Slide 1

WHILE YOU'RE WAITING FOR THE WEBINAR TO START

WE'D LOVE TO HEAR FROM YOU

Make sure you're connected to audio if you'd like to verbally ask a question. Enter your access code (652.170.638), the pound sign (#), your audio pin (shown on your webinar control panel), and the pound sign (#) again. When we pause for questions, click the Raise Hand icon on your webinar control panel, and we'll unmute your line.

You can also type your questions in the question box on the webinar control panel. When we pause for questions, we'll read those for everyone to hear.

GET TO KNOW OUR TEAM

Michael Richardson, CFP®, AIF®, is a partner at Shepherd Financial. He's been with our team since Logan Lavelle Hunt merged with us in 2018.

Michael is a twin, and he and his wife have a set of twin sons (plus a daughter).

Holly Willman is the Director of Creative and Strategic Operations at Shepherd Financial. She's been with our team since 2013.

Do you know about the Enneagram? Holly is a Type 5. If you know your type, please share it in the question box!

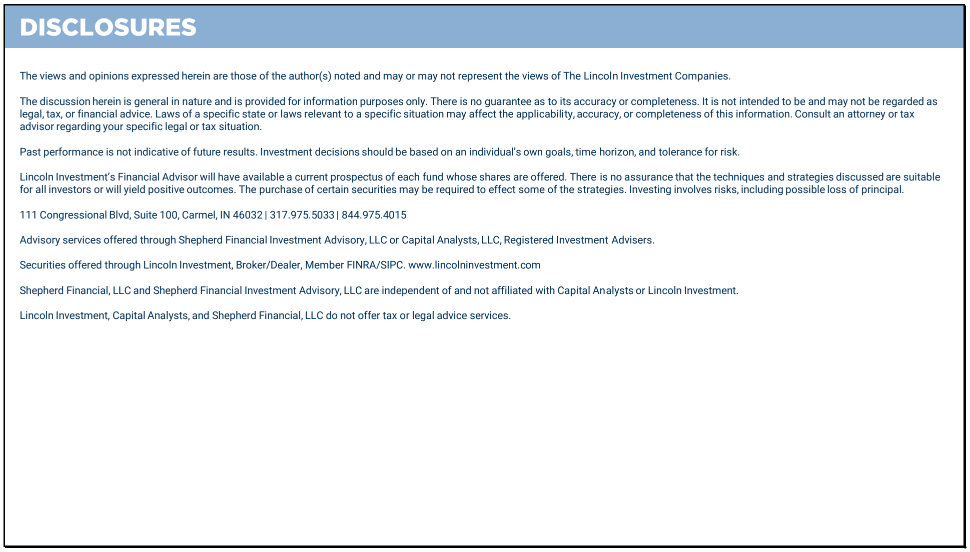
Slide 2

FINANCIAL HEALTH ASSESSMENT

June 20, 2019

Shepherd FINANCIAL

Slide 3



This presentation is for basic investment education. It is not a substitute for reading plan documents, materials provided by fund companies, or materials provided by your employer. This presentation should not be the sole source for your investment decisions, and any performance data quoted represents past performance and does not guarantee future results.

We think it's valuable to conduct financial health assessments. By checking in regularly, you can determine the adjustments you may need to make in your life, whether it's changing your saving, spending, or earning – or some combination of those things. And really, caring for yourself – both physically and financially – allows you to care for other people.

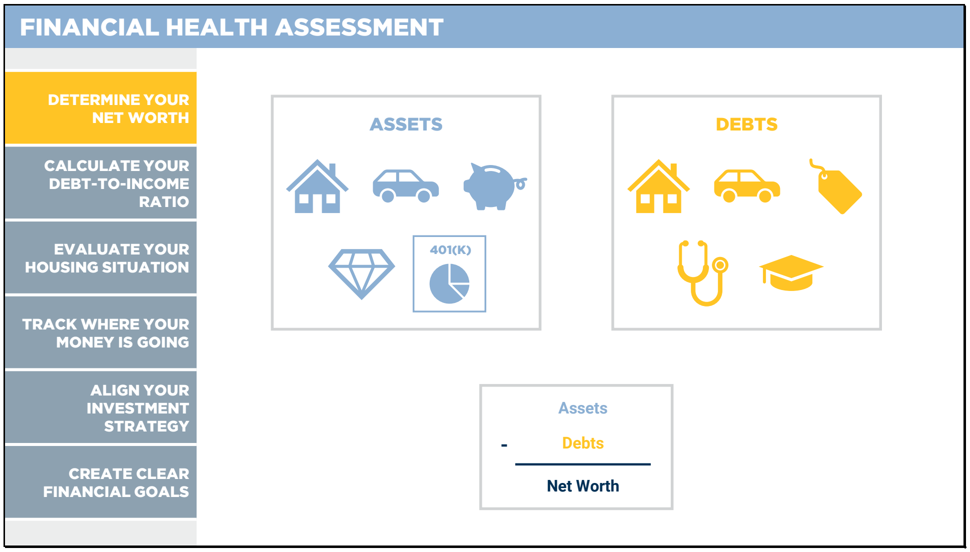
I want you to take the financial health assessment home and work through it – and make sure to include your significant other – if you have one – in that conversation. We're going to try something new today, though. Those financial health quiz questions you see on the top of sheet? We're going to ask them in poll form.

#1 – I have enough money every month to pay my bills.
#2 – I have money set aside for an emergency.
#3 – I have money set aside to cover 1-3 months of living expenses if I lose my job or become disabled.
#4 – Part of my income automatically goes to savings.
#5 – I contribute to a retirement account.
#6 – I pay off my credit cards in full each month.
#7 – I know how much debt I have.
#8 – I understand how to diversify my investments.
#9 – I have health insurance, as well as insurance if I become disabled and can't work.
#10 – I have an up-to-date will.

Let’s address some of those things right away.

Today, we’re going to talk about 6 areas to focus on as you assess your financial health: determining your net worth, calculating your debt-to-income ratio, evaluating your housing situation, finding out where your money is going, aligning your investment strategy with your life circumstances, and creating clear financial goals.

Slide 4



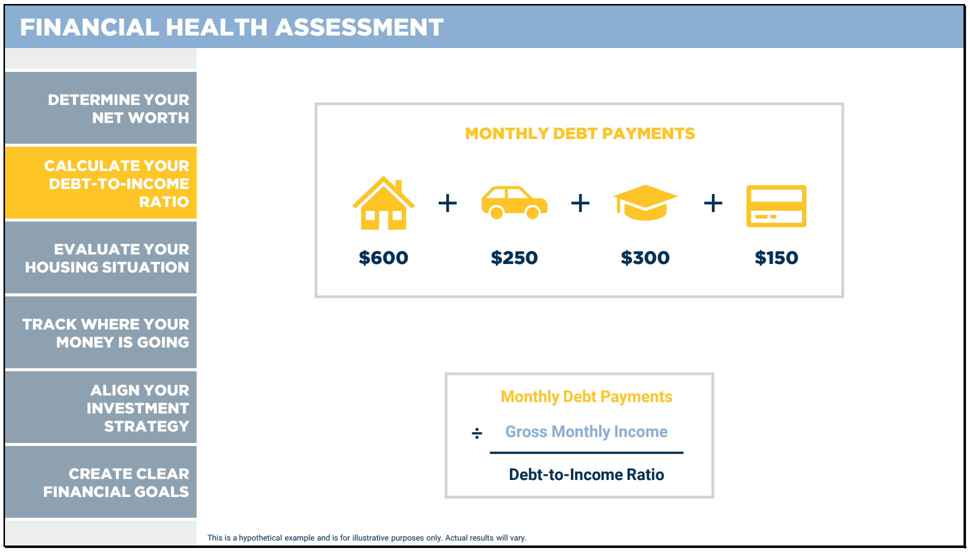
So number one on the list: determine your net worth. This is important for two big reasons: one, it lets you understand your current financial situation, but two, it gives you a reference point for measuring progress toward your goals. Net worth doesn't have to be confusing. I have a very simple formula: take your debts and subtract them from your assets. What you have minus what you owe. Let me clarify – this does not include your income.

And a kind of funny feature of net worth calculations is that things can be both assets and debts. I'll give an example: your house might be valued at $250,000. That's an asset. But you have a mortgage of $150,000 on it. That's a debt. You'd include both in your calculation.

The same is true for something like a car, if you have a loan you're paying off. However, I wouldn't include student loans in this category. While continuing education has value, it's harder to quantify in the asset category. So you would simply put the student loan in the debt column.

The key to net worth is that you are comparing yourself to yourself – nobody else! Ideally, as you continue to earn, save, and pay off debt, your net worth will grow. Do this calculation regularly to see how you're doing.

Slide 5

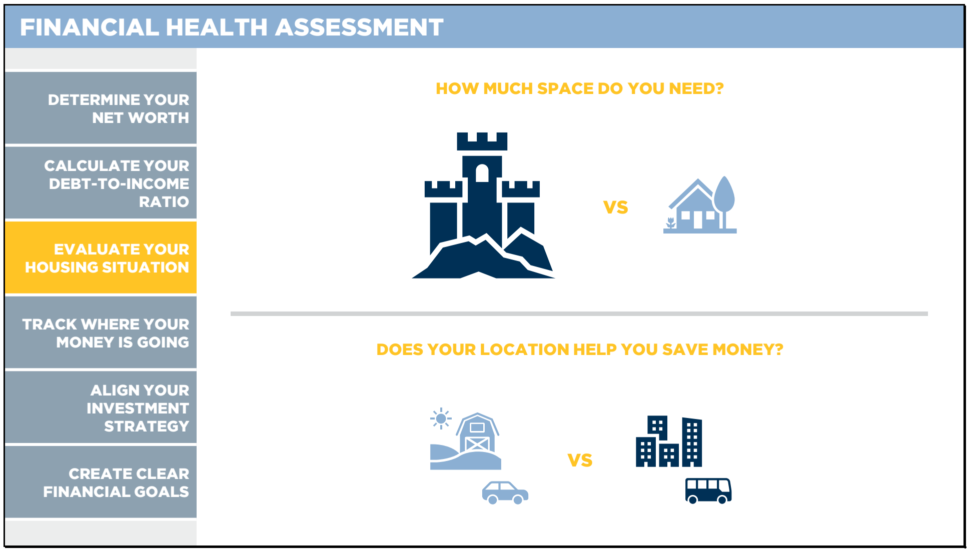


Next up is calculating your debt-to-income ratio. This time it involves division. Take the total amount of your monthly debt payments and divide them by your gross monthly income – that's before taxes and benefits and things are taken out.

Let's walk through an example. We'll say I pay $600 in rent, $250 for my car, $300 for my student loan, and $150 to cover the minimum payments on my credit cards. And in this example, my gross monthly income is $4,500. So all the debts added up equal $1,300, and I will divide that into $4,500.

Rounding up, it's 29% percent. Most lenders are looking for a debt-to-income ratio of 30% or lower, so this example person is doing ok. This is important because it's a primary factor in your credit score and getting new credit.

Slide 6

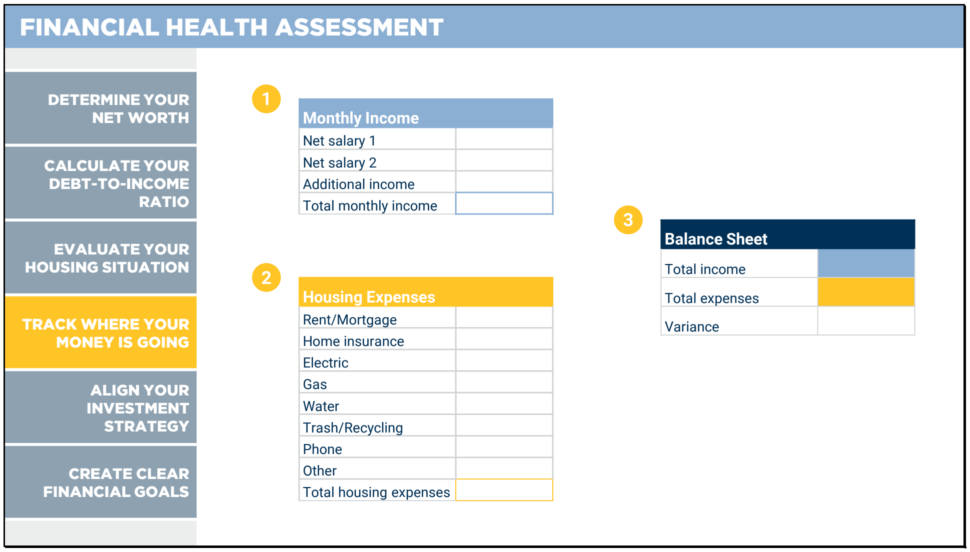


Pretty simply, we need to be in housing we can afford. How much space do you need? What purpose does that space serve? You might be wondering if there is a rule of thumb for how much to spend on housing.

If you look around, you'll see 30% of your monthly income as a pretty common figure. But it really depends on many factors. For example, if you pay a little more to live downtown, you may not need a car because you can walk to work.

If you love where you live but have too much space, consider getting a roommate or renting out a room. Or be creative and try making it an Air B&B place. Alternately, you could downsize and move someplace smaller or more affordable.

Slide 7



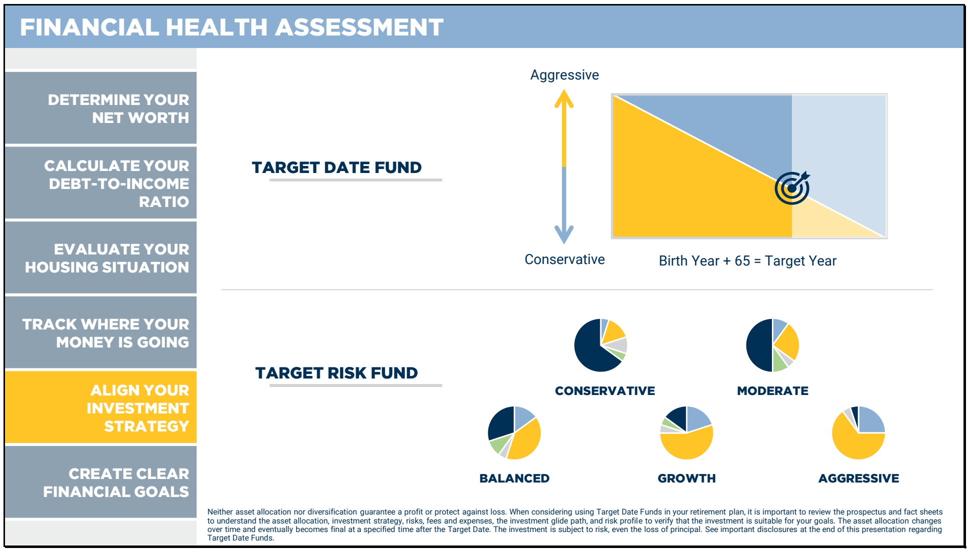
This is where you’re going to think I sound like a broken record. But creating a budget is a HUGE part of financial wellness. If you’re assessing your financial health and don’t have a budget, that should be a red flag. You need to know where your money is coming from and where it’s going!

I truly care about helping people eliminate their financial stress. And creating a budget is a really key element. If you haven’t watched our Budgeting and Paying Off Debt webinar from February, that’s a perfect place to start. It will explain how to use the financial worksheets we attached here.

Remember, you don’t have to be perfect when it comes to budgeting. And there are so many ways to do it – these financial worksheets are one method, but if you need different strategies, our team has lots of ideas.

And if you want to get started but feel overwhelmed, schedule some one-on-one time with a Shepherd Financial team member. We are here to clear the chaos and give you actionable steps.

Slide 8



I want to interject something before we start talking about investment strategies – it's important to have an emergency fund. Last year, we talked about this in the Breaking the Paycheck to Paycheck Cycle webinar, as well as the Preparing for Financial Emergencies webinar, so I won't keep hounding on it. But I wanted to remind everybody how critical it is to have that base emergency fund before you start investing.

Ok, so remember a couple of our poll questions were about contributing to a retirement account and diversifying investments? So our hope is that you, our listeners, are contributing to your company's retirement account. It's also great if you're contributing to an IRA outside of the plan.

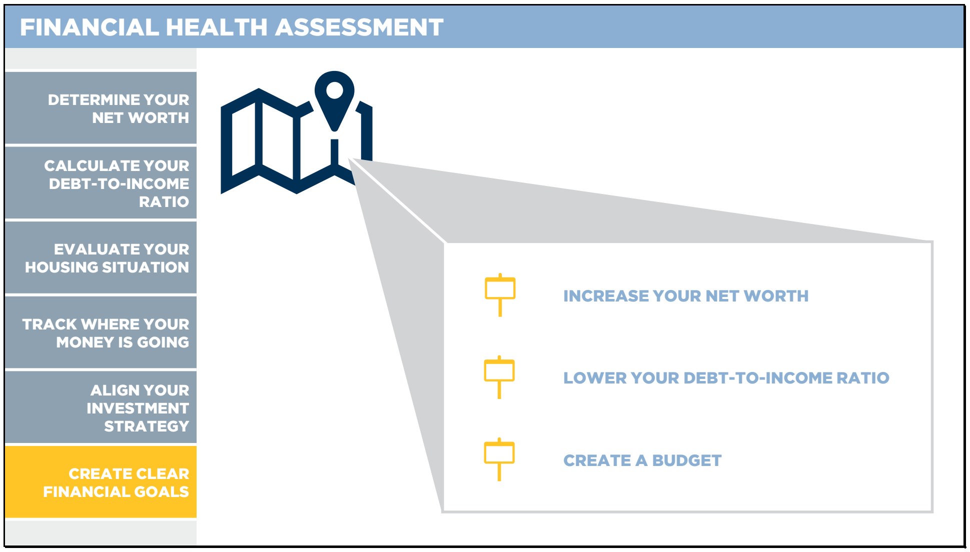
And once you're contributing, you want to make sure your investment strategy is aligned with your personal situation. There are a couple of pieces to that – first, look at your risk tolerance. You need to think about your expectations and your willingness to lose money.

You can assess your degree of risk tolerance – which ranges from conservative to aggressive – by taking a risk-related questionnaire. In fact, there's probably one on your 401(k) website.

You also need to consider your time horizon – how long are you planning on investing? Depending on the options in your plan's fund lineup, choosing a risk-based fund or a target date fund may get you where you want to go.

But you may also want to consider investments that are aligned with your values and goals. A great way to determine which fund or funds are in alignment with your personal needs is to connect with one of our team members. Schedule an appointment on Open Phone Day, or let us know if you'd like to talk more extensively. It's what we love to do.

Slide 9



If you’re not aiming for something, you’re probably not going to get there. So let’s talk about financial goals. You need short-term and long-term goals. Thinking through the pieces of the financial assessment we’ve discussed so far, what are some that we could set?

How about aiming to increase your net worth 5-10% each year? This happens pretty naturally as you pay down debts and accumulate assets. Remember, you’re only comparing yourself to yourself. And it’s super encouraging to watch that net worth number rise.

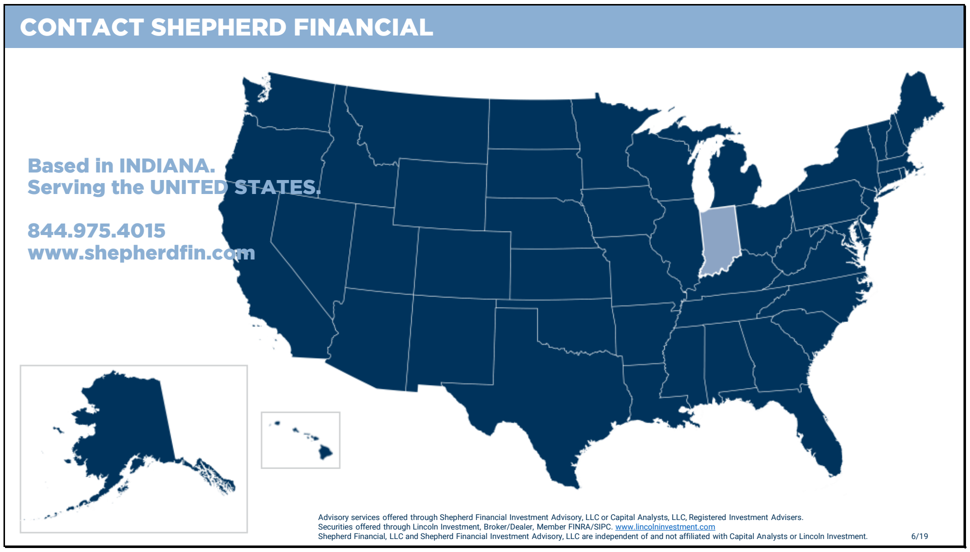
Thinking about the debt-to-income ratio, a good goal may be to pay down debt aggressively. You could aim for a debt-to-income ratio of 20% or lower.

Maybe your goal could be to find a cheaper place to live or reduce your mortgage – that could happen through refinancing or renting out a room in your house.

Some quick ones you could knock off the list would be to watch some of our past webinars and work through those financial worksheets. Or schedule an Open Phone Day appointment to discuss your investment strategy.

Just a few items we didn’t really talk about today but you may want to factor into your personal financial health assessment include: getting appropriate insurance coverage, buying a car, and building up credit.

Slide 10



Don't forget our next Open Phone Day is Tuesday, July 2nd, and you can sign up for that by emailing shepfinteam@shepherdfin.com. If you'd like to chat with one of our team members at any other time, you can always call us at 844.975.4015 or 317.975.5033.

Have a great afternoon!

Slide 11

DEFINITIONS AND DISCLOSURES

Investments in Target Date Funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. The principal value in a Target Date Fund is not guaranteed at any time, including on or after the target date, which is the approximate date when investors turn age 65. Should you choose to retire significantly earlier or later, you may want to consider a fund with an asset allocation more appropriate to your particular situation. The funds invest in a broad range of underlying mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility. All investing is subject to risk, including the possible loss of the money you invest. Investments in bonds are subject to interest rate, credit, and inflation risk.

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. There are some risks associated with investing in the stock markets: 1) Systematic risk - also known as market risk, this is the potential for the entire market to decline; 2) Unsystematic risk - the risk that any one stock may go down in value, dependent of the stock market as a whole. This also incorporates business risk and event risk; and 3) Opportunity risk and liquidity risk. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. An investment concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment. Small and mid-cap stocks may be subject to a higher degree of risk than larger, more established companies' securities, including higher risk of failure and higher volatility. The illiquidity of the small and mid-cap markets may adversely affect the value of these investments so those shares, when redeemed, may be worth more or less than their original cost. In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities).

Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate. Treasury bills (T-bills) are short-term securities with maturities of one year or less issued at a discount from face value. Treasury bills are the primary instrument used by the Federal Reserve in its regulation of money supply through open market operations. Treasury notes (T-notes) are intermediate securities with maturities of 1 to 10 years. Denominations range from $1000 to $1 million or more. The notes are sold by cash subscriptions, in exchange for outstanding or maturing government issues, or at auction. Treasury bonds (T-bonds) are long-term debt instruments with maturities of ten years or longer issued in minimum denominations of $1,000. Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.
Prior to rolling over assets from an employer-sponsored retirement plan into an IRA, it's important that you understand your options and do a full comparison on the differences in the guarantees and protections offered by each respective type of account as well as the differences in liquidity loans, types of investments, fees, and any potential penalties. A variable annuity is an insurance contract which offers three basic features not commonly found in mutual funds: (1) annuity payout options that can provide guaranteed income for life; (2) a death benefits; and (3) tax-deferred treatment of earnings. When applicable, the tax deferred accrual feature is already provided by the tax-qualified retirement plan (e.g. 403(b), IRA, etc.) The U.S. Securities and Exchange Commission (Investor Tips: Variable Annuities) has suggested that for most investors, it would be advantageous to make the maximum allowable contribution to a tax-qualified retirement plan before investing in a variable annuity. The separate account of a variable annuity is not a mutual fund. While separate accounts may have a name similar to a mutual fund, it is not the same pool of funds and will experience difference performance than the mutual fund of the same or similar name. In addition, the financial ratings of the issuing insurance company do not apply to any non-guaranteed separate accounts. The value of the separate accounts that are not guaranteed will fluctuate in response to market changes and other factors. Variable annuities are designed to be long-term investments and early withdrawals may be subject to tax penalties and charges. None of the information in this document should be considered as tax advice. You should consult your tax advisor for information concerning your individual situation.

Treasury inflation protected securities (TIPS) refer to a treasury security that is indexed to inflation in order to protect investors from the negative effects of inflation. TIPS are considered an extremely low-risk investment since they are backed by the U.S. government and because the par value rises with inflation, as measured by the Consumer Price Index (see below), while the interest rate remains fixed.

The consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households.

Past performance is no guarantee of future results. No person or system can predict the market. All investments are subject to risk, including the risk of principal loss.

Consult your financial professional before making any investment decision.