American Expat Guide to Personal Finance
American Womens Club of Zurich

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WHITE LIGHTHOUSE
INVESTMENT MANAGEMENT

Introduction

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Agenda

1. Being a Smart Financial Consumer
2. Tips for American Expatriates
3. Money Management – Essentials
4. American Taxes – Living In Switzerland
5. Money and Children
6. Estate Planning
7. Government & Employer Benefits
8. Common Financial Questions
9. Retirement – How Much do I need?
10. It's not all about Money….
11. Conclusion

1. Being a Smart Financial Consumer

- Investment of your time – even if the subject is not interesting
- Together with your spouse or partner
- Educate yourself
- Hiring a professional(s) where specialists are needed
- You will need to pay for most good professional advice
- Being a good client – Most good advisors choose you as much as you choose them. Be respectful, honest, timely.
  - E.g. If you have had 5 new tax advisors in 5 years, the problem may not be the tax advisors
  - The Swiss Expat community is small
- Know your costs
- Know your rights and obligations
- Comparison shopping

Choosing a Financial Advisor –

1. Do you need a financial advisor or planner? Why?
2. What is a financial advisor? Different titles…
3. Whose interests do they put first? Are they a fiduciary, employee, sales person?
4. What are you looking for and what do you think you need?
   - A financial Plan?
   - Investment Advice
   - Retirement advice?
5. Get references from people you trust – Ask the one thing your reference does not like
6. What Licenses, Education, Registrations do they hold? CFA, CFP®, CHFc or PFS (for CPAs) are some of the most respected.
7. What Experience do they have? – Would you be a typical client?
8. How does the advisor get paid?
9. Is their advice objective? How do you know – Are they paid more to sell their company's products?
10. Will they consider or advise on assets not under their management?
11. Ask them if they can beat the market?
12. Have they been involved in any lawsuits consumer complaints or other disciplinary action?

Financial Advisor Checklist

- ❑ Education and Qualifications
- ❑ Is your adviser a fiduciary – putting your interests first?
- ❑ How is your adviser paid?
- ❑ Is your adviser qualified to give comprehensive advice?
- ❑ Is your adviser a salesperson – Do they advise on products they are not selling?
- ❑ Is your advisor upfront about “beating the market”?
- ❑ Will your advisor try to prevent you from making mistakes?
- ❑ Has the advisor been involved in any lawsuits or consumer complaints?

Full article at this link: 8 Things your Financial Planner Won’t Tell You http://articles.moneycentral.msn.com/RetirementandWills/CreateaPlan/8ThingsYourFinancialPlannerWontTellYou.aspx

Tough questions for your Financial Advisor

1. What was your largest mistake in the past 10 years? – What did you learn from it?
2. Do your financial incentives always line up with my best interests?
3. How do you manage conflicts between your goals as an employee and what is best for your clients?
4. Would you change your strategy for managing my account based on changes in the macro-economy?
5. Who in your firm actually makes the decisions on my account?
6. How have your client's portfolios performed over the past ten years?
7. If I wanted to buy a couple of broad based (lost cost) index funds or ETFs, which would you recommend?
8. May I speak with one of your former clients?
9. If you ask for a referral is more than one choice presented? And/Or an explanation of why a specific client name is given?
10. When was your last job change, and why?

Tough questions for your Financial Advisor – continued - Do your research

11. For US Registered Advisors
    i. Investment Advisor Search - http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx
        i. Check out the firm and the individuals
    ii. They should offer a copy of their ADV 2 (Firm and Individual)
    iii. To verify CFP® certification - http://www.cfp.net/
12. Tell me about some of the outside professionals you work with: Do you pay or get paid for referrals? Do you disclose this generally to clients?
13. Ask about their regulators, auditors (when needed)
14. Ask about continuing education

2. Tips for American Expatriates

1. Get a regular copy of your free annual credit report. +1 877 322 8228
2. Consider Implementing a security freeze to prevent id theft: http://redtape.msnbc.com/2007/11/now-a-way-to-st.html#posts
3. Get a regular copy of your US Social Security Statement: http://www.ssa.gov/
4. File your Annual US Tax Returns – **It is now being checked upon passport renewal!**
5. Keep a US Credit Card, with a US address
6. Keep a US Address (For investing, credit cards & possible insurance.)
7. Get a US phone number (Skype, call 800 number for free)
8. Review Life Insurance and Long-Term Care Insurance in the US
9. Review a US based Will
10. Investigate what happens if you were to die while living overseas. (Swiss Law different than US)
11. If you plan to return to the US, work with advisors who are experienced with the US "system": Financial, Tax, Legal etc.
12. Travel to the US only on your US passport
13. Vote in Presidential Elections (Federal ok, local elections not advised from overseas)
14. Check out previous residence: "Unclaimed Property"
15. If you are married to a non American, make sure you know the estate planning and gift tax implications! There are advantages and disadvantages…

3. Money Management Essentials

- Most important Investment Advice
- Top Money Management Essentials - Mistakes
- Risk
- 3 Ways to Invest
- List of Asset Classes

3. Most Important Investment Advice

- Diversification
- Dollar/CHF Cost Averaging
- Time Horizon - Liquidity
- Costs
- Conflicts of Interest

Risk

- Hard to define for most people
- Loss of some or all of investment amount
- Asset Manager – uses measures such as standard deviation from “expected return”
- Consider: Time frame, inflation & your goals
- Understand difference between risk and volatility

3 ways to Manage Money

- Market Timing
- Security Selection
- Asset Allocation

3 ways to Manage Money

- Security Selection
  - Choosing one investment over another
- Market Timing
  - Trying to decide where a market, particular security, or asset class currently is, where it may be going, and when
- Asset Allocation

  Spreading the money in your portfolio between different types, or classes, of investments

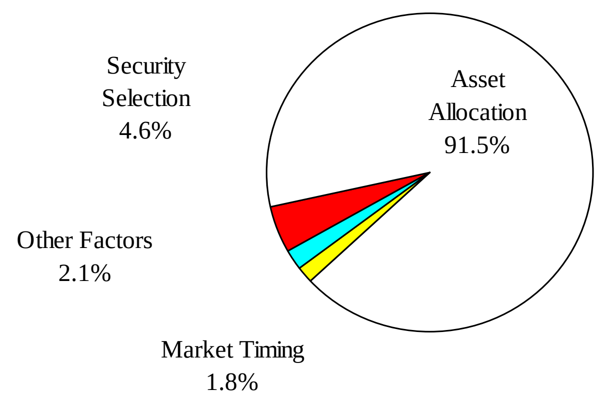
Type	Pros	Cons
Asset Allocation	•Investing not speculating •Proven long-term strategy •No Guess work or emotions •Focuses on whole portfolio •Easy to Manage	•Boring •Won't get rich quick •Periodic rebalancing needed •Have to decide which classes •Inexperienced investors don't like some classes
Security Selection	•Fun and exciting to bet •If you are right a lot more than wrong, get rich quick	•Too hard, too risky •Over 100,000 Investments •Not enough time to do adequate analysis, even for the pros
Market Timing	•Fun and exciting to bet •If you are right a lot more than wrong, get rich quick	•More risky and difficult than SS •Need to be correct > 75% time •1 in 8 "professional" timers beats the markets 3 years in a row

Asset Allocation

Spreading the money in your portfolio between different types, or classes, of investments

Asset Allocation accounts for between 75 - 90% of long-term portfolio performance.

Determinants of Portfolio Performance[1]



1) Gary Brinson, Brian Singer and Gilbert Beebower "Determinants of Portfolio Performance II: An Update," *Financial Analysts Journal*, May/June 1991.

Major Asset Classes I use

1. Cash
2. Short-Term Bonds
3. Intermediate/Long-Term Bonds
4. High-Yield (junk) Bond
5. International Bond
6. Emerging Markets Bond
7. Large-Cap Value
8. Large-Cap Growth
9. All/Mid-Cap
10. Small-Cap
11. Technology
12. Biotech / Health Care
13. Micro-Cap
14. Internet
15. International / Global All-Cap
16. Emerging Markets
17. Real Estate
18. Tangibles

a. Money Management Essentials

Essentials	Mistakes
Have a plan – educate yourself or work with an advisor	Unrealistic goals, too general, undefined or unrealistic
Implement your plan	Procrastination
Pensions and investment earnings get taxed	Ignoring effect of taxes
Insure low frequency, low probability, high loss events	Having no insurance against death, disability or liability
Diversification is a must: Don’t significantly overweight.	Over-weighted in current “fad” of investing: Tech stocks, real estate, employer
Inflation 3% long term average minimum last 75 years	Ignoring Inflation
Investment decisions based on: diversification, sticking to a plan	Making investments decisions based on emotions: Fear & Greed

b. Money Management Essentials

Essentials	Mistakes
Know what advice you need: Good Advisors are valuable	DIY – in order to save money
Know your ability and tendency to take risk: translate to portfolio	Too conservative or too aggressive
Diversification is essential	Concentration not diversification
Asset Allocation – Only reasonable long term strategy	Not understanding Asset Allocation
Nobody can do it reliably, not even the “experts”	Trying to Time Markets
Cash is only one asset class,	Too much cash
Someone who is an expert in one area does not make them an experienced investor	Over influenced by friends, family, T.V., salesmen etc.
By the time you hear about it, it is too late or illegal (insider info)	Placing Bets on “Hot companies”

c. Money Management Essentials

Essentials	Mistakes
There are no guarantees in investing: You pay to lose your money slowly (e.g. cash and annuities)	Wanting everything guaranteed
If you and/or your spouse are not disciplined, hire an advisor	Lack of Discipline
Long-term investing is a marathon, not a sprint	Wanting immediate results
Set Reasonable expectations	Wanting something for nothing
Be cautious who you rely on for financial assistance	Over-reliance on others: inheritances, family, marriage, lottery, home etc.
Short – Term: Nobody knows where the market is going	Thinking that any one person knows where the market is going

How risky is cash in the bank?

Is your "guaranteed" money really safe in the bank?

$100 Principle	**$4 Earned Interest**	**$102.6 After Tax Value**
<u>x 4% Interest</u>	**<u>35% Marginal Tax Rate</u>**	**<u>3.5% Inflation</u>**
$104.00 EOY	**$1.40 Lost to Taxes**	**$3.59 Lost to Inflation**

$104.00 Nominal End of Year Balance
- $1.40 Taxes Due
<u>- $3.59 Inflation</u>
$99.01 Real Value at the End of the Year

Conclusion: ***Real loss of 1% in first year Over 9.5% loss in ten years and 30% in 35 years!***

You pay for certainty: no risk = no real return

4. American Taxes & Financial Planning– Living In Switzerland

- Income Taxes
- FBARs
- Common Tax Forms for Overseas Filers
- Gift & Estate Taxes
- IRA Accounts
- 2nd and 3rd Pillars
- 529 Plans
- FATCA in 1 minute
- What's new in 2014 – Obamacare /NII Tax

4. American Taxes & Financial Planning– Living In Switzerland

- Over 90% of tax problems for overseas Americans can be avoided by timely filing of FBARs and Tax returns as accurately as possible.
- Regardless of how “simple” you think your financial life is, it is generally more complex than you think.

Income Taxes – Filing a US Federal Tax Return

- All Americans with even small amounts of income need to file a tax return:
  - Generally with earned income over $10,000 ($20k married filing jointly)
  - More than $1000 in unearned income (higher if over age 65)
  - Self Employment income over $400
  - Church employee with income over $108
  - A Return must be filed even if taxes are not owed (penalties can be high for non compliance) – “I did not know the rules” is not generally an accepted answer by the IRS
  - The following Link will help you
  - http://www.irs.gov/Individuals/Do-You-Need-to-File-a-Federal-Income-Tax-Return%3F-

Income Taxes – Types of Income Reportable

- From Employment (including benefits such as)
  - School Fees
  - Car Allowance
  - Some expenses reimbursed
  - Employer contribution to non qualified pension plan
- Self Employment – Schedule C
- Rental Income (Regardless of where rental property is located)
- "Passive" Income
  - Pensions – US and Foreign, private and government
  - Interest, Dividends, Capital Gains, Mark-to-Market for PFICs
- Other
  - Distributions from Trusts or similar vehicles
  - Certain Insurance and Annuity Contracts
  - Sale of collectibles: Coins, Art, Metals, etc.

Income Taxes – Misc.

- Inheritance received from a “covered expat” is taxable to the beneficiary
- Inheritance or Gift(s) of over $100k cumulative in one calendar year from a non US person (who is not a covered expat) is reportable (form 3520) but not taxable
- Ownership of over 10% of a foreign corporation: 5471, different reporting for different ownership thresh-holds

FBARs

- Financial Bank Account Reporting Form – Changing to Fincen 114
- Must file electronically now by June 30th every year, no extension
- Must file if over $10k at any point, cummulatively in any calender year
- Must file if signatory authority over accounts, even if no beneficial ownership

Summary for Foreign Information on “common” US Tax Forms

- Form 3520 – Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, due on the date that the taxpayer's individual income tax return is due (generally April 15), including extensions;
- Form 3520-A – Annual Information Return of Foreign Trust with a US Owner, generally due March 15;
- Form 5471– Information Return of US Persons with Respect to Certain Foreign Corporations, attached to and filed with the taxpayer's income tax return;
- Form 8621 – Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund, attached to and filed with the taxpayer's income tax return;
- Form 8865 – Return of US Persons with Respect to Certain Foreign Partnerships, attached to and filed with the taxpayer's income tax return;
- Form 926 - Return by a US Transferor of Property to a Foreign Corporation, filed with the taxpayer's income return
- Form 8621 – Must be filed for each PFIC held each year.
- Form 8832 – Entity Classification Election, often filed for a foreign company to elect disregarded entity status; thus, the tax responsibility flows through to the owner so that there is no tax at the company level;
- Form 8858 – Information Return of US Persons with Respect to Foreign Disregarded Entities, filed with the taxpayer's income tax return.
- Form 8891 – Information Return of US Persons for Beneficiaries of Certain Canadian Registered Retirement Plans.
- **Form 8938 – New form to be included with tax return for individuals with foreign assets over $50,000**
- Form TD F 90-22.1 **NEW FINCEN 114**– Report of Foreign Bank and Financial Accounts, filed by June 30 of each year when, in the previous year, the taxpayer had a foreign bank or financial account worth over $10,000 (for a discussion of recent changes to this form please see "IRS Releases Revised Foreign Bank Account Reporting Form"); and
- Form 2555 – Foreign Earned Income, generally due April 15 for US citizens and resident aliens living abroad to exclude a certain amount of foreign earnings from taxes and/or to claim the housing exclusion.

2014 Gift & Estate Limitations

- Annual gift exclusion amount increased to $14,000 in 2013 from $13,000. Remains at $14,000 for 2014
- Federal Estate Tax (Lifetime Gift Exclusion amount) $5.3 4Million and Indexed annually for inflation
- 2014 Gift exclusion amount to non-citizen spouse increases to $145,000 (up from $143k in 2013)
- Federal Estate tax is not scheduled to sunset though the President has already proposed reducing it

Traditional IRA Accounts

- Individuals with earned income (not excluded) can contribute $5500 in 2013 ($6500 if over age 50)
- Contributions are deductible, regardless of income level, if not contributing to a US qualified pension plan
- Assets grow US tax deferred
- Switzerland has the right but not the obligation to tax these accounts
- IRA accounts can be opened at many US institutions for residents of Switzerland

Other IRA Accounts

- Roth IRAs
  - Conversion to a Roth may be interesting if you are overseas and have no income (e.g. as a trailing spouse married to a non US taxpayer.)
- SEP IRA
  - Can be used by self employed overseas individuals
- Inherited IRA
  - Make sure you understand minimum distribution requirements, penalties are up to 50% (not an overseas issue.)

Converting to Roth IRAs

- Traditional
- Employer 401k

IRA Withdrawals

- Age 59 ½ for Distributions without Penalties
- Age 70 ½ for Required Minimum Distributions

Misc IRA Info

- Assets will not pass through probate; though difficulties can arise for non US beneficiaries
- Non US beneficiaries may be able to receive distributions without any US taxes if lump sum taxation paid in Switzerland
- Children can open IRA accounts and fund them if they have earned income

2nd and 3rd Pillar Accounts

- Income is reportable annually in US
- Contributions are not tax deductible in the US
- Common error: employer contributions are not reported as taxable income
- To avoid double taxation, track your US tax basis in 2nd and 3rd pillar accounts.
- Many 3rd pillar and 2nd pillar "libre passage" investments are PFICS
- Don't contribute to 3rd pillar or excess 2nd pillar "buybacks" if the result is a lower Swiss tax bill offset by a higher US tax bill.
- If you have money "stuck" in a 3rd pillar, leave it in cash – UBS from 2014 is forcing its US clients to do this anyway.

529 Plans

- Married Couple can give up to $140,000 to a 529 plan in first year (5x Annual gift limitation)
- 529 plan assets grow US tax free if used for qualified education
- Over 350 foreign institutions qualify (e.g. Lausanne Hotel School, University of Geneva)
- http://www.savingforcollege.com/eligible_institutions/

FATCA – in 1 Minute

- From the 2011 Tax return, the form 8938 needs to be completed with your US tax return [For taxpayers living abroad: Joint return $400k in specified foreign assets or more than $600k during year; other than joint return: $200k in assets or more than $300k during year
- Swiss Banks will be reporting to the IRS account information for US persons – US-Swiss IGA signed 13-2-2013: Starting for the year 2014, first reports probably sent in 2015
- Savings & Investment Accounts will be reported (by Swiss banks to the IRS)
- 2nd and 3rd Pillar Accounts should not be reported (by Swiss banks to the IRS)
- Your Swiss Financial Institution will ask you (if they have not already) for a W9 to confirm your US Social Security Number and for your permission to send info to the IRS
- If you have not reported your accounts on the FBAR & 8938 and/or have not reported the income on a US tax return, you should talk with a US tax/legal professional before the IRS receives your information
- Some [local FFI] Swiss Financial Institutions will not be allowed to discriminate against US persons living in Switzerland.

2014 Tax Summary – what's new

- FEIE - $99,200 for 2014
- Top US Federal tax rate 39.6% for income $457,600 and up (Married Filing jointly, $432k HOH, $406k Single)
  - LINK http://www.forbes.com/sites/kellyphillipserb/2013/10/31/irs-announces-2014-tax-brackets-standard-deduction-amounts-and-more/
- US Long Term Capital Gains rate: 20%
- Medicare Surcharge (Obamacare tax) 3.8%: for joint filers >$250k, individuals >$200k
- Itemized Deductions & Personal Exemptions phase out for Individuals earning > $254k and Couples >$305k
- AMT has been "permanently" inflation adjusted

2014 Tax Summary – Page 2

- Personal Exemption is $3950, but starts to phase out at $305k, complely phased out for income above $427k (both limits for MFJ, less for individuals)
- Kiddie Tax – Children can ear $1000 with no taxes, upto $2000 at reduced rate and over $2000 at parents rates.
- $5500 IRA contribution limit (traditional IRA) $6500 if over 50 years old.
- Federal Gift tax exclusion $14,000
- Federal Estate tax exclusion (for US persons) $5,340,000 – Only $60,000 for non US persons holding US situs assets – Federal Estate tax rate 40%

2014 Tax Summary – Page 3 -

Obamacare

- Net Investment Income Tax: 3.8% on the lesser of
  - Your net investment income
  - The amount of your modified adjusted gross income (basically, your adjusted gross income increased by an amount associated with any foreign earned income exclusion) that exceeds $200,000 ($250,000 if married filing a joint federal income tax return, $125,000 if married filing a separate return)
  - [Effective 2013 tax year and does apply to foreign income]
- For 2013 tax returns, if you are a high-income wage earner [over $250k MFJ] with a W-2 [and self employment income] at the end of the year, you will have a .9 % ‘Additional Medicare Tax (AdMT) on income over $200k. This will be reported on new IRS Form 8959. [Effective 2013 tax year and does not apply to foreign income] and will not be matched by employers.
- No Mandatory Health Insurance if you live outside the US
- [Some content on this slide and next 3 slides from **Larry Lipsher**, US Tax professional based in Asia and fellow ACA member and PTAC professional]

2014 Tax Summary – Page 4 -

FBAR

- FBAR and Fincen 114 can only be e-filed – on the FINANCIAL CRIMES ENFORCEMENT NETWORK
- LINK: http://bsaefiling.fincen.treas.gov/NoRegFBARFiler.html
- The old FBAR form TD F90-22.1 will be replaced by the FinCEN 114. The TD F form had 3 pages of instructions. The FinCEN 114 has 19 pages of instructions.
- If your tax status is MFJ you must also prepare FinCEN 114A. Both spouses having to sign this form.
- If your computer does not use a Windows operating system, you cannot access this site. If you use either Firefox or Google Chrome as your browser, you might have difficulty accessing this site.
- If a 'third party' (i.e. tax preparer) will be efiling for you, you must present a signed FinCEN 114 A to that preparer

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Form 8938

- Specified foreign financial assets must be reported on this form. There are filing level ‘differentials’ with lower amounts for US domiciled filers and expat filers:
- MFJ overseas: $US400,000 balance for all specified foreign financial assets as of 31 Dec 13 or balances on any day during the year that value was $US600,000
- MFS or Single overseas: $US200,000 at 31 Dec or $US300,000 as highest aggregate amount during the year
- The 2012 Form 8938 was 2 pages. The 2013 version is 3 full pages
- There is a 12 page set of instructions, with examples, explaining what is considered a specified foreign financial asset.

2014 Tax Summary – Page 6 –

Passive Foreign Investment Corporations – PFICs – NON US Investment Funds

- Form 8621 –for filing by the ‘Shareholder of a Passive Foreign Investment Company or a Qualified Electing Fund
- This includes any business investment under with under 10 % ownership but with a market value of over $US25,000
- At the end of the 13 page of instructions for this form, the IRS estimates that it will take a PFIC owner 15 hours, 4 minutes for annual record keeping, 11 hours, 13 minutes for learning about this form and 20 hours, 21 minutes for form preparation and filing…..just for owning an investment outside with an end of year value of $US 25,000
- PFIC Taxation
  - Preferred Method is Mark to Market (assume it is sold at the end of each year and report income annually) – No Long Term Gains treatment
  - If not Marked to Market – other options include getting the funds to report “properly” for the US or possibly paying large taxes and penalties if profitable and held for a long time. See next slide for more.
- Message – It is not worth owning PFICs for 99% of Americans overseas

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PFIC – 3 ways to account

- Sections 1291 through 1297 of US Income tax code: Rules are essentially to discourage US people owning these types of investments.
- Most US People should avoid PFICs at all costs
- Form 8621 Must be filed each year (very cumbersome)
  - http://www.irs.gov/instructions/i8621/ch01.html
- 3 Ways to report Income:
  - Get the fund to report under US reporting rules; segment interest, dividends, capital gains distributions etc.
  - Mark to market each year. Gains are taxed in year, losses not used to offset, future gains must be above high water mark (QEF Election: Qualified Electing Fund)
  - Gains pro-rated over several years of holding, taxes, interest and penalties due for all previous years..

5. Money and Children

- Money is still a taboo subject: many families find it easier to talk about the facts of life than about money
- Spend money and time in ways that are consistent with your values
- There is no “one” correct way
- Your children will be strongly affected by your actions
- Follow your instincts
- Educate yourself on what several “professionals” think

8 Steps to raising successful, generous and responsible children

1. Encourage a work ethic
2. Get your money stories straight
3. Facilitate Financial Reflection
4. Be a charitable family
5. Teach Financial Literacy
6. Spend Time and Money in ways that are consistent with your values
7. Be Aware of and Moderate your extreme Money Tendencies
8. Engage in Difficult Financial Discussions

Book: The Financially Intelligent Parent: Gallo & Gallo

Tips for Parents

- Kids see and emulate more than we are aware of: Are your money actions in-line with the values you would like to teach?
- Don’t tie allowance to household chores
- Give responsibility early:
  - Allowance: Save, Spend, Invest, Charity
  - Bank accounts
  - Credit card (for convenience)
  - Employment
- Encourage & support: savings, investing, charity and spending
- Financial training does not end when the kids leave home…
- Use the right language: Don’t say “we can’t afford it”
- Include children in money discussions: Ensure they know how much things cost.
- Be open with your spouse
- Emphasize doing your best rather than being the best
- Don’t argue regularly about money in front of your children

Useful Resources

- "The Financially Intelligent Parent" Gallo & Gallo
- Money Savvy Generation Website: http://www.msgen.com/assembled/home.html

6. Estate Planning

- What happens to your assets when you or your spouse dies?

Estate Planning - Checklist

- ❑ Do you have a will; has it been updated?
- ❑ Have you prepared an estate planning letter?
- ❑ Do you know what will happen if you or your spouse die overseas?
- ❑ Do you have enough life insurance?
- ❑ Who will take care of minor children (raising them and finances)?
- ❑ Do you have a listing of location of all valuable papers, assets, accounts, passwords?
- ❑ If you have a business – continuity plan?
- ❑ Insurance documents –updated including beneficiaries?
- ❑ Do you have durable health care power of attorney, general power of attorney?
- ❑ Do you have a living will?
- ❑ Have you made your wishes known: Heirlooms, location of burial, type of service, donations to charity etc.?
- ❑ Do you need a trust arrangement: For sizable estates or to take care of minor children?

5 steps to Preparing Heirs

1. Assessing your wealth transition plan
2. Taking Action on plan deficiencies
3. Preparing the Heirs
4. The Heir's self preparation responsibilities
5. Continuing Evaluation & Measurement

Book: Preparing Heirs – Williams & Preisser

7. Government and Employee Benefits

- Read the fine print – know your rights
- http://www.ssa.gov/
- http://www.bsv.admin.ch/
- If you receive expat benefits: They don't remain forever: schooling, health care, housing, car etc.

8a. Common Financial Questions

- How much money do I need to retire?
- How much money should I be saving towards retirement?
- What age can I afford to stop working?
- What percentage of my portfolio can I afford to spend in retirement?
- Should I put all of my money into an annuity at retirement?

8b. Common Financial Questions

- Should I invest in Stocks?
- How much emergency cash should I have?
- In what currency should I invest?
- Should I invest in Real Estate?

9. Retirement
Calculating How much you need

1. Life Expectancy
2. Taxes
3. Inflation
4. Investment Return
5. Spending Needs
6. Percent Covered by Government & Company Pensions

Calculator available free on www.white-lighthouse.com
(Articles and Files page)

Retirement Calculator

White Lighthouse Retirement Calculator	Inputs
Annual Income Goal (Today) - After tax	$ 100,000
Percent of Income Covered by Govt + Company Pension	40.0%
Years Until Retirement	25
Number of Years Required after Retirement	30
Inflation	3.00%
Portfolio Yield - Before Taxes	7.00%
Portfolio Yield - After Taxes - Before Retirement	5.60%
Portfolio Yield - After Taxes - In Retirement	5.25%
Average Tax Rate on Investment Earnings - Before Retirement	20%
Average Tax Rate - In Retirement	25%
When you Retire, your annual Income needs (from your portfolio) will be	$125,627
In 25 years we need a lump sum of (PV of Growing Annuity Stream)	$ 2,663,609
Current Savings	$ 500,000
Amount Needed to Save each year to reach Goal	$ 13,711

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10. It's not all about Money

- What should I do with my life?
- Health
- Family
- Education and Experience
- Increasing Choices

11. Your Questions & Resource Slides

- Your Questions
- Concluding Thoughts

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Concluding thoughts

- Time and Education are your best assets
- Are you passionate about what you are doing ? If not, what are you doing about it?
- Are you saving enough? Save Early and Often – Time Value of Money is a Miracle
- Are your expectations realistic?
- Remember Risk vs Reward – There is no such thing as a free lunch
- Keep Fees and Expenses Low – But not too low
- Find Professional Help When you Need it -Hire people who are more qualified than you: A financial planner can help you stick to your plan!
- Understand the real difference between Gambling and Investing
- Don't expect Government, Company, Family or Children to take care of you: If they do, that's a bonus. You are in the driver's seat.
- Don't look at your portfolio too often
- Things change, be prepared!

Questions after the presentation?

- E-Mail: info@white-lighthouse.com
- Web Site www.white-lighthouse.com
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Additional Resource Slides

- Book Recommendations
- Answers to Some Common Financial Questions

Book Recommendations

1. What Should I do with my Life? – Po Bronson
2. Buckets of Money – Raymond J. Lucia
3. The Financially Intelligent Parent – Eileen and Jon Gallo
4. Change or Die: The Three Keys to Change at Work and in Life – Alan Deutschman
5. Reminiscences of a Stock Operator – Edwin Lefevre
6. Preparing Heirs – Roy Williams & Vic Preisser
7. How a Financial Planner can help you and How to Choose? – Financial Planning Association

1a. Common Financial Questions - Answers

- How much money do I need to retire?
  - At retirement approx. $1,000,000 for every $50,000 of income needed. (30yrs 7% return, 3% inflation, 25% Taxes)
- How much money should I be saving towards retirement?
  - A minimum of 10% of gross salary per year, target 12-15%
- What age can I afford to stop working?
  - 65 means 25 or more years in retirement, that can get expensive
- What percentage of my portfolio can I afford to spend in retirement?
  - Range is normally 3.5% to 5% of portfolio at retirement..
- Should I put all of my money into an annuity at retirement?
  - NO

1b. Common Financial Questions - answers

- Should I invest in Stocks?
  - At least 50% equities is advisable in most long term investment portfolios
  - Diversification is paramount – more in section 3
  - Keep only long-term money (> 18months to 2 years) in the stock market
- How much emergency cash should I have?
  - 3-6 months of living expenses
- What currency should I invest
  - It depends: currency of country you intend to spend the investment in (e.g. where will you retire) is very important.
  - The smaller your home country economy, the more diversification needed outside country and/or currency

1b. Common Financial Questions - answers

- Should I invest in Real Estate? Yes, but…
  - Normally it is the "best" or "worst" decision people feel they make (most people over estimate the true gains: don't include all costs, and TVM)
  - Separate lifestyle decision from investment decision
  - Real Estate over the long term, globally has not out performed equities ~6% net per year.
  - Go in with your eyes wide open: Real Estate Speculation has diminished a lot of fortunes.
  - Pro's
    - Can appreciate rapidly
    - Forced Savings
    - Use of the home
  - Con's
    - Costs: Property Taxes, Insurance, Maintenance
    - Tenants: Work, Time, Grief, Annoyance…
    - People normally "over-weighted" due to relative size
    - Risks: Market Price, Liquidity, lack of diversification, Natural disasters, changes in zoning, demographics, laws, employment base..