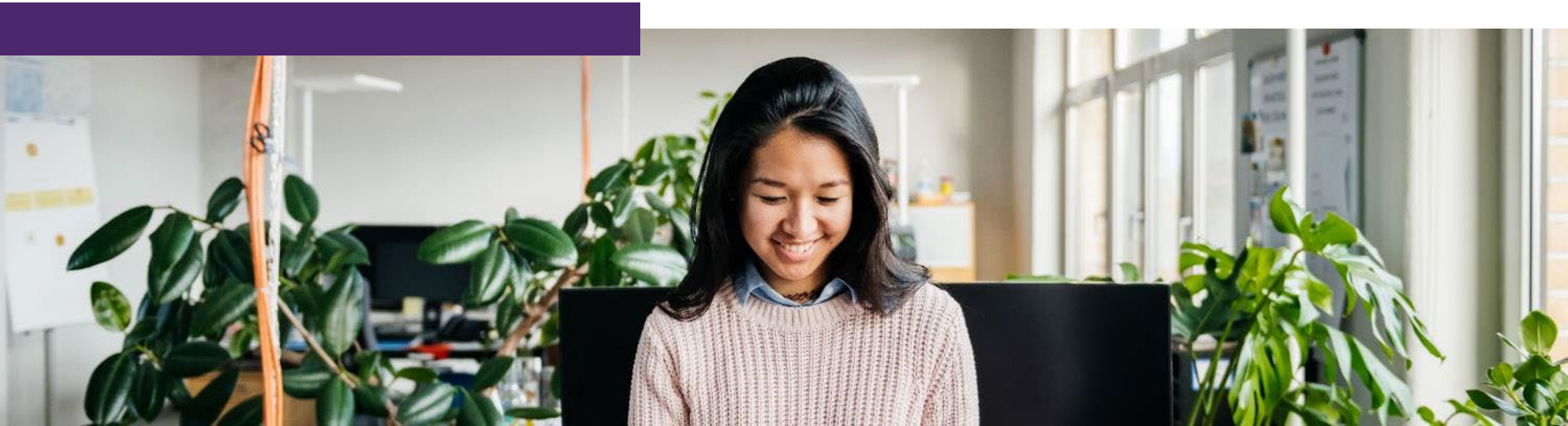




Financial fitness

February 9th, 2024

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For an optimal learning experience:

- Mics on mute
- Video camera
- Airtime
- Break



The financial planning process

- Balance sheet, cash flow and budgeting
- Debt management
- Goal setting
- Basics of retirement planning
- Asset allocation
- Estate planning
- Insurance
- The “Brilliant Basics”



Five “to-do’s”

- Create your personal balance sheet
- Create a budget - know what you make, know what you spend
- Establish a retirement plan
- Review and update your asset allocation
- Establish or update your estate plan



Personal balance sheet

Balance sheet is a listing of:

- Assets
- Cash and cash equivalents
- Investable assets
- Use assets
- Liabilities
- Short term
- Long term
- Net worth



Net worth

Net worth
= Assets –
Liabilities



Cash flow – Knowledge is power



- The single most important principle of financial planning: Spend less than you earn
- Know your income
- Know your expenses
- Have a budget

Debt management – The Virtuous Circle

- Decide to understand and address your debt situation
- Know your debts and the terms of each
- Decide what your goals are
- Develop a plan to attack your debt
- “The Virtuous Circle” – it works!



Your credit score – What drives it?



- Payment history – 35% of your score
- Amount owed (relative to the amount of credit available – 30%)
- Length of credit history – 15%
- Type of credit used (unsecured, secured, etc.) – 10%
- Applying for new credit – 10%

Your credit score – Strategies for improvement

- Paying your bills on time
- Should I cancel a card?
- Should I take a balance transfer card?
- Monitoring your credit – www.annualcreditreport.com
- What if I have a bad history?
- How long does it take?



Goal setting – What do you want?

- A basic requirement of all financial plans – what are your goals?
- A secure retirement – priority one
- Buying a home – pros and cons
- Education funding
- Automobiles
- The fun stuff – weddings, vacations, second home, “other”



A retirement projection

- Most important variable – how much income will you need in retirement
- Sources of income other than from assets – social security, pension, other
- What is the shortfall and how will it be made up?
- How much savings do you need – the “4% rule of thumb”?
- Let’s look at an example



How are you going to get there?



- Existing savings
- Projected balances in retirement accounts
- Asset sales – personal residence and other
- Inheritances
- New trends include reverse mortgages

Take a fresh look at your expenses

- Is 80% of your current income the right number for you?
- What kind of lifestyle will you lead?
- “Working in retirement”
- Downsizing your home and/or moving to a less expensive location
- Health care expenses



Asset allocation – How much risk can you take?



- Asset allocation – the percentage of your assets held in different types of investments – stocks, mutual funds, bonds, cash, real estate, other
- What is the “right” asset allocation – is it always based on age?
- What is “risk tolerance”?
- What are the trade-offs?

Dividing the pie – What size slices are right for you?

- Common stocks - Provide long-term growth but more volatile and risky. Necessary for staying ahead of inflation
- Mutual funds - A collection of stocks and/or bonds that is professionally managed
- Bonds – Good current income and less volatile and risky. But no long-term growth.
- Cash – Very little risk but not much else
- Other assets – Can add to return and reduce risk – but you need to understand them
- Real estate and commodities – a part of most portfolios



Asset allocation – How do you slice the pie?

Your recommended asset allocation is based on the following factors:

- Your risk tolerance
- The amount of return and growth you require to reach your goals



Retirement issues

- Social security – Baby boomers come of age
- www.ssa.gov – A user friendly website
- Medicare – A more open-ended issue
- Long-term care – A complicated product
- It's not just about the money – Preparing your “whole person” for retirement



Estate planning – Just do it

- Show of hands – Who doesn't have a will?
- Simply preparing basic estate planning documents is most of the battle
- Finding an attorney
- Naming an executor



The basic estate planning documents

- The Will
- The Power of Attorney
 - Durable
 - Non-durable
- The Living Will
- Health Care Proxy
- Trusts



Conclusion – “The Brilliant Basics”

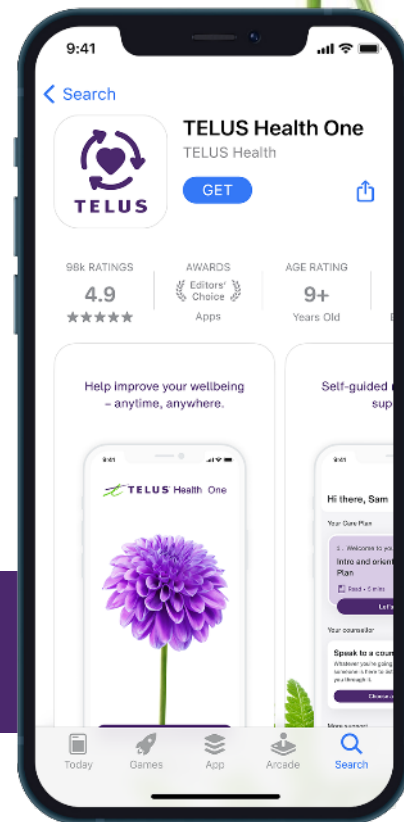


- Spend less than you earn
- Only take on debt that enhances your finances – “good debt”
- Prepare your balance sheet and budget
- Talk about your goals – short and long term
- Create a financial plan – don’t just have one by default
- Review your insurance coverage
- Prepare your estate planning documents

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Thank you.