SMART FINANCIAL PLANNING STRATEGIES DURING A DOWNTURN

human investing®

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WELCOME, THANKS FOR JOINING US

- 👋 Introduction
- 🏛️ The Foundations
- 💥 5 Smart Financial Planning Strategies for a Downturn
- 🙋‍♀️ Q&A
- 🤙 Closing Remarks

THE FOUNDATIONS

Financial Plan

- Projections that accounts for all assets, debts, income, expenses, taxes
- Plan Implementation (Emergency Funds, Sufficient cash/bonds)

Recognize our human emotions

Mindset: Focus and discipline

Be ready for opportunities

- “Be fearful when others are greedy and be greedy when others are fearful.” - Warren Buffet

01 💵

HOW TO APPROACH THE CONTRIBUTIONS TO YOUR INVESTMENT ACCOUNTS

Accounts with frequent contributions

401(k), 403(b), 457(b), Employee Stock Purchase Plan (ESPP)

Accounts with less frequent contributions

IRA, Roth IRA, After-Tax Investments, Health Savings Account (HSA)

Continue the discipline of your current contributions

Consider increasing or accelerating contributions

Opportunity to “buy low” on stocks

02 ⚖️ REBALANCE YOUR INVESTMENT ACCOUNTS NOW

Adjusts the mix of investments back to the original target as the stock market grows or declines.

Example:

1. Before Market Downturn: 401(k): 70% stocks + 30% bonds/cash.
2. During Market Downturn: 401(k): 62% stocks + 38% bonds/cash.
3. After Rebalancing: 401(k): 70% stocks + 30% bonds/cash.

Simple and disciplined way to follow Warren Buffet (sell high and buy low)

Manages the level of risk in your investments

03
TAX-LOSS HARVESTING

Capture and store tax losses to lower future taxes

Sell investments that are at a tax loss and reinvest the funds

Be careful of the IRS “wash sale rule”

Lower Future Taxes

1. Offset capital gains
2. Tax deduction up to $3,000/year

04

TAX-LOSS DIVERSIFYING

Opportunity to diversify a large stock position without negative tax consequences

Common Situations

1. From Company Stock Benefits (Restricted Stock Units (RSUs), Employee Stock, Purchase Plan (ESPP), Stock Options
2. Inheritance

Sell stock at a tax loss and reinvest into many diversified stocks/stock funds

Create tax losses to “harvest”

05 🔄 CONSIDER A ROTH CONVERSION

Roth Accounts: After-tax contributions, growth and distributions tax-free* = "Tax-Free Land"

Entrance fee into "Tax-Free Land" = ordinary income taxes on the contributions

Roth Conversion = Use IRA or 401(k) funds that will be taxable upon distribution and transfer to Roth ("Tax-Free Land")

Timing is Key
1. Lower entrance fee when in a low tax bracket
2. Get more for your entrance fee in market downturn

Can lower long-term tax burden since no required minimum distributions

*Assumes withdrawals taken after age 59½ and after the five-year holding period requirement

Q&A

THANK YOU FOR JOINING US!

Webinar recap on humaninvesting.com/webinars

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