



Webinar

Financial Resilience During Turbulent Times

September 10, 2020





Camille Bouvet, CFP®

Senior Financial Wellness
Consultant & Certified
Financial Planner



Sarah Schwartz

Retirement Plan
Consultant & Registered
Investment Advisor



Camille Bouvet, CFP®



Sarah Schwartz



Chris Call, CFP®



Jeremy Stoker



Clay Stafford



Christian Bretz



Justin McAdams



Abiy Fisseha, CFP®



Craig Buchanan



Nikki Venuti



Jake Daly



Ali Ahmadi



Cynthia Danby



Scott McCloskey



Kevin Senaha



Jessica O'Leary



Brian Gilmore, JD

Agenda

- Intro to financial resilience
- Market update & perspective
- Lessons learned from the 2008 Great Recession
- How to create Financial Resilience *now*
- Financial Relief Programs update
- Free tools & resources
- Q&A (time-permitting)

“Is it the right time to refinance my student loans / mortgage?”

“How can I work from home with the kids out of school?”

“Will I or my loved ones get sick?”

“Should I move my investments to cash?”

“How do I keep myself and loved ones safe through this pandemic?”

“Can I work from home? I don’t have a computer!”

“When will this self-quarantine end?”

“Can my company survive this?”

“Will my spouse lose their job?”

“Will I lose my job?”

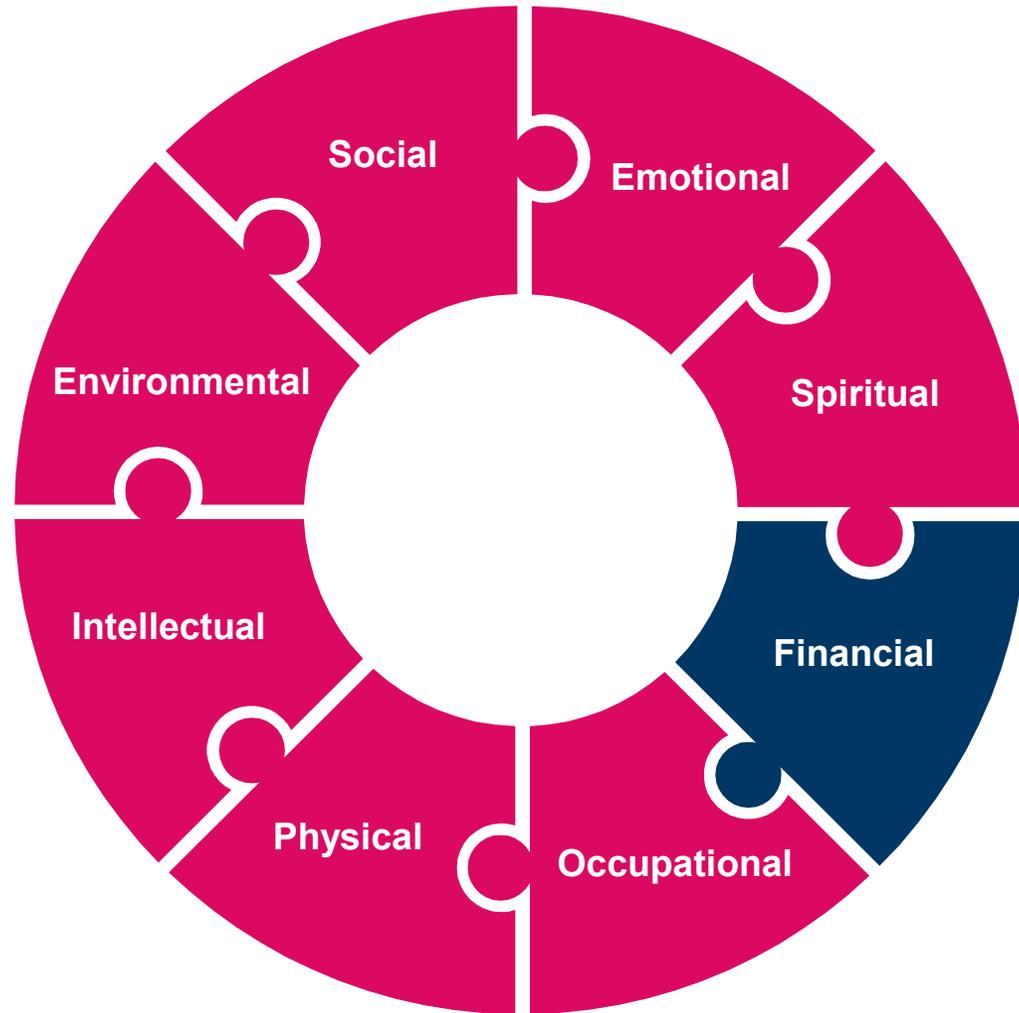
“Who can I talk to for help?”

What happens if I get sick?



There is a lot that’s happening beyond our control and the answers are not all clear. There are, however, actions to take and areas to highlight to help draw employees to clarity and peace of mind.

**Financial
Wellness is
Only One
Piece of
the Puzzle**



Why financial resilience?





Financial resilience is defined as the ability to withstand life events that impact one's income or assets





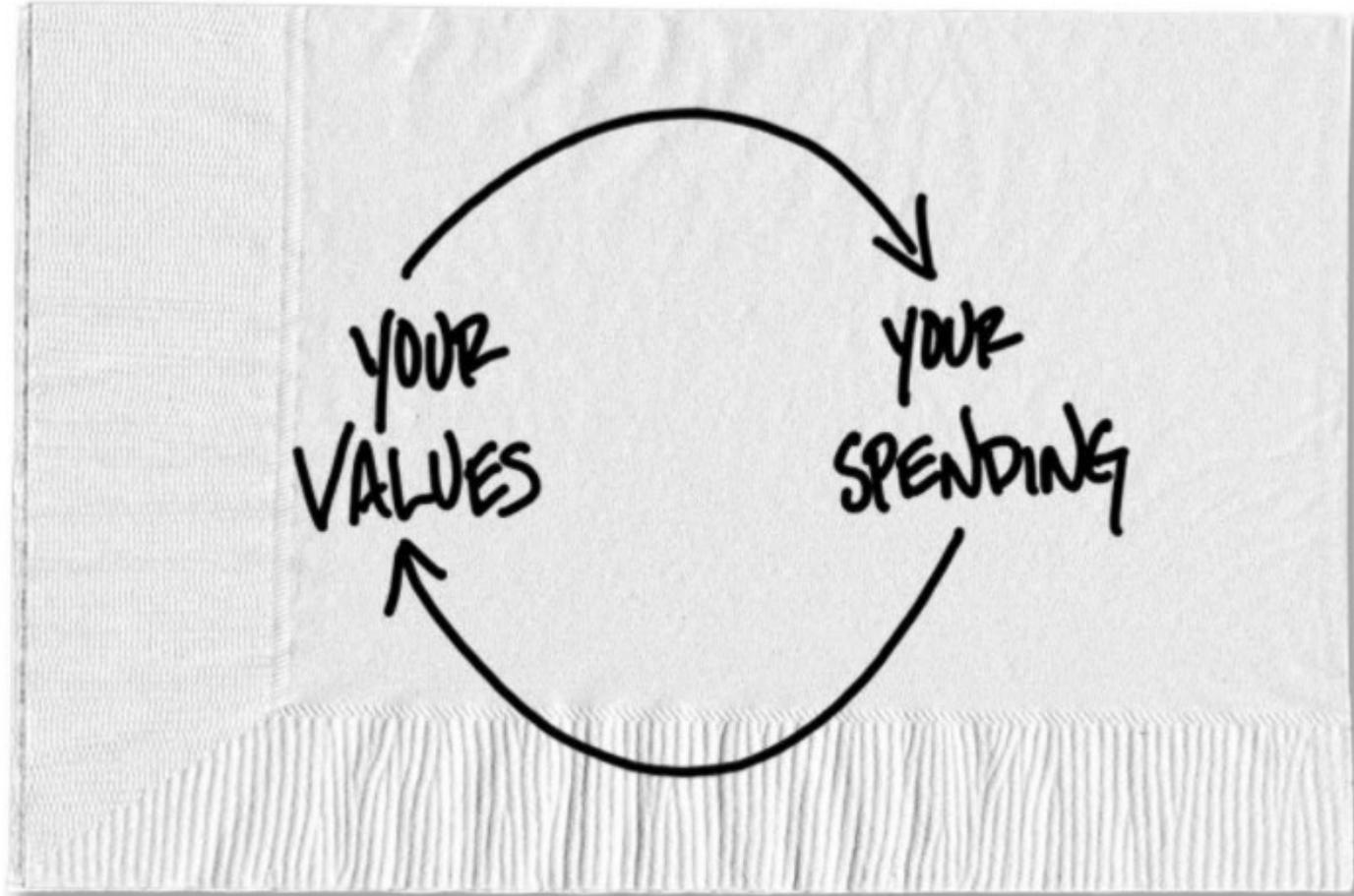
Financial resilience is being equipped to respond to a change or a crisis with confidence, a clear mind and a flexible approach



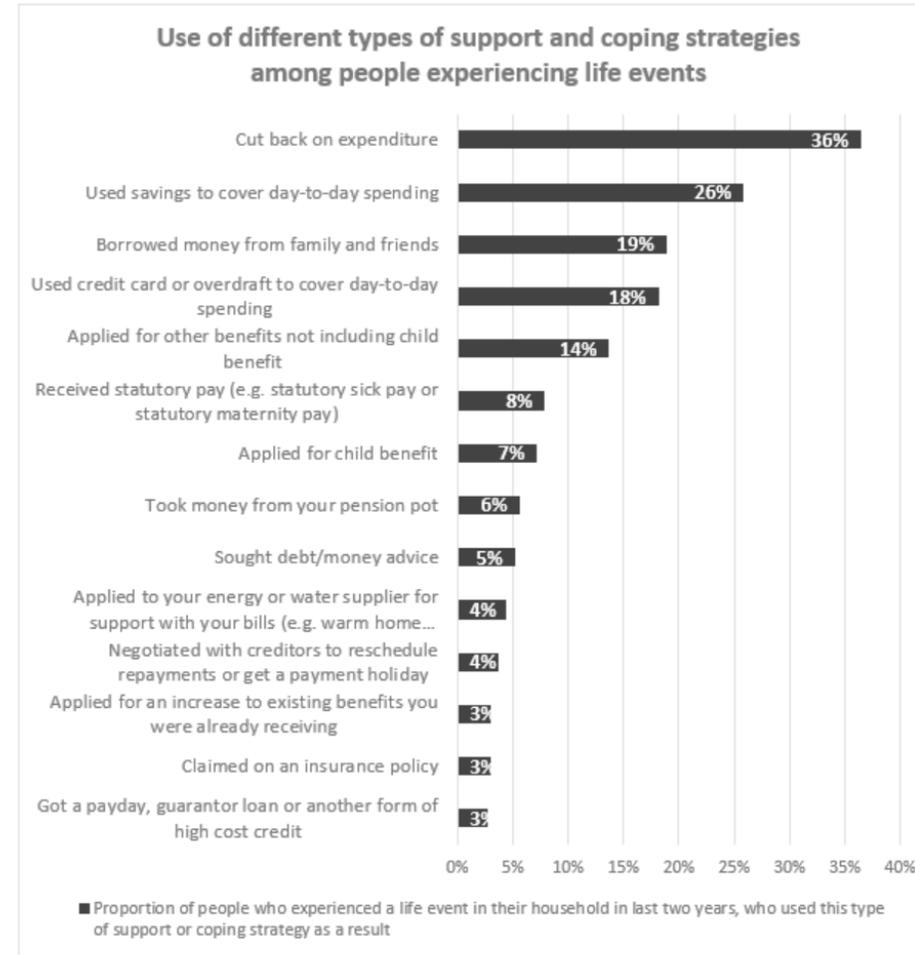
Financial Resiliency

allows you to redefine what money means to you

Professional Responsibility Accountability Attitude
Cooperation Trust Intuition Honesty fulfillment
Fairness Awareness Entrepreneurial difference Conflict
home/work Creativity Friendships Vision Coaching
Being Resolution Achievement Dialogue best
Independence Enthusiasm Financial Wealth Mentoring
Humility Compassion Job security Ambition
Future Risk-taking Community Respect stability Ease
Caring Efficiency Power Involvement Well-being Generosity
Openness growth communication Wisdom Integrity
Open learning Listening Teamwork Reliability Initiative
Excellence Leadership generations Recognition Making
Self-discipline Patience Personal Courage Safety Competence
Continuous Success Commitment uncertainty
Family Adaptability Humor/fun Health Forgiveness



People who experienced a life event in the last two years were **three times as likely** to be in “problem debt”





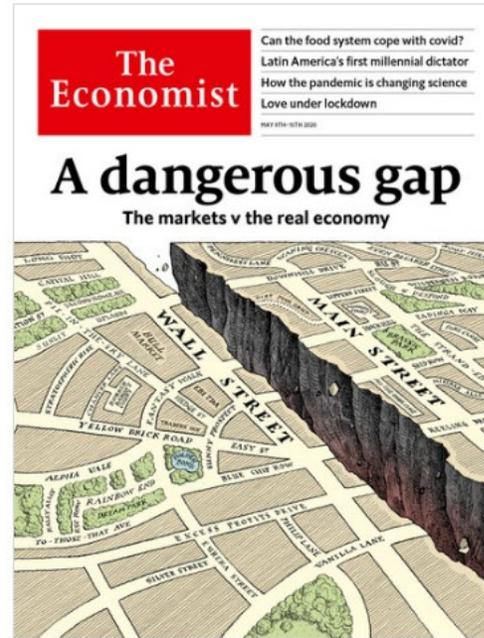
Market Update



Feb 22, 2020



March 21, 2020



May 9, 2020



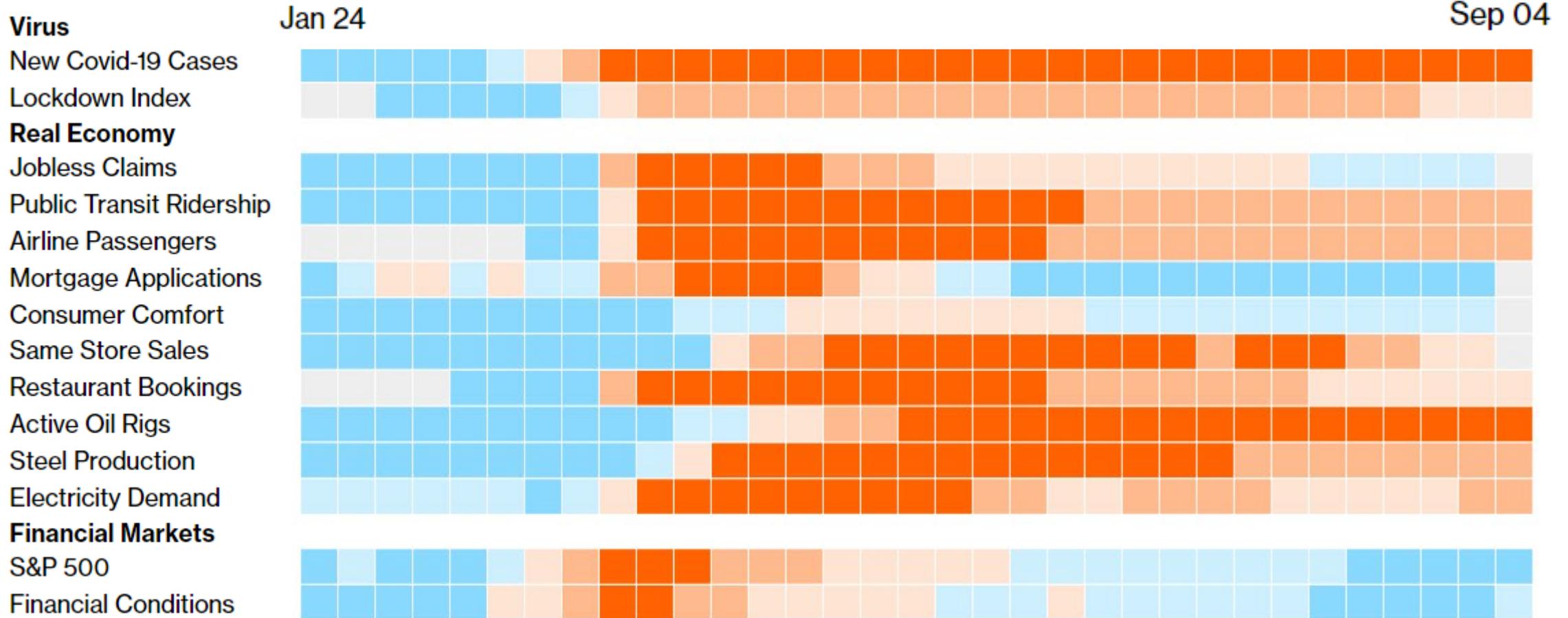
June 13, 2020



September 5, 2020



* As of 9/8/20. Performance does not include dividends.



Notes: Weekly new Covid-19 cases based on data from Bloomberg News and Johns Hopkins. Lockdown index from Oxford COVID-19 Government Response Tracker from zero to 100. Jobless claims in millions. Public Transport Use from Moovit (average of New York area, Chicago and Los Angeles). Airline passengers are nationwide weekly average. Mortgage applications are percent changes from the average of the first two weeks in January. Bloomberg Consumer Comfort Index levels zero to 100. Store sales (month-to-date, %YoY) from Johnson Redbook Index. Restaurant bookings (%YoY) from OpenTable; Oil rigs, steel production and S&P 500 are percent changes from the average of the first two weeks in January. Electricity demand is the difference between actual daily load and business-as-usual expectation, weekly rolling average (%). Bloomberg Financial Conditions Index measured in Z-scores relative to pre-2008 crisis levels.

Source: Bloomberg Economics

- The S&P 500 has returned **2.27%** YTD
- The Nasdaq has returned **19.31%** YTD
- Despite the continued economic calamity of COVID-19, the S&P is near all time highs. Yet, individual companies that make up the index paint a contrasting story.
- The S&P 500 rally is overwhelmingly due to the select Big Tech companies—Apple, Microsoft, Amazon, Facebook, and Alphabet. The technology sector is up **28%** YTD. Undeterred by the pandemic, Big Tech saw revenue growth during Q2 2020.
- US Growth was down **~-5%** in Q1 2020 and **~-32%** in Q2 202
- The Federal Government passed CARES Act March 2020, which pumped \$2 Trillion into the economy, helping to prop up businesses and provide financial relief to unemployed American
- The Federal Reserve has telegraphed low interest rates, at near zero levels for the foreseeable future to support economic activity
- US unemployment ~8.4% (down significantly from ~15% in April)
- Personal savings rates ~18% in July, after reaching highest levels seen in 50+ years
- US starting to see decline in COVID case count after summer peak

There are still many factors at play that are beyond our control:

- **COVID cases?**
- **Vaccine?**
- **Unemployment?**
- **Inflation?**
- **States reopening?**
- **Presidential election?**

Rather than focus on the variables that are beyond our control, let's turn what history has taught us and the lessons we can employ to maintain the safety and stability of our current financial situation.



Lessons learned from the 2008 Great Recession



1

Markets are cyclical

2

Time in the markets vs. market timing – don't panic

3

Diversification is key

4

Past performance is no guarantee of future returns

5

Don't buy what you don't understand – Buy what you know

6

Ensure your risk tolerance and portfolio allocations are aligned to your risk tolerance and your time horizon

Returns for the S&P 500 Index: 2007-2020



Lesson #3 & 4—Diversification is Key & Past Performance Does Not Guarantee Future Returns



2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	3YR	5YR	10YR	15YR	20 YR
Intl Emerg Equity 78.5%	US Real Estate 26.9%	US Fixed Income 7.8%	US Real Estate 18.9%	US Small Equity 38.8%	US Real Estate 27.2%	US Real Estate 2.1%	US Small Equity 21.3%	Intl Emerg Equity 37.3%	Cash Equivalent 1.9%	US Large Equity 31.5%	US Fixed Income 7.7%	US Large Equity 12.0%	US Large Equity 11.5%	US Large Equity 13.8%	US Large Equity 9.0%	US Real Estate 9.1%
US Mid Equity 40.5%	US Small Equity 26.9%	US Real Estate 6.0%	Intl Emerg Equity 18.2%	US Mid Equity 34.8%	US Large Equity 13.7%	US Large Equity 1.4%	US Mid Equity 13.8%	Intl Develop Equity 25.0%	US Fixed Income 0.0%	US Mid Equity 30.5%	US Large Equity 2.4%	US Mid Equity 7.3%	US Mid Equity 7.8%	US Mid Equity 12.2%	US Mid Equity 8.6%	US Mid Equity 8.6%
Intl Develop Equity 31.8%	US Mid Equity 25.5%	US Large Equity 2.1%	Intl Develop Equity 17.3%	US Large Equity 32.4%	US Mid Equity 13.2%	US Fixed Income 0.5%	Commodities 11.8%	US Large Equity 21.8%	US Real Estate -4.0%	US Real Estate 28.9%	Cash Equivalent 0.5%	US Fixed Income 5.7%	US Real Estate 6.2%	US Small Equity 10.1%	US Small Equity 6.8%	Intl Emerg Equity 7.3%
US Real Estate 30.8%	Intl Emerg Equity 18.9%	Cash Equivalent 0.1%	US Mid Equity 17.3%	Intl Develop Equity 22.8%	US Fixed Income 6.0%	Cash Equivalent 0.0%	US Large Equity 12.0%	US Mid Equity 18.5%	US Large Equity -4.4%	US Small Equity 25.5%	Intl Emerg Equity -1.7%	US Real Estate 4.4%	Intl Emerg Equity 6.1%	US Real Estate 9.2%	Intl Emerg Equity 6.5%	US Small Equity 7.0%
US Small Equity 27.2%	Commodities 16.8%	US Mid Equity -1.6%	US Small Equity 16.3%	US Real Estate 1.8%	US Small Equity 4.9%	Intl Develop Equity -0.8%	Intl Emerg Equity 8.6%	US Small Equity 14.7%	US Mid Equity -9.1%	Intl Develop Equity 22.0%	US Mid Equity -3.8%	Intl Emerg Equity 2.8%	US Small Equity 5.1%	Intl Develop Equity 5.0%	US Real Estate 5.9%	US Large Equity 6.3%
US Large Equity 26.5%	US Large Equity 15.1%	US Small Equity -4.2%	US Large Equity 16.0%	Cash Equivalent 0.1%	Cash Equivalent 0.0%	US Mid Equity -2.4%	US Real Estate 7.6%	US Real Estate 9.8%	US Small Equity -11.0%	Intl Emerg Equity 18.4%	Intl Develop Equity -9.3%	US Small Equity 2.7%	US Fixed Income 4.5%	US Fixed Income 3.9%	US Fixed Income 4.6%	US Fixed Income 5.2%
Commodities 18.9%	Intl Develop Equity 7.8%	Intl Develop Equity -12.1%	US Fixed Income 4.2%	US Fixed Income -2.0%	Intl Emerg Equity -2.2%	US Small Equity -4.4%	US Fixed Income 2.6%	US Fixed Income 3.5%	Commodities -11.3%	US Fixed Income 8.7%	US Real Estate -10.3%	Cash Equivalent 1.7%	Intl Develop Equity 2.1%	Intl Emerg Equity 3.3%	Intl Develop Equity 4.0%	Intl Develop Equity 3.2%
US Fixed Income 5.9%	US Fixed Income 6.5%	Commodities -13.3%	Cash Equivalent 0.1%	Intl Emerg Equity -2.6%	Intl Develop Equity -4.9%	Intl Emerg Equity -14.9%	Intl Develop Equity 1.0%	Commodities 1.7%	Intl Develop Equity -13.8%	Commodities 7.7%	US Small Equity -10.6%	Intl Develop Equity 0.6%	Cash Equivalent 1.2%	Cash Equivalent 0.6%	Cash Equivalent 1.3%	Cash Equivalent 1.6%
Cash Equivalent 0.2%	Cash Equivalent 0.1%	Intl Emerg Equity -18.4%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Commodities -24.7%	Cash Equivalent 0.3%	Cash Equivalent 0.8%	Intl Emerg Equity -14.6%	Cash Equivalent 2.3%	Commodities -14.8%	Commodities -5.1%	Commodities -4.5%	Commodities -5.9%	Commodities -4.3%	Commodities -0.3%

Cash Equivalent	= FTSE Treasury-Bill Index
US Fixed Income	= Barclay's Aggregate Bond Index
Commodities	= Bloomberg Commodity Index

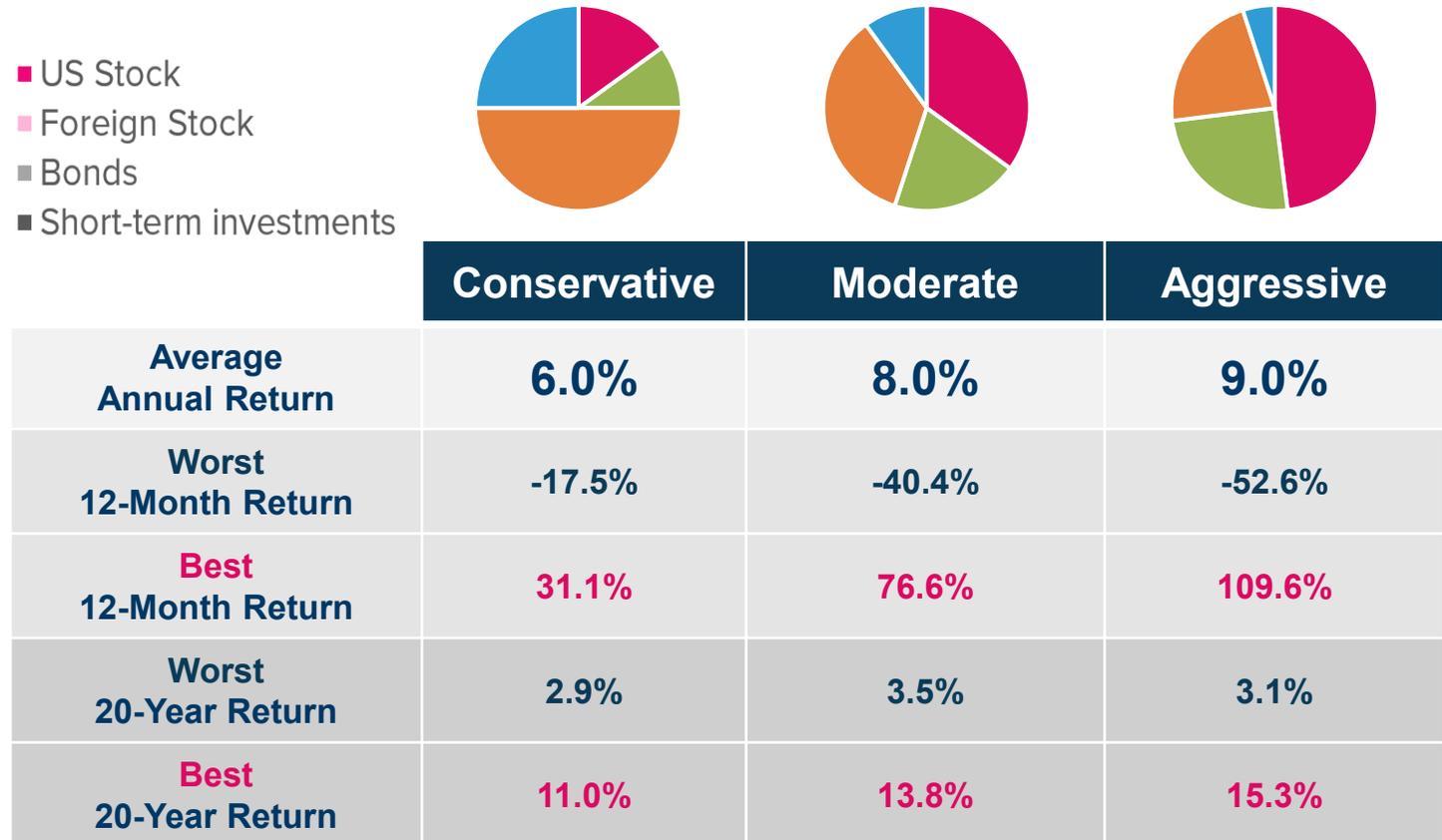
US Large Equity	= S&P 500 Index
US Mid Equity	= Russell Mid Cap Index
US Small Equity	= Russell 2000 Index

US Real Estate	= DJ US Real Estate
Intl Developed Equity	= MSCI EAFE
Intl Emerging Equity	= MSCI EM

Investment strategy aligned with *your* risk tolerance and timeline

When building an investment portfolio it's important to consider **your risk tolerance** and **your time horizon**. An individual with a longer time horizon, e.g. retiring in the year 2060, can afford to take on more risk in their investment portfolio –to ride out the highs and lows of the market—than someone who is in or is nearing retirement.

To the right are three examples of model portfolios with varying risk profiles; **conservative**, **moderate**, and **aggressive**. The chart to the right includes historical performance for the three portfolios. ¹



Source: ¹Morningstar, Inc., 2019 (1929-2018)

Keep perspective.

Be in the driver's seat.

Learn from the past.

Ask for help.



Financial Relief programs - update



Retirement Accounts (401ks + IRAs)

- CARES Act withdrawals in effect until 12/31/2020
- 10% hardship withdrawal penalty is waived if you qualify for a CARES Act distribution
- CARES Act Loans (if your 401k plan permits) deadline is 9/23/2020

Federal Student Loans

- President signed executive order to extend the automatic payment suspension until 12/31/2020
- 0% interest on these federal loans until 12/31/2020

Stimulus Package #2

- Still pending...
- Contingent upon congressional action

What's expected:

- \$500B total package
- Another round of \$1,200 stimulus checks expected
- More federal unemployment aid (\$300/week until Dec. 27, 2020)
- New round of PPP loans for small businesses

Healthcare

- Testing and treatment covered at no cost to patients
- Prior authorization for testing and treatment is waived
- Telehealth cost-sharing is waived (also expanded for mental/behavioral health)

Homeowners and Renters

Homeowners

- For federally or GSE-backed loans, your lender cannot foreclose on you until 12/31/2020
- If you experience a financial hardship due to COVID-19 pandemic, you have the right to request a forbearance extension of up to 180 days

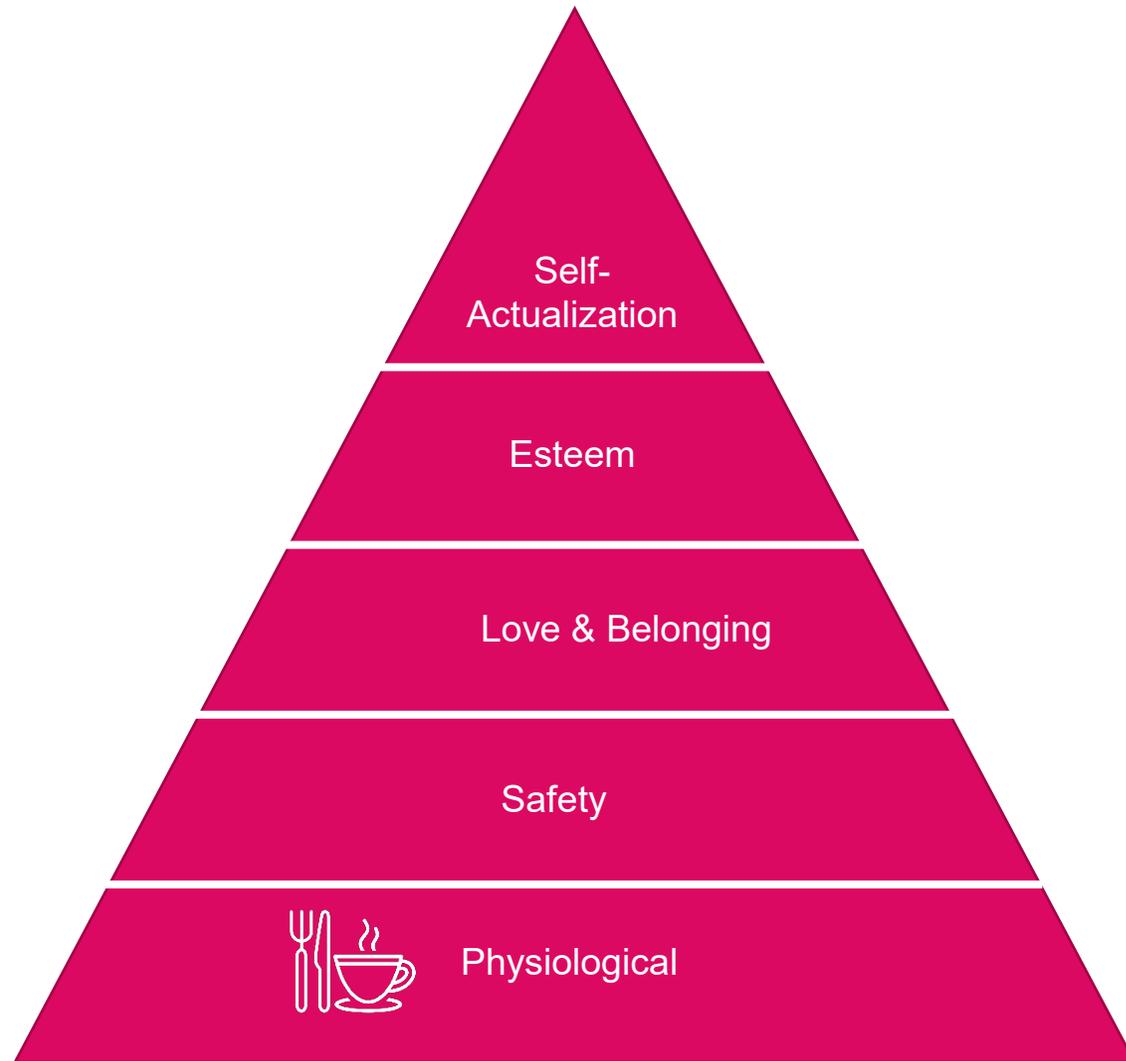
Renters

- Varies by state
- Most are enforcing eviction moratoriums

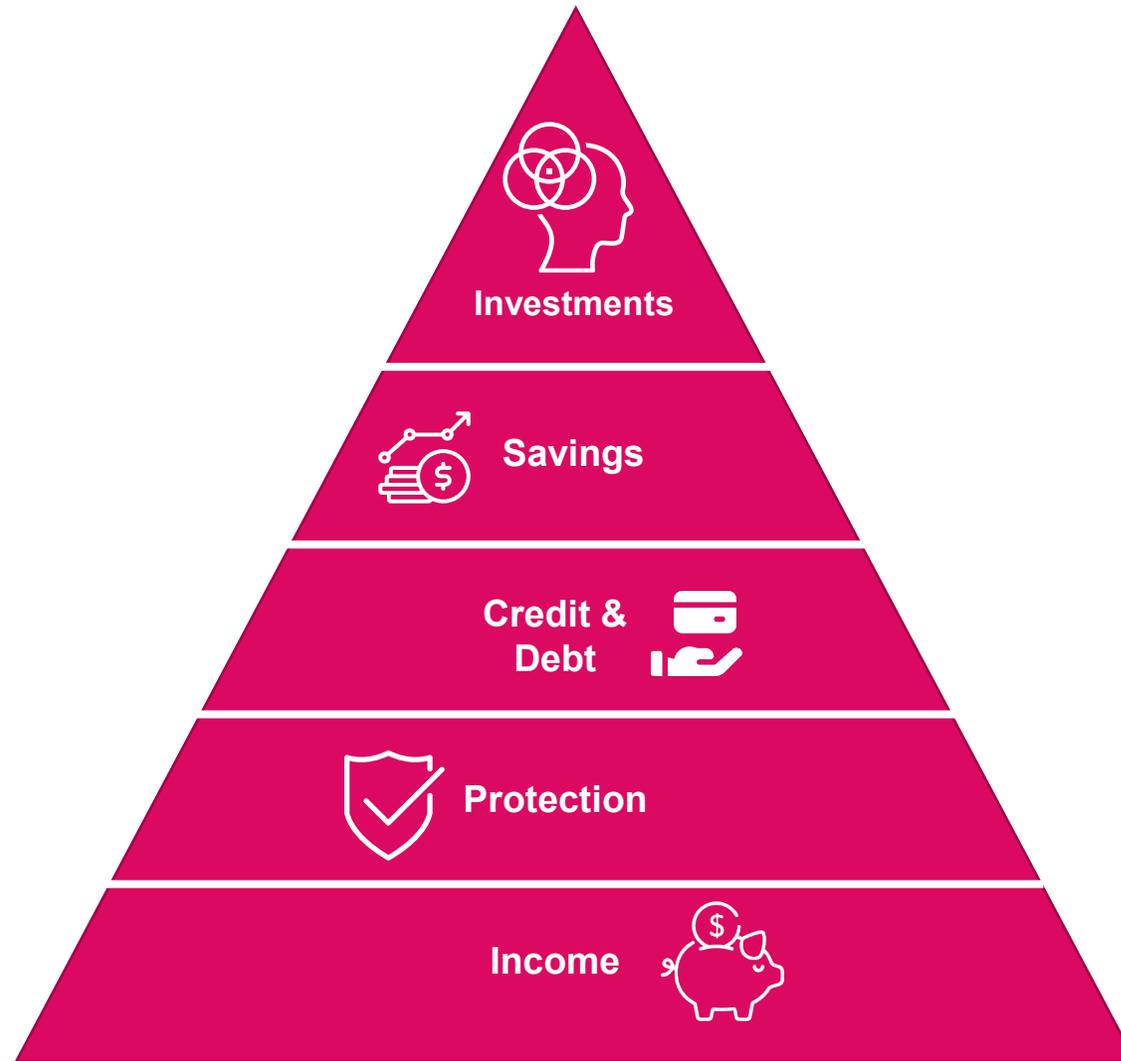
Financial Resilience *NOW*

Five things to cultivate financial
resilience *right now*





Maslow's Hierarchy of Needs



Hierarchy of Financial Needs



**Increase
Emergency
Reserves**



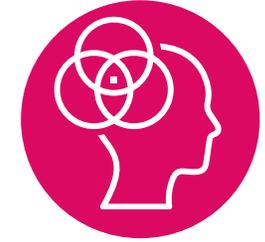
**Protect
Yourself &
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**Boost your
Credit &
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**Maximize
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**Invest in
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**Invest in
Yourself!**

Increase Emergency Reserves

Why is this important right now?

- **Financially:**

Think of it as your “debt prevention fund.” It helps you stay out of costly debt when meeting necessary expenses during a financial emergency

- **Emotionally:**

It makes the emergency less stressful than it already is

It gives you more time and less stress in looking for a job that you actually want instead of settling for one just because you need to secure a paycheck



1

- **Track your spending** to find out how much you need to tuck away for 3-6 months worth of expenses
- **Make a list** of what an emergency means for *you*

2

- Park this cash somewhere that's **easy to access and liquidate** in a pinch
- Consider a **high-yield savings account** for a little more bang-for-your-buck

3

Automate the process!

- Set up automatic transfers
- Round up your transactions & redirect them to emergency fund (apps like Acorns can help you do this)



- **Decide where you will save your emergency fund**
- **Take 5-10 minutes to set up automatic daily transfers to your emergency fund account**

You automatically transfer \$11.11 every day for 90 days

In 90 days you've accumulated \$1,000 in your emergency fund!



Increase
Emergency
Reserves



**Protect
Yourself &
your Loved
Ones**



Boost your
Credit &
Tackle Bad
Debt



Maximize
Retirement &
Investment
Accounts



Invest in
Yourself!

Protect Yourself

with adequate liability coverage

Why is this important right now?

- Oftentimes people wait until it's too late to protect themselves
- To protect you and your loved ones against large claims (think: court judgment)

How can you protect yourself from liability?

- **Liability insurance** may protect you (or your family members or business partners) if you cause an accident, damage someone's property, or if someone is injured, and you are found to be legally responsible for the damage.
- Shop for an **umbrella liability insurance policy** to protect your assets from others. Start with your agent if you have one and check in with them periodically
- Revisit your coverage when life events happen (married, divorced, have kids, lose a loved one, buy a new car/home/etc.)

Protect Yourself with estate planning

Why is this important right now?

- It's too late once you pass
- To ensure your assets are passed on how you wish

What kind of estate planning do I need?

- Wills
- Advanced Healthcare Directive
- Durable Power of Attorney
- Trusts

How do I get these documents done?

- Do-it-myself: use online templates and services (i.e. LegalZoom or RocketLawyer)
- Do-it-for-me: seek out an estate planning attorney





Increase
Emergency
Reserves



Protect
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**Boost your
Credit &
Tackle Bad
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Maximize
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Invest in
Yourself!

Boost your Credit Score

Why is this important right now?

- It's never a bad idea to improve your credit
- Building good credit **takes time** and patience; the sooner you prioritize your credit, the better off you'll be with more opportunities and favorable loan options

1

Make on-time, consistent payments

2

Optimize your credit utilization

3

Dispute inaccuracies

Make Payments Diligently

- Make on-time payments, (especially on installment loans) so you allow positive remarks to be reported to the credit bureaus *every month*

Optimize your credit card utilization

- **General rule:** utilize 25% of your total available credit limit
- **Behavioral tool:** pause before making a purchase with your credit card; recognize if this purchase is to fulfill instant gratification or if it's something you would purchase with your cash/debit card
- Keeping multiple cards doesn't mean you have to use all of them regularly
- **Contact your providers to:**
 - Increase your credit limit, which lowers your utilization rate
 - Ask to get your annual fee waived

Dispute Inaccuracies

- Studies show that most people have inaccurate items on their credit report
- The Fair Credit Reporting Act of 1970 requires credit bureaus to correct errors that could be pulling down your credit score
- Do-it-yourself method: write a credit dispute or goodwill letter for the credit bureaus
- Do-it-for-me: hire a professional credit repair agency

Avalanche Method

- Pay down debts with the highest rates first
- *Financially* advantageous

Snowball Method

- Pay down debts with the smallest balances first
- *Psychologically* advantageous

Helpful Apps

- Payoff App – for debt specifically
- Budgeting apps like Mint, YouNeedABudget, Personal Capital can also help maintain control of your debt



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**Maximize
Retirement &
Investment
Accounts**



Invest in
Yourself!

Maximize Retirement & Investment Accounts

Why is this important?

- **The time-value of money:** a dollar saved today is more powerful than a dollar saved tomorrow
- **Compound growth:** consistent investing allows you to take advantage **compound growth**
- **Tax-deferral** available



401(k)	IRA	Brokerage (investing) Account	Real Estate	College Savings (529 Plans)
<ul style="list-style-type: none"> You and your employer control \$19,500 annual limit (2020) + catch-up Tax-advantaged (pre-tax & Roth) Hardship withdrawal & loan-eligible 	<ul style="list-style-type: none"> You control \$6,000 annual contribution limit (2020) + catch-up Tax-advantaged (pre-tax & Roth) Hardship withdrawal available 	<ul style="list-style-type: none"> You control Unlimited and flexible contributions Taxable account but receives favorable capital gains tax treatment No restrictions on withdrawals 	<ul style="list-style-type: none"> Alternative investment source Historically stable ROI An asset you eventually own outright Opportunity for rental income 	<ul style="list-style-type: none"> You control Tax-free use of funds for qualified education expenses State income tax deduction (except CA & NJ) Flexible options if child doesn't need the money for college



Increase
Emergency
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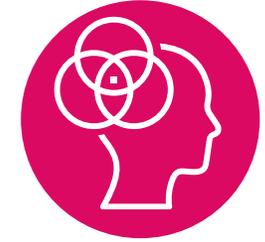
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**Invest in
Yourself!**

Invest in Yourself

Why is this important?

- There is something powerful about *diversifying your skill set and experience* to secure more leverage with your career and earning potential
- It's hard to make long-term plans when you don't know your value proposition

How can I invest in myself?

Say yes to:

- **Free** online courses!
- An opportunity to learn a new skill or gain a professional designation
- Advice from others who have what you want
- Building community





Free tools & resources



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1

Increase emergency fund

2

Boost your credit

3

Obtain adequate insurance coverage

4

Get a will

5

Invest in yourself!

Q&A



Thank
You!

Reach out to us!

Sarah.schwartz@theabdteam.com
Camille.bouvet@theabdteam.com



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