
Financial Planning & Wealth Management

Considerations for Young Professionals

February 1st, 2025

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Household Finances

Money Management

Household Finances

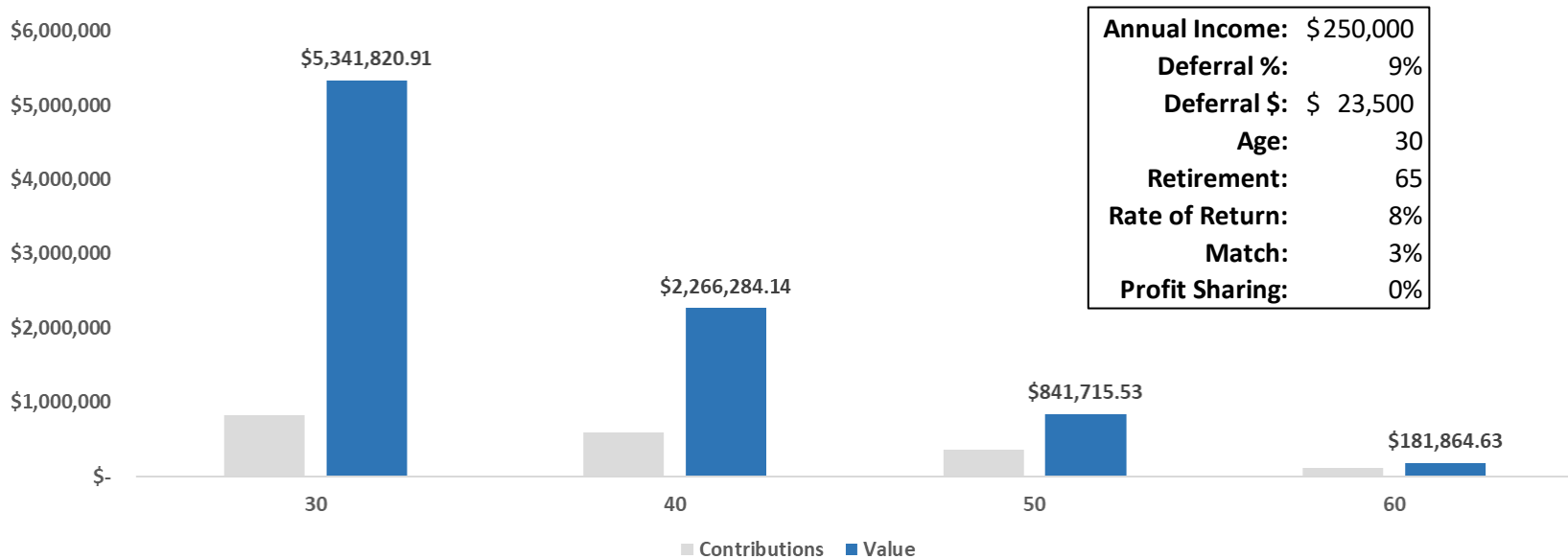
- Focus on Paying off Student Loans & Debt
- Create (and stick to) a Budget
 - 50% of Take-home Pay: to “needs”
 - 30% of Take-home Pay: to “wants”
 - 20% of Take-home Pay: to “savings” and “debt repayment”
- **Housing:** No more than 30% of take-home pay (mortgage, property tax, insurance, etc.)
- **Car Payment:** No more than 10% of your take-home pay
- **Net Worth:** Should equal your Age X gross income / 10
- **Financial Freedom:** When Savings = 25 X Annual Expenses

Retirement

Savings Vehicles & Tax Deferral

Retirement

- Retirement Contributions
 - ❑ 401(k)/403(b) Plan: \$23,500/year
 - ❑ (Backdoor Roth) IRA: \$7,000/year
 - ❑ SEP IRA: For Additional *Business Income*



Insurance

Life, Disability, & Umbrella

- Household Insurance
 - ❑ Life: Term—10 X your gross Annual Income
 - ❑ Disability: Own-Occupation
 - ❑ Umbrella: \$3-5M

- Shop Around!



Other Matters

Emergency Savings, Brokerage, & College Funding

- ❑ Emergency Savings: 6-months of living expenses
 - Build up over time—e.g., \$1,000/month
 - Use a High-Yield Savings account
- ❑ Brokerage Account
 - e.g., Fidelity, Charles Schwab, etc.
- ❑ College Planning: 529 Plan
 - Creditor Protected
 - State Flexibility
- ❑ Most Importantly—Discipline!

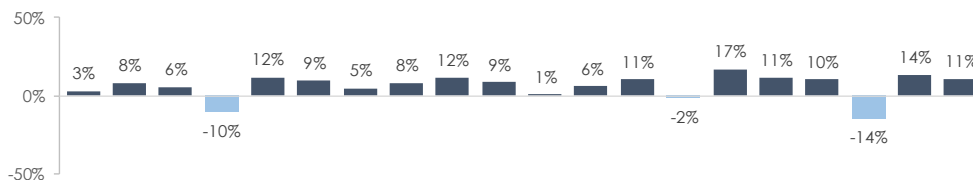
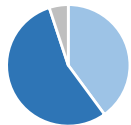
Asset Allocation

Statistics, Risk vs Reward, Asset Class Correlations

20 Years of Asset Allocation Statistics

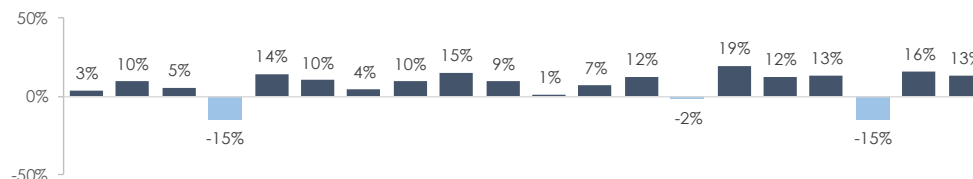
■ Equity ■ Fixed Income ■ Cash

Conservative



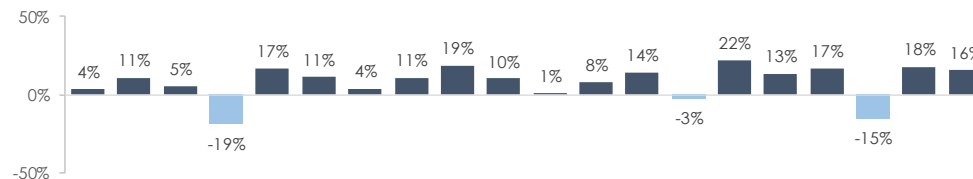
Average Annual Return	6.3%
Standard Deviation	7.8%
Highest / Lowest Return	+17% / -14%
Growth of \$100,000	\$323,541

Moderately Conservative



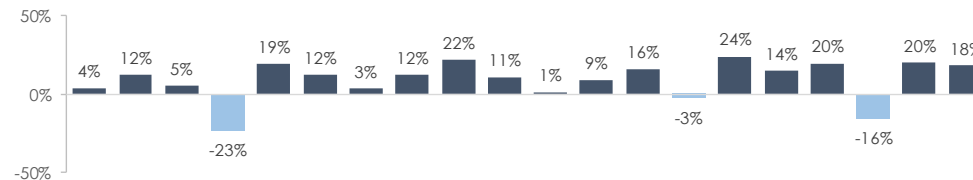
Average Annual Return	7.2%
Standard Deviation	9.2%
Highest / Lowest Return	+19% / -15%
Growth of \$100,000	\$372,974

Moderate



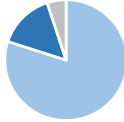
Average Annual Return	8.1%
Standard Deviation	10.7%
Highest / Lowest Return	+22% / -19%
Growth of \$100,000	\$427,116

Moderately Aggressive



Average Annual Return	9.0%
Standard Deviation	12.3%
Highest / Lowest Return	+24% / -23%
Growth of \$100,000	\$485,816

Aggressive



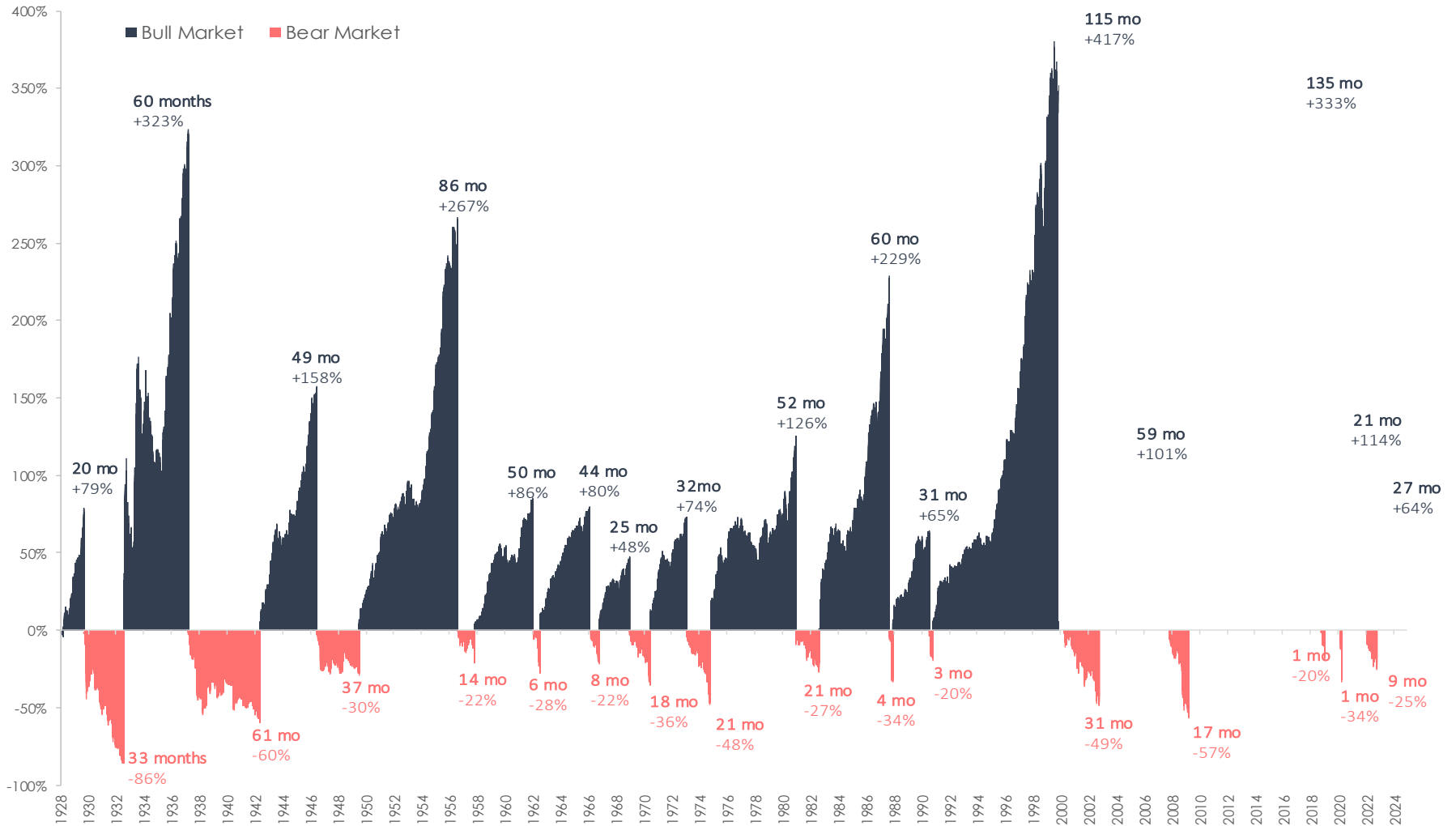
Average Annual Return	9.8%
Standard Deviation	13.9%
Highest / Lowest Return	+26% / -28%
Growth of \$100,000	\$548,743

Disclosures: Past performance is no guarantee of future results. All performance data represents total returns for the stated period. Asset allocation portfolios are rebalanced every 12 months. Asset classes are represented by the following ETFs: Equity (SPY - SPDR S&P 500 ETF), Fixed Income (AGG - iShares Core U.S. Aggregate Bond ETF), Cash (BIL - SPDR Bloomberg Barclays 1-3 Month T-Bill ETF). Equity / Fixed Income / Cash allocations as a percentage of the total portfolio: Conservative (40/55/5), Moderately Conservative (50/45/5), Moderate (60/35/5), Moderately Aggressive (70/25/5), Aggressive (80/15/5).

Important Investing Lessons

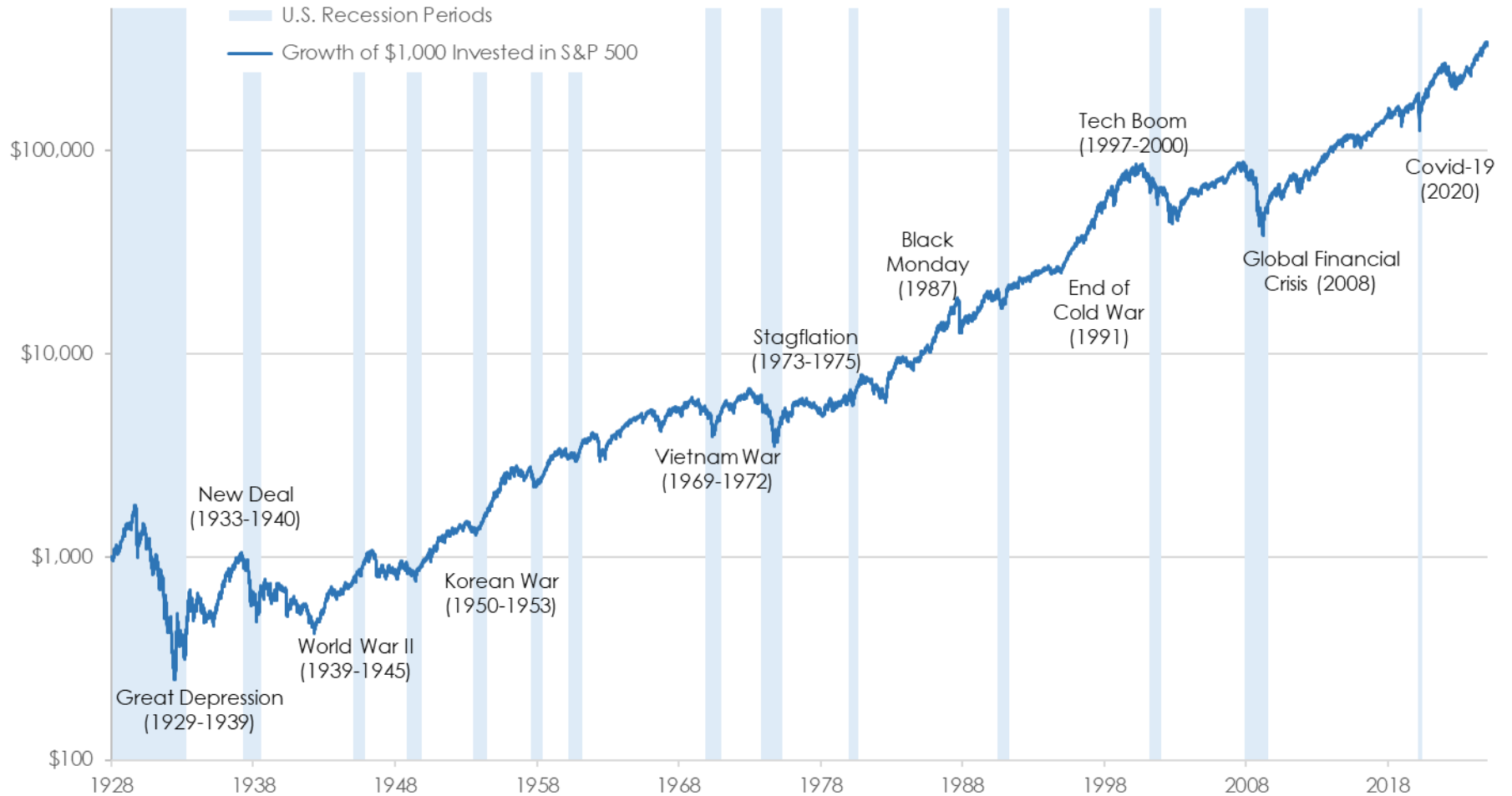
Diversification, Market Timing, Withdrawing Capital

S&P 500 Bull & Bear Markets



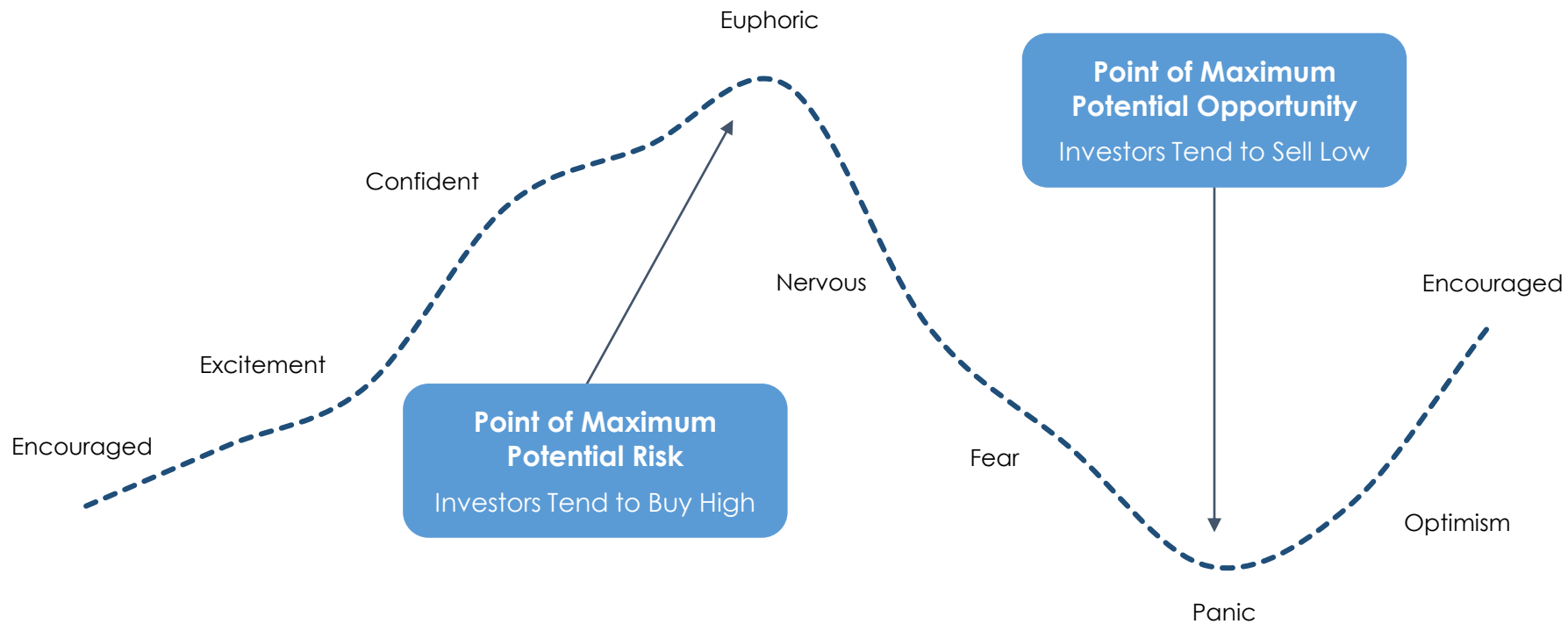
Disclosures: All performance data represents price returns of the S&P 500. Past performance is no guarantee of future results. Bear Markets are defined as a decline of at least 20% from the market's high point to its low.

Historic Market Events



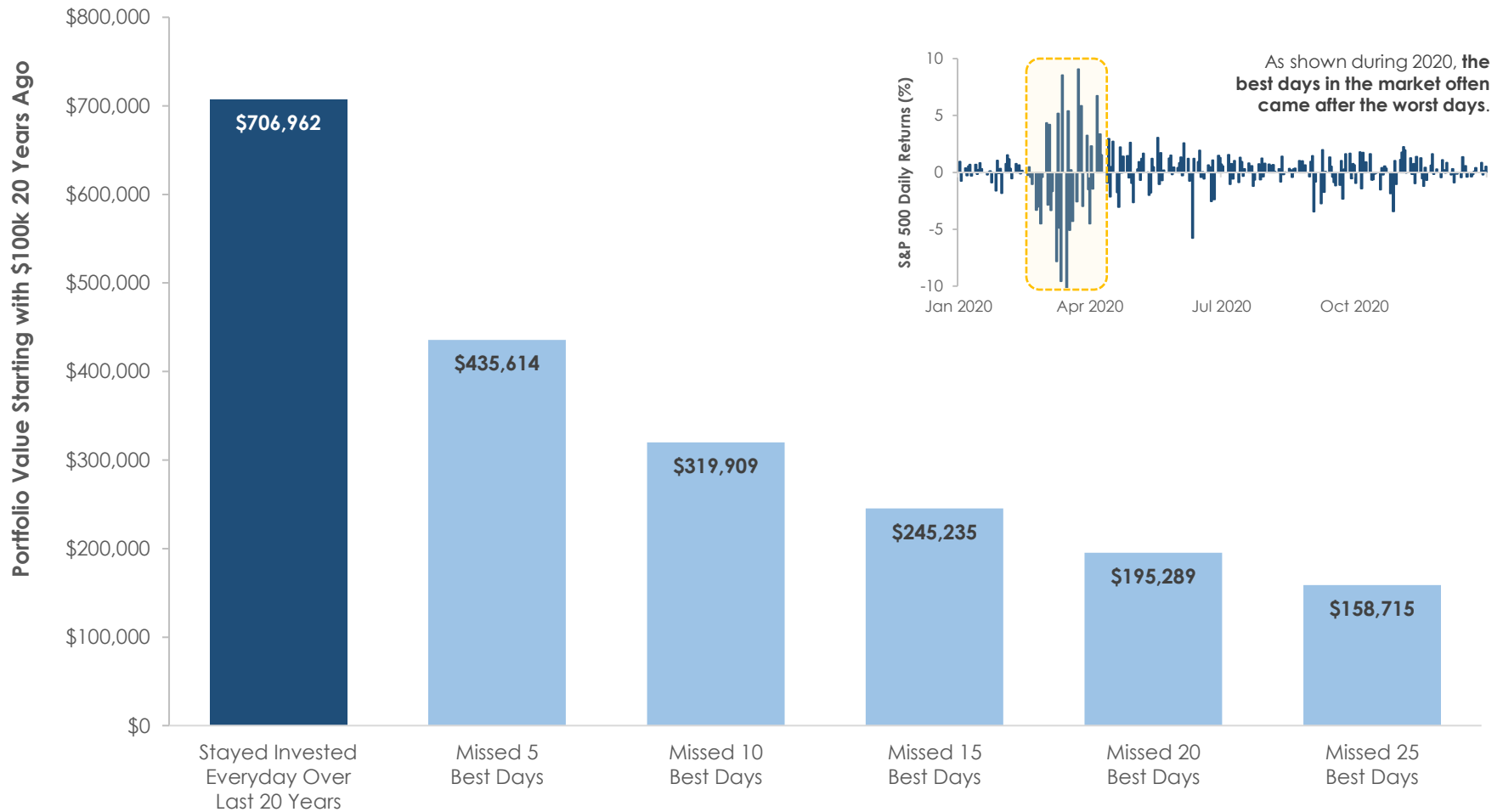
Disclosures: All performance data represents price returns of the S&P 500. Past performance is no guarantee of future results. U.S. Recession dates are based on National Bureau of Economic Research (NBER).

The Cycle of Market Emotions



Disclosures: Strictly for illustrative and educational purposes only. This analysis is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy.

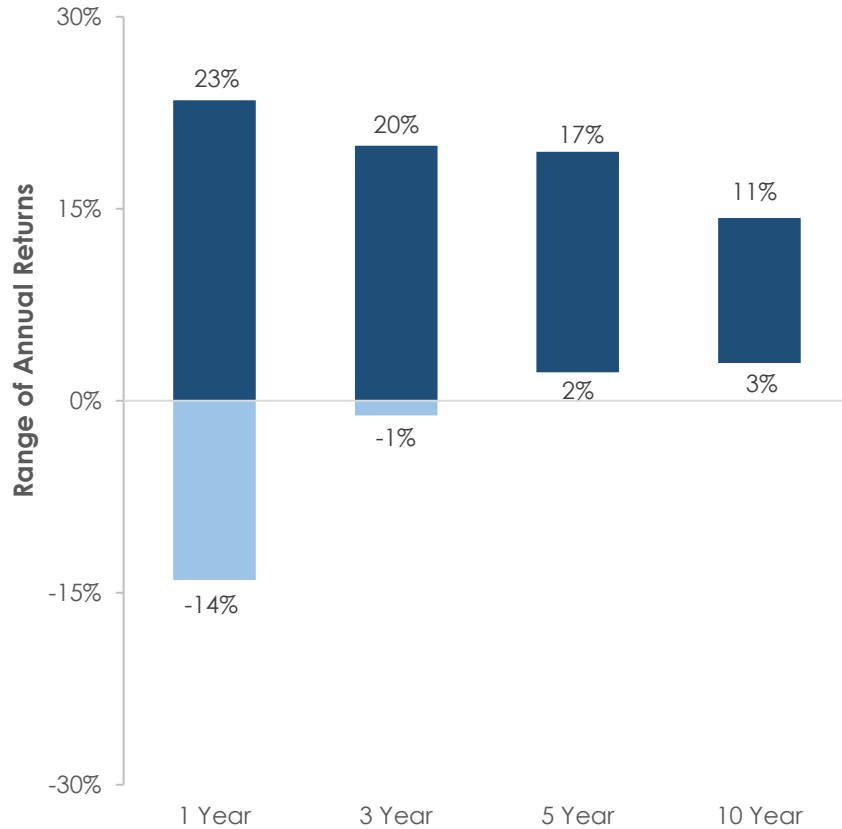
Time, Not Timing, is What Matters



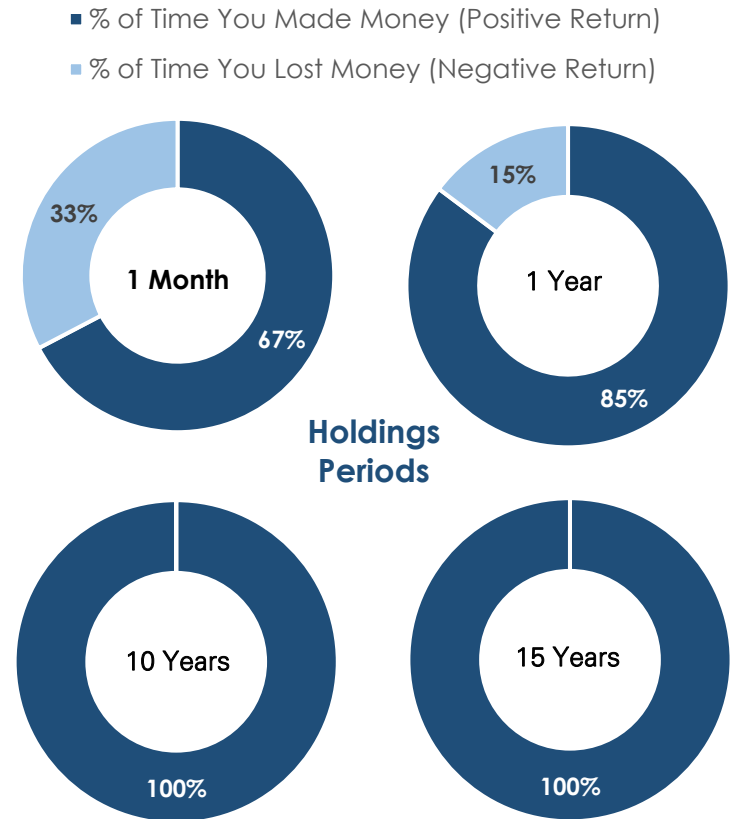
Disclosures: Past performance is no guarantee of future results. The analysis is based on 20 years of daily price return data. The portfolio value is represented by the State Street SPDR S&P 500 ETF (SPY), which represents an index of large cap stocks. The analysis does not include the impact of taxes or capital gains.

Staying Invested for the Long Term

Range of Annualized Returns for Rolling 1-, 3-, 5-, 10-Year Periods
Based on 50 Stock / 50 Bond Portfolio's Rolling Annual Returns Over Last 30 Years

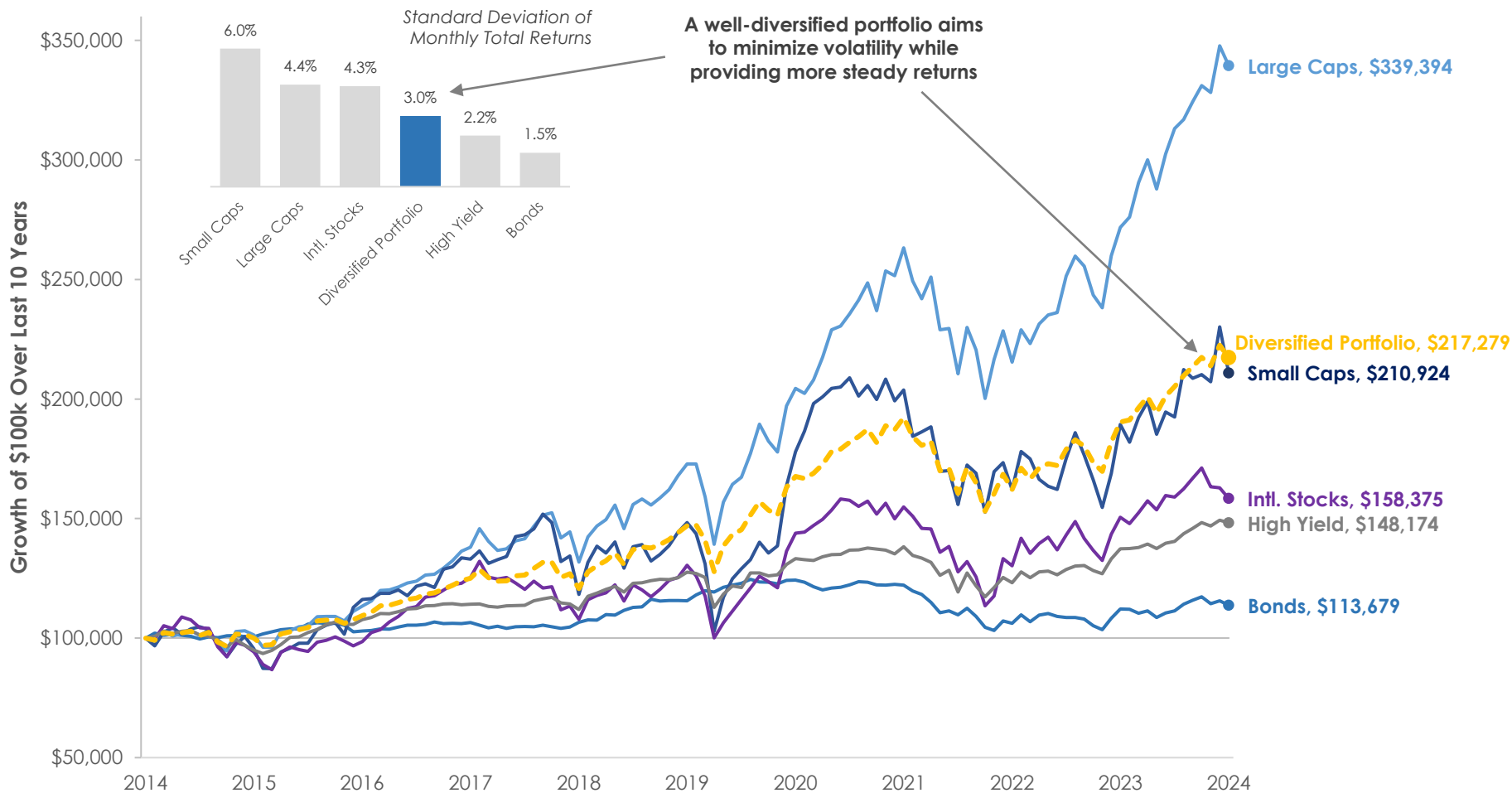


% of Time a 50 Stock / 50 Bond Portfolio was Positive / Negative
Based on Various Holding Periods Using Monthly Data From the Last 30 Years



Disclosures: Past performance is no guarantee of future results. The analysis is based on the last 30 years of total return data. Returns are represented by a 50/50 allocation to equities (State Street S&P 500 ETF - SPY) and bonds (Bloomberg Bond Aggregate Index).

Importance of Diversification



Disclosures: Past performance is no guarantee of future results. Performance is for illustrative purposes only. Diversification does not guarantee a profit or protect against a loss in a declining market. Diversified Portfolio is represented by 40% Large Caps (SPY - SPDR S&P 500 ETF), 10% Developed Markets (EFA - iShares MSCI EAFE ETF), 5% Small Caps (IWM - iShares Russell 2000 ETF), 30% Bonds (AGG - iShares U.S. Aggregate Bond ETF), 10% High Yield (HYG - U.S. Corporate High Yield Bond ETF), and 5% Emerging Markets (EEM - iShares MSCI Emerging Markets ETF). Standard deviation is a measure of the amount of variation of each portfolio.

Questions?

Get in Touch!

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Definitions

Annualized Return: The rate at which an investment grows each year over the period to arrive at the final valuation.

Bear Market: A decline of at least 20% from the market's high point to its low.

Beta: A measure of how an individual asset moves when the overall stock market increases or decreases.

Correlation: A measure of the extent to which two variables are related.

Dividend Yield: The dividend yield or dividend-price ratio of a share is the dividend per share, divided by the price per share. It is also a company's total annual dividend payments divided by its market capitalization, assuming the number of shares is constant.

Developed Markets: A country that is most developed in terms of its economy and capital markets. The country must be high income, but this also includes openness to foreign ownership, ease of capital movement, and efficiency of market institutions.

Emerging Markets: A country that has some characteristics of a developed market but does not fully meet its standards. This includes markets that may become developed markets in the future or were in the past.

Large Cap Stocks: Shares of publicly traded corporations with a market capitalization of \$10 billion or more.

LTM: An acronym for "Last Twelve Months" or the past one year.

NTM: An acronym for "Next Twelve Months" or the next one year.

Price Return: The rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, not including income generated in the form of interest or dividends.

Total Return: Return on a portfolio of investments including capital appreciation and income received on the portfolio.

Small Cap Stocks: Shares of publicly traded corporations with a market capitalization of \$2 billion or less.

Standard Deviation: In statistics, the standard deviation is a measure of the amount of variation or dispersion of a set of values. A low standard deviation indicates the values tend to be close to the historical average of the data set, while a high standard deviation indicates the current value is outside of the historical average range.

CBOE Volatility Index (VIX): Measures the market's expectations of future volatility and is based on S&P 500 options activity.

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