[This link is to the online presentation](https://1drv.ms/v/s!AkZZ-D4N1vQ6gpAfiM0k5qlZW1nKPA?e=UKgp6l)

https://1drv.ms/v/s!AkZZ-D4N1vQ6gpAfiM0k5qlZW1nKPA?e=UKgp6l

Planning for Your Heirs—and Basic Investing for Busy People

The Ending—then the Beginning

1. What happens after your life ends….
   - Who takes over your investments?
   - Is there a plan?
2. Do you have children/grand children?
   - Do they understand investing?
   - Do they have an investment plan?
   - Do you have a plan for them
3. We'll discuss a "Set and Forget plan"--
   - A plan for each of you

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The End—then the Beginning

- OR – To put it another way—
  - You won't live forever
  - Your interest may decrease in later years
  - Your skills may decrease in later years
  - Is there an heir to take over your portfolio
    - Each heir with a burning interest in investing—are they learning to use the SSG?
      - No? You need a plan
  - The "Preparation" (Step 1)

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Step one of "The Plan"—for after you're gone—*Write 'em a letter*

- What accounts you have – and contact information
  - Investment Portfolio
  - Insurance – life, health, car, home, liability
  - Bank accounts – Safety Deposit Box (yes/no)
    - How your bills are paid—list auto pay accounts
    - Sign "Pay on death" (POD) to transfer bank account ???
  - Real Estate – (Location and parcel number)
    - Out of State property--Use "Transfer on death"
      - https://tinyurl.com/33erhvs3 (form)
  - What's to be done with your body, etc.
  - What kind of service, etc.
  - Write your own obituary

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Step one of "The Plan "—Preparation

***Write 'em a letter** – (Continued)*
- Freeze the deceased three credit reports
  www.nerdwallet.com/article/finance/how-to-freeze-credit
- Health Care Directive (DNR?) – Doctor
  - Discuss quality of life you find imperative
  - When to pull the plug
- Health Care Power of Attorney
- Financial Power of Attorney
- Will
- Trust (Avoid Probate)
  - Generation Skipping Trust—if needed
    - Washington State tax starts at $2,193,000

Sample form: http://bob-adams.net/class-handouts/

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Letter to my heirs: (each box will expand to accommodate comments and information)
Attach this form to your letter

Where a hard copy of records can be found, last three years 1040 income tax forms, Health POA, Financial POA, Trust:

Where copies are located--Transfer on Death for: Bank account; out of State property documents

Social Security number and birth date (both if married)

If a veteran—service number and where discharge DD-214 form is located

ASSETS:
Real Estate and where deeds are located—Parcel Number

Automobiles and where titles are located

Jewelry, art, etc. and location

Other assets

LIABILITIES:
Mortgage, how paid, where paid, and contact information

Other debt—with contact information

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In Other Words: Prepare them

1. Prepare your letter (You get the last word)
2. Prepare the Data form
3. Have a meeting
   - Discuss the Data form
     - Explain where it is located—it will be needed immediately
   - Discuss where records are located
4. Answer Questions
5. Discuss what they will inherit – maybe?

Suggestion: Hire a food taster—Metal detector

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Step two: Before you're gone—A "Set and Forget" Investment Plan for them—and for your comfort

- Regardless of age
- Regardless of energy level
- Regardless how busy you are
- Regardless of investing knowledge

Your portfolio will continue into the future

- A plan for all ages—retired – kids – grandkids…

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Step <u>two</u> of the Plan—"Set and Forget"

Invest in an Index fund

Warren Buffet agrees with me

- A selected group of companies
  - Represents an average of a market segment
- Index funds: (Stay away from "exotic" funds)
  - S&P 500 Growth (SPYG)
  - Technology Select (XLK) - ETF
  - NASDAQ 100 (QQQ) – ETF
  - Schwab S&P 500 Growth (SWLGX) – ETF

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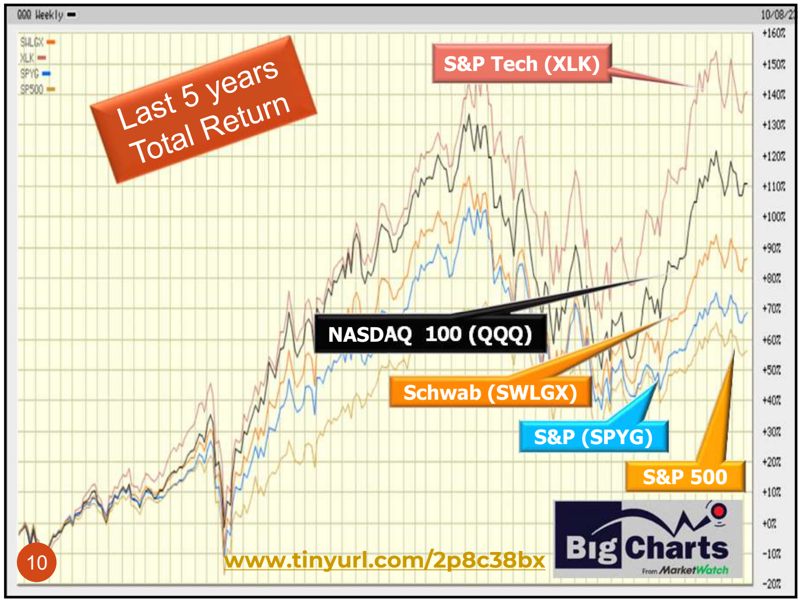

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Why Invest in an Index Fund?

- **$10,000** invested in the <u>S&P 500</u> index became **$736,000** 1969-2014 (45 years)
  - (Dividends reinvested)
- **$10,000** invested in the *<u>average managed mutual fund</u>* became **$501,000** in 1969-2014 (45 years)
  - (Dividends reinvested)
- Index fund provided a **47%** better return

A Random Walk Down Wall Street
Burton G. Malkiel

Do your heirs have a 401(k) loaded with Mutual Funds?
Tell 'em about Index Funds

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A "Set and Forget" Investment Plan

Simple Plan: (choose one—or more)

- **NASDAQ 100 ETF** (QQQ)
- **Technology Select ETF** (XLK)
- **S&P 500 <u>Growth</u> ETF** (SPYG) or Schwab (SWLGX)
- If comparing funds—only compare <u>total</u> growth (Div)
- You will be well-diversified at low cost
- Reinvest the dividends
  - <u>Buy more shares during market downturns</u>
  - Rate of return?—Out perform the market index

Over the last 100 years:
S&P 500: **12.47%** average <u>total return</u>
http://www.moneychimp.com/features/market_cagr.htm

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How yuh doin' (100 years)

Year and Return (%)

Year	Return (%)
2022	-18.11
2021	28.83
2020	18.38
2019	31.74
2018	-4.41
2017	21.94
2016	11.93
2015	1.31
2014	13.81
2013	32.43
2012	15.88

Date Range

Jan 1 1922 to Dec 31 2022

☐ Adjust for Inflation

☑ Include Dividends

Calculate

"Average" return:	12.47	%
Annualized return (= True CAGR):	10.58	%
Standard Deviation:	19.79	%
$1.00 grew to:	$ 25,686.78	

http://www.moneychimp.com/features/market_cagr.htm

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A "Set and Forget" Investment Plan

- Is it really that easy?
  - Yes—buy and hold
  - Yes—buy on downturns
    - If already an investor – dollar cost average in
- But "the market is volatile…"
- But "the market is dangerous…"
  - Can we ignore both warnings?

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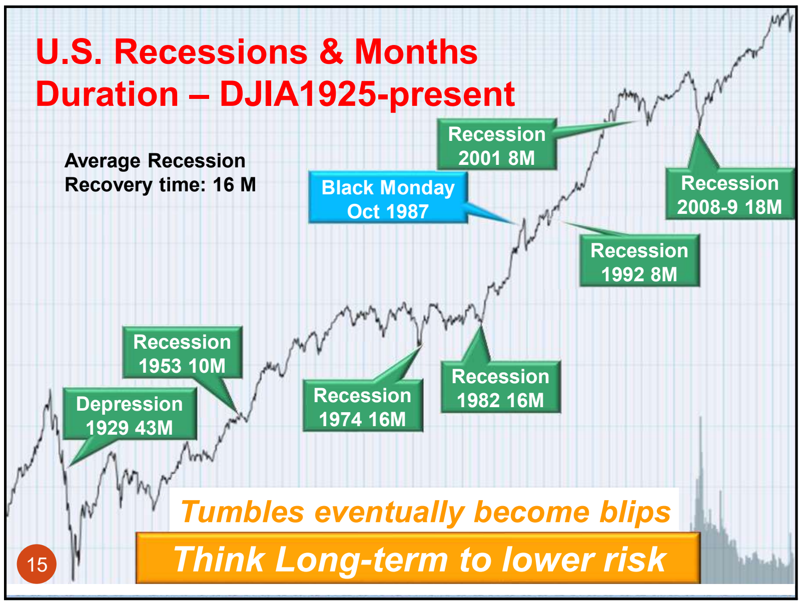

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But there are index fund expenses:

Expenses Are Important
Compare Costs

Index fund/ETF expenses: 0.04 - 0.2 percent
Additional expenses in 401(k)

Cost and return comparison tool:
www.finra.org/fundanalyzer

Average Managed Mutual Fund total expense:
3% to 4%

The Little Book of Common Sense Investing – John Bogle

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Why Are Expenses Important?

AVERAGE MANAGED MUTUAL FUND:

- **Fee:** Annual Maintenance 1.4%
- **Taxes:** Mutual Fund investors = 1.43%*
  Uncle Sam taxes Mutual Fund Capital Gains
- **Fee:** 12b(1) Advertising = 0.25% (no load fund)
- **Fee:** Transaction costs = 1%** (100-300% turnover)

Result: 4.08% annual cost

* Reported by: LIPPER

** John Bogle – *Common Sense Investing*

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Fees

"We have to wonder what allows the truly expensive funds to exist."

Answer: "Marketing and hype can be more influential than real data."

Scott Burns – syndicated columnist

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Another way to say the same thing

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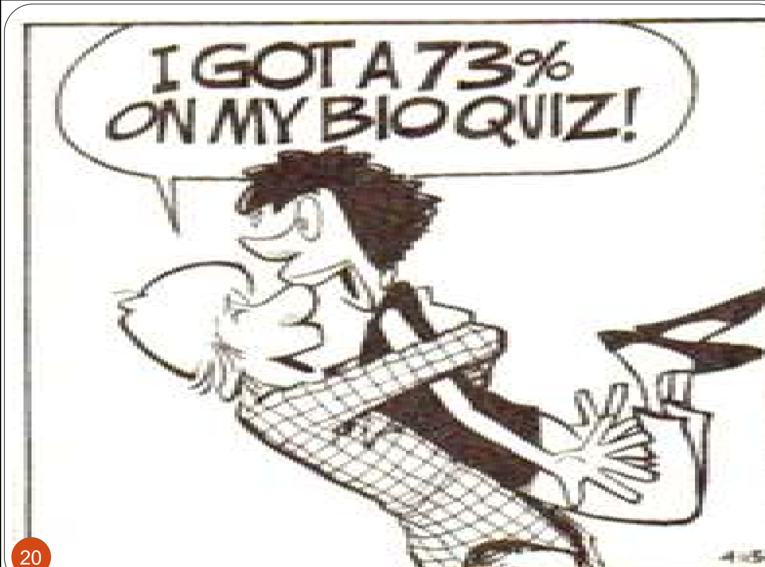

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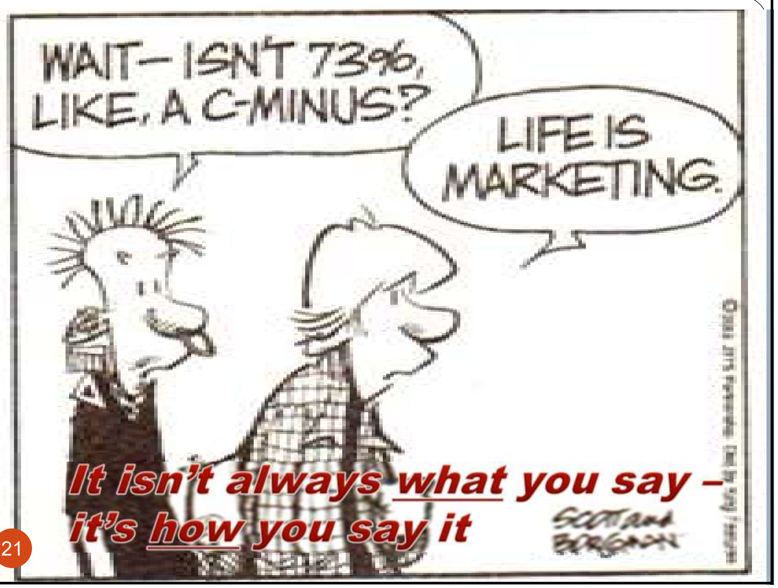
Bob Adams bob.at.seattle@gmail.com bob-adams.net



It isn't always what you say – it's how you say it

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I'm convinced – what now?

Advice for your kids, grandkids

- **If in a company 401(k) retirement plan –**
  - Look at what index funds are available
  - If none—Ask they be added
  - Virtually all 401(k)s offer Index Funds –
  - Set up automatic deposit from each paycheck
    - 10-15% minimum (More if older)

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I'm convinced – what now?

- **If in an individual retirement account –**
  - Open a Roth IRA
  - Set up automatic deposit from each paycheck
  - 10-15% minimum (More if older)
    - Index fund – or two – or three

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I'm convinced – some specifics

Not a recommendation – It's simply what *I* do

- *25% S&P 500 Growth* (SPYG)
- *25% S&P 500 Schwab Growth (SWLGX)*
- *25% PowerShares NASDAQ 100* (QQQ)
- *25% Technology Select* (XLK)

  Collect dividends in a cash account
  Buy on dips in the market—and beat the Index
  Simplify—Reinvest dividends

- NOTE: You can do better by investing in quality growth companies—the Better-Investing method.

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Bob Adams bob.at.seattle@gmail.com bob-adams.net

We now have a plan—now— how much will I or my Heirs need?

- **Plan for 35-40 years in retirement**

Amount needed in 401(k), Roth IRA
- At age 35 – 1 X current gross income
- At age 45 – 4 X current gross income
- At age 55 – 7 X current gross income
- At age 67 - 10 X current gross income

An excellent retirement calculator
Fidelity.com

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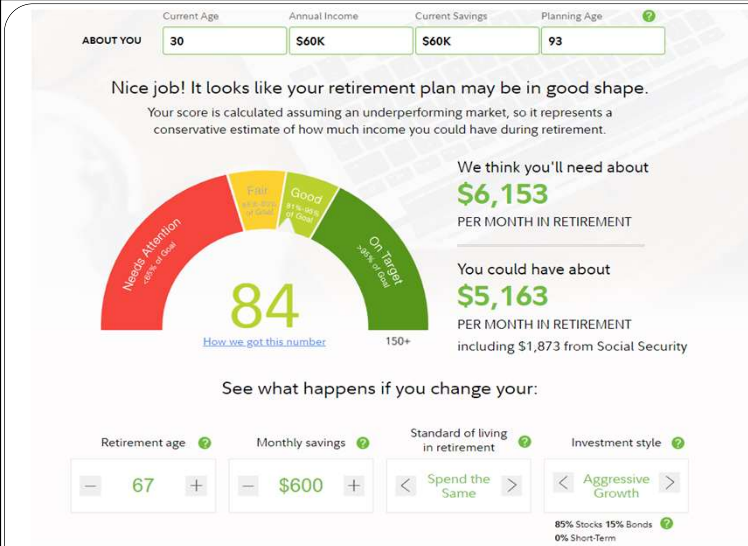

https://communications.fidelity.com/pi/2015/retirement

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