My Financial Playbook
Volume 1:

Subscribe to Your Financial Plan

Jordan Jones

Sections:

Some Important Considerations:

Before we start, I'd like to point out that I am simply providing information that can help you make decisions. What you ultimately decide to do is entirely up to you.

The information provided is not written or intended as specific tax or legal advice. Jordan Jones, *Financial Services Professional*, is not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

It is important to acquire as much information as possible in order to make an informed Social Security filing decision because, one year after the Social Security filing decision is made, your options for making a change are extremely limited.

If you work for an employer that offers a retirement plan, your plan benefit may be subject to a Social Security "pension offset" provision. (Your 401[k] contributions and the employer match are not subject to a pension offset.) A pension offset may reduce the amount of your retirement plan benefit when you become eligible to collect Social Security retirement benefits. This reduction may apply whether or not you are collecting Social Security retirement benefits. This could be an important consideration as you make your filing decision. Your plan administrator can tell you whether your plan includes a Social Security pension offset provision and how it might affect your retirement plan benefit.

Some people, especially certain federal, state and local government workers, may be subject to the "Government Pension Offset" and the "Windfall Elimination Provision" which could decrease their Social Security Benefits.

The Social Security program was created by an Act of Congress. It is subject to change. In the past, Congress has made changes to the law which have impacted Social Security benefits. Congress can make changes to the law at any time that might impact benefits in the future.

Foreword

We live in a subscription-based consumer market. As I write this, I can (and do) subscribe to everything from free 2-day shipping, to television and movie streaming services, right down to the razors I use to shave my face. I've even seen subscriptions to wardrobe services where the latest fashion trend gets boxed and shipped out to me every month, in my size, so I can look my best. All of these subscription services get automatically drafted from my bank account or credit card, and I don't think twice about it. It's pretty awesome, actually. I get excited when a new package is in the mail or on my doorstep. Maybe you do too. I'm even more excited when it has my name on it. It's like getting a Christmas present 2–3 times per week. I love it.

You may be wondering what subscriptions have to do with saving money or even creating a total financial plan. It's simple. I've spent almost the last decade teaching individuals, families, and companies how to save money. In the past, I viewed my competition as being another financial advisor, insurance company, or investment firm. But about five years ago I realized that was no longer the case. My real competition was companies like the online mega retailers promising free 2-day shipping, and the thousands of subscription services making it so easy for people to buy into on a monthly basis. I realized that these types of companies were competing for the exact same thing I was, your discretionary dollars.

It became clear to me that people (including myself) have been sucked in to subscribing to all kinds of different types of services and auto-shipments. But we were neglecting to subscribe to the one thing which would actually benefit us the greatest when we needed it most, our savings and retirement accounts.

I hereby commission you to read through the few short pages in this booklet and start to take action by subscribing to your own financial plan. By doing so you will gain the insight, knowledge and tools to start putting your hard earned dollars towards the most important subscription service on the planet, **your retirement!**

Thanks for reading,

Jordan Jones

The Purpose of This Booklet

My goal in writing this booklet is simple, and I believe achievable. **I am going to help 1,000 people in 2017 better understand financial concepts, and begin to implement at least a savings plan, or a more comprehensive total financial plan.**

Please consider me an available resource in helping you, your family, or your employees get on track. I am available to schedule a time to meet with you either in person, at my office located in Salt Lake City, Utah, or remotely via telephone or Skype video call.

Unlike others, there is absolutely no fee for my consultation on creating your total financial plan, now or later. I get paid only from the insurance premium end of your plan (the least important of your savings objectives).

To schedule a consultation, you can call my office directly at 801-453-2259.

-Jordan Jones

Section 1: Social Security Retirement Benefit
(We are already subscribed)

The Myth: "Social Security will not be around when I retire."

I was recently reading a book written by the late John F. Savage, CLU. John is arguably the most successful financial services professional of all time. In this particular book, John mentions that numerous clients keep telling him they don't believe Social Security will be around when they actually get to retirement. The reason I'm sharing this with you is because the book was written in 1986, over 30 years ago, and Social Security benefits are still getting paid out today to over 60 million beneficiaries, at around 74 billion dollars paid out... per month! Social Security is not going away. In fact, Uncle Sam legally requires you and I to subscribe to the program with a portion of every paycheck!

While Social Security is not going away, we have seen some major changes over the last few years to the system, and I am certain we will continue to see changes over the next five to ten years. But, before we get to the possible changes you and I will have to adapt to, let's look first at how you qualify for Social Security.

How to Qualify:

We earn "credits" toward our Social Security benefit. Here is how:

- Income needed in 2017 to earn 1 credit: $1,300
- Maximum of 4 credits per year can be earned. $5,200 total
- You must work for over 10 years **OR** earn 40 credits to qualify for your benefit.

Plain and Simple: The longer you work and the more you contribute, the higher your benefit.

People always ask: "How do I find out what my current benefit is?" It's easy; point your web browser to: https://www.ssa.gov/myaccount/, register an account, and you can immediately see (*pending future changes) what you're on track to receive. It's amazing how often I sit down with people and they have no clue what their Social Security benefit is. You need to know.

Knowing your benefit amount gives you a great starting point in creating a savings plan.

The future of Social Security

Believe it or not**,** the Social Security Administration publishes a summary of the previous years' earnings in its annual report. Here are some key points from the most recent 2016 summary:

- As of year-end in 2014, The OASDI Trust Fund (aka Social Security's Savings Account) had a balance of $2.789 trillion dollars in the fund.
- In 2015, working American's paid $920 billion **into** Social Security, and $897 billion was paid **out.** So...
- As of year-end in 2015, The OASDI Trust Fund grew from $2.789 trillion to $2.813 trillion.

MEANING... SOCIAL SECURITY MADE MONEY!

Now that’s not necessarily the case moving forward. According to the same study, and with around 10,000 "Baby Boomers" currently retiring every day in America, the Annual Report projects that the OASDI Trust Fund (savings account) will be depleted by year 2034 (17 years from now), and the dollars being paid into Social Security by taxpayers will only cover 75% of the benefit owed to people. This is the big problem Washington is trying to fix, and here are some ideas being kicked around to help solve the problem and raise more money into the system:

Washington may raise more money by:
-Lifting the earnings cap to raise taxes (currently at $127,200)
-Increase future contribution rates (more money deducted from you and me to pay for it)

and/or...

Reduce the benefit:
-Raise the retirement age. In other words, make people wait longer to take the benefit
-Use different CPI formula for the Cost of Living Adjustment

I suspect we will see a combination of all or some of the above options over the next several years. The key takeaway in this section is for you is to start to understand your own personal benefit so that you can adjust accordingly when future legislation and changes are made to the system.

When is the best time to file for my Social Security benefit?

I get asked this question quite often by people getting close to retirement. The answer is different for everyone, and for a number of different reasons. Some people simply never subscribed to their own savings and retirement plan throughout their working life and have the "Social Security Only" retirement plan. I don't recommend this plan.

There are some big disadvantages to taking your benefit before when Social Security declares your "full retirement age". Your full retirement age is based on the year you were born. If you were born after 1960, then your full retirement age is 67. However, you are eligible to start taking your benefit at age 62. But keep these key points in mind before doing so:

- Your monthly retirement benefit gets reduced by 5% for each year you file prior to your full retirement age. An example of this would be if your full retirement age is 67 and you have earned a monthly benefit of $1,500 starting at age 67. But you file at age 62. You will get a 25% decrease in pay because you filed 5 years early (5% per year x 5 years) and now you receive a monthly check of $1,125 per month instead of $1,500.
- Because you filed early, you also can't simply go back to work and get both a paycheck and your social security check at the same time. For every two dollars you earn as income, your Social Security will get reduced by one dollar up to a certain limit. For more information on filing early and continuing to work, I would advise you to speak directly with myself, or with your current financial or tax professional.

*Side note: if you do decide to wait until your full retirement age to file. You can work as much as you want and collect both your income and your social security benefit at the same time!

Ultimately, the best time to file for Social Security has one wild card: longevity. If you have a long-life expectancy and heritage in your family, it may be better to wait and file at full retirement age or later. On the other hand, if your health or your family tree does not have very long branches, it would most likely be better to file for your benefit sooner, rather than later.

If you are reading this booklet and you are within five or so years of filing for SSI, I have access to a wonderful software program which allows us to look at various filing strategies, at different points in time, to see what makes the most sense for you. We can look at different scenarios together at my office, or we can do it remotely by way of Skype technology. I offer this service at no charge to you for reading this booklet and, of course, sharing it with those who may need it.

Sources:

Social Security Administration Benefits Planner: Retirement Credits at
https://www.ssa.gov/planners/retire/creditsa.html

Social Security Administration: Office of the Actuary, Status of the Social Security and Medicare Programs, a Summary of the 2016 Annual Reports at
https://www.ssa.gov/oact/TRSUM/tr16summary.pdf

National Academy of Social Insurance Report – Strengthening Social Security, What Do Americans Want? 2013

Section 2: Take It to the Bank

Despite all that you have heard from radio, TV, blogs and any other type of advertising, the single most important account in your total financial planning portfolio is your **bank account**.

Your bank account has 100% liquidity; it is accessible in almost seconds via a quick website log-in or mobile device, and it brings 100% peace of mind backed by the FDIC. “But Jordan, what about IRA's with their tax advantage and attractive interest rates or rates of returns?” My response is that you and countless others in your age group are far better off giving priority to your bank or credit union account. For all the "sexiness" of an IRA, it comes with a payout only without penalty after age 59 and a half. Plus, if you try to take money out early, you pay a 10% penalty including taxation, and most people might not be able to wait almost two to three decades to access their money.

That being said, I also understand the difficulty in making regular, subscribed deposits into a bank account. When creating a total financial plan, I start the planning process with clients by teaching them to set a goal and to have one-third of their annual income saved in the bank. I will also tell you that most people I meet with do not have one-third of their income in the bank when they come to my office. That's okay. I don't necessarily care how long it takes us to reach this goal, as long as we are working toward it.

Once we have established and implemented a savings plan, working toward one-third of your income in the bank, only then do we move into the investments and insurance phases of total financial planning. With insurance being the least important phase of the planning process.

Section 3: Investing

Investments come in all shapes, sizes and smells. I'm not going to cover the thousands of different types of investments available to you in this section. I will, however, highlight some of the more common accounts people own or hope to own when they come into my office.

I recommend that your investment portfolio makes up around 90% of your overall financial plan when it comes time to retire. Reaching that mark takes many years with discipline, consistency and a "subscription" mentality. You will have some winners, some losers, and even some you're just happy to break even on. The key to a sound investment portfolio is balance. Being too heavily invested in one area can put you at risk. Diversification is the goal. If you are uncertain about how diversified your current strategy is, it would be worth your time to schedule a free consultation and we can review your current portfolio together.

Common Investments:

IRAs, SEP-IRAs, SIMPLE IRAs, 401k, TSP, Defined Contribution Plans, Defined Benefit Plans, etc. – These types of accounts typically have the largest amounts of money held inside. The reason for this is because the IRS places rules and restrictions on us in order to access these accounts before we reach a certain age. Because it is more difficult to access the money, combined with systematic "subscription" like contributions from your paycheck, these accounts tend to have the most money in them at retirement. For example, if you are contributing to your employer's 401(k) plan, you are making deposits into this account every time you get paid. That's a subscription! The investments in these accounts are usually invested in stocks, bonds, and/or mutual funds.

Real Estate – I typically only count real estate as an investment once a property is sold. When someone sells their existing home and buys a new home they are usually just trading an old mortgage for new mortgage, and applying any equity they may have created. Borrowing money at an interest rate is not an investment, and it never will be. Now, unless you sell your home for a gain, and move into an apartment, that money isn't counted.

Gambling & High Risk Investments – Never have more than 5% of your total investment portfolio in this category, and please be careful.

Now, I know there are many more investment options out there than what I listed above. These are just some of the more common places where I see people saving money on a day-to-day basis. The main takeaways I hope you get from this short section on a tall topic are:

1 – It's crucial to have a well-diversified investment portfolio
2 – You must do what works best for you. With all the different options available, the more you educate yourself, the better off you will be. It's also worth taking the time to understand your employer's retirement plan. Do they match? When are you vested? etc.
3 – Most people can use some help. Whether it's me, or your current financial professional, if you're unsure how diversified you are, or don't know where to start, you don't have into go it alone. It's fascinating to me how many people attempt to manage their investments on their own.
Often times the fees which would be going to an advisor are already baked into the product, whether you use a professional or not. I recommend setting up a time to meet in person or via

Skype where we can go through some exercises to review your current portfolio or help construct a new one. You don't have to go it alone.

Section 4: Insurance

As I mentioned earlier, insurance is the least important part of your total financial plan. Now that may strike you as odd an insurance agent is the one telling you this. But by "least important" I do not mean that you should skip it or take the insurance planning lightly. In some respects, insurance is the most important planning you will do. Having a properly designed protection plan in place is the catalyst to all the other planning falling into place. By "least important", I mean in regards to the amount of money you put toward insurance products. Typically, I recommend around 5–7% of your income going toward your insurances. These financial insurance products consist of your life insurance, disability income insurance, and long term-care coverage. Keep in mind that these products are usually underwritten based on your age, and overall health which ultimately determines cost.

When it comes to insurance planning, imagine you and I sat down together, and I were to suggest to you the set of questions below. You should be able to answer either yes or no (I don't know is not an acceptable answer):

Me: **"You probably have a plan in place where, if you became disabled for 6 months, 6 years, or even longer, you would have income coming in to cover your expenses, whether or not you are able to work?"**

If you answered no, disability income protection solves this important problem.

Me: **"You probably have a plan in place where, if you or your spouse pass away unexpectedly, the remaining spouse (and children) would not have to worry about money or finances in any way?"**

If you answered no, life insurance solves this issue.

Me: **"You probably have a plan in place to cover the costs for when you/your spouse reach the stage in life when you are too old to take care of yourself and need professional care either at home or in a facility, and your plan ensures you will not be a physical or financial burden to your children, or those who are going to care for you?"**

If you answered no, long-term care coverage solves this problem.

If you answered "no" to any of the above statements, I'm sorry to tell you, there is a problem in your overall financial plan, and it needs to be resolved right away. As I mentioned earlier, an efficient protection plan is the catalyst to all the other parts of a financial plan falling into place. Here is an example of why this is so important:

The Need for Disability Income Insurance:

Suzy, age 35, is a single mother of two who is working as a dental hygienist for a local dental practice. Suzy works hard. She shows up on time every day, and she contributes to her employer’s 401k plan as her sole savings account for retirement. She's on track to retire at age 67. One day, Suzy is chasing her daughters around the house and accidentally slams her hand in the door. A visit to the ER reveals that both her index and middle fingers are broken. It will take several months to heal, and she may not gain full movement back in one of the fingers.

Suzy is sick about not being able to work in her trade and provide for her children. Suzy does not own a disability income insurance policy and now her income could stop or be significantly reduced because she is unable to work at her usual capacity, and her contributions to her 401k could stop completely, affecting her path to retirement.

Had Suzy covered herself against this situation with disability insurance, she would have the peace of mind of knowing that income would be arriving soon from her insurance policy. She would not have to move out of her home because she could no longer afford it, as well as food or other expenses. All this would still be covered for her and her girls going forward. Suzy could still even make contributions to her retirement account and stay on track for retirement. Most people can avoid this risk with a disability insurance policy that costs around three to five percent of their annual income. Very inexpensive.

This is a great example of how the protection portion of a total financial plan is so important. If you can't work, it's hard to make an income. If you don't have any income, it's even harder to invest and save for retirement!

Life Insurance:

Life insurance is crucial. Lately I have seen a dramatic rise in the amount of crowd-funding posts on social media asking me to donate to a family whose primary breadwinner passed away unexpectedly, leaving the surviving spouse with four children to feed, a home to either pay for, or to be forced to sell. On top of this, the surviving spouse now must leave the kids with a relative or babysitter to return to the workforce so they can put food on the table. This outcome should never happen. With life insurance rates and costs at an all-time low, it is more affordable now than ever before to get coverage put in place. Get it done.

If you don't have life insurance coverage, don't know if you have enough coverage, or don't think you need life insurance, please call my office at 801-453-2259 and we can work together to protect the people who matter most to you. Also, please don't buy life insurance on the internet. Your life insurance plan needs to be serviced and reviewed at least annually. Keep in mind that the costs for coverage are the same no matter where you buy it. Different companies underwrite differently, which determines their cost. But a policy with ABC company will be the same with ABC, no matter what agent sells it to you. There are no discounts on life insurance.

Long Term Care:

The need for long term care can happen to anyone… at any time. Usually, it occurs in the last few years of life. It could be you, your spouse or partner, a parent, or even a sibling. The need for long term care could come from being chronically ill, from a severe cognitive impairment or something as unexpected as an accident or injury.

Many important questions arise when the need for care arrives:
- Who will take care of me?
- Will I be able to stay at home?
- How will I pay for care?

By now you hopefully understand that the choices you make today will impact your future lifestyle, and the quality of life you experience. Now, while you're healthy, is the time to think about and plan for those unexpected things that can happen in life. Long term care may take place at home or in assisted living facilities and it can also be provided in a community setting,

in a nursing home or in a hospice facility. People with long term care needs may initially receive assistance at home or in community-based settings before moving into more intensive care settings.

Long term care insurance, depending on the type of policy purchased, may provide more choices and control over where and how you receive care. This may mean that you could stay at home and remain an integral part of family activity.

Someone once told me that owning long term care insurance boils down to pride. In the last years of your life, how do you want to be remembered? Do you want those you love most to remember having to bathe you? Dress you? Feed you? Pay for you? Or even take you to the bathroom? Or would you rather have had a licensed professional do those things while your long term care policy pays for it all? I know what I would prefer.

Now What?

It's my hope that you have found some useful information in this booklet to get you started, or to get you thinking more seriously about where you are at financially. But more than my hope of giving you information, I want you to act and start the process of subscribing to your very own savings and retirement plan. Whether it is by yourself, with my assistance, or a financial professional you already know or work with, now is the time to act!

Unlike others, there is absolutely no fee for my consultation in creating your total financial plan, now or later. I get paid only from the insurance premium end of your plan; the least of your savings objectives.

To schedule your free consultation, please call my office at 801-453-2259.

Jordan Jones
Financial Services Professional