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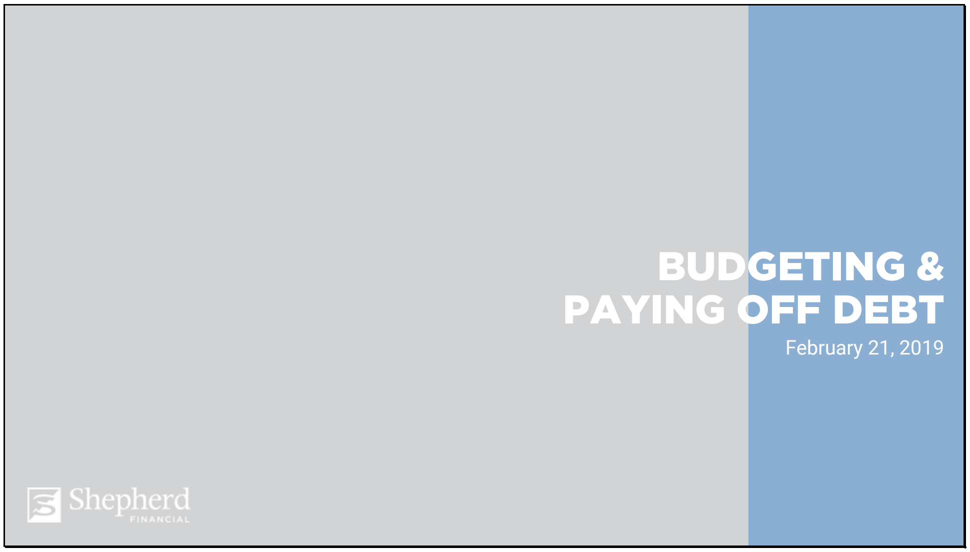
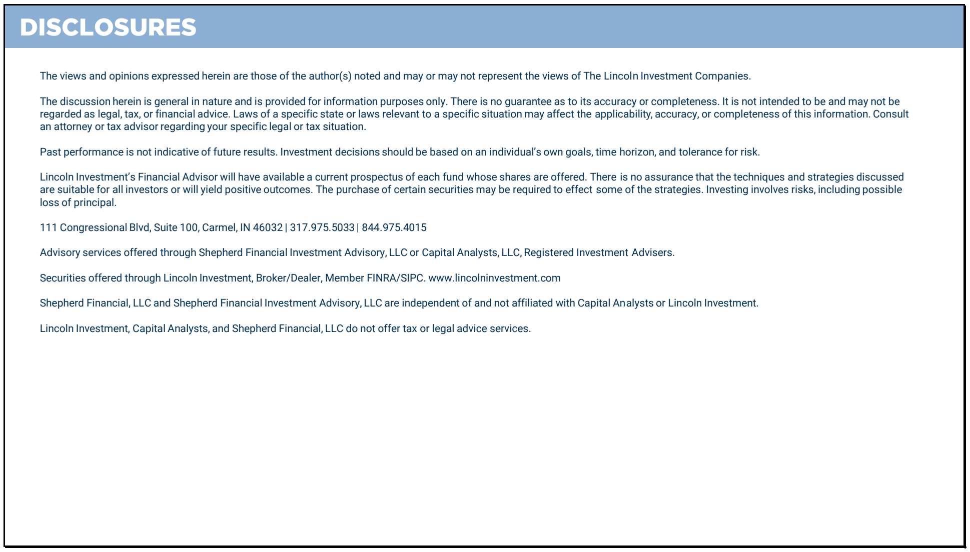


Ready to hear about budgeting and paying off debt?

For those of you joining us today, I want you to know that our team's role is to help you better understand your company's retirement plan, equip you to live financially well, and retire on your terms.

And for many people, that starts with understanding the importance of creating – and following – a budget. That, in turn, helps with paying off debt and getting your financial feet under you, so to speak.

Slide 2



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.

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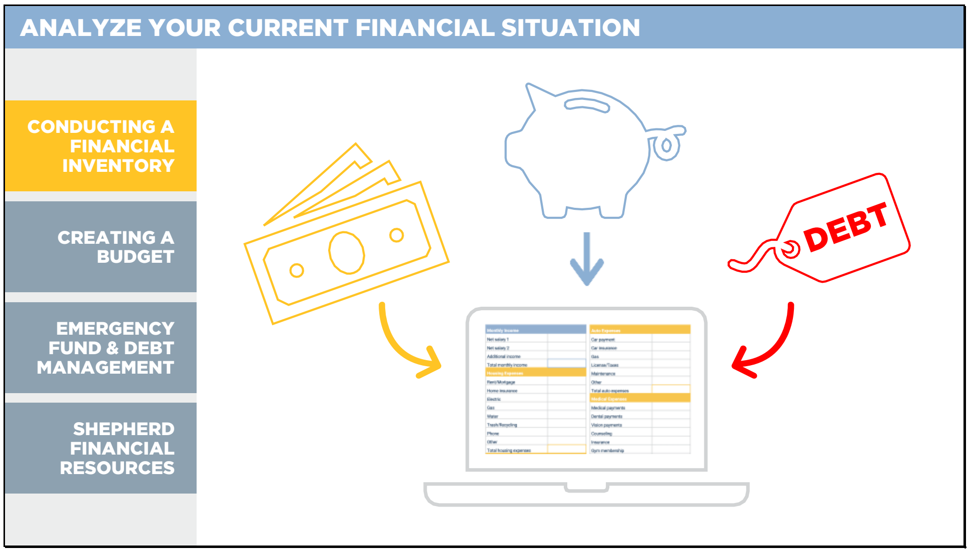

For many people, finances can be a major cause of stress. I know that's been true in my life. Statistics show nearly 80% of workers are living paycheck to paycheck. Today, we want to talk about some really practical ways to combat that stress and get out of the cycle, including budgeting and building an emergency fund.

I'll try to keep it pretty basic, because I know if you're overwhelmed, you won't take the necessary steps to make a change. And if you're financially stressed, you do need to make a change – because you don't have to live that way!

So what's our first step? Before you can make a plan, it's helpful to sort out where you are, financially speaking. That involves conducting a financial inventory. You'll want to gather bank and credit card statements for the past three months, because those real numbers will give you guidance as you complete the budget worksheets. And looking at those real numbers is very important – they show what you're actually spending and saving, not just what you think you should be.

Speaking of the budget worksheets, they can be found in the handouts section of your webinar control panel. You can download those and save them. Feel free to share those with anyone you think might need some help working through their budget.

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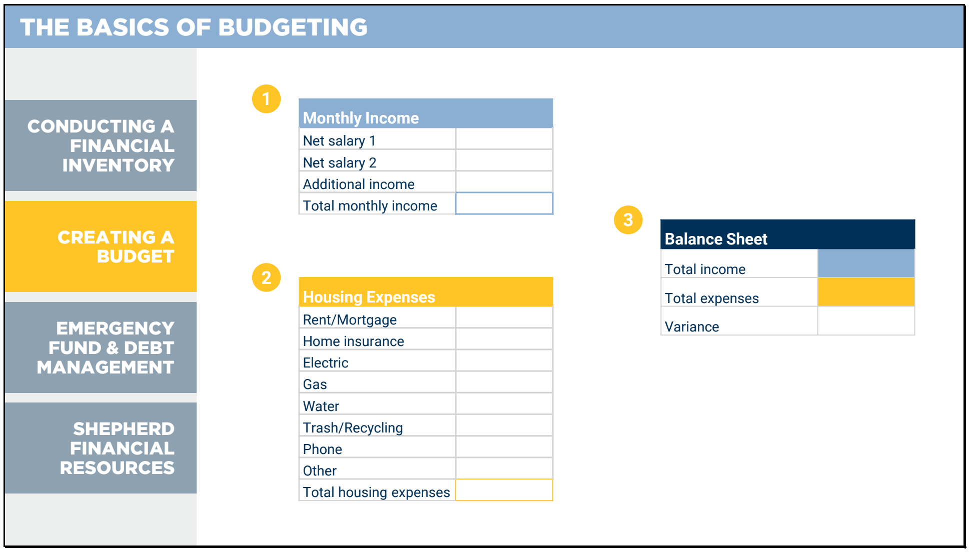

It's ok if you've never made a budget before. I'll break it down into bite-sized pieces for you. Grab the Monthly Finances worksheet.

First, write in your income – your paychecks and any other money that comes in to your bank account. This can be a little tricky if you have inconsistent income, like if it's commission-based. I would recommend writing your average income here. You'll add up all those rows and put the amount in total monthly income.

Next, we're going to write down expenses. These can be broken into two types – fixed and variable. Fixed means the amount is the same every month – like your rent or mortgage payment. Variable means the amount may change based on what's going on in the month. For example, groceries or gas. If you're using the past three months to figure out those variable expenses, average out the numbers for each of your categories.

Go through each expense category, and make sure you itemize all the things you spend money on even if they don't fit in these exact categories. Total each section. Each of those expense totals will be added together and put as the number in total expenses in the balance sheet section. Your total monthly income number will be put in the total income cell. If you're using our pdf version, the totals should automatically calculate for you.

The difference between these two numbers is the variance – either you have more income than what you are spending each month, or you have a deficit – you're spending more than you're bringing in. Do you know how to determine if you're overspending in a particular category, though?

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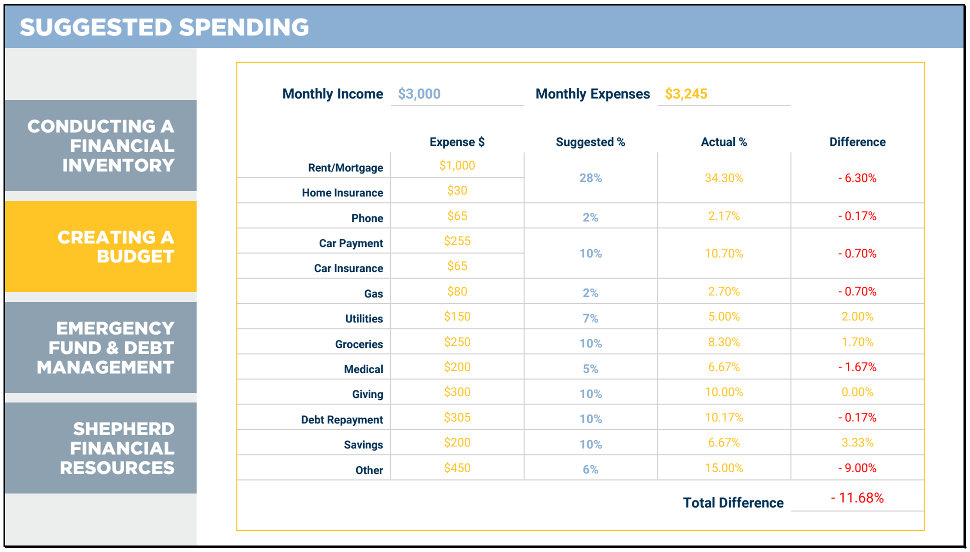

	Expense $	Suggested %	Actual %	Difference
Rent/Mortgage	$1,000	28%	34.30%	- 6.30%
Home Insurance	$30			
Phone	$65	2%	2.17%	- 0.17%
Car Payment	$255	10%	10.70%	- 0.70%
Car Insurance	$65			
Gas	$80	2%	2.70%	- 0.70%
Utilities	$150	7%	5.00%	2.00%
Groceries	$250	10%	8.30%	1.70%
Medical	$200	5%	6.67%	- 1.67%
Giving	$300	10%	10.00%	0.00%
Debt Repayment	$305	10%	10.17%	- 0.17%
Savings	$200	10%	6.67%	3.33%
Other	$450	6%	15.00%	- 9.00%
			Total Difference	- 11.68%

Let’s take a look at the Suggested Spending worksheet. This lets us take the numbers we just added up and calculate what percentage of your monthly income is being spent in the various categories. In fact, if you’re using the pdf version and completed the Monthly Finances worksheet, you’ll notice all these numbers get filled in for you automatically.

This worksheet takes the suggested spending percentage and subtracts your actual spending percentage. Positive numbers mean you’re spending less in these categories, so you have some money to potentially move around. That means if there is a negative number in the difference column, there’s some work to be done to tighten up your budget.

A couple of thoughts for you here. You can do a bit of research to cut back in some of these categories. For example, if your insurance costs are too high, consider getting a quote to see if you can lower your monthly payments. Another area that can be quick to trim is groceries. Putting a little thought into a meal plan and grocery list can prevent you from overspending at the store and wasting food later. Keep in mind that while you’re trying to save money, you may need to completely cut some other expenses – areas that usually stick out are gym memberships, cable subscriptions, apps that you pay for, etc.

When it comes down to it, though, you might have to cut back on your necessary expenses. I know some of you won’t like to hear this, but the fact is you may be living an overinflated lifestyle. If your mortgage or car payment are crushing you, then it may be time to downsize. I get it. There can be a lot of pressure to maintain a particular lifestyle. But part of taking responsibility for and control of your finances means being honest about what you can actually afford. And this is really important to be realistic about as you try and set financial objectives.

Yes, you should have financial objectives. That just means setting goals and then prioritizing them. And the key to goal-setting, especially when it comes to financial goals, is to be clear and specific. Write down exactly what the goal is and how long you intend to take to reach it.

It’s so important, too, to share these goals with someone. Talk about it with your spouse. Maybe you want to share it with friends or relatives. But then again, maybe the thought of talking about finances with your loved ones feels stressful or embarrassing. If so, talk to us at Shepherd. We’re happy to discuss what you’re working toward and share the tools we have at our disposal to help get you there.

You may have noticed a section on your monthly expenses sheet for saving and debt repayment. Did you write anything there? I hope so. As you are building your budget and setting goals, the first two questions you need to answer are:

- Do you have an emergency fund with at least $1,000 in it?
- Do you have debt?

Building an emergency fund and eliminating debt are the primary tools to get you out of the paycheck to paycheck cycle, help you be prepared for financial emergencies, and lower your overall financial stress. So let’s look at those two concepts.

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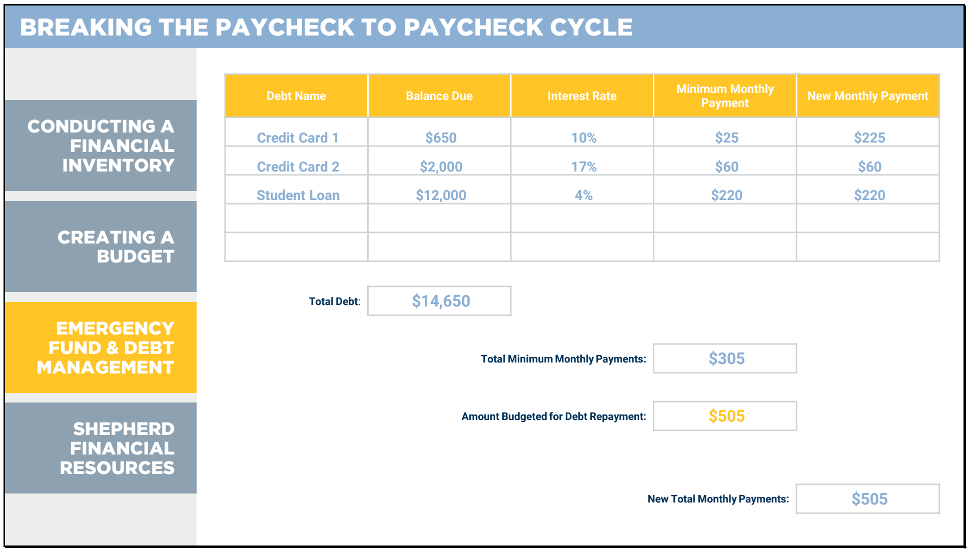

If your emergency fund is currently at $0, I understand that any number might feel intimidating. But you can save $1,000 methodically. We just talked about identifying areas where you might be able to cut back on your expenses. Let's say you've decided to cut cable and switch to Netflix. So instead of $100 per month, you're paying $13. Bank that extra $87 a month and stick it in your emergency fund. In one year, you'll have over $1,000 saved!

Once you're at that number, you want to aim to increase your emergency fund. I know we don't like to talk about it, but it's important to have a cushion if something happens to your primary source of income. In general, focus on accumulating three to six months of living expenses in this account. For single people or families living on one income, consider bumping that up to 12 months of living expenses.

A few more points about this emergency fund – one, automate it. Make it a regular part of your budget, and set it so the money goes out of your checking and into a savings account of some kind. Speaking of that, this account should be accessible during the actual emergency, so we're not talking about a retirement account that would have withdrawal penalties. Finally, if you draw from your emergency fund – which you should only be doing for actual emergencies – make it a priority to build it back up as soon as you are able.

Ok, so the emergency fund is goal number one. Next up is paying off debt. If you've only been making minimum payments on your debt balances, you need to know that you just won't get out of debt that way. Interest payments will keep adding up, and we want interest to work for us, not against us. Pull out the Debt Elimination worksheet. Write down each of your debts, their current balances, interest rates, and minimum monthly payments. We're going to show you one of the ways to smash that debt by walking you through the snowball method.

In the example on the screen, I have two credit cards with balances, as well as a student loan. My credit cards have $650 and $2,000 on them, and my student loan is at $12,000. So my total debt right now is $14,650. You can see that I have to pay $305 each month to cover these minimum payments, which I have been doing. I indicated that in my monthly finances sheet, so it showed up in my suggested spending. But to truly eliminate debt, you have to pay more than the minimum. In fact, if you're only paying the minimum, the interest will build so quickly that you won't be able to get out of debt. But being debt-free is a priority to me, so I'm going to commit to cutting back in some areas to make this a reality.

Let's say when I went through my expenses, I found a way to free up $200 a month. So go back to the monthly finances sheet and make the appropriate changes. In my case, I lowered a few of the 'Other' expenses and increased my debt repayment expense to $505 – the minimum payments of $305 and the additional $200. So that number should now show up in your 'Amount Budgeted for Debt Repayment' on this debt elimination worksheet.

The debt snowball method attacks the smallest debt first, then the next one, then the next one. You build momentum, just like a snowball going down a hill. Instead of my minimum payment of $25 on the first credit card, I'm going to pay $225, while still making minimum payments on the other two debts. By doing this, I will pay off that $650 credit card debt in three and a half months.

It's going to take that long because interest keeps building on it while I'm paying it off. Once I have paid off that debt, I can take that $25 minimum payment plus the extra $200 payment and move it to my next debt. Adding that to the $60 I was already paying, I will be putting $285 toward that second credit card debt each month, starting in month four. Once I have paid off that second credit card debt, I can focus my energy and that extra money toward my student loan.

Do you see how I gained momentum by continuing to reallocate money toward the next debt? It's not the only way to handle debt, though. Another method focuses on paying off the highest interest debt first. So in this case, we'd focus on the second credit card because it has a higher interest rate. Then you'd pay off the first credit card, then all your attention would go to the student loan.

One more thing – you have to follow your budget to make either of these debt repayment plans work for you. So that means not accumulating more credit card debt by overspending. Sticking to your budget allows you to shrink the debt and eventually become debt-free.

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If you need to look at other debt repayment options, it's a great idea to sit down with a Shepherd Financial team member.

As we wrap up today, I want to remind you that it's important to evaluate your progress, because you want to keep your goals in front of you to know <u>why</u> you're doing <u>what</u> you're doing. Budget maintenance should be happening at least monthly to make sure you're on track. Once you have built up your emergency fund and paid off your debts, consider reallocating that money toward some savings goals. That same debt snowball principle can work in a positive way. Once you've hit one savings goal, you can shift that money to save for other things.

Our guideline for retirement savings is between 10 and 15% of your pre-tax income. So you may consider increasing your retirement deferrals to hit that mark. But if you are already deferring so much into your 401(k) plan that you are hitting the IRS limit on contributions before the end of the year, consider taking that extra money that is now being added to your take-home pay and contributing to an IRA.

One last, important note. Be patient with yourself. Deciding to behave differently when it comes to your finances is just as hard as starting to eat well or working out. Sometimes harder! Acknowledge you won't do this perfectly, and remember: you have a system in place to help you get back on track if that occurs.

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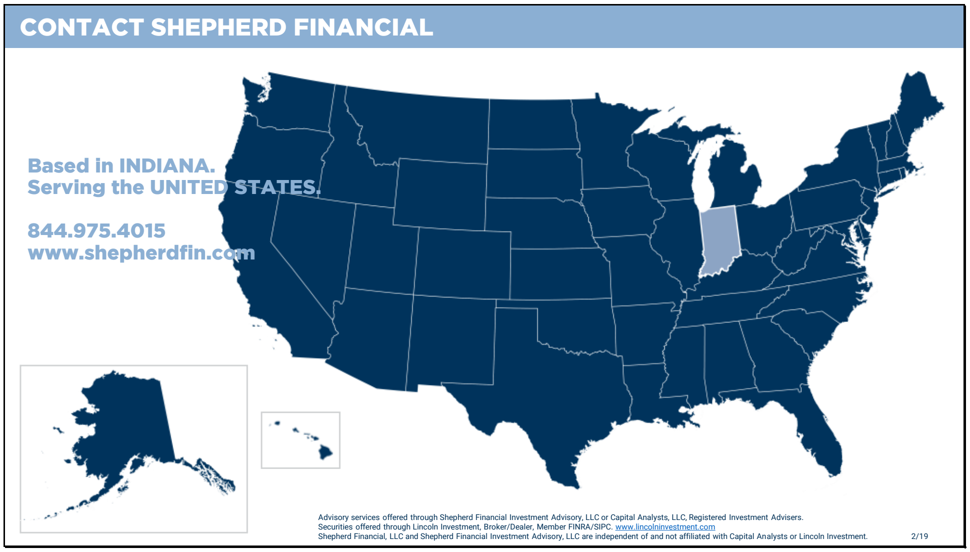

Don’t forget our next Open Phone Day is Tuesday, March 5th, and you can sign up for that by emailing shepfinteam@shepherdfin.com. If you’d like to chat with one of our team members at any other time, you can always call us at 844.975.4015 or 317.975.5033.

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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.

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.