

ESTABLISHING OUR PLANS

The Financial Planning Pyramid

Alistair Huang, ChFC®

FINANCIAL FREEDOM SEMINAR

Audio Recordings and Slides:

<https://audiover.se/3Ji3dr6>



Part 4

04 No Buying or Selling: When Do We Sell Everything?

 Alistair Huong

AUDIO VIDEO

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Commit your work to the Lord, and your plans
will be established.

–Proverbs 16:3 ESV

The heart of man plans his way, but the Lord
establishes his steps.

–Proverbs 16:9 ESV

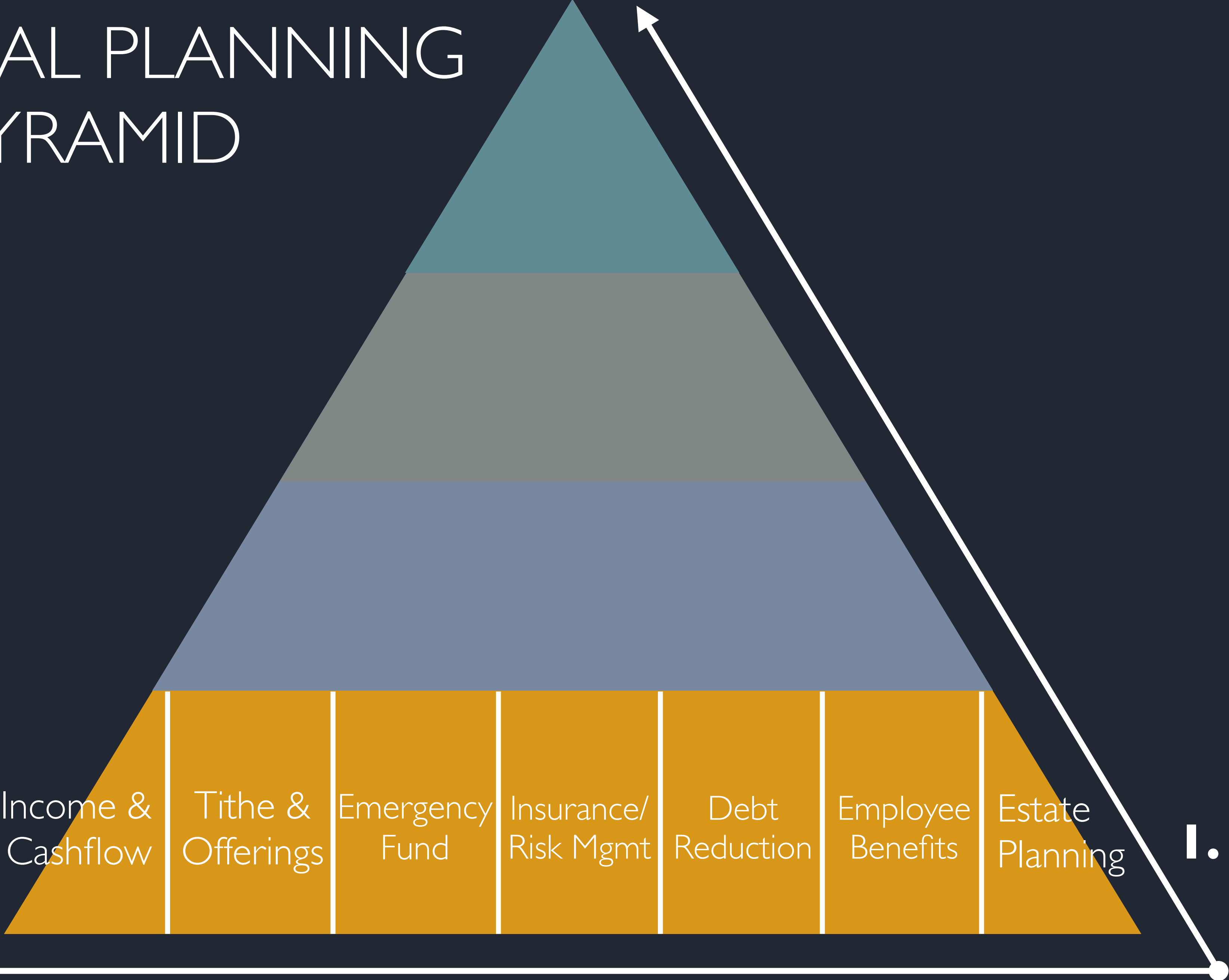
May he grant you your heart's desire and fulfill all
your plans!

–Psalms 20:4 ESV

For which of you, desiring to build a tower, does not **first sit down and count the cost, whether he has enough to complete it?** Otherwise, when he has laid a foundation and is not able to finish, all who see it begin to mock him, saying, **‘This man began to build and was not able to finish.’**

–Luke 14:28-30 ESV

FINANCIAL PLANNING PYRAMID



I. Foundations

CASHFLOW AND INCOME

- **Budgeting:** Tracking expenses and intentional savings.
- **Earning:** There is no substitute for a sound work ethic.

In all toil there is profit, but mere
talk tends only to poverty.

–Proverbs 14:23 ESV

For even when we were with you, we would
give you this command: **If anyone is not
willing to work, let him not eat.**

–2 Thessalonians 3:10 ESV

ACTIVE VS. PASSIVE INCOME

- **Active Income:** Earned through exchange of time or labor.
 - Ex: Salary, wages, tips, commissions
- **Passive Income:** Comes from income-producing assets.
 - Ex: Stock dividends, rental income, book royalties
- **Financial Independence:** When passive income pays the bills, and active income is no longer needed.

THE MYTH OF “PASSIVE” INCOME

- Passive does not mean “no effort.”
- Passive income invariably requires a high initial outlay of resources, whether capital, time, energy, or all of the above.
- Passive income usually requires some level of upkeep or maintenance.

TITHE & OFFERINGS

“Will a man rob God? **Yet you have robbed Me!**

But you say, ‘In what way have we robbed You?’ **In tithes and offerings.** You are cursed with a curse, For you have robbed Me, Even this whole nation. Bring all the tithes into the storehouse, That there may be food in My house, And **try Me now in this,**” Says the LORD of hosts, “If I will not open for you the windows of heaven and pour out for you such blessing that there will not be room enough to receive it.

FIRST FRUITS

- *Honor the LORD with your possessions, And with the firstfruits of all your increase; So your barns will be filled with plenty, And your vats will overflow with new wine. - Proverbs 3:9-10 NKJV*
- Pay God first, before Uncle Sam and before ourselves!
- **Tithe from a Business?** Based on before-tax Net Profit. (i.e. after business expenses, before taxes.) If there are personal expenses charged to the business, those should be backed out.

SAFE PLACES FOR EMERGENCY FUND

Current interest rates >5%

1. High-yield Savings/Money Market Accounts (Banks/Credit Unions)
2. Certificates of Deposits (Banks/Credit Unions)
3. Brokered Certificates of Deposits (Brokerages)
4. Treasury Bills (Brokerages & Treasury Direct)
5. Treasury Bill ETFs (Brokerages)
6. Series I Bonds (Treasury Direct)
7. Money Market Funds (Brokerages)
8. SDA Union Revolving Funds (~3% interest, not insured)



GET INSURANCE

- For High Severity and Low Frequency risks. (Don't over insure)
- For risks larger than what we can afford to cover through our personal savings.
- Emergency fund can provide some coverage (deductible and out-of-pocket maximums) to reduce premiums.
- Insurance is NOT investing, keep them separate!

SERIES
For the Love of Money: Biblical Lessons on Personal Finance

Part 2

2. Give a Portion to Seven: Understanding Risk and Insurance



Alistair Huong

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EMPLOYEE BENEFITS

- Make sure you understand your benefits. In some workplaces, the benefits are worth as much as the actual salary.
- **401k/403b Match** - Take it! Understand the vesting schedule, and how to take it with you if you leave.
- **Insurance** - Health, disability, HSA, FSA, etc.
- **Discounts** - Cellphone plans, car rentals, continued education, private school

ESTATE PLANNING

1. What happens to your dependents if you die?
2. What happens to your assets if you die?
3. How will major decisions be made if you are incapacitated?

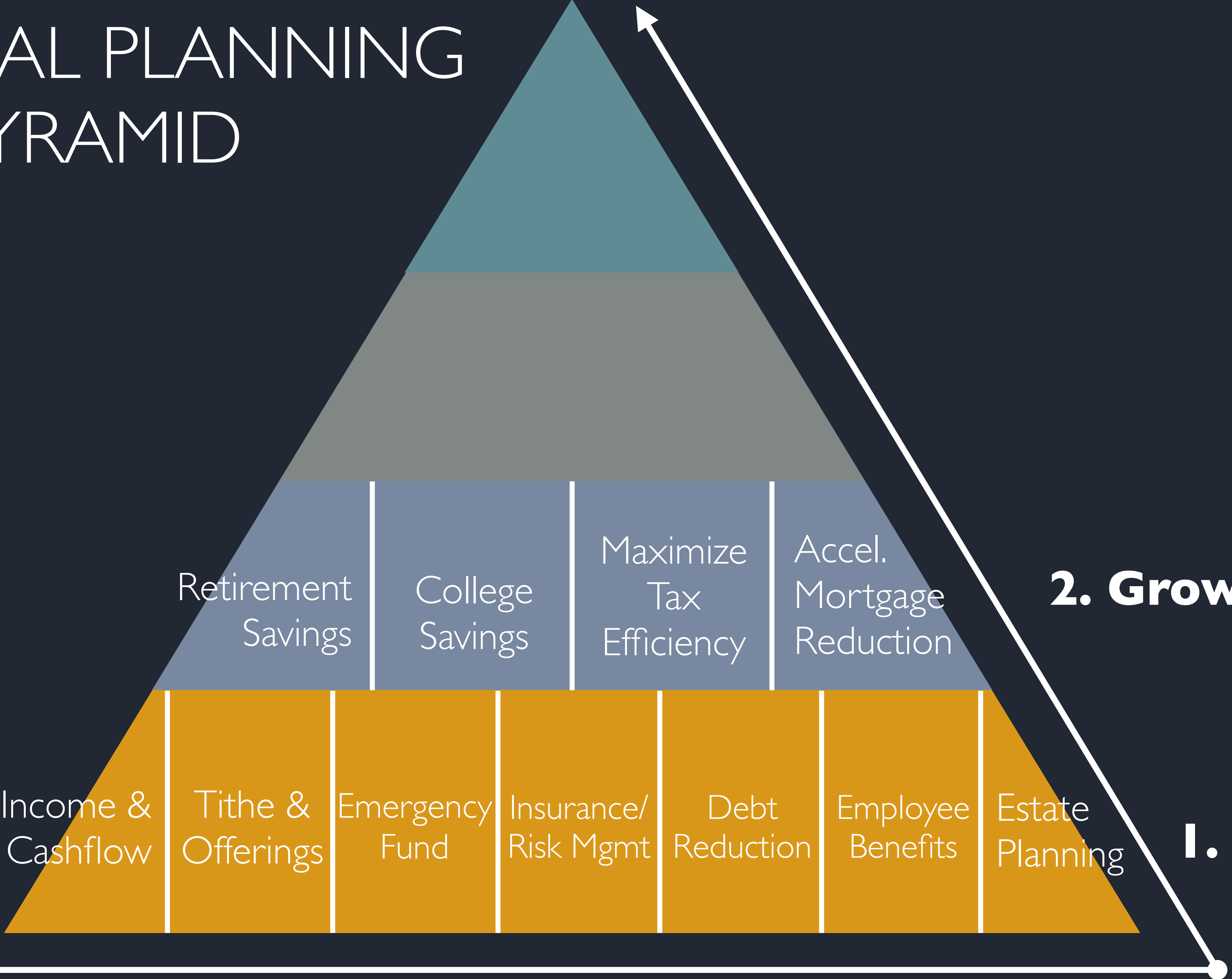
ESTATE PLANNING DOCUMENTS

1. Will/Trust
2. Guardianship designations
3. Durable power of attorney
4. Beneficiary designations
5. Digital Estate Plan
6. Living Will/Advance Directives
7. Healthcare power of attorney
8. Letter of Intent

ESTATE PLANNING ASSISTANCE

1. **Planned Giving & Trust Services Departments:**
local conference, universities, or larger 501 (c)3 ministries
2. Estate Planning Attorney
3. Online Will Makers

FINANCIAL PLANNING PYRAMID



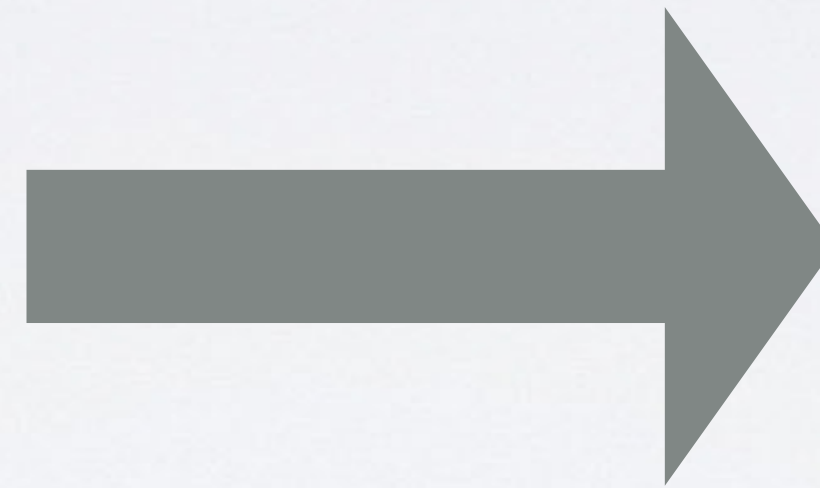
2. Growth

I. Foundations

3-LEGGED STOOL OF RETIREMENT



3-LEGGED STOOL OF RETIREMENT



PREPARING FOR RETIREMENT

1. Adjust lifestyle and start saving now.
2. Invest in your personal health.
3. Be prepared to work longer.
4. Get out of debt.
5. Estimate how much you need to save.

HOW MUCH DO I NEED?

1. Estimate your annual living expenses for first year of retirement. (Remember inflation!)
2. Subtract from that how much you anticipate to receive from Social Security, pensions, or elsewhere.
3. Multiply the remaining amount by 25. (Or divide by 4%)
4. This is the approximate amount you will need saved for retirement.

THE 4% RULE

Based on a deep dive into a half century of market data in 1994, William Bergen concluded that essentially any conceivable economic scenario (even the more tumultuous ones) would allow for a 4% withdrawal each year, adjusted for inflation, for 30 years. This is using a 60/40 portfolio model (60% equities, 40% bonds).

<https://www.bankrate.com/retirement/what-is-the-4-percent-rule/>

HOW MUCH DO I NEED?

Annual Living Expense	\$50,000	\$75,000	\$100,000
Social Security/ Pensions	\$25,000	\$25,000	\$25,000
Remaining	\$25,000	\$50,000	\$75,000
Target Amount (x25)	\$625,000	\$1,250,000	\$1,875,000

COLLEGE SAVINGS

1. Is college truly necessary?
2. Degree (STEM fields) & school choice (in-state)
3. Alternative routes: Online education, trade school, entrepreneurship, community college, missionary training school
4. Work & Scholarships
5. 529 and ESA accounts for tax-advantaged savings (beware the fine print!)
6. Some level of student loan may be appropriate depending on the field of study and the income potential of the career.

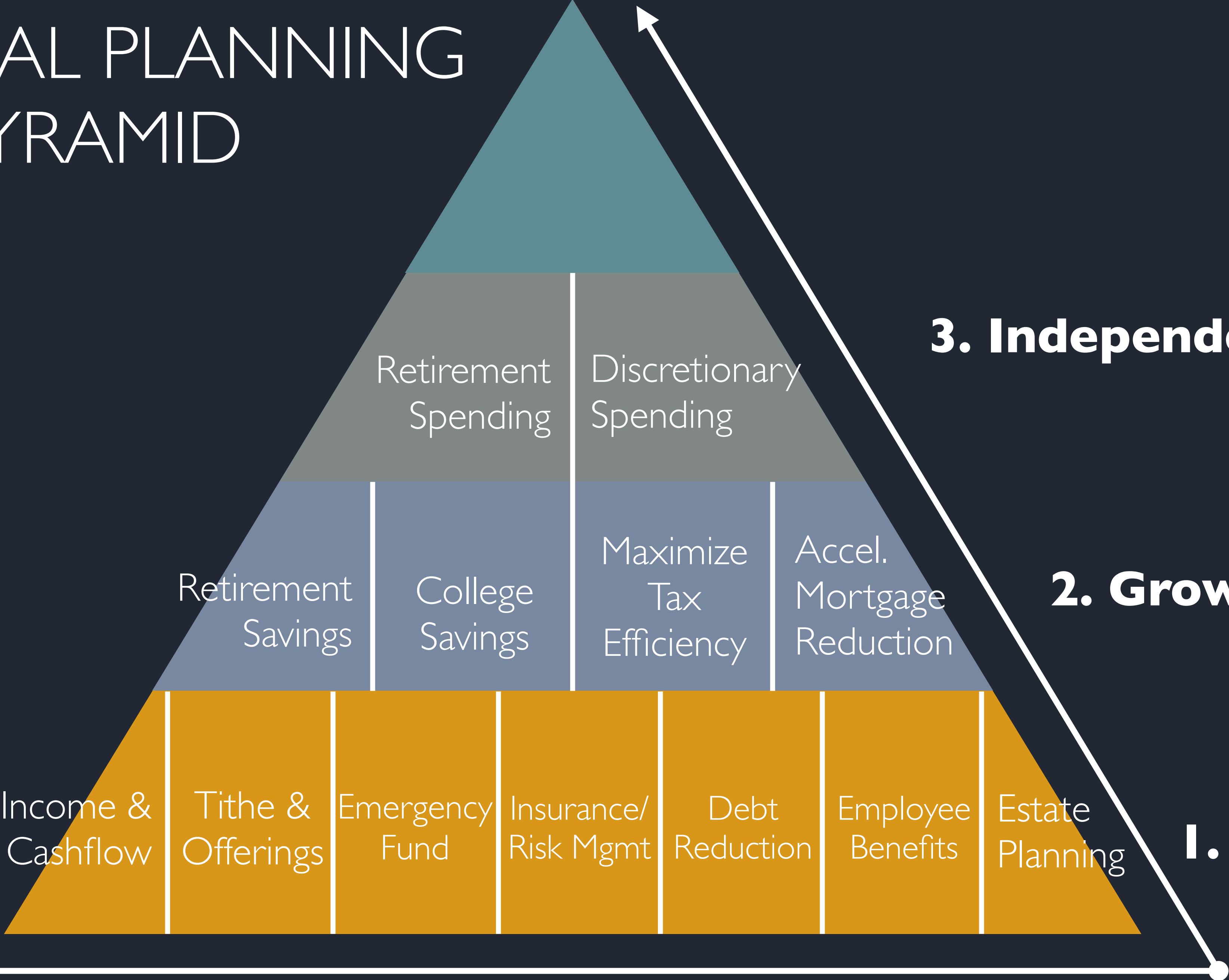
TAXES

1. If you have to worry about taxes, it is evidence the Lord has blessed you with some measure of wealth.
2. As you rise in tax brackets, the more you'll need to consider tax implications of your investments. (i.e. interest, dividends, capital gains, NIIT, 1031 exchange, etc.)
3. Find a good CPA!

PAYING OFF THE HOUSE

1. Low interest, fixed rate mortgages are lower priority debt to pay off. But we should still seek to get out of debt eventually.
2. Paying off the house by retirement will greatly reduce cashflow requirements, thereby reducing amount needed to save.

FINANCIAL PLANNING PYRAMID



3. Independence

2. Growth

1. Foundations

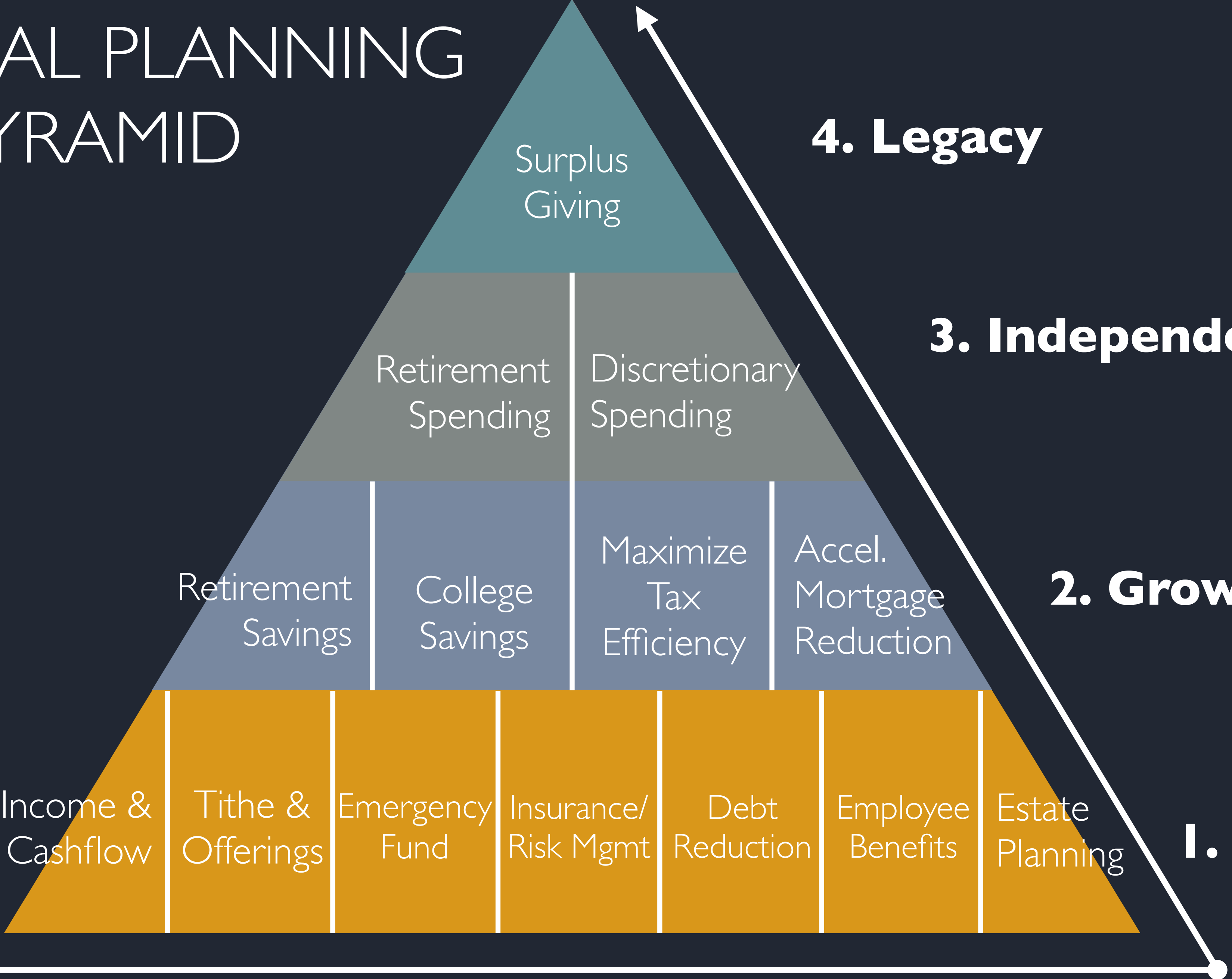
MAJOR QUESTIONS IN RETIREMENT

1. **Retirement Income:** How to systematically turn accumulated wealth into a steady stream of income, and make best use of Social Security benefits.
2. **Healthcare Costs:** How to manage Medicare and increased health-related expenses.
3. **Long-term Care:** How to manage the possibility of requiring long-term care assistance.
4. **Longevity Risk:** How to manage the possibility of outliving our money.

MAJOR QUESTIONS IN RETIREMENT

5. **Housing:** Where to relocate, how much to downsize, moving, and family.
6. **Bucket List:** How to enjoy the things we've wanted to do, but have delayed.
7. **Charitable Giving:** How to give more to charitable causes.
8. **Taxes:** How to minimize taxes so to increase retirement income and charitable giving. (RMDs, capital gains)

FINANCIAL PLANNING PYRAMID



4. Legacy

3. Independence

2. Growth

1. Foundations

The generous soul will be made rich,
And he who waters will also be watered himself.

–Proverbs 11:25 NKJV

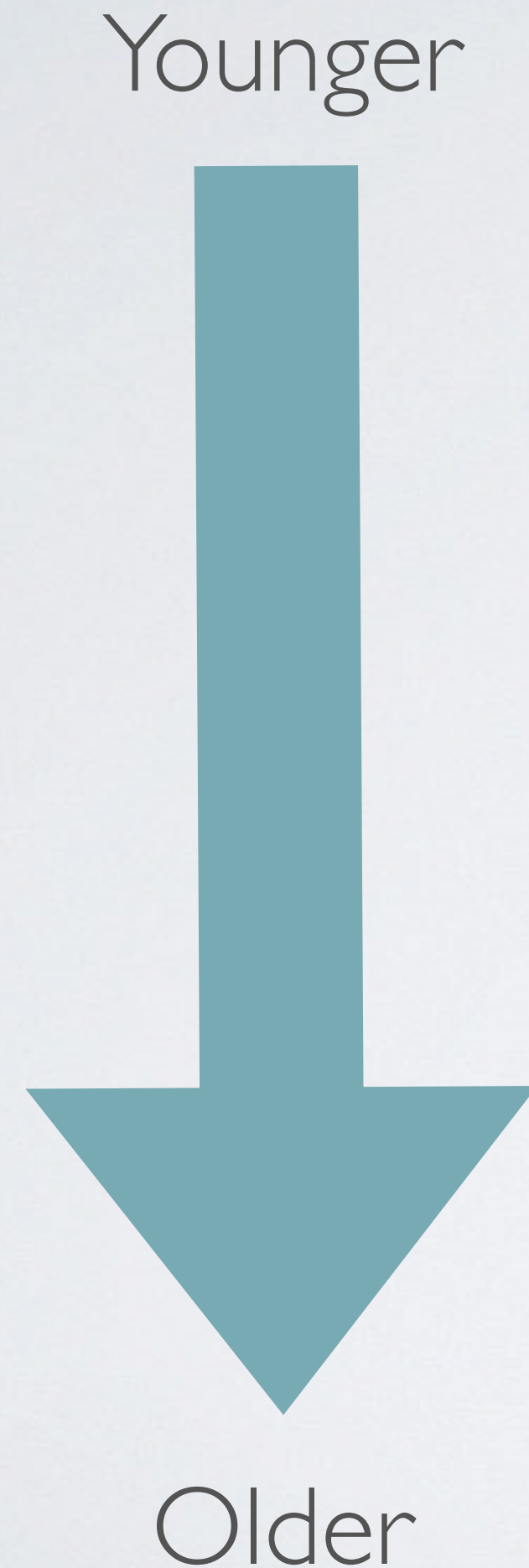
It is well with the man who deals generously and
lends; who conducts his affairs with justice.
For the righteous will never be moved;
he will be remembered forever.

–Psalm 112:5-6 ESV

LIFE CYCLE PLANNING

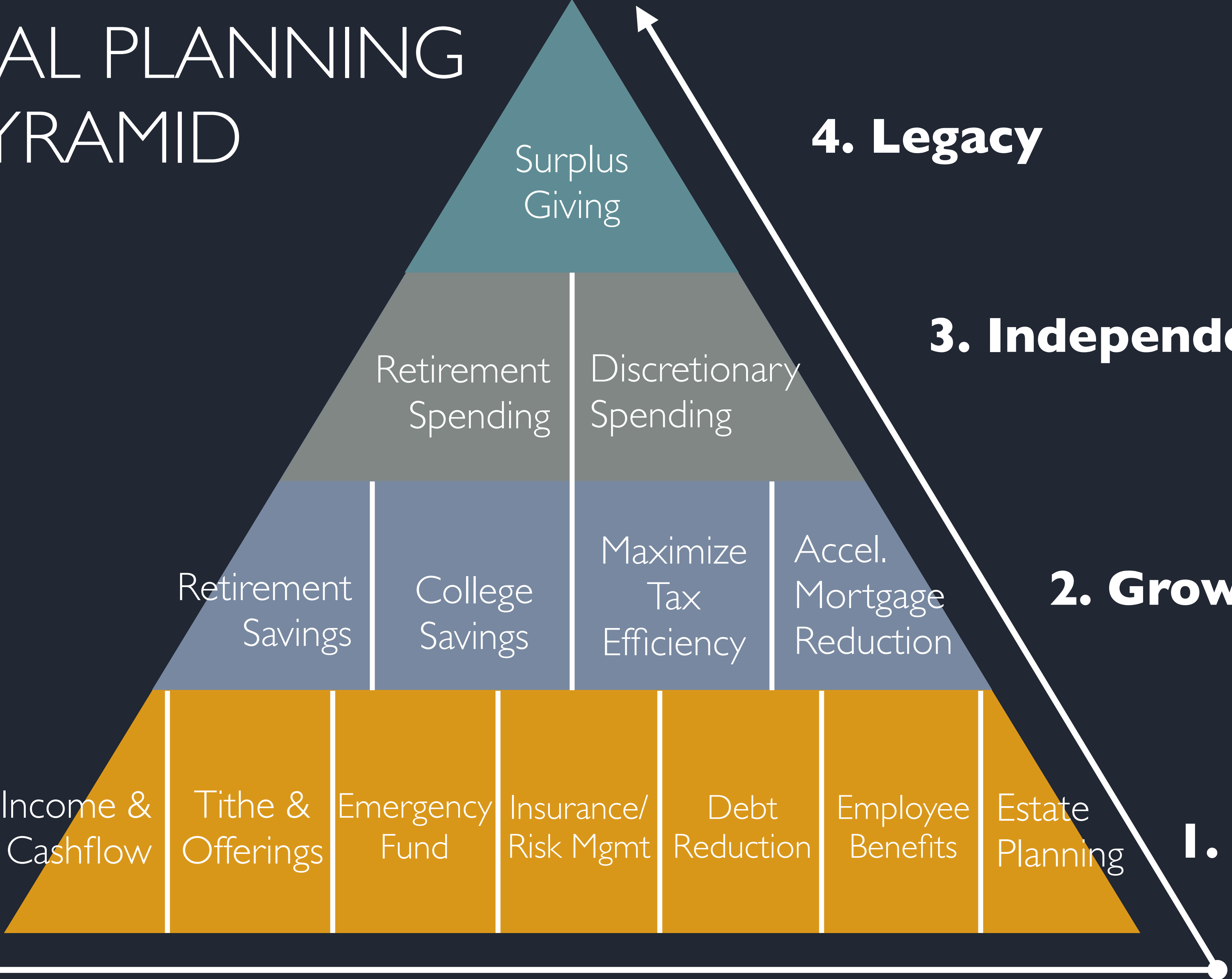
1. **Foundations** - Habits of financial discipline
2. **Growth** - Wealth accumulation
3. **Independence** - Wealth distribution
4. **Legacy** - Charity and generosity

LIFE CYCLE PLANNING



1. **Foundations** - Habits of financial discipline
2. **Growth** - Wealth accumulation
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FINANCIAL PLANNING PYRAMID



4. Legacy

3. Independence

2. Growth

1. Foundations

Surplus Giving

Retirement Spending

Discretionary Spending

Retirement Savings

College Savings

Maximize Tax Efficiency

Accel. Mortgage Reduction

Income & Cashflow

Tithe & Offerings

Emergency Fund

Insurance/Risk Mgmt

Debt Reduction

Employee Benefits

Estate Planning

Beloved, I pray that you may prosper in all things
and be in health, just as your soul prospers.

–3 John 2 NKJV

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