

Welcome

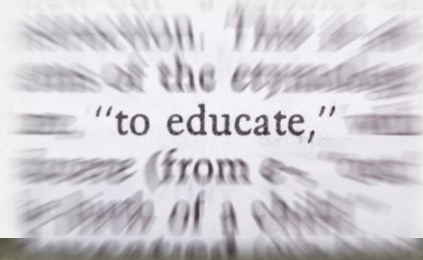
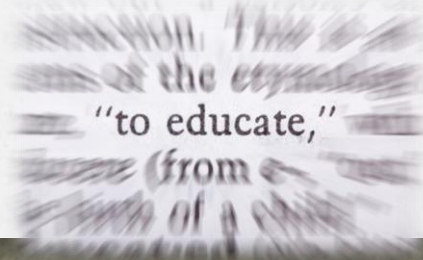
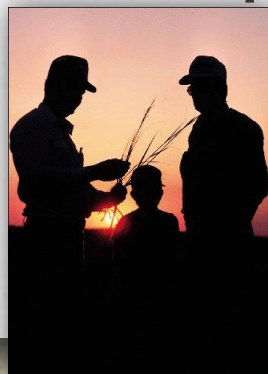
Texas Small Farmers & Ranchers Community Based Organization (CBO)

Presents:



Financial Legacy and Preservation For A Lifetime...And The Next Generations

Workshop



Find a seat...get comfortable...be ready to learn!

Before We Get Started

- ✓ **Refreshments**
- ✓ **Breaks as needed**
- ✓ **Please silence Cell Phones**
- ✓ **Questions are welcome**
- ✓ **This presentation (and resources)
will be emailed)**

ABOUT the PRESENTER



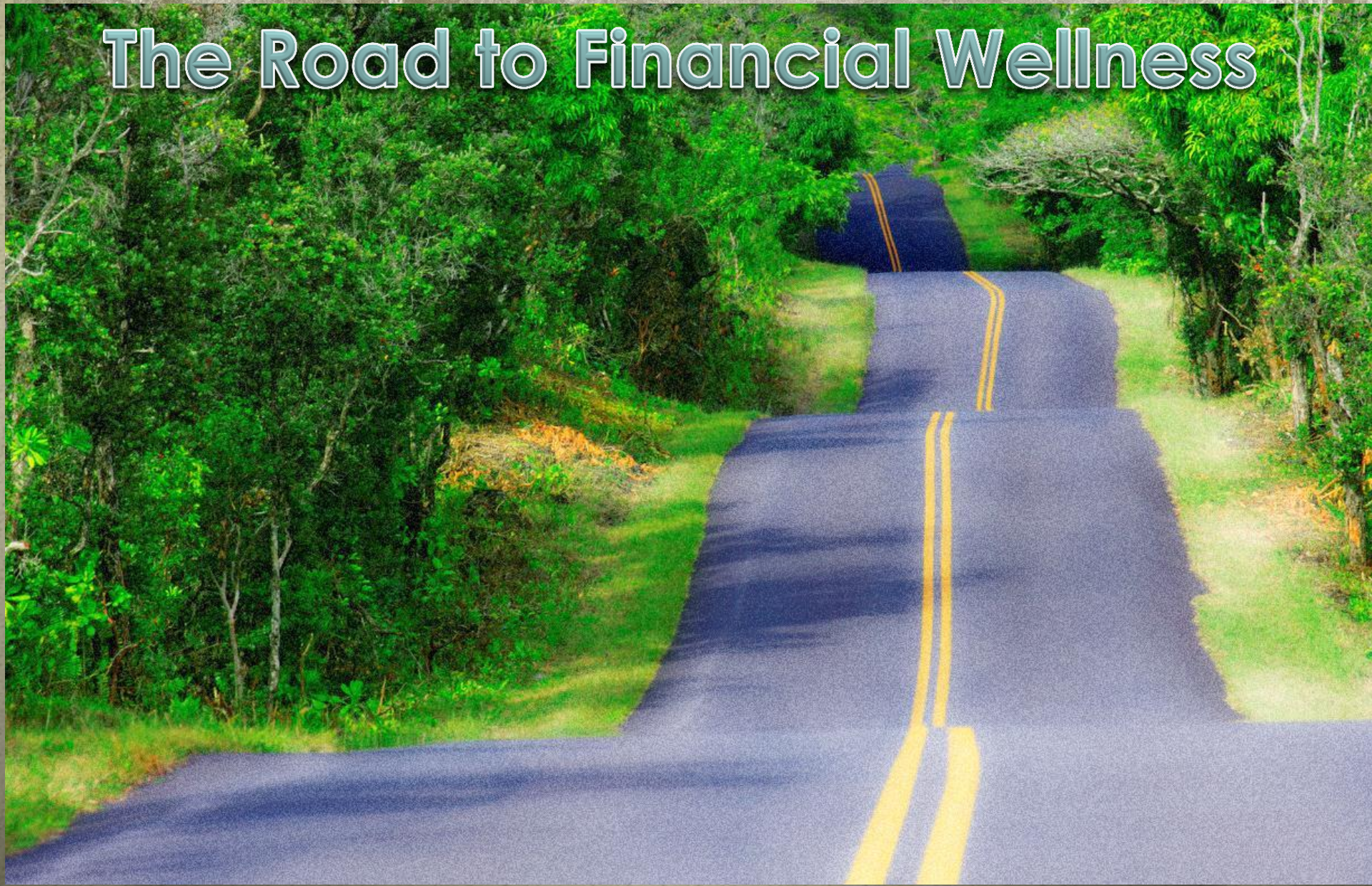
Phillip Wade Ross

"Phil"

- Owner/Operator of Bar 7R Ranch
- Member of Texas Small Farmers & Ranchers, CBO
- Financial Literacy Coach/Trainer
- Husband, Father, Son...Grand Dad!

Co-Founder of
PSMB Capital, LLC
Financial Literacy Coaching

The Road to Financial Wellness



My Why

Action!

Confidence

Knowledge & Clarity

Education & Resources



Perfect Storm

Financial Stats

- **30% of Americans: have less than \$1,000 in savings**
- **50% have less than 1 month's income in emergency savings**
- **42% of workers live paycheck to paycheck**
- **14% of those who earn 6 figures a year live paycheck to paycheck**

Perfect Storm

Financial Stats

- **10,000 People A Day Turning 62 Now**
- **Less than 50% of retirees believe they have a sufficient nest egg**
- **50% will likely to run out of money**

Why some flourish... when many others struggle

Make **a choice**
to take the **right actions** with
finances...daily

breeding **successful results**

Did You Know?

Most retirees with over a million dollars sitting in their accounts,

Achieved that by saving less than 14% out of each paycheck

What We'll Cover Today:

✓ Right-sizing your budget

✓ Protecting your assets
& generational wealth

✓ Making your money
last in retirement

✓ Powering your
savings plan

✓ Credit scoring tips

Financial Wellness

Fundamentals

Finances

- o Assets, Nest Egg
- o Debt & Expenses
- o Budgeting & Spending Plan
- o Savings Plan
- o Investment Plan
- o Asset Protection

Farming & Ranching

- o Pasture, Livestock
- o Weeds, Disease
- o Herbicide, Vaccination, Farm Management
- o Planting , Breeding
- o Irrigation, Fertilizer
- o Boarder Fence

FOUR
things
LENDERS
Look For



- 1 credit**
- 2 income**
- 3 debt**
- 4 debt to income**

understanding

CREDIT HISTORY & CREDIT SCORING



Your Credit Score:
Each bureau gives you a credit score

Why a Good Score Matters

- o Summarizes your credit risk at a particular point in time.
- o Influences the credit and terms that lenders offer you.
- o Lenders want to know the risk they would be taking with you.
- o Range from 300 – 850. The higher the score, the lower the risk.

What is a good score?

RATING	RANGE
Excellent	750 and up
Good	700 to 749
Fair	650 to 699
Poor	600 to 649
Bad	Below 600

What Makes Up My Score?

HOW A FICO SCORE BREAKS DOWN



These percentages are based on the importance of the five categories for the general population. For particular groups—for example, people who have not been using credit long—the relative importance of these categories may be different.

Credit TIPS



No 30-day+ past dues!



Keep Credit card balances between 1 to 10% of the
max credit limit



Think twice about closing cards



Be cautious with old
Collections



Always get it in writing
...and hold on to it!



Did You Know?

Government stats show, over 80% of Americans have inaccurate information reporting on their credit report

Financial Wellness Spending Plan



Did You Know?

*40% of Americans will spend
110% of their income this year*

*...20% of them make over
\$100k annual Income*

Signs you have too much **Debt**

- o You don't have any savings.
- o You make the minimum payments.
- o You are at or near your credit card limit.
- o You are unsure of the total amount of your debts.
- o You have been denied credit.

CASH flow/ budgeting

1. Track Spending:



2. Complete Spending Plan

3. *Follow it.*

Getting Started

...small



1 Emergency Fund (20%, 1-month living expense)

2 Alternate:
Payoff Debt ,
Emergency Fund

3 Debt Payoff
on Overdrive

Did You Know?

Most new cars lose 22% of their value in the first year

The Millionaire Mindset



1 Is this this
expenditure really
necessary?

2 Is this
contributing
or taking
away from my
wealth?

3 Can this
purchase wait ?

“Winning in the margins” TIPS



Mortgage: make an
extra payment each
year



Credit cards **only**
for essentials &
emergencies.

Did You Know?

McDonald's reports on average people spend \$7 per order when using credit cards ... versus \$4.50 when they use cash!

“Winning in the margins”



Pay for gas in **cash**,
save .05 per gallon



Cash Envelopes
vs. Debit Card

A collection of various food products including Jif Creamy Peanut Butter, Nutella hazelnut spread, French's mustard (Yellow, Hot Sauce, and Dressing), Bush's Beans, Planters peanuts, and various soups and snacks like Betty Crocker, Dannon, and Ritz.

Watch for discounts
and stock up on
nonperishables

“Winning the margin” TIPS



Avoid purchasing
cosmetics/toiletries in
grocery stores



Checkout books, CDs,
and DVDs from
Library, instead of
buying

Financial Wellness

Power Your Savings



Why Should I Start Saving?

- o On avg. men live to age 84.3
- o 20 years of retirement ...25-30 years for women
- o Avg. social security benefit for a couple is \$2167 (\$26k a year)
- o A fraction of that for lifetime farmers
- o Avg. household lives on \$60k a year

Key Question: if only 26k is coming from social security... where's the rest coming from?

“Power Your Savings”



Know your take-home-pay and budget

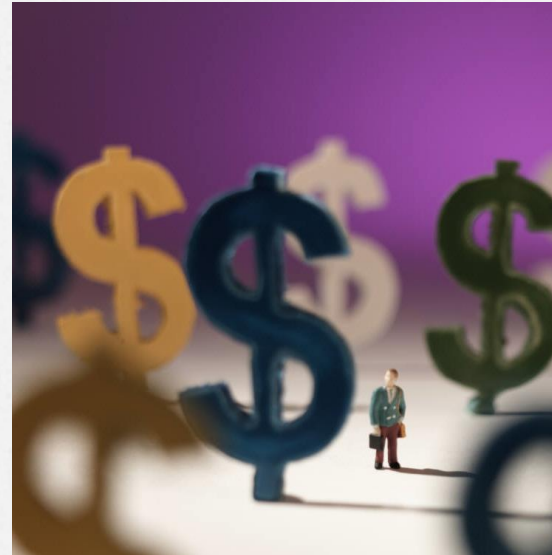


Pay yourself first...
direct deposit into
savings

“Power Your Savings”



Keep 10-15% of everything you earn



90-100% of “new” money to **savings** or **debt snowball**

“Power Your Savings”



Solidify your **retirement plan** (see booklet)



Money doubles by
the “**Rule of 72**”

Financial Wellness

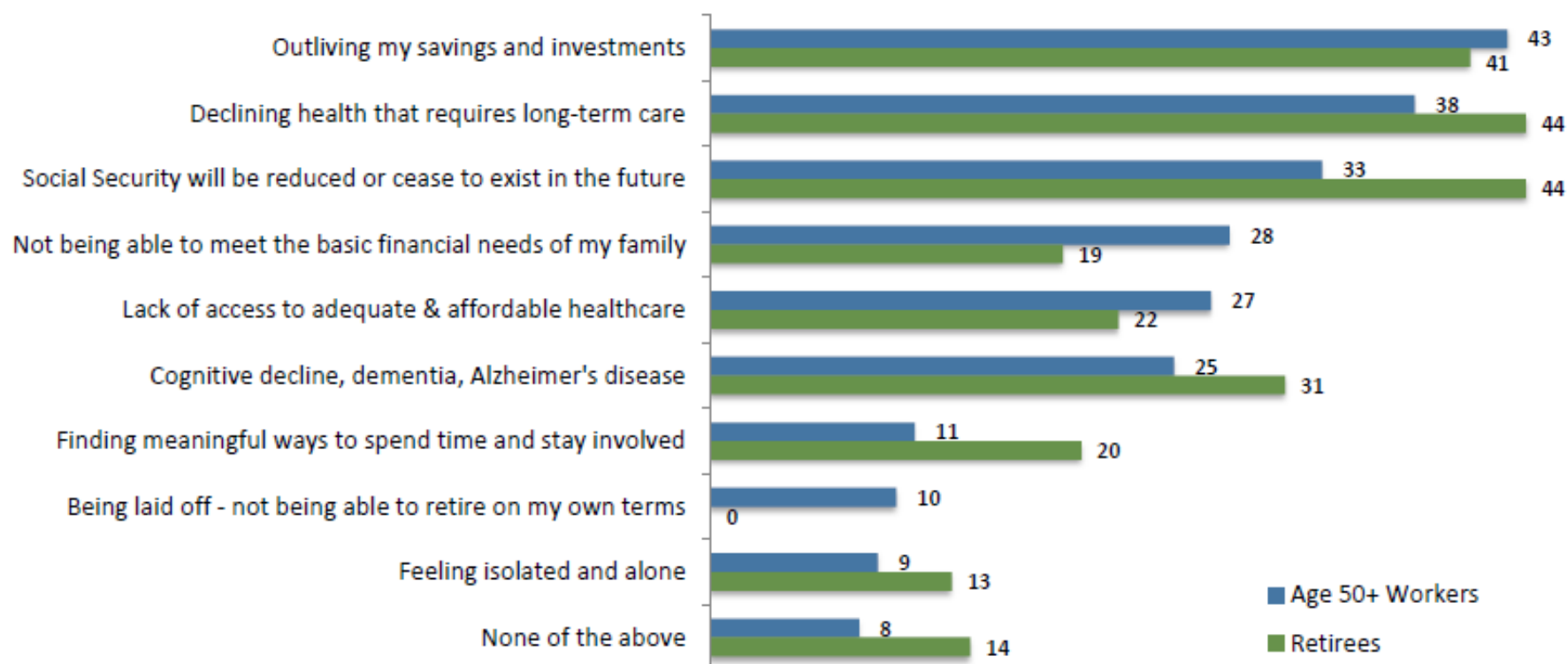
Make Your Money Last in Retirement



Retirement Fears Include Finances, Social Security, and Health

Among retirees, their greatest fears about retirement are declining health that requires long-term care and that Social Security will cease to exist in the future (44 percent, respectively). Among age 50+ workers, the most frequently cited fear is outliving their savings and investments (43 percent). Retirees are more likely than age 50+ workers to fear cognitive decline and being unable to find meaningful ways to spend time and stay involved. On contrary, age 50+ workers are more likely than retirees to fear that they will not be able to meet the basic needs of their families and will not have access to affordable healthcare.

Greatest Fears About Retirement (%)



Retirement

Areas of Focus

- ✓ **Social Security**
- ✓ **Medicare & Health Insurance**
- ✓ **Long-Term Care**
- ✓ **Transition Planning**

Social Security Basics



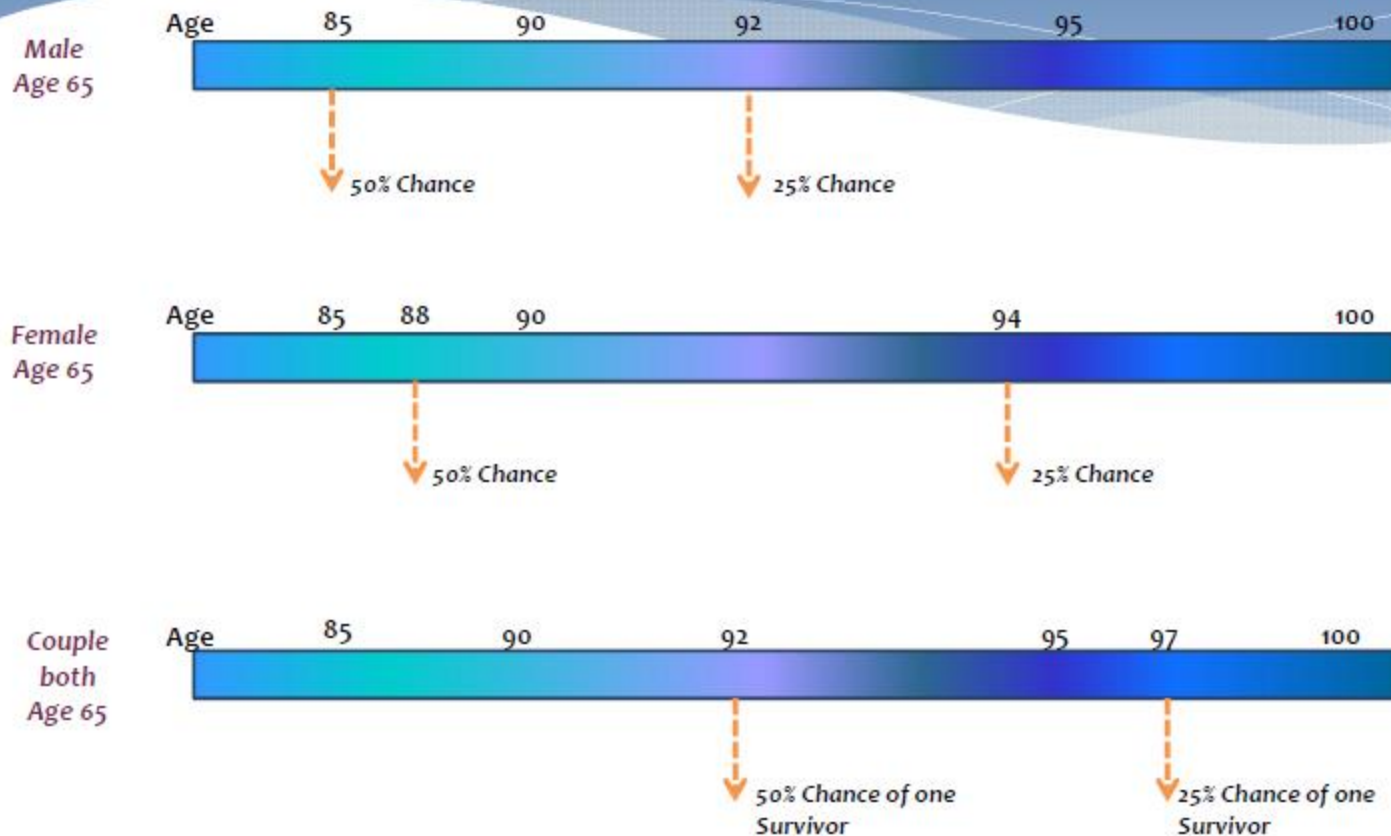
- o Your Primary Insurance Amount (PIA)
- o Cost –of-Living Adjustment (COLA)
- o Types of Benefits
 - Retirement
 - Spousal
 - Survivors
- o Earned-Income test

Optimizing Social Security



- Build earnings credits while you can
- Win the actuarial game
- Minimize taxes on benefits
- Coordinate spousal benefits

Winning the Actuarial Game

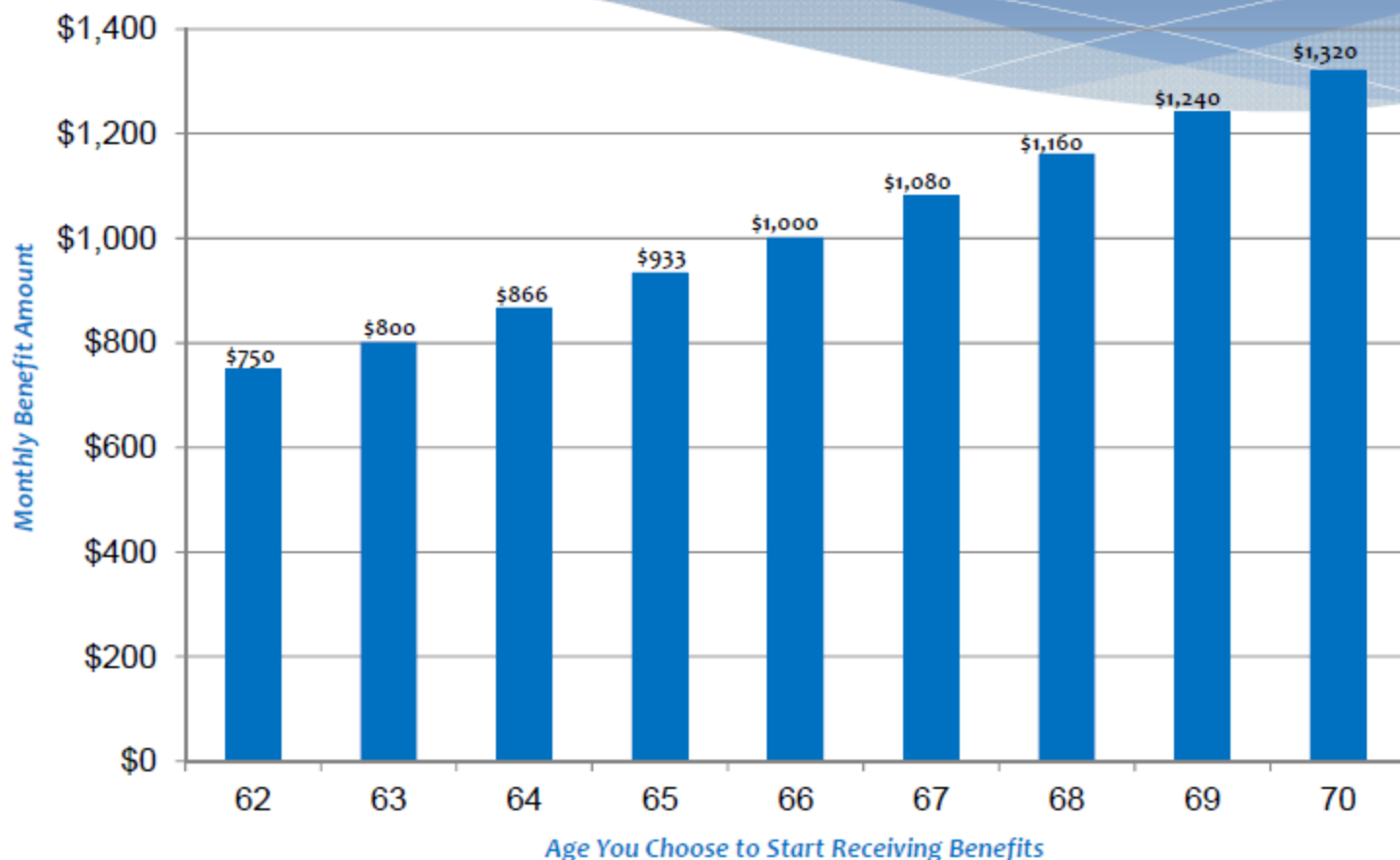


Source: Annuity 2000 Mortality Table, American Society of Actuaries. Figures assume the couple is in good health.

Taking Social Security at Age 62 is an Irreversible Decision with Long-Term Effects

Monthly Benefit Amounts Differ Based on the Age You Decide
To Start Receiving Benefits

This example assumes a benefit of \$1,000 at a FRA (66)



Social Security

The Lesson

- Early is not always better
- It's can be more complicated than what you might think
- Ask for help from the professionals



Retirement Savings

The “Safe Max” rule

- o Annual withdrawals of no more than 4% of the initial balance
- o “Safe” means 90%+ probability funds sufficient for at least 30 years
- o “Unsafe” withdrawal approach greatly increases risk of “outliving money”

Health Insurance Tips

- o Enroll in Medicare at age 65
- o If possible, take advantage of “double insurance”
- o Review your plan every year, and switch if necessary



Health Insurance Tips

- Do cost comparison for Medicare drug plan regularly ([medicare.gov](https://www.medicare.gov))



- Take advantage of every free preventive care service you're offered ([medicare.gov](https://www.medicare.gov))

Long-Term Care Stats

- o 70% of Americans 65+ will require long-term care
- o 20% will need care for more than 5 years
- o Less than one-third of Americans over 50 have begun saving for long-term care

Long-Term Care

2015 Median Cost Per Year In The U.S.

- o Private room in a nursing home: **\$91,250**
- o Homemaker services: **\$44,616**
- o Assisted living facility: **\$43,200**
- o Semi-private room in a nursing home: **\$80,300**
- o Home health aide services: **\$45,760**
- o Adult day health care: **\$17,904**

Long-Term Care

Options: Insurance

- o May be good option, if you can afford
- o Typically more affordable thru employer plan
- o May not qualify for existing conditions
- o Certain medical expenses not covered
- o Risk that premiums will rise
- o Sometimes complicated to understand

Long-Term Care

Options: Medicaid

- o May be difficult to qualify
- o Assets must be less than \$2,000, excluding your home (if you live in it)
- o Quality of care may be a concern due to limited plan coverage

Long-Term Care Options: Self-funding

- o Have substantial savings and assets to fall back on
- o Financial assistance from family
- o Establish a line of credit
- o Obtain a reverse mortgage



Retirement: The Plan

- o Figure out “what” you want to do in retirement and set goals

- Hobbies
- Continue working
- Volunteer
- Travel
- Spending time with family
- Stay Active



- o Be “realistic”
- o Consider health limitations

Retirement Checklist

- o Take inventory of your assets.
- o Review your debts and liabilities.
- o Determine where your income is coming from.
- o Use financial planning calculators to run the numbers:
 - Income you will have to live on
 - Monthly expenses
- o Review your insurance situation.
- o Decide when to sign up for Social Security.

Financial Wellness
Asset

Protection



Transition Planning

- o Will
- o Trust Documents
- o Updated Beneficiary Designations
- o Power of Attorney

Transition Planning

Reasons for Estate Planning

- o Avoid the “default plan” the gov’t already created for you
- o Provide guidance to your heirs, based on your wishes
- o Increase the likelihood the farm stays in the family (and not sold to a stranger)

Transition Planning Will

- o Distribution of your estate
- o Whether your beneficiaries receive their inheritance outright or in trust
- o Guardian who will raise minor children if spouse not available
- o Personal Representative (Executor) to administer Estate

Transition Planning

Power of Attorney

Durable Power of Attorney

- o Defense incase you mental edge get's dulled
- o Assist in financial and health care matters
- o Do it now, while you're still sharp
- o It's better for you to name your representative(s), versus the court
- o Have your paperwork in order, makes sure your POA is notarized, witnessed



Power of Attorney

VS

Executor of Estate

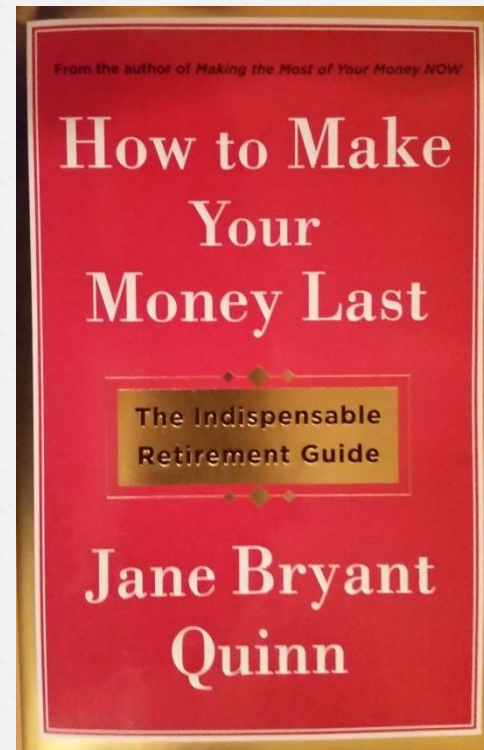
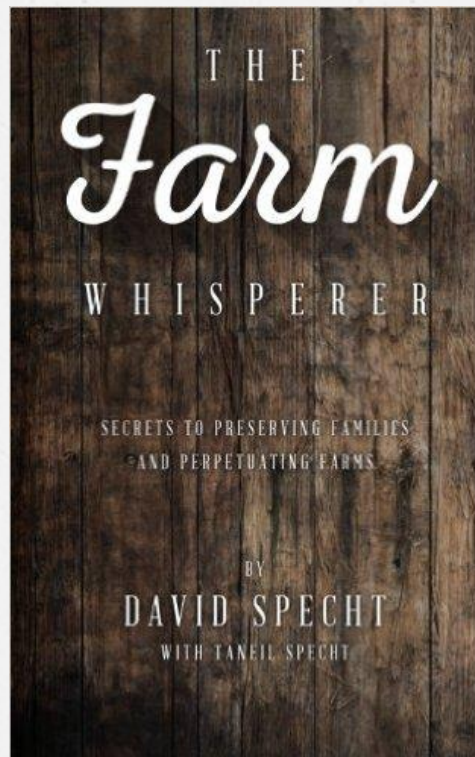
Transition Planning

Trust

Definition: Legal mechanism whereby one person or entity manages the assets of another

- o Grantor/Settlor—Person who creates trust
- o Beneficiary—Person for whom trust created
 - Spouse
 - Children
 - Other (charities/friends)
- o Trustee—Person who manages trust

Books



“A good man leaves an inheritance
to his children’s children”



-Proverbs 13:22

Generational Wealth

assess:
where are
you at?

Pre-
Retirement
Goals

establish
your
Emergency
Fund

implement
your
Spending
Plan

live your
farm/ranch
Legacy!



start your
Savings
Plan

map out
your
Retirement
Plan

review
Credit
Report

Social
Security/
Medicare
info

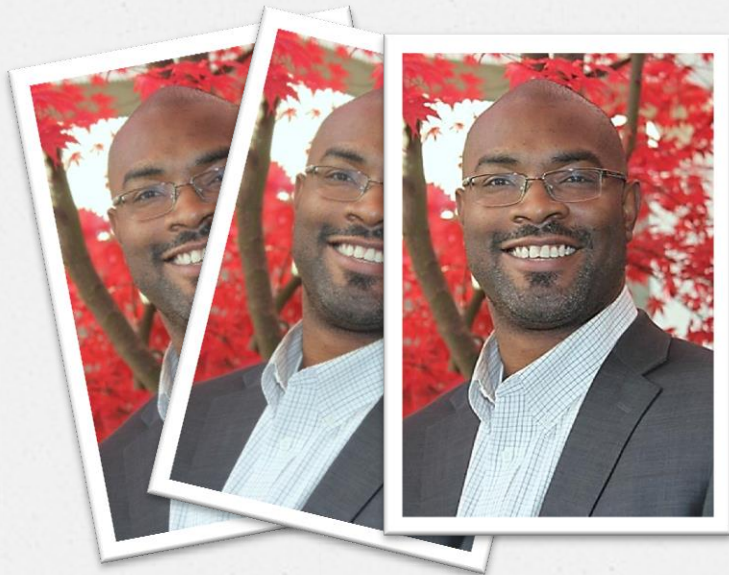
write down
your Post-
Retirement
Goals

complete
your
Transition/
Estate Plan

maximize
your Credit
Score

For Additional Information & Resources

The presentation slides will be
sent to all attendees within the
next 24 hours



Phillip Wade Ross
“Phil”

425.260.8999

phil.ross1967@gmail.com

Thank you!

