# About Me

**Instructor:** Lon Jefferies  
**Title:** Financial Advisor  
**Designation(s):** Certified Financial Planner (CFP), Investment Advisor (RIA)  
**Education:** MBA, University of Utah  
BS Finance, University of Utah  
BS Marketing, University of Utah  
**Fee Only:** NAPFA Member  
**Other:** Published in The Wall Street Journal, Morningstar.com, USA Today, Kiplinger’s, Utah Business Magazine, Utah CEO, Business Connect Magazine
Why Financial Planning is Important

56% of U.S. adults lack a budget.
40% of U.S. adults are saving less than in 2011

39% of U.S. adults have ZERO non-retirement savings
39% of U.S. adults carry credit card debt from month to month.

31.4% of all mortgage borrowers are underwater.
41% of Baby Boomers do not have a Will

50% of Americans with children do not have a Will
25 million people are underinsured
16% of Americans are very confident that their investments will increase in value.

23% of Americans are not at all confident in having a comfortable retirement.
11% of workers expect to retire after age 65

37% of workers expect to retire after age 65
These statistics are pretty grim, aren’t they? Here’s why...

2 in 5 U.S. adults gave themselves a C, D, or F on their knowledge of personal finance.
What Questions Can a Financial Planner Answer?

At what age can I afford to retire?

What financial changes can I expect after I get married?

How can my fiance and I prepare for our wedding?

How much can I contribute toward my kid’s education and still stay on track to reach my retirement goals?

What is my net worth?

How will having another child impact our family’s financial goals?

How much can I afford to pay for a house?

How much should I be saving each month to reach my short and long term financial goals?
What is the best vehicle I can use to save for my future?

What types of insurance do I need to safeguard my family?

How much do I spend and what do I spend it on?

What are some practical strategies to improve my cash flow?

Is my portfolio diversified? What exactly does “diversification” mean?

How do I evaluate my comfort level with the risks inherent in investment purchases?

Are my investments allocated appropriately for my age and risk tolerance?

Will you make specific “buy or sell” recommendations for my portfolio?

What documents do I need in place to protect my family and myself if I were to die or become incapacitated?

What tax savings strategies are available to me?

Am I taking advantage of all the benefit plans my employer offers?

How will inflation impact my retirement goals?
Dalbar Investor Behavior Study (2012)

Investors left to their own often do poorly
Average annual total returns (1992-2011)
What to Look For in a Financial Planner
## “Financial Advisors”

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Financial Advisors</td>
<td>206,000</td>
</tr>
<tr>
<td>Insurance Agents</td>
<td>411,500</td>
</tr>
<tr>
<td>Stock Brokers</td>
<td>312,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>929,700</strong></td>
</tr>
<tr>
<td>Certified Financial Planners CFP®</td>
<td>67,323 (7.20%)</td>
</tr>
<tr>
<td>Fee-Only Financial Advisors (NAPFA)</td>
<td>2,400 (0.30%)</td>
</tr>
</tbody>
</table>

Certified Financial Planner

• Must undergo two years of intensive training followed by a rigorous two-day examination with a 50% pass rate
• Code of ethics must be adhered to and participation in a continuing-education program is required
• Trained in many aspects of the financial service industry, including investments, insurance, retirement, tax, estate planning, and more
Financial Advisors
Commission vs Fee Only
Finding Objective Financial Advice

**Commissioned Financial Advisors**
- Must sell you something to make a living
- Can’t be objective
- Products sold must carry higher expenses in order to cover commissions
- Incentive to move on and find new clients

**Fee-Only Financial Advisors**
- You pay hourly, by project, or a retainer (%)
- Can be objective
- Products recommended carry lower expenses
- Incentive to take care of existing clients

$100,000 Investment:
- Commissioned Advisor: $5,000 up front
- Fee-Only Advisor (1%): $1,000/year
Fee-Only Advisors

- Hourly
- Flat fee or project based
- Assets under management

- Fee-based ≠ fee-only
Seek a Fiduciary

• Financial advisors with a fiduciary obligation are required to put their client’s interests first

• Advisors who aren’t fiduciaries are held to a lesser suitability standard, meaning they simply need to be able to justify that an investment is suitable for your needs
Questions to Ask

- CFP? Fee-only? Fiduciary?
- Will I be working with you or an assistant?
- How often will we meet?
- What are all costs relating to your services and my investments?
  - Advisory fee
  - Sales charges
  - Investment costs
  - Transaction fee
Questions to Ask

• Has there ever been any disciplinary actions filed against you? (www.finra.org)
• Will you provide me with a comprehensive financial plan and update it at least annually?
• Will you construct an investment policy statement that clearly documents my investment strategy?
Find an Advisor

Locate an advisor:

- By Address or Zip
- By Last Name

Search

Advanced Search

The National Association of Personal Financial Advisors (NAPFA) is the country’s leading professional association of Fee-Only financial advisors—highly trained professionals who are committed to working in the best interests of those they serve. Since 1983, Americans across the country have looked to NAPFA for access to financial professionals who meet the highest membership standards for professional competency, client-focused financial planning, and Fee-Only compensation.

How to Find a Financial Advisor by SmartMoney.com
Who is the smartest person in this room?
You’ll go further with a strategy than you will without one!
Investors with financial plans report having twice as much in savings and investments as investors without plans.

Written Financial Plan

- No plan: 69 out of 100 people (non-planners) = $122,000 net worth
- Figure out money to save for retirement: 31 out of 100 people (simple planners) = $307,750 net worth
- Developed a plan: 18 out of 31 people (serious planners) = $370,000 net worth
- Stuck to the plan: 7 out of 18 people (successful planners) = $410,000 net worth
- 3.3 times more wealth, 330%
- 7 out of 100 people developed a plan and stuck to it - 7%

Health and Retirement Study: University of Michigan, 1,269 people over age 50
Financial Plan: Written financial goals and a strategy to accomplish them
Insist on a Plan

• A comprehensive financial plan and well-defined investment strategy should be a mandatory first step

• Both the plan and the investment strategy should be updated and maintained at least annually
What is Your Investment Strategy?

Step One: Asset Allocation (92%)

Security Selection (5%)
Market Timing (2%)
Other (1%)
Allocation Method #1: Age (110-Age=% Stocks)

Age 50: 110 – 50 = 60% Stocks
Age 65: 110 – 65 = 45% Stocks
Age 80: 110 – 80 = 30% Stocks
Allocation Method #2: When will you spend the money?

- **Stocks**: 10+ year money
- **Bonds**: 4-10 year money
- **Cash**: 1-3 year money
<table>
<thead>
<tr>
<th>Portfolio Allocation</th>
<th>Average Return</th>
<th>Largest Gain</th>
<th>Largest Loss</th>
<th>Positive Years</th>
<th>Percent Positive</th>
<th>Negative Years</th>
<th>Percent Negative</th>
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</thead>
<tbody>
<tr>
<td>100% Stocks, 0% Bonds, 0% Cash</td>
<td>10.85%</td>
<td>42%</td>
<td>-39%</td>
<td>34</td>
<td>77%</td>
<td>10</td>
<td>23%</td>
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<td>90% Stocks, 5% Bonds, 5% Cash</td>
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<td>-34%</td>
<td>35</td>
<td>80%</td>
<td>9</td>
<td>20%</td>
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<td>80% Stocks, 10% Bonds, 10% Cash</td>
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<td>35%</td>
<td>-30%</td>
<td>36</td>
<td>82%</td>
<td>8</td>
<td>18%</td>
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<td>70% Stocks, 20% Bonds, 10% Cash</td>
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<td>33%</td>
<td>-25%</td>
<td>37</td>
<td>84%</td>
<td>7</td>
<td>16%</td>
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<tr>
<td>60% Stocks, 30% Bonds, 10% Cash</td>
<td>9.99%</td>
<td>32%</td>
<td>-20%</td>
<td>38</td>
<td>86%</td>
<td>6</td>
<td>14%</td>
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<tr>
<td>50% Stocks, 40% Bonds, 10% Cash</td>
<td>9.76%</td>
<td>31%</td>
<td>-15%</td>
<td>37</td>
<td>84%</td>
<td>7</td>
<td>16%</td>
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<tr>
<td>40% Stocks, 50% Bonds, 10% Cash</td>
<td>9.49%</td>
<td>31%</td>
<td>-11%</td>
<td>39</td>
<td>89%</td>
<td>5</td>
<td>11%</td>
</tr>
<tr>
<td>30% Stocks, 60% Bonds, 10% Cash</td>
<td>9.19%</td>
<td>31%</td>
<td>-7%</td>
<td>40</td>
<td>91%</td>
<td>4</td>
<td>9%</td>
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<tr>
<td>20% Stocks, 70% Bonds, 10% Cash</td>
<td>8.85%</td>
<td>34%</td>
<td>-4%</td>
<td>39</td>
<td>89%</td>
<td>5</td>
<td>11%</td>
</tr>
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