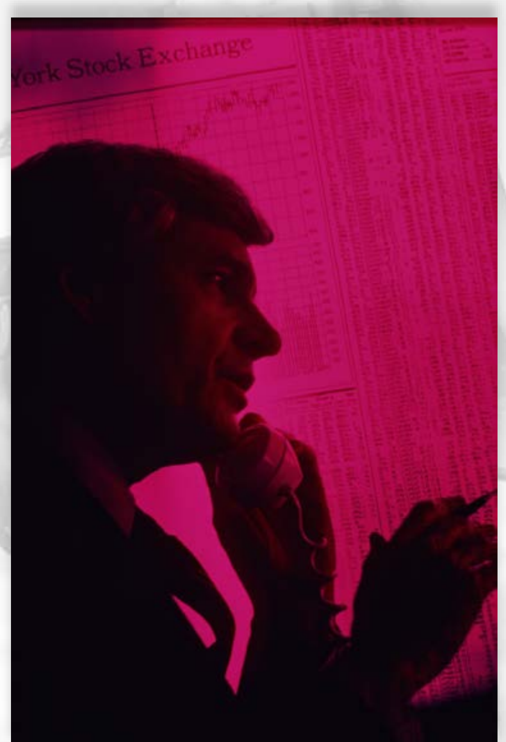
Advantages

- Diversification
- Professional management
- Small investment amounts
- Liquidity

Disadvantages

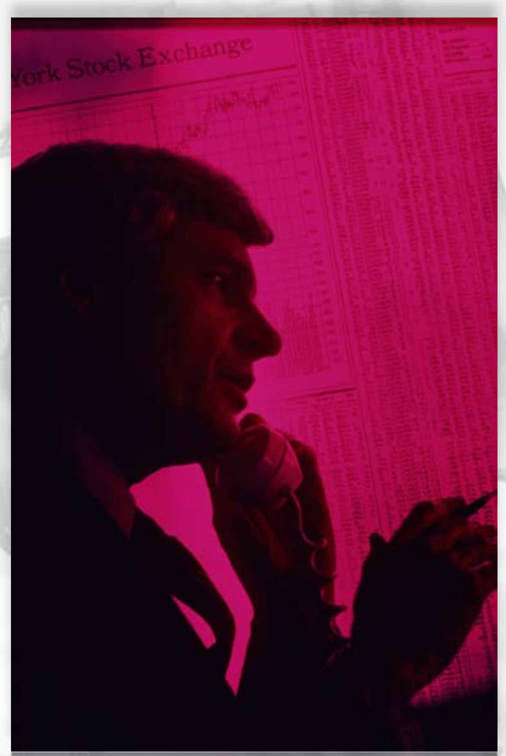
- Value of shares can fluctuate daily
- Portion of fund dollars may be tied up in cash for liquidity needs
- Potential tax inefficiency
- Mutual fund fees and expenses

Investment Options --
Exchange-Traded Funds (ETFs)



- Most ETFs are based on an index
- Passive management may lower fund costs
- Can be traded throughout the day, bought on margin, and shorted, like stocks
- May provide tax efficiencies

What is an Index?

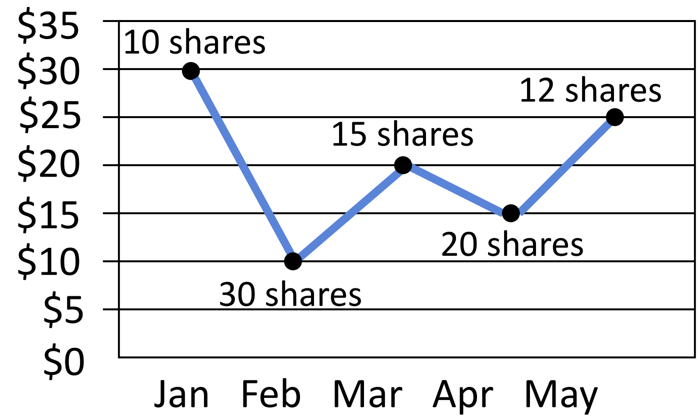


- **S&P 500** (stocks)
  - Standard & Poors
  - 500 Stocks
  - Cap weighted
- **Dow Jones Industrial Average** (stocks)
  - 30 Stocks, not as well diversified
  - Price weighted

Investment Methods--*Dollar Cost Averaging*

- Invest same dollar amount at regular intervals over time
- You buy more shares when price is low, fewer shares when price is high
- Average cost of shares will be lower than average market price per share during your investment time period

Five Hypothetical Investments



Average market price per share

(\$30 + \$10 + \$20 + \$15 + \$25) ÷ 5 = **\$20**

Investor's average cost per share

\$1,500 invested ÷ 87 shares bought =

\$17.24

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This is a hypothetical example and does not reflect the performance of any specific investment.
Dollar cost averaging can't guarantee you a profit or protect you against a loss if the market is declining.

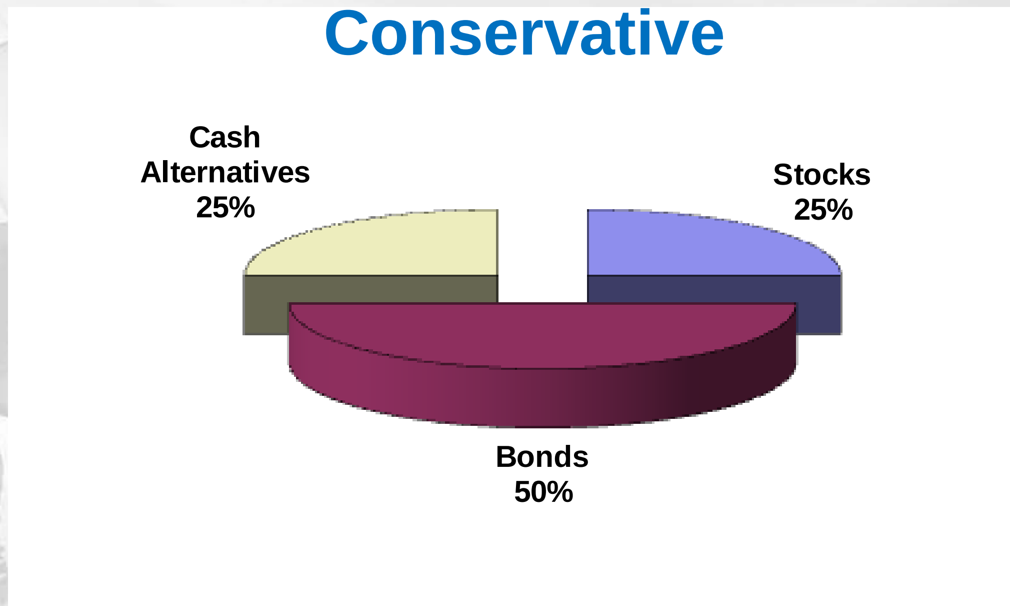
Asset Allocation--*Considerations*

Factors:

- Diversification
- Risk tolerance
- Time frames
- Personal financial situation
- Liquidity needs

Asset Allocation --
Sample Allocation Model

A conservative asset allocation model will tend to focus on preserving principal



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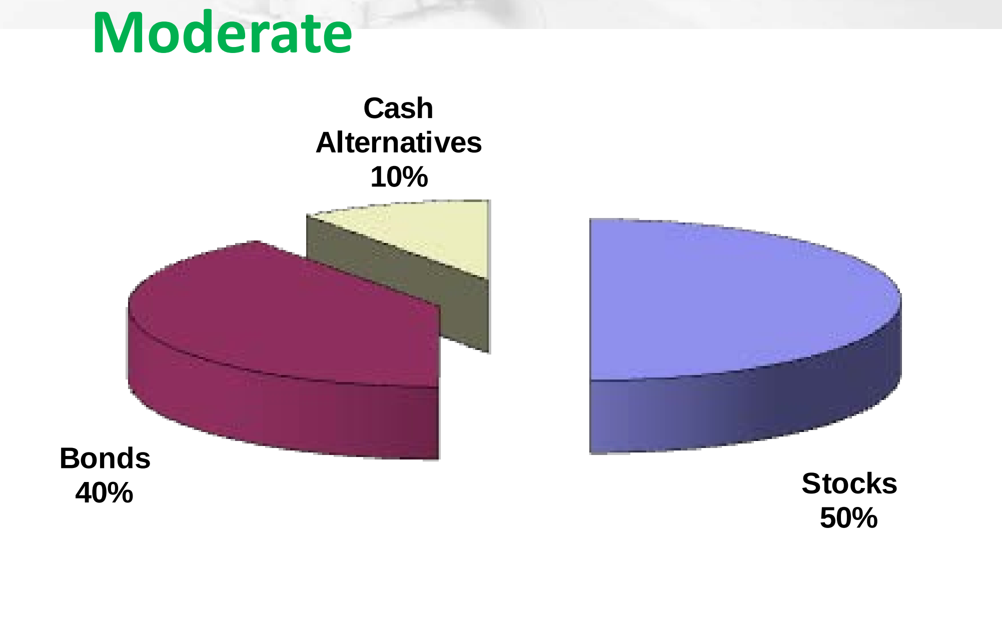
Asset Allocation --

Sample Allocation Model



A moderate asset allocation model will tend to balance predictable income with potential growth

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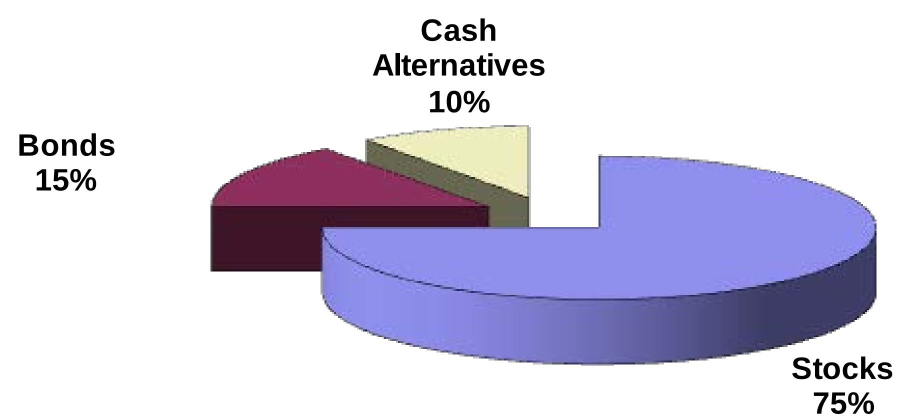
Asset Allocation --
Sample Allocation Model

An aggressive asset allocation model will tend to focus primarily on potential growth

Aggressive



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Total Return

Income + price appreciation/depreciation

- Income: Dividend from stock or interest from bond
- Price change: both stock and bond prices change during the day every day

DISNEY - 100 shares

TOTAL RETURN:		$742/$10,400=	7.1%
Dividend	$1.42 X 100 shs=		$142
Change in Price:			
BUY	$ 104		
SELL	$ 110		
	$ 6.00	X 100=	$600
		Gain	$742

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Yield

Income from stock or bond

- Dividend from stock paid quarterly
- Interest from bond paid semi-annually

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Yield

Income from stock or bond

- Dividend from stock paid quarterly
- Interest from bond paid semi-annually

- Pepsi dividend yield: 2.82%
- Pepsi 10 year bond yield: 2.80%

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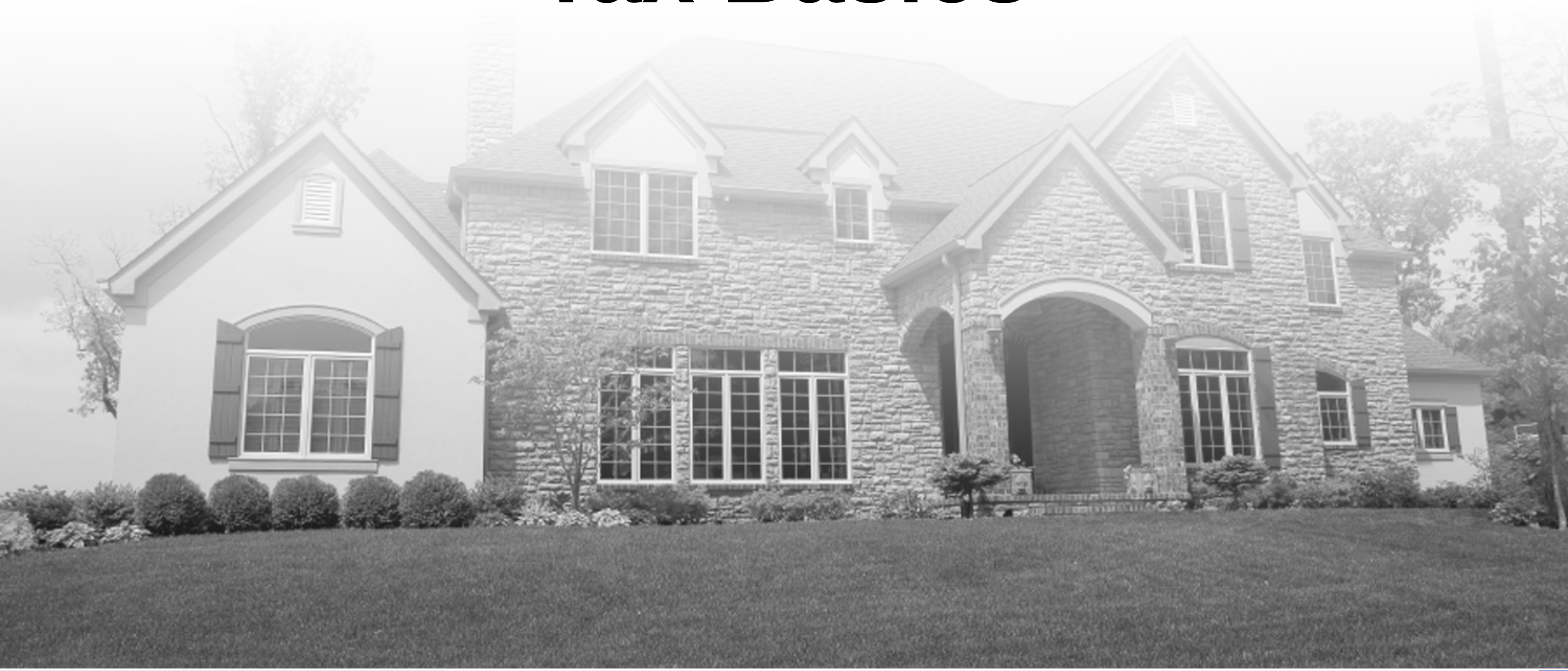
Tax Basics



Impact of Taxes

- Ordinary income tax
- Special tax rates for long-term capital gains and qualifying dividends
- Tax-free income (e.g., certain municipal bonds)*
- Special rules for tax-advantaged accounts

*Interest earned on tax-free municipal bonds is generally exempt from state tax if the bond was issued in the state in which you reside; it is also exempt from federal income tax (though earnings on certain private activity bonds may be subject to regular federal income tax or to the alternative minimum tax). But if purchased as part of a tax-exempt municipal money market or bond mutual fund, any capital gains earned by the fund are subject to tax, as are any capital gains from selling an individual bond.

Tax Basics

Transfer taxes include:

- **Federal gift tax** - imposed on transfers you make during your life
- **Federal estate tax** - imposed on transfers made upon your death
- **Federal generation-skipping transfer (GST) tax** - imposed on transfers to individuals who are more than one generation below you (e.g., grandchildren) both during your life and upon your death

Transfer taxes imposed on the state level tend to affect smaller estates.

Income Tax Considerations

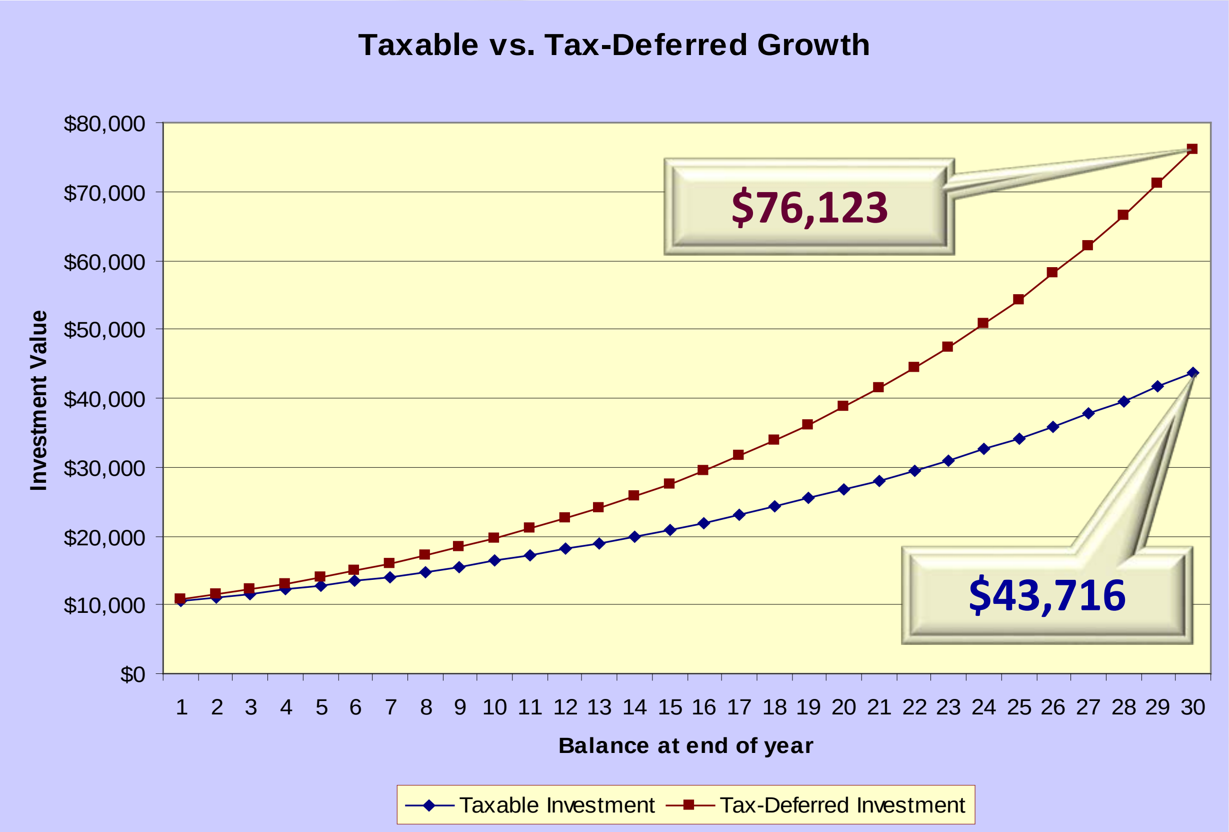
Pretax Dollars

- Deductions are made from your paycheck before taxes are calculated
- The result can be lower out-of-pocket costs
- Some examples:
  - Health or dependent care
  - Transportation costs
  - Retirement plan contributions (e.g., 401(k))

Tax-<u>Deferred</u> Growth

- No taxes are due until funds are withdrawn from the account
- In certain cases, qualified distributions are <u>tax free</u>
- Some examples:
  - 529 college savings and prepaid tuition plans
  - Retirement plans--traditional and Roth IRAs
- Penalty tax applies in some situations (early withdrawals, nonqualified distributions)

Taxable vs. Tax-Deferred Growth



Assumptions:

- $10,000 initial investment
- Tax rate 28%
- Growth rate 7% (after-tax growth rate 5.04%)
- Annual end of period compounding

This hypothetical example is for illustrative purposes only, and its results are not representative of any specific investment or mix of investments. Actual results will vary. Taxable investment assumes earnings are taxed as ordinary income and is not reflective of possible lower maximum tax rates on capital gains and dividends which would make the taxable investment return more favorable thereby reducing the difference in performance between the accounts shown. Applicable annuity charges are not reflected in this illustration. Had they been included, the return of the annuity would be lower. You should consider your personal investment horizon and income tax brackets, both current and anticipated, when making an investment decision as these may further impact the results of the comparison.

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Estate Planning Basics

An Overview of the Estate Planning Process

What Is an Estate Plan?

- An estate plan is a map
- This map reflects the way you want your personal and financial affairs to be handled in case of incapacity or death

Planning for Incapacity -- *Health-Care Directives*

Living Will	Durable Power of Attorney for Health Care (Health-Care Proxy)	Do Not Resuscitate (DNR) Order
Puts your instructions in writing	Lets you designate an agent to make decisions on your behalf	Directs that resuscitative measures be withheld or withdrawn

Not all types of health-care directives are effective in all states, so be sure to execute the one(s) that will be effective for you.

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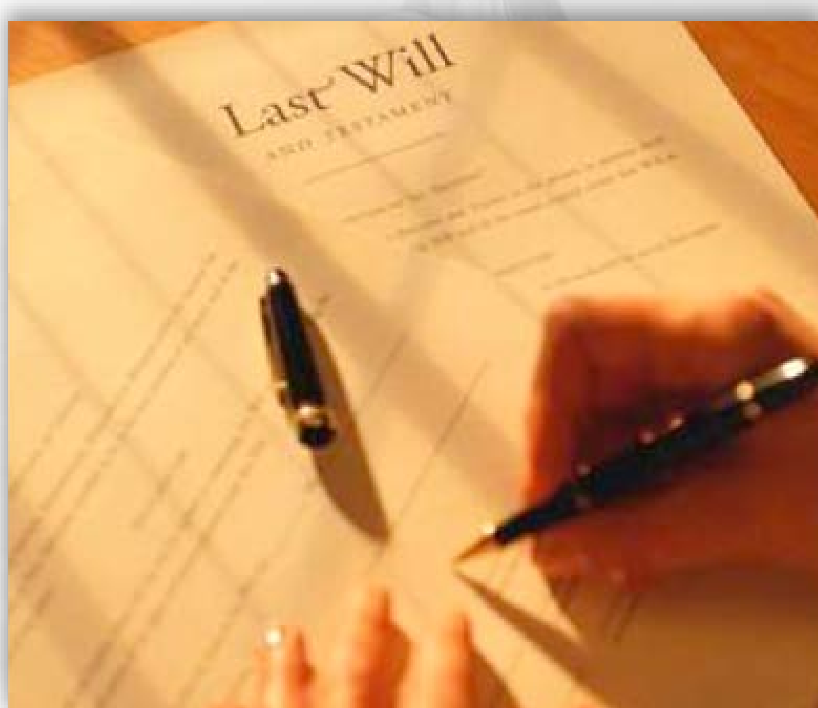
Estate Planning: Wills



- A will is the cornerstone of an estate plan
- Directs how your property will be distributed
- Names executor and guardian for minor children
- Can accomplish other estate planning goals (e.g., minimizing taxes)
- Must be written, signed by you, and witnessed

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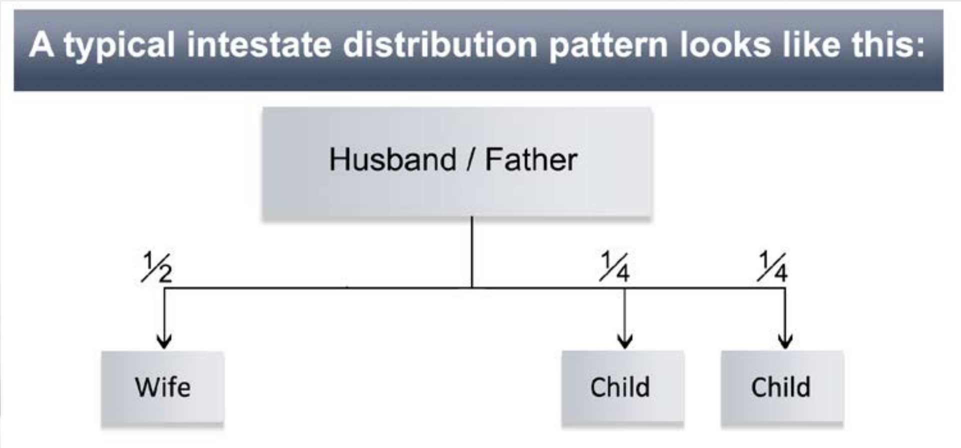
Estate Planning: Intestacy

- WHO is entitled to the assets?

- Intestacy laws vary from state to state
- Typical pattern of distribution divides property between surviving spouse and children
- Your actual wishes are irrelevant
- Many potential problems



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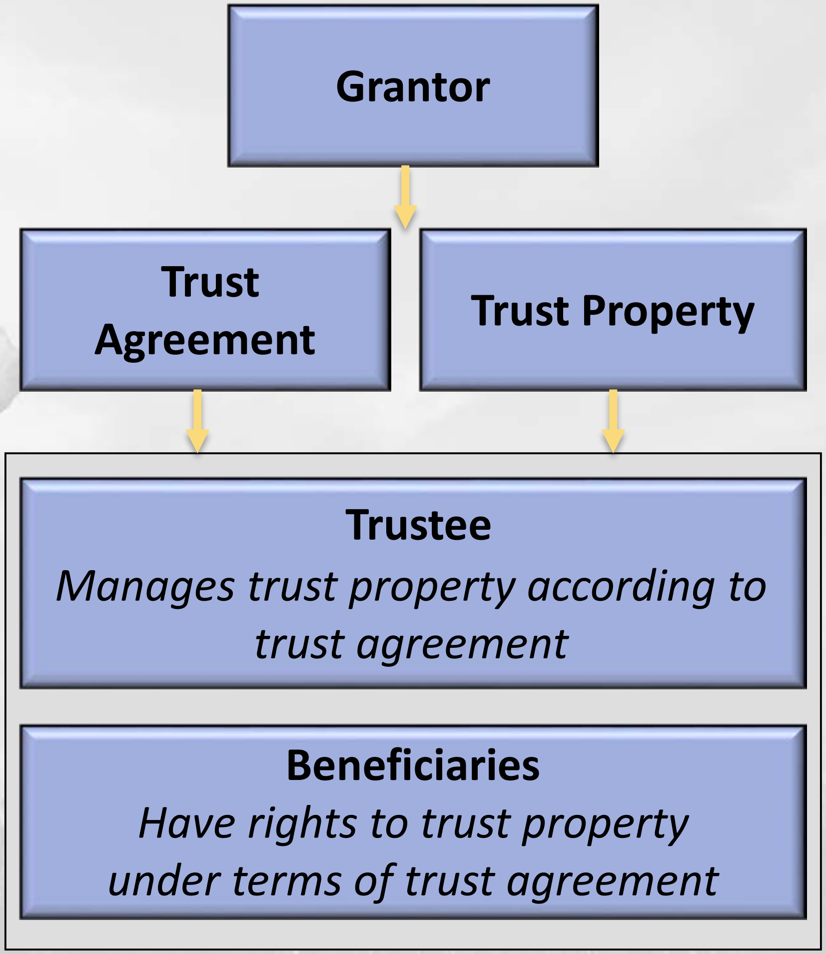
Trusts

- Versatile estate planning tool
- Can protect against incapacity, avoid probate, minimize taxes
- Allow professional management of assets
- Provide safeguards for minor children, elderly parents, other beneficiaries
- Can protect assets from future creditors
- Control over property

Trusts -- *What Is a Trust?*

- Legal entity that holds property
- Parties to a trust: grantor, trustee, beneficiary
- Living trusts vs. testamentary trusts (upon death)
- Revocable trusts vs. irrevocable trusts



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Insurance

Manage Risk and Replace Income

Risk Management with Insurance

Common types of insurance that help protect you and your assets from different risks:

- Health insurance
- Auto insurance
- Life insurance
- Property insurance
- Liability insurance
- Disability insurance
- Long-term care insurance

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Income Replacement with Insurance

Common types of insurance that help protect you and your assets from different risks:

- Life insurance
  - Term, Whole Life,
- Disability insurance
- Long-term care insurance

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What Is an Annuity?

- An insurance-based contract between you and the issuer
- You pay premiums with after-tax dollars
- Issuer invests your money
- Earnings accumulate tax deferred
- Earnings are taxed as ordinary income when distributed

Why Buy an Annuity?

- To receive tax-deferred growth for savings and a dependable stream of income for life
- To save for a specific purpose
- To supplement other sources of retirement income
- To maintain financial independence

Parties to an Annuity

The **owner**:

- Purchases the annuity
- May make withdrawals
- Receives annuitization payments if elected

The **issuer**:

- Issues the annuity
- Accepts the premiums
- Promises***** to pay the annuity benefits

*Guarantees are subject to the claims-paying ability of the annuity issuer.

The **annuitant**:

- Provides the measuring life for determining annuity payouts
- Typically, the annuitant is also the owner

The **beneficiary**:

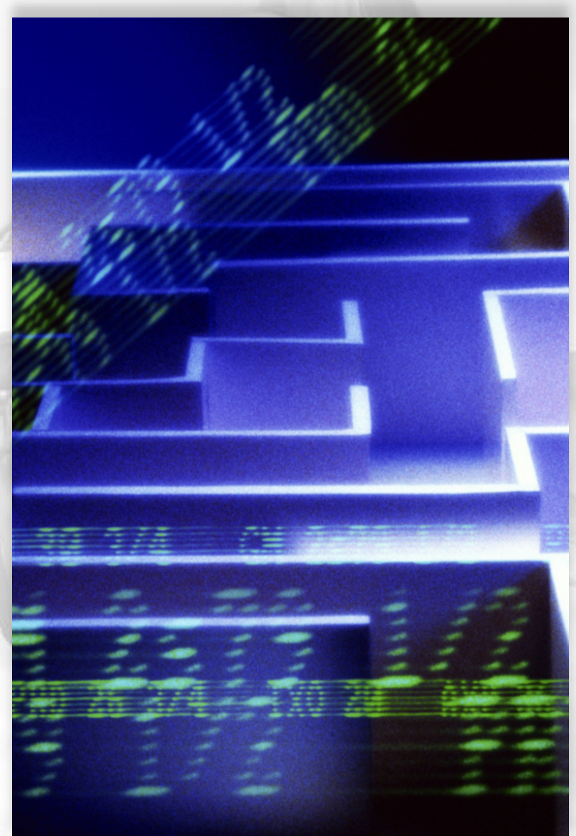
- Is named by the owner
- Receives the remaining benefits, if any, at the owner's death

The Role of a Financial Professional

- Help you determine your investment goals, timelines, and risk tolerance
- Create an asset allocation model
- Select specific investments
- Manage, monitor, and modify your portfolio

BARTLETT
OUR GOAL IS REACHING YOURS.
Investment Management. Financial Planning.
Since 1898.

Conclusion



I would welcome the opportunity to meet individually with each of you to address any specific concerns or questions that you may have.

Questions & Answers

M.I.A.M.I. Women in Leadership Symposium

MARCH 10, 2016

M.I.A.M.I. WOMEN

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