

# *Back to Basics:*

What you need to know to create a successful financial plan

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# Agenda

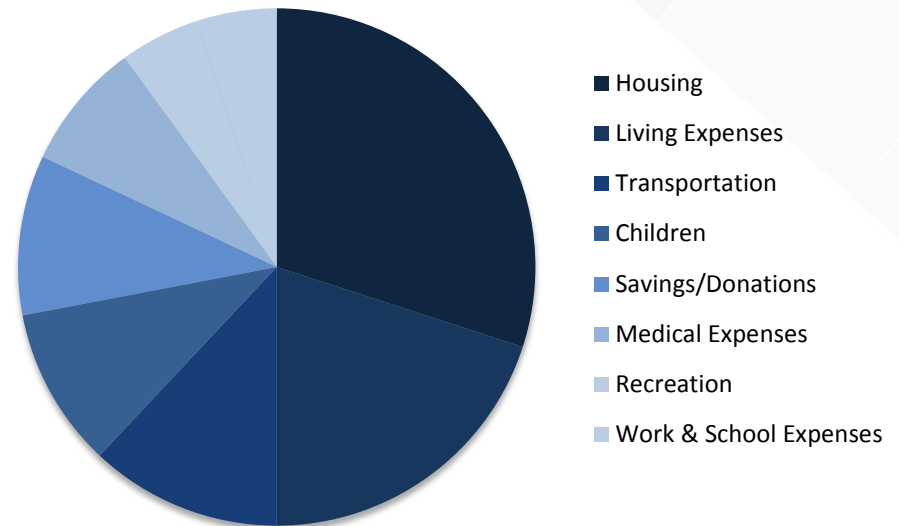
- Budgeting and Understanding Living Expenses
- Developing Lifestyle Goals and Retirement outlook
- Items often overlooked
- Risk Management
- Simplifying your life administratively and financially
- What's Next?





# Why Budgets Make Sense

- Budgets help you:
  - Set priorities
  - Achieve what's important to you
- A good budget is:
  - Realistic
  - Ongoing
  - Clear and easy to use



# Needs vs. Wants

- **Needs** are essentials
  - Food
  - Shelter
  - Clothing
  - Transportation
- **Wants** are extras
  - Eating out
  - Big, expensive house
  - Shop till you drop
  - Brand-new or expensive car



# Fixed Expenses

A cost that occurs regularly and doesn't vary drastically in amount

- Rent/Mortgage
- Property Taxes
- Car payment
- Insurance premium
- School loans
- Others?



# Variable Expenses

A cost that occurs regularly but may vary in amount:

- Electricity
- Dining
- Telephone/Cable
- Gasoline
- Groceries
- Others?



# Discretionary Expenses

A cost determined by personal wants that may be controlled

- Sports
- Eating out
- Grooming and clothes
- Concerts and plays
- Vacations
- Others?



# Budget Summary

- Establish a budget:
  - Income
  - Savings
  - Expenses
    - Fixed
    - Variable
    - Discretionary
- End up with a budget surplus and you're a success!



STOP  
spending money you don't  
have,  
to buy things you  
don't need,  
to impress  
people you don't like.





# Investment Fundamentals

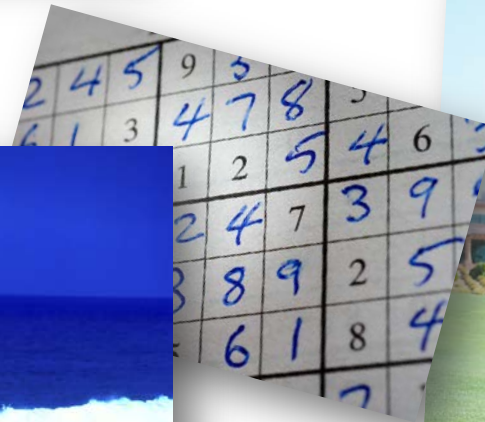
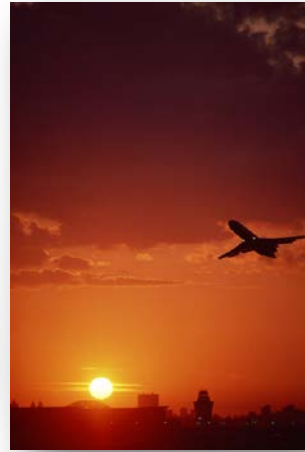
## Identifying Goals & Time Horizons



- Investment Goals
  - Retirement
  - Education
  - Special purchase
  - Financial security
- Short-term goals vs. long-term goals
- In general, the longer your investment horizon, the more risks you can afford to take



# When You Imagine Your Retirement, What do You See?



# Basic Considerations:

## When Do You Want to Retire?

- The earlier you retire, the shorter the period of time you have to accumulate funds and the longer those dollars will need to last
- Social Security isn't available until age 62 but can be delayed until 70
- Medicare eligibility begins at age 65



# Basic Considerations

## How Long Will Retirement Last?



- 65 yr. old American can expect to live another 19.2 years\*
- The average house in the U.S. was built in 1974
- Couples – 63% chance a spouse lives to age 90 and a 36% chance a spouse lives to age 95
- Over 40% of women age 65 and above live alone in the U.S

\* National Vital Statistics Report, Vol. 61, No. 6, October 2012

# Healthcare in Retirement

What are the costs in 2016?

Part A	Subsidized premium
Part B	\$104.90 per person per month
Part D	\$53.26 average National monthly premium
Supplemental	Subject to provider/plan selected
Avg. Annual Cost	\$4,238 per person (2016)
Per Couple	\$8,476 per couple (2016)

Source: Centers of Medicare Services (CMS)

# Accounting for the Cost of Long-Term Care

- What is long-term care?
- 40% of individuals over age 65 will need long-term care\*
- Average nationwide cost of nursing home care is \$74,820 per year\*
- If costs rise at an average rate of 3% per year, in 20 years the average cost of nursing home care will be approximately \$135,133 per year



\*Source: U.S. Department of Health and Human Services, December 31, 2014



# Risk Management: Life Insurance, Long Term care etc.



- Understand terms of current contracts
- Is workplace Life Insurance your only coverage?
  - Cost of Conversion?
- Is there continued need to carry coverage?

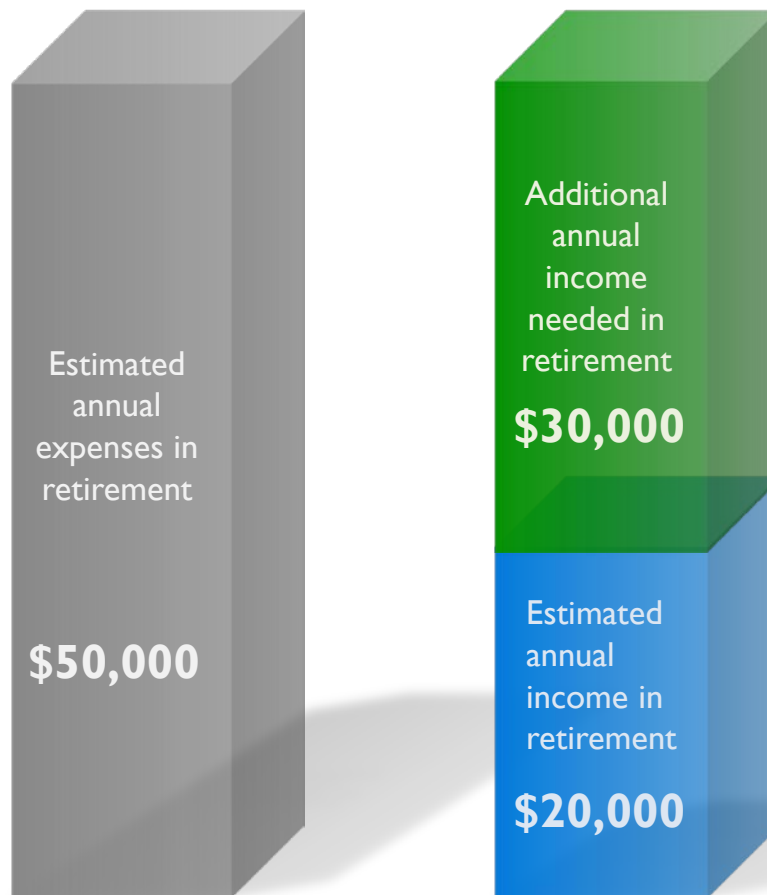
# Conquering debt

- Prioritize your debt repayment
- Repay highest cost debt first
- Determine the maximum you can pay
- Limit borrowing
- Seek lower rates
- Financial Flexibility



# Crunching the Numbers

## Identifying the “Gap”



- Compare projected annual retirement income and expenses
- “Gap” represents additional annual retirement income needed

# Simplifying your Financial Picture

- Consolidation of Financial Institutions
- Consolidation of Retirement Accounts
- Review Beneficiary Information and keeping things up to date
- Utilize professionals you trust ( Financial Advisor, Accountant, Attorney)

# Asset Allocation: How to build a portfolio

## What to Consider?



### Factors:

- Diversification
- Risk tolerance
- Time frames
- Personal financial situation
- Liquidity needs

Diversification neither assures a profit nor guarantees against a loss in a declining market.

# Best Practices:

- Review accounts once or twice each year to ensure the investment strategy in place suits your time horizon and risk tolerance.
- Review appropriate tax strategies.
- Update estate plan as life events occur.
- Make sure your life insurance and long term care options are adequately funded
- Update listed beneficiaries on all accounts regularly.

# Items to have prepared for financial planning consultation

- Current and proposed living expenses in retirement
- Short Term and Long term retirement Goals
  - Necessities and big ticket items
- Summary of assets
  - Information on current savings, company benefits etc.
- Social Security income projections or statements
- Pension benefits ( if you're lucky!)
- Outstanding debt obligations
- Insurance policies in-force illustrations or contracts
- Estate planning documents

Questions?



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