

The Minnesota Conference on Architecture
November 11, 2024



**Holistic Investing and Financial
Planning for Architects:**

**Ideas for your practice, money,
and financial life.**

Introduction

- Financial Planning
 - ✓ Budgeting & Saving
 - ✓ Retirement Investing
 - ✓ Education Planning
 - ✓ Estate Planning
 - ✓ Succession & Exit Planning
- How does human behavior impact it all?



Financial Planning

What is financial planning?

“Financial planning is a process, not a product. It is the long-term method of wisely managing your finances so you can achieve your goals and dreams, while at the same time negotiating the financial barriers that inevitably arise in every stage of life.”

<https://fpamn.org/consumers/what-is-financial-planning/>



Budgeting & Saving

As a general rule of thumb, an emergency fund should be sufficient to cover at least ____ to ____ months of expenses:

- A) 1-2 months
 - B) 2-4 months
 - C) 3-6 months
 - D) 4-8 months
-

Budgeting & Saving

Needs	<ul style="list-style-type: none">• 50% percent of budget• Housing, Food, Medical, Transportation, Debt Payments
Wants	<ul style="list-style-type: none">• 30% percent of budget• Clothing, Restaurants & Bars, Travel, Entertainment
Savings	<ul style="list-style-type: none">• 20% percent of budget• Emergency Fund, Retirement Savings, Extra Debt Payments

There are lots of ways to budget and save effectively. This general guideline keeps it simple.

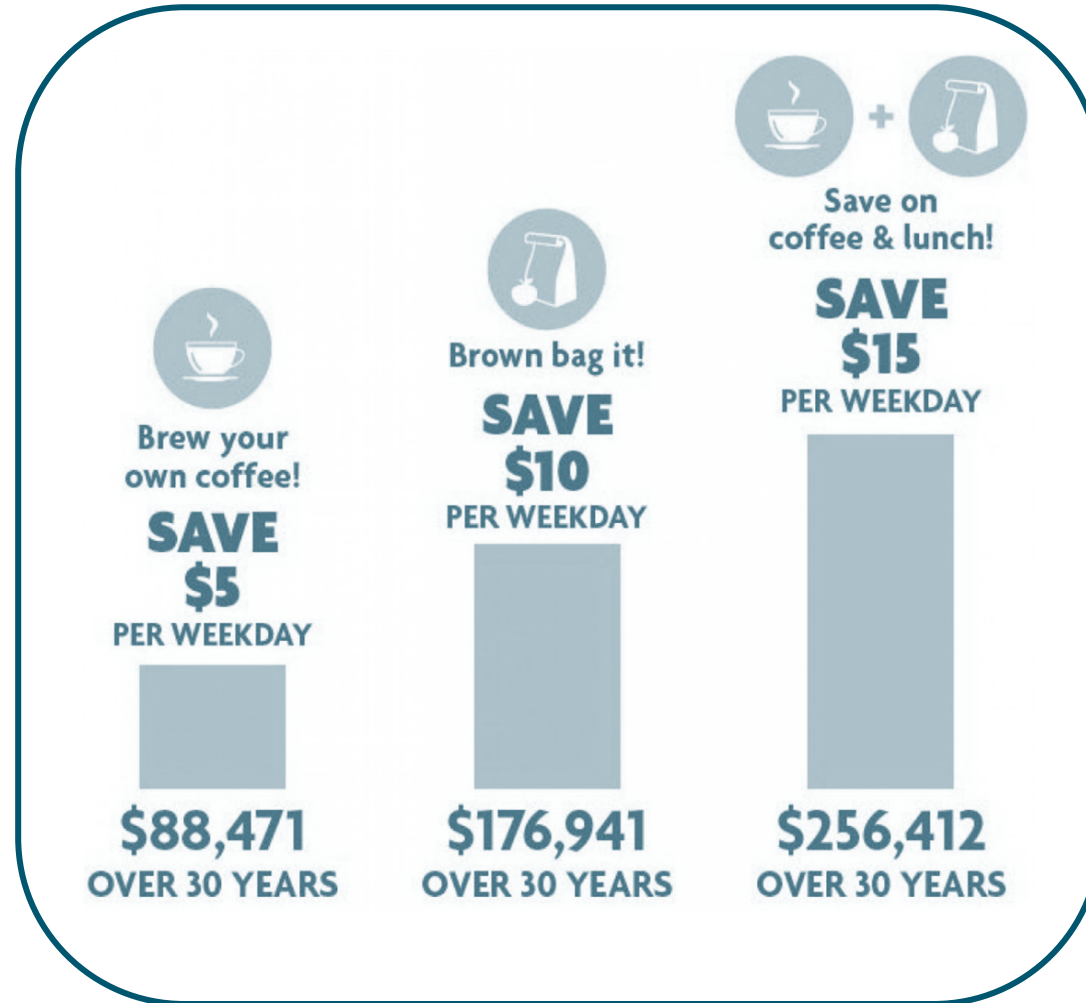
Budgeting & Saving: Big Ideas, Huge Impact



According to the U.S. Bureau of Labor Statistics, in 2022, “housing accounted for the largest share (33.3 percent) [of household expenses], followed by transportation (16.8 percent), food (12.8 percent), personal insurance and pensions (12.0 percent), and healthcare (8.0 percent). Each of the remaining categories contributed less than 5.0 percent of total expenditures.”

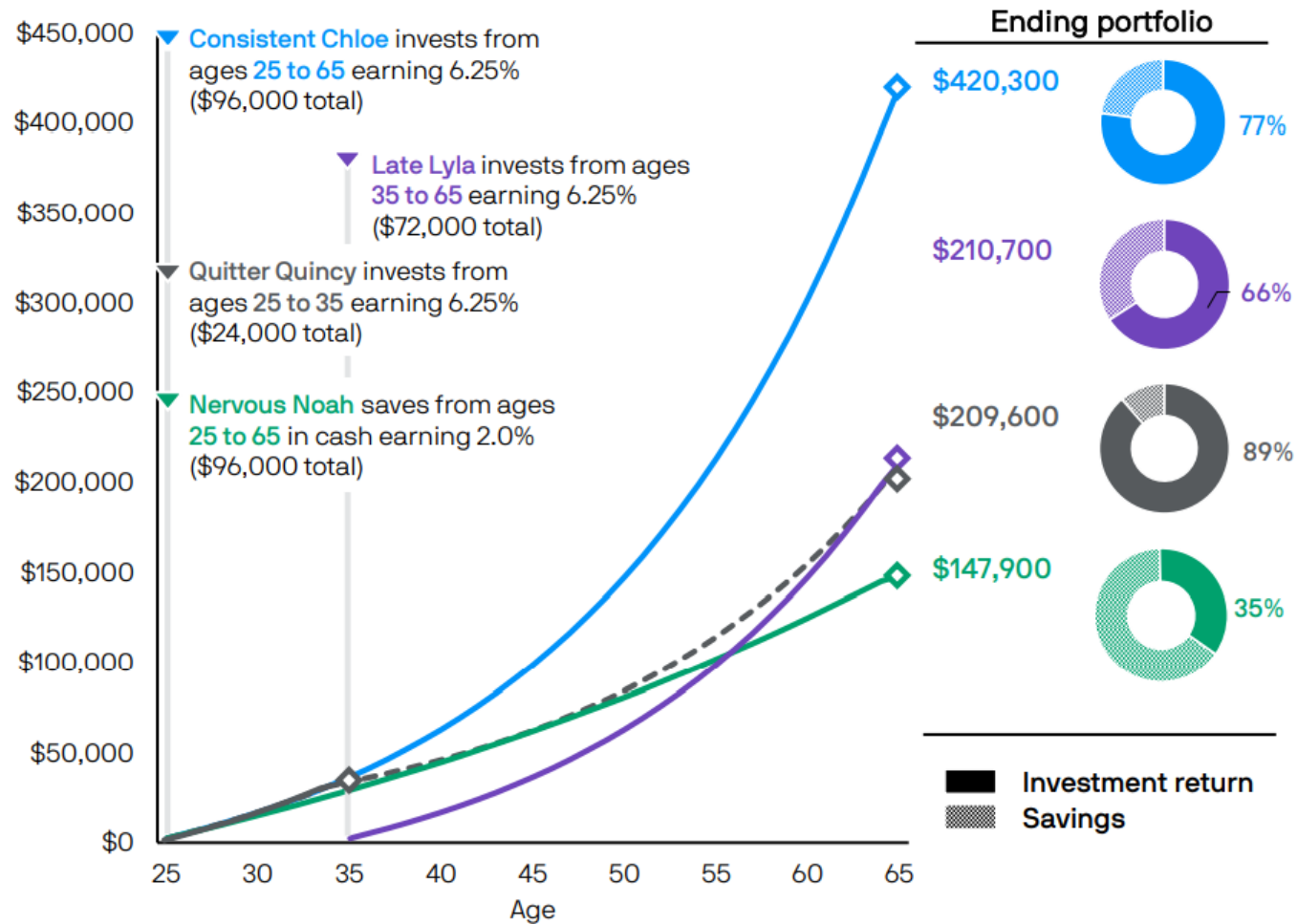
<https://www.bls.gov/news.release/cesan.nr0.htm>

Budgeting & Saving: Little Ideas, Big Impact



Retirement Investing: Start Now

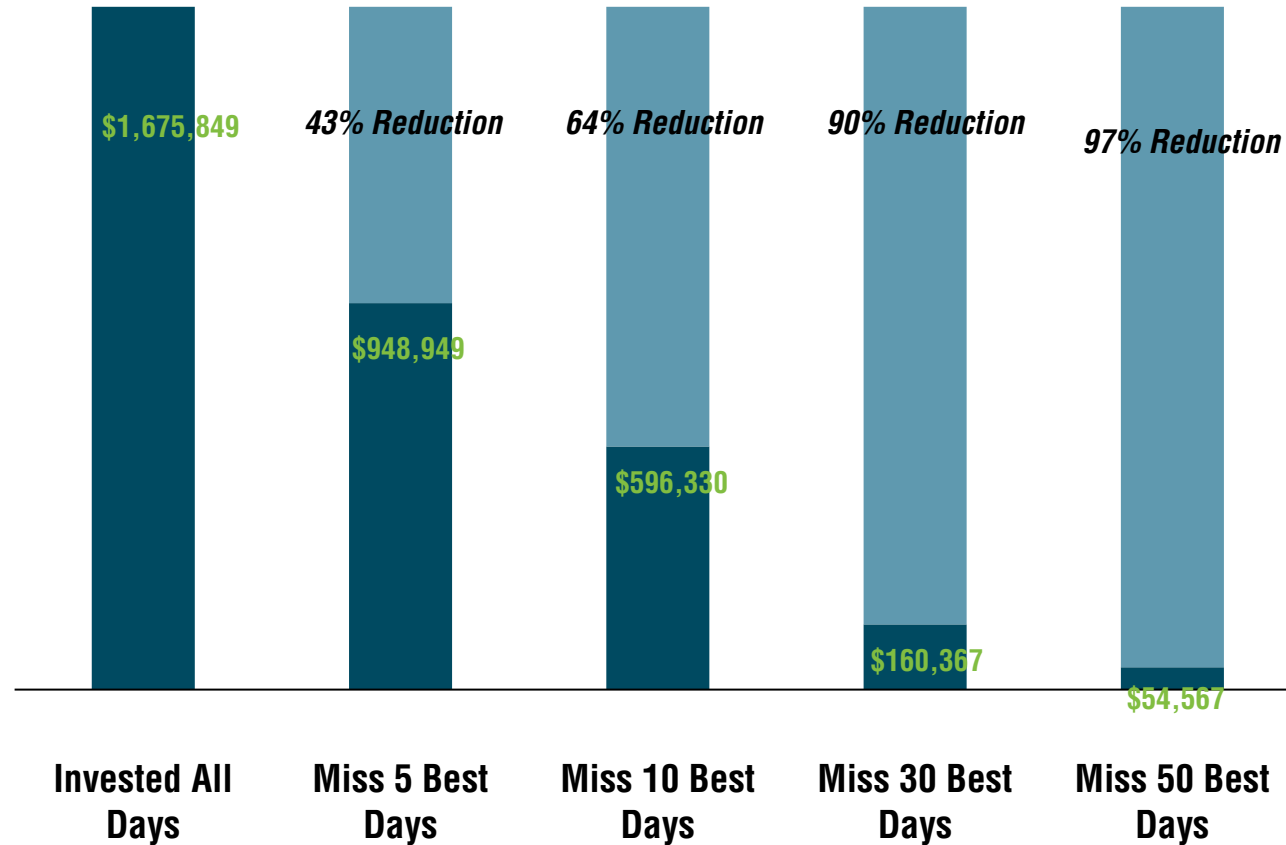
Account growth of \$200 invested/saved monthly



The above example is for illustrative purposes only and not indicative of any investment. Source: J.P. Morgan Asset Management, Long-Term Capital Market Assumptions. Compounding is the increasing value of assets due to investment return earned on both principal and prior investment gains.

Retirement Investing: Stay Invested

Since 1980, the S&P has had over 10,000 trading days. However, if you miss a small fraction of the best days, the impact can be material. Said another way, the cost of trying to time the market can be high.



Half of the S&P 500 Index's strongest days in the last 20 years occurred during a bear market.

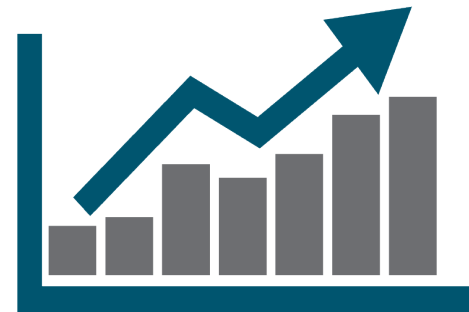
Another 34% of the market's best days took place in the first two months of a bull market—before it was clear a bull market had begun.

In other words, the best way to weather a downturn could be to stay invested since it's difficult to time the market's recovery.

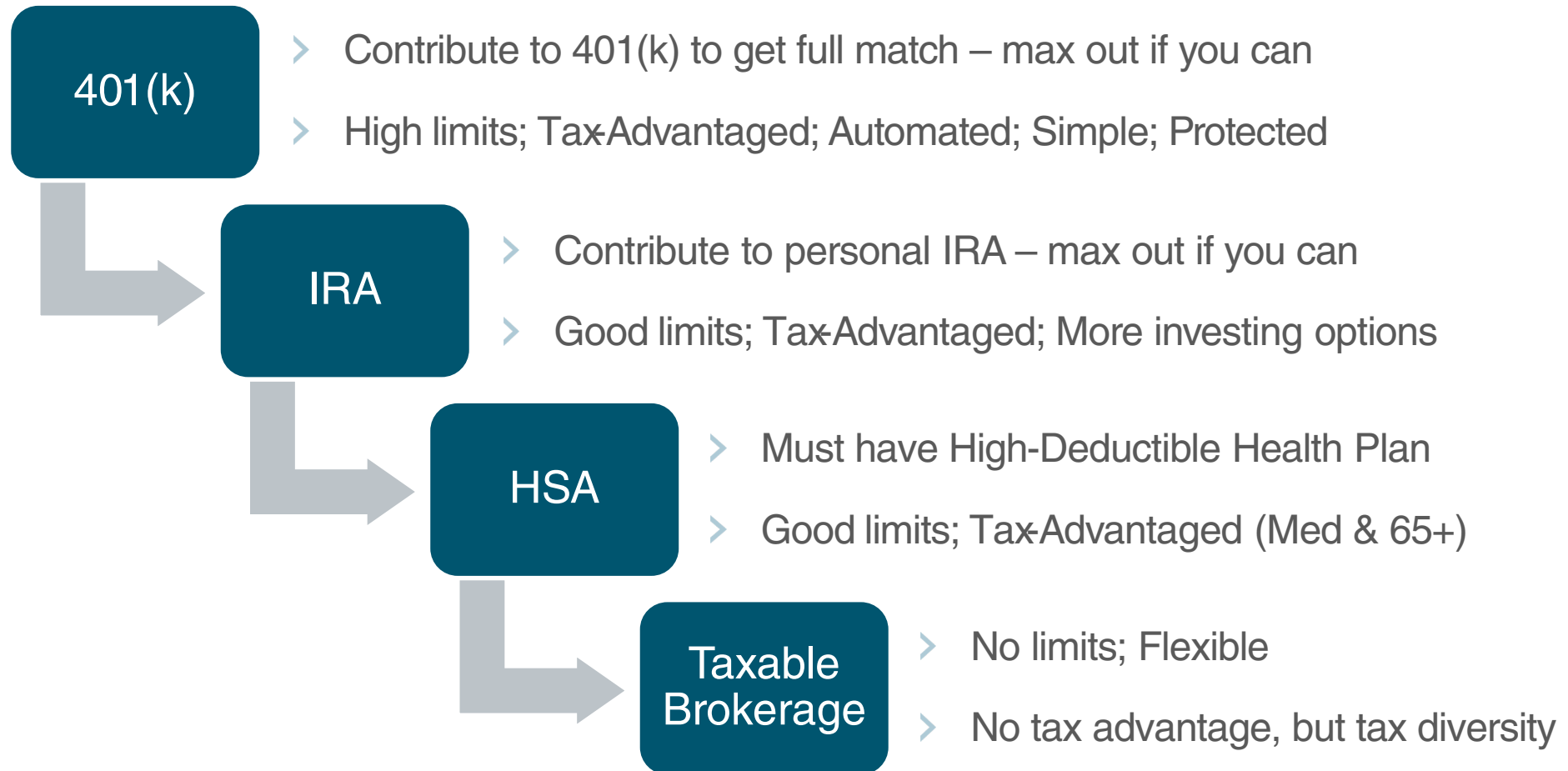
Source: Hartford Funds, Ned Davis Research, 12/21.
Time period referenced is 12/16/01–12/15/21.

Retirement Investing: Account Types

- Taxable Brokerage Account
- Employer-Based Retirement Accounts
 - E.g., 401(k), 403(b), 457(b), SIMPLE IRA, SEP IRA
- Personal Retirement Accounts
 - Individual Retirement Accounts (IRAs)
- Specialty Accounts
 - E.g., HSA

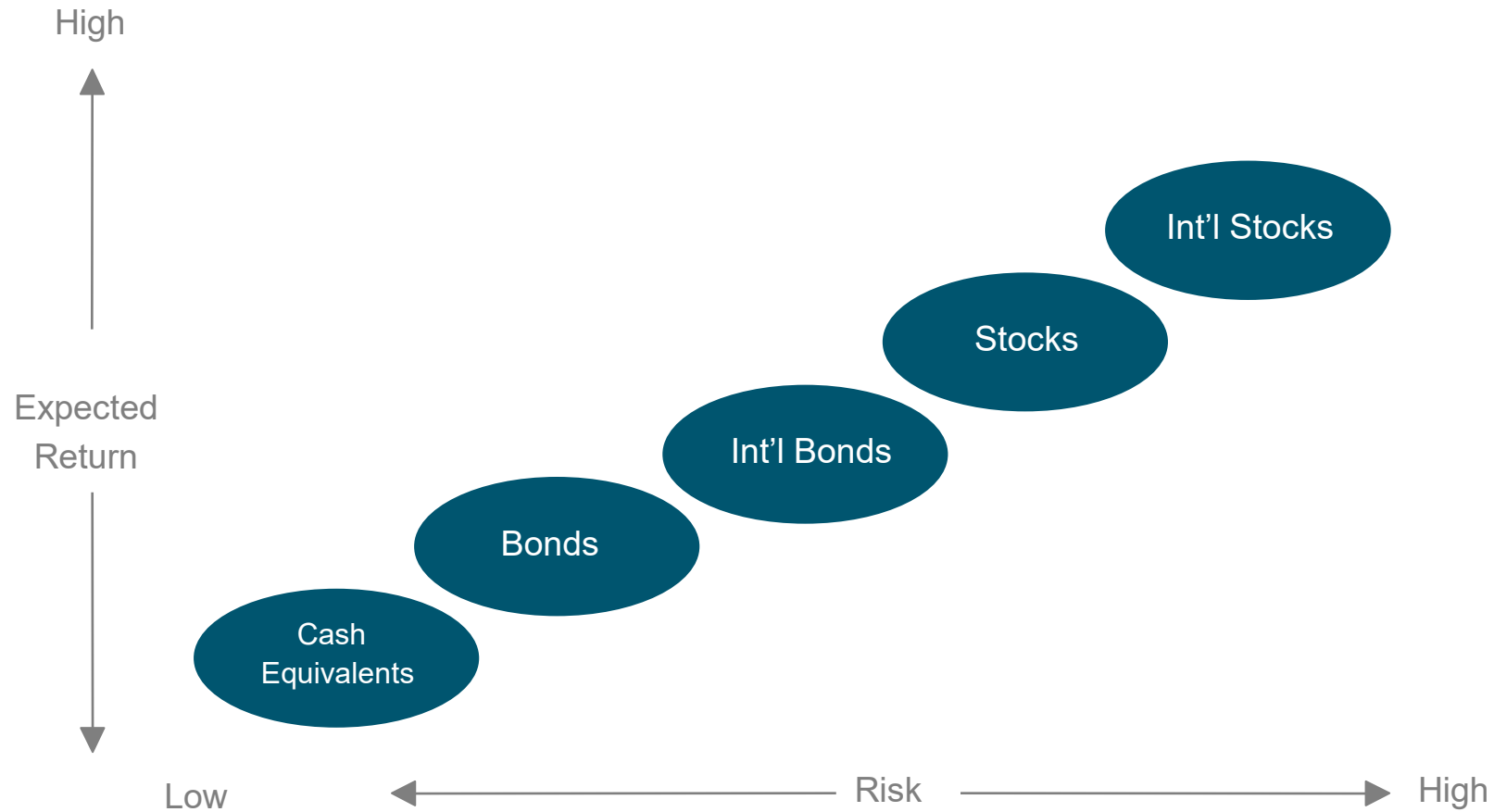


Retirement Investing: Account Type Hierarchy



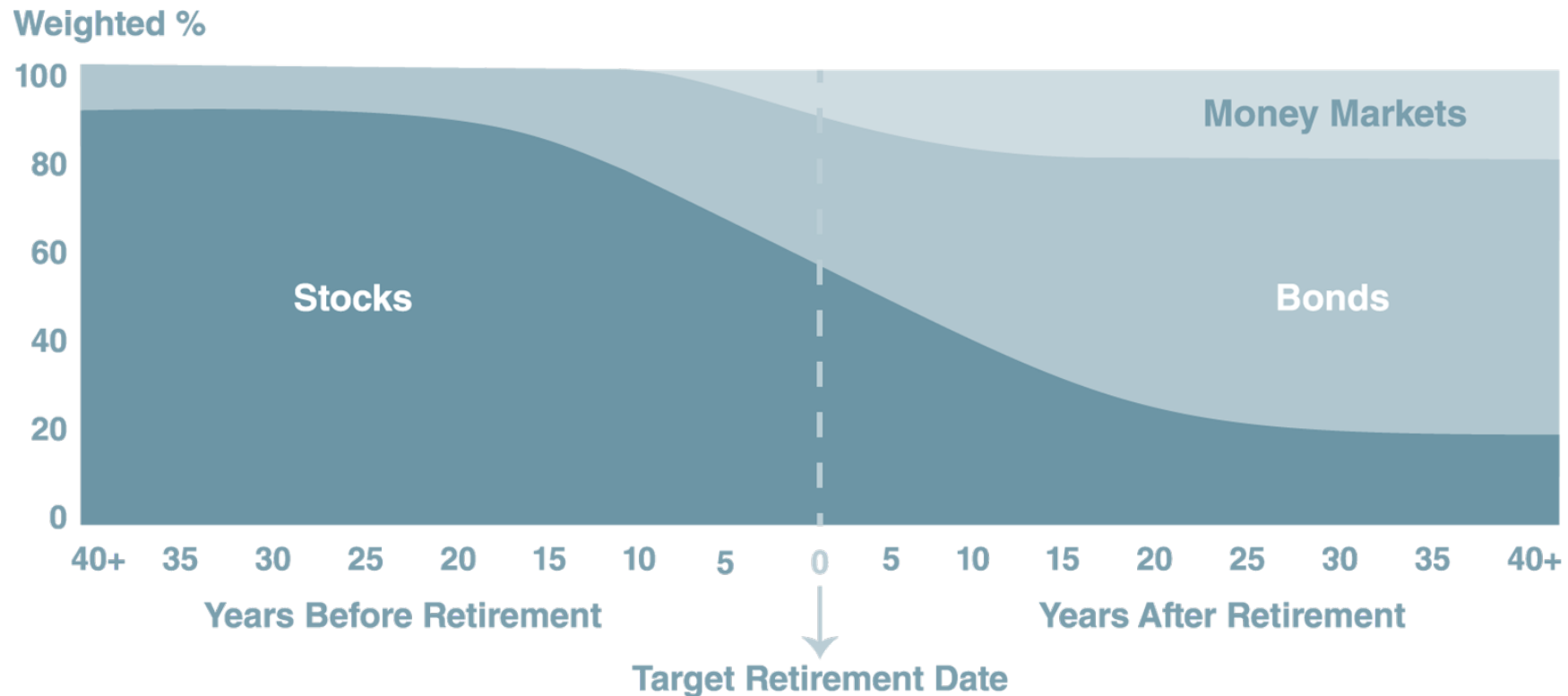
Retirement Investing: Investment Options

The Relationship Between Risk and Return

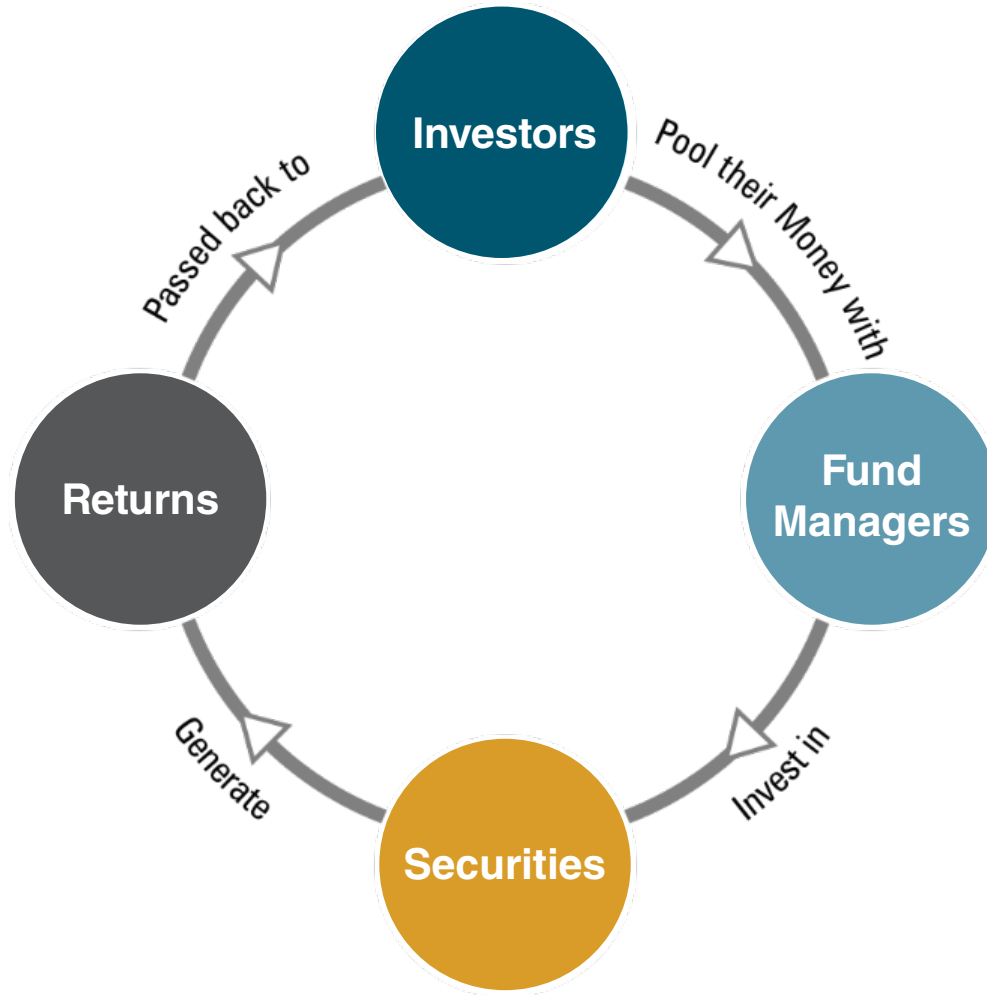


Retirement Investing: General Strategy

Everyone and every situation is different. But a reasonable guide and general strategy for many people is to take on more investing risk earlier and reduce investing risk as retirement approaches and into retirement.



Retirement Investing: Mutual Funds



- A mutual fund is like a basket of stocks or bonds
 - Individuals pool their money
 - Each mutual fund has a specific investment objective
 - Can provide instant, broad diversification
-

Retirement Investing: Target Date Funds

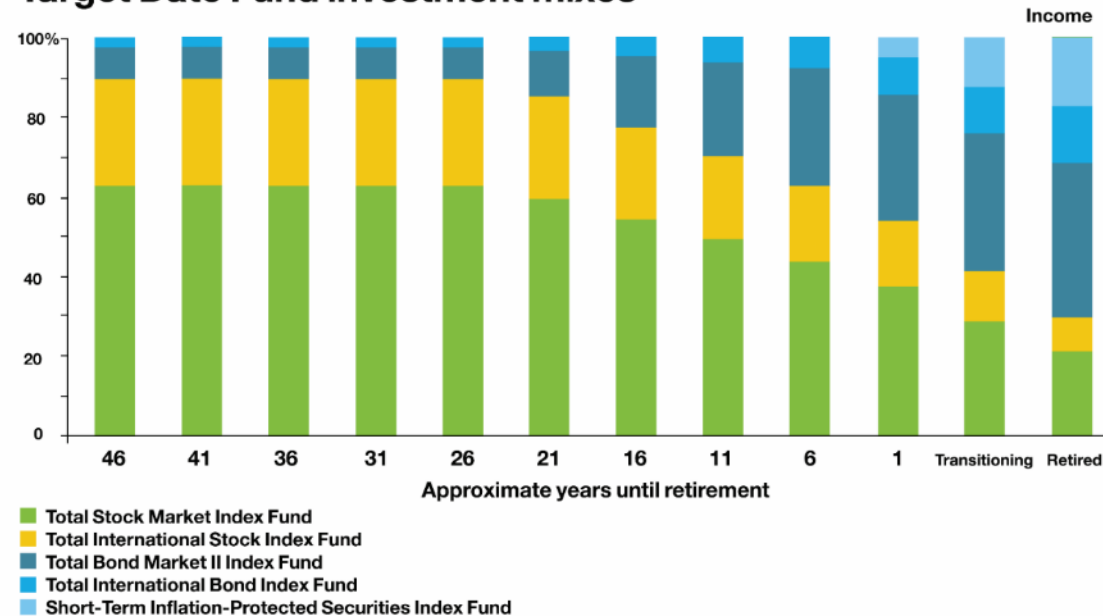
Target Date Funds are extremely prevalent and popular in employer-based retirement plans. Within those plans they are a good option for many people.

You can put 100% of your assets into the Target Date fund that most closely matches the year in which you plan to retire and/or start using the money.

All Target Date funds consist of a mix of underlying stock and bond mutual funds.

These funds are designed to decrease stock exposure as you near retirement.

Target Date Fund investment mixes



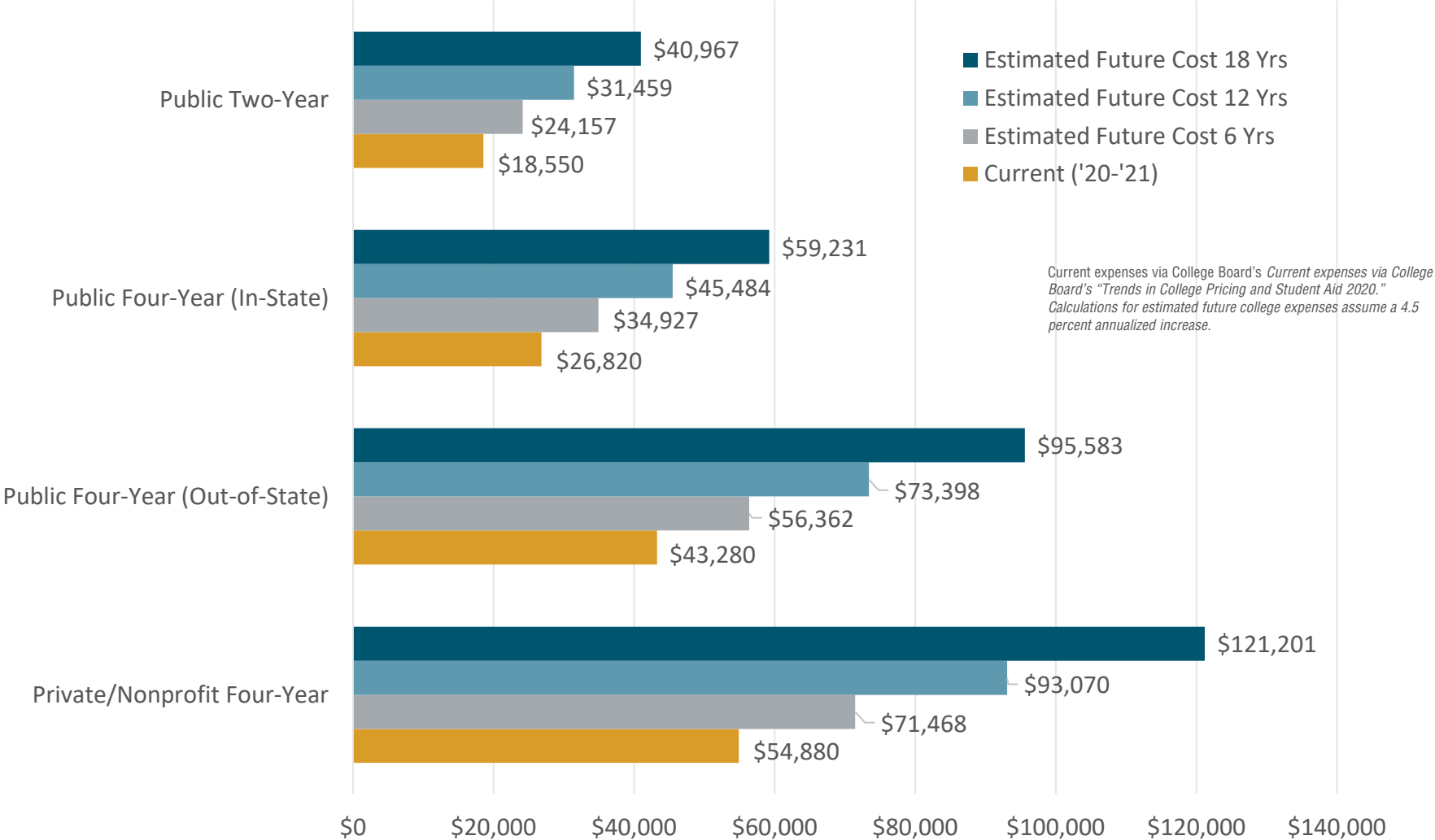
The target allocations of the funds for 46-16 years until retirement are currently identical; however, as time passes, each fund will gradually shift its emphasis toward a more conservative allocation depending on the maturity date of the fund.

Note: Allocations for the date-specific funds will shift their emphasis (from stocks to bonds) over time based on an assumed retirement age of 65.

If you think you'll retire significantly earlier or later, you may want to consider a fund with a more appropriate asset allocation.

Education Planning: Future Costs

Average Estimated Full-Time Undergraduate Expenses



Education Planning: Accounts

- 529 Plan
 - Tax-free investing and distribution for **qualified** college education expenses
 - Any non-qualified withdrawals are taxed as ordinary income plus a 10% penalty on earnings
 - ROTH IRA Option; Secure 2.0
 - Custodial Account (Uniform Gifts to Minors Act/Uniform Transfer to Minors Act)
 - Funds must be used for child's benefit, not necessarily for college
 - Child assumes full control at age of majority (generally 18 or 21)
-

Estate Planning: Objectives

- ✓ Avoid intestacy
- ✓ Communicate your wishes
- ✓ Provide for spouse/children
- ✓ Plan for incapacity/disability
- ✓ Provide creditor protection
- ✓ Distribute assets
- ✓ Choose guardian for children
- ✓ Reduce income or estate taxes



Estate Planning: Documents

- Traditional Will
- Revocable (Living) Trust
- Marital Property Agreement
- Beneficiary Designations/PODs/TODs
- “List of things” | Personal Property Addendum
- Durable Power of Attorney
- Healthcare Directive



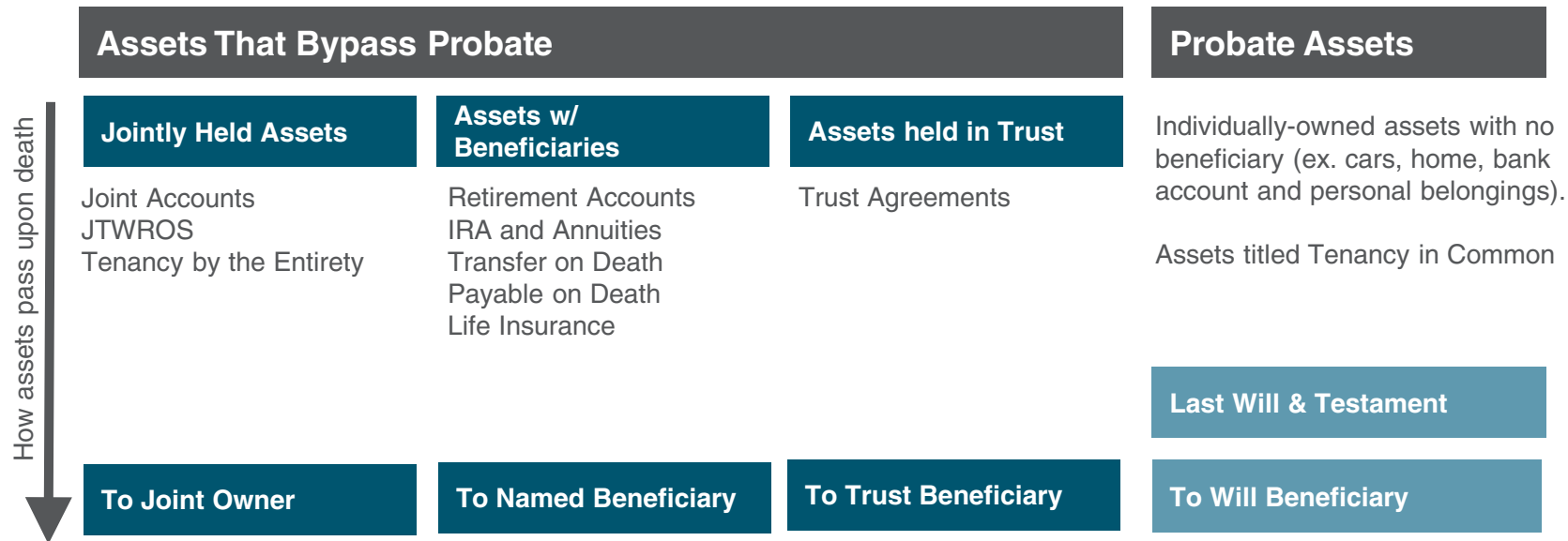
Estate Planning: How Assets Pass



Probate vs Non-Probate Assets

Probate is a public-court process that helps settle legal and financial matters upon death according to a will, if written.

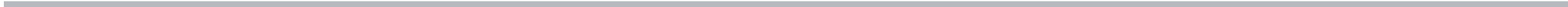
Court costs, length of time, the lack of privacy and family disagreements are all potential issues that may arise within the probate process. With proper estate planning, you can limit the amount of assets that pass through probate.



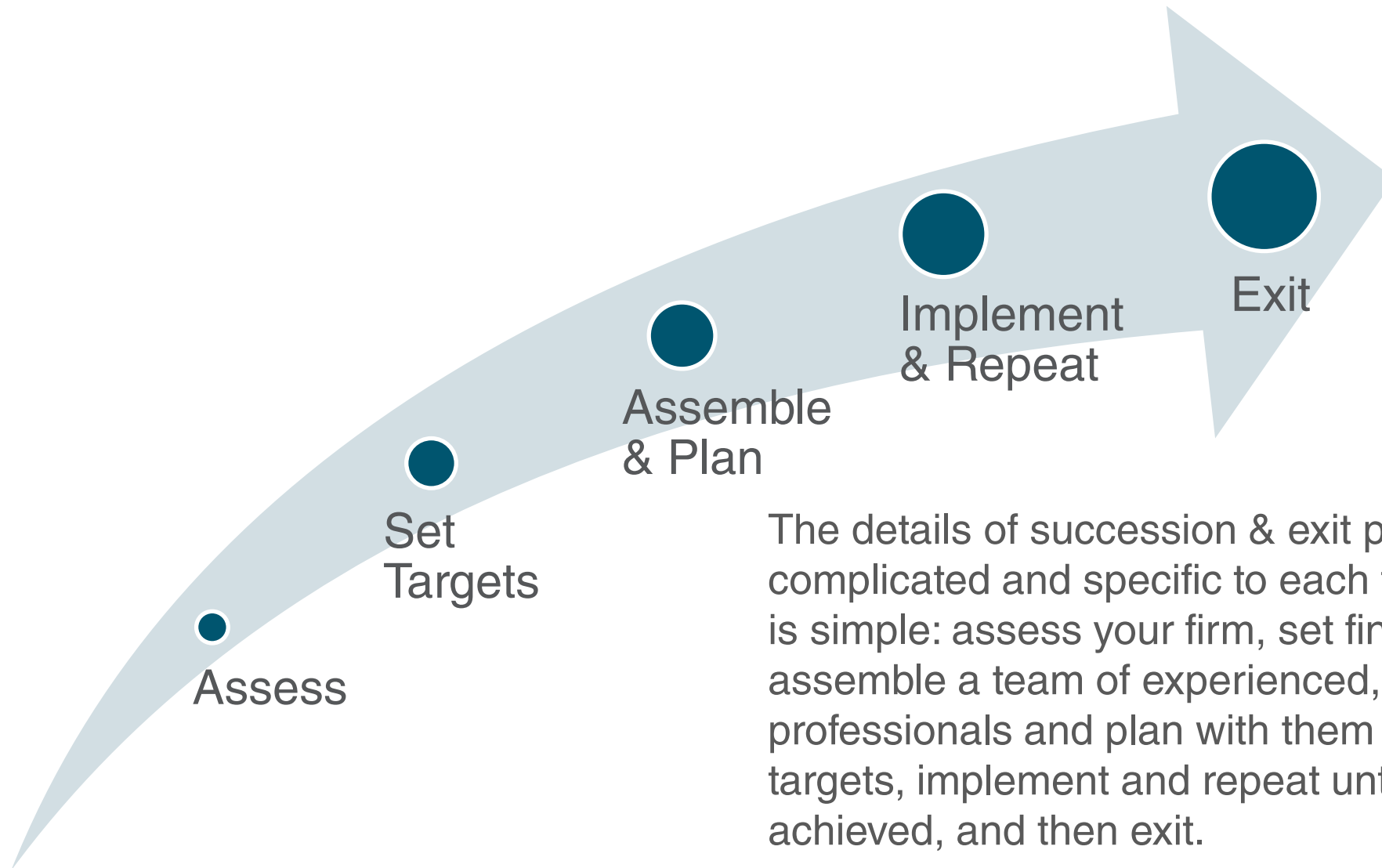
Digital Assets: Nearly all 50 states have passed a version of the Uniform Law Commission's Fiduciary Access to Digital Assets Act, Revised that legally allows for an executor, trustee, etc. to access a deceased's digital accounts. Consider discussing your digital estate with your attorney and the potential need to share online access information with your executor.

Succession & Exit Planning: What is it?

- Your ownership in your firm is likely one of your most valuable assets.
- Succession and exit planning means taking steps to get the most out of the sale or transition of your firm and to make the process as smooth as possible for your employees and clients.
- If possible, it is better to have three to five years to go through this process with a variety of skilled advisors.



Succession & Exit Planning: The Concept



The details of succession & exit planning are complicated and specific to each firm. But the concept is simple: assess your firm, set financial targets, assemble a team of experienced, appropriate professionals and plan with them how to achieve those targets, implement and repeat until the targets are achieved, and then exit.

Final Thoughts



- Budget, Save, Invest, and Plan!
- Look at your firm's 401(k). If it's good, use it. If not (or if you are not sure if it's good), talk to us and get a good plan in place. It matters.
- Consider hiring a personal financial advisor. But only hire a **fee-only fiduciary!** Talk to us about what that means.

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Welcome to Retirement Point

Welcome to Retirement Point, your compass in navigating 401(k) plans and retirement readiness. Our newsletter is tailored towards business owners, providing the latest updates, expert insights, and valuable resources to optimize your company's retirement plan offerings, ensuring a secure future for both you and your employees.

A Bundled 401(k) Plan Solution

Trust Point collaborates with business owners to offer unique, personalized solutions for their retirement plans. Everything you search for in a 401(k) plan, Trust Point can deliver a comprehensive solution.

Watch this video to learn more about how Trust Point partners with business owners and allows for worry-free management.

The image shows a preview of the 'Retirement Point' newsletter. At the top, it features the TrustPoint logo and the title 'Retirement Point' in a large, blue font. Below the title is a subtitle: 'Updates and insights on 401(k) plans & plan education'. The main content area starts with a 'Welcome to Retirement Point' section, followed by a paragraph of introductory text. Below that is a section titled 'A Bundled 401(k) Plan Solution' which includes a video thumbnail. The video thumbnail shows a woman with blonde hair smiling at a meeting table with other people. A red play button icon is overlaid on the video. Below the video is another paragraph of text.