



Scott &  
Stringfellow

# Financial Planning Basics

An Overview of the Financial Planning Process

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**FA Contact Information**

## The Ground to Cover

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- Setting Goals
- Budgeting
- Emergency Fund
- Insurance
- Using Credit
- Investing
- Tax Planning
- Saving for College
- Retirement Planning
- Estate Planning





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# Setting Your Goals



## How SMART Are Your Goals?

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- **S**pecific
- **M**easurable
- **A**ttainable
- **R**elevant
- **T**imely



Write down and prioritize your goals

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# Budgeting

## Income

1. Paycheck
2. Rental income
3. Government benefits
4. Interest
5. Investment income

## – Expenses

1. Fixed expenses
2. Discretionary expenses

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= **Deficit**





# An Emergency Fund



## Risk Management with Insurance

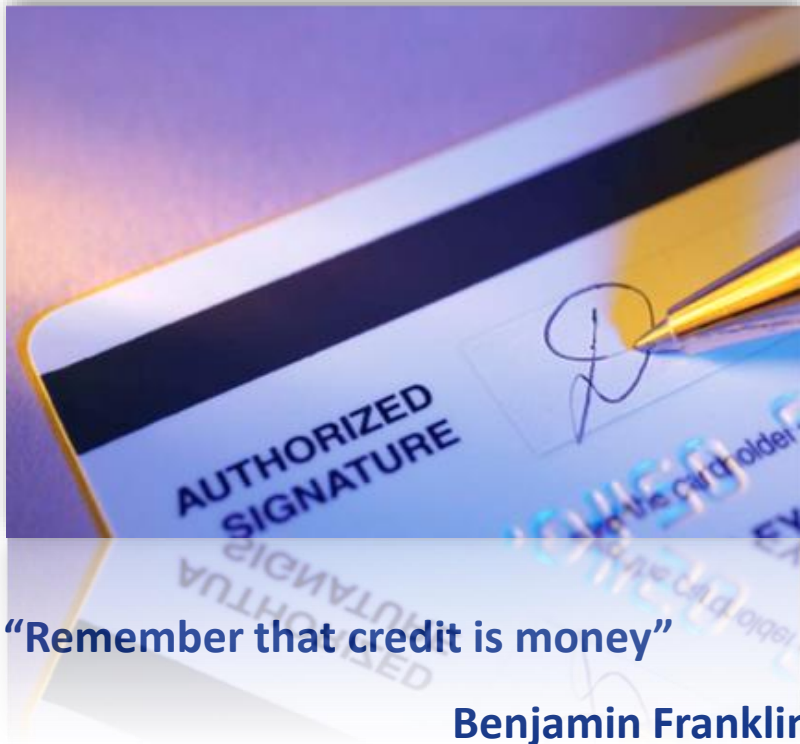
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Common types of insurance that help protect you and your assets from different risks:

- Health Insurance
- Auto Insurance
- Life Insurance
- Property Insurance
- Liability Insurance
- Disability Insurance
- Long-Term Care Insurance



## Using Credit



- The three Cs of credit
  - Capacity
  - Character
  - Collateral
- How creditors determine your creditworthiness
  - Credit application
  - Credit report
  - Credit score

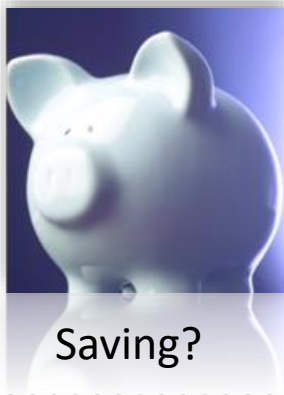


# Debt



- Using credit creates debt
- Types of debt
  - Secured
  - Unsecured
- Important considerations
  - Amount
  - Term
  - Rate

# Investing



Investing--A carefully planned and prepared approach to managing money, with the goal of accumulating the funds you need.

## Risk Tolerance

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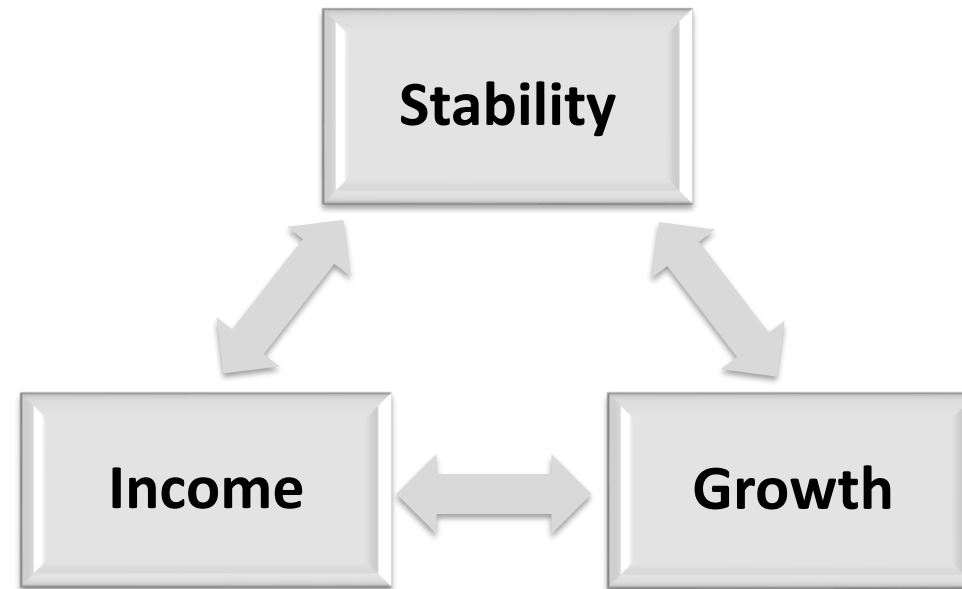


- Understand risk-reward tradeoff
  - Personal tolerance for risk
  - Ability of investment plan to deal with potential loss
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## Growth, Income and Stability

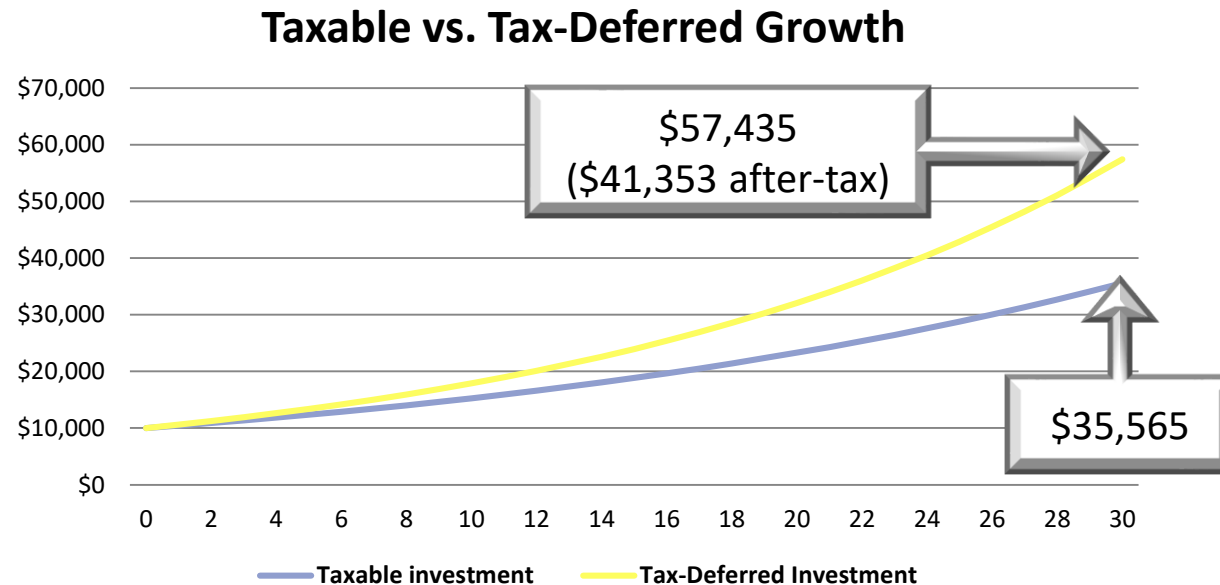
- Growth: Increase in market value
- Income: Payments of interest or dividends
- Stability: Protection of original investment

*Increased emphasis on one area may reduce emphasis on others*





# The Value of Tax Deferral



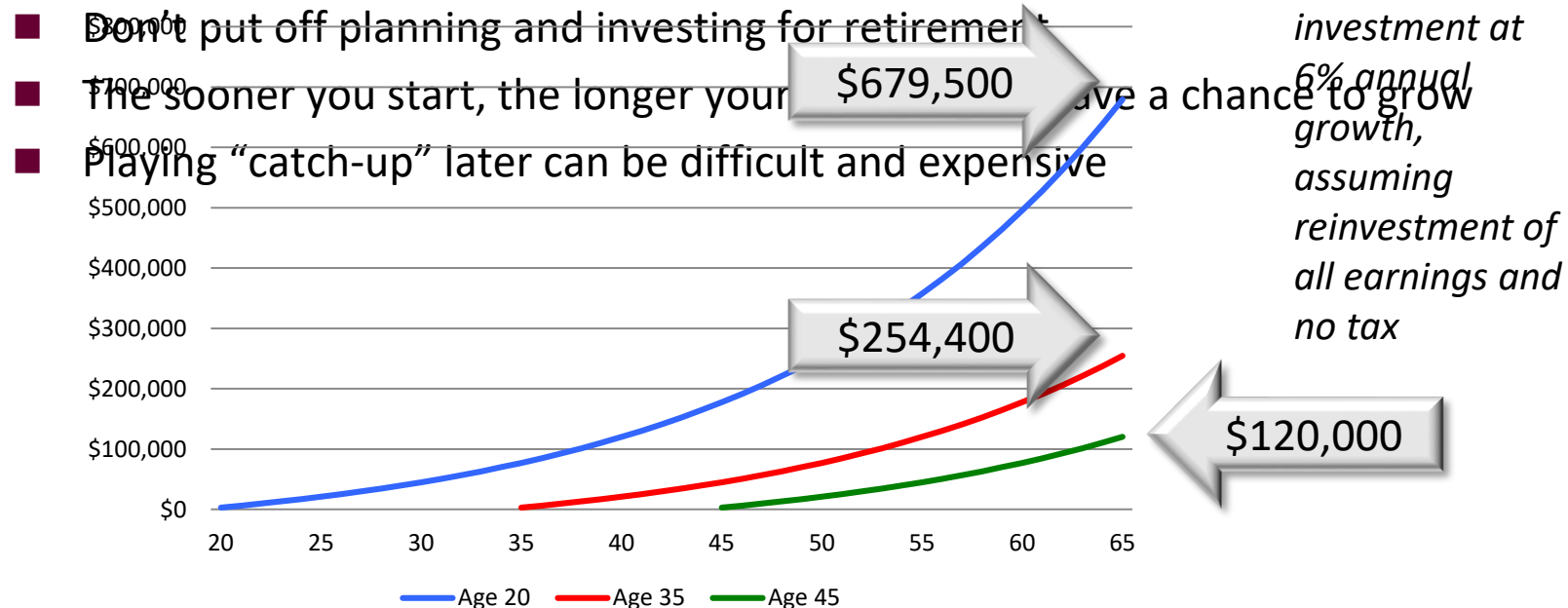
- \$20,000 invested in Year 1
- 6% annual growth rate
- 28% tax rate
- Taxes paid with account assets

This hypothetical example is for illustrative purposes only, and its results are not representative of any specific investment or mix of investments. Actual results will vary. The taxable account balance assumes that earnings are taxed as ordinary income and does not reflect possible lower maximum tax rates on capital gains and dividends which would make the taxable investment return more favorable thereby reducing the difference in performance between the accounts shown. Investment fees and expenses have not been deducted. If they had been, the results would have been lower. You should consider your personal investment horizon and income tax brackets, both current and anticipated, when making an investment decision as these may further impact the results of the comparison. This illustration assumes a fixed annual rate of return; the rate of return on your actual investment portfolio will be different, and will vary over time, according to actual market performance. This is particularly true for long-term investments. It is important to note that investments offering the potential for higher rates of return also involve a higher degree of risk to principal.





## Retirement: Start Now



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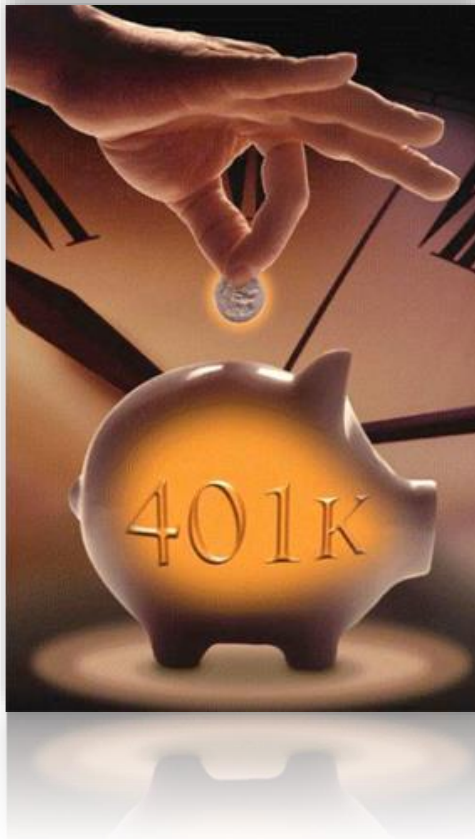
## Retirement: Basic Considerations

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- What kind of retirement do you want?
- When do you want to retire?
- How long will retirement last?



## Retirement: Tax-Advantaged Savings Vehicles

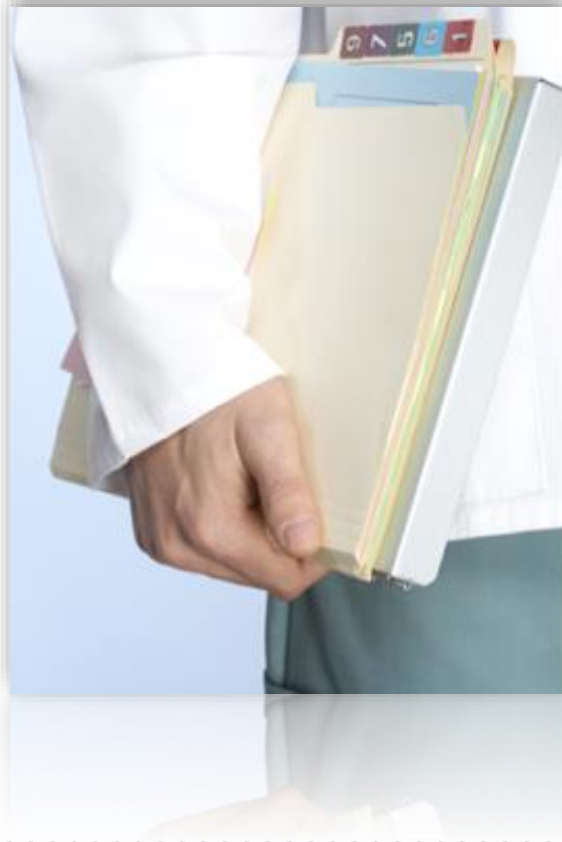


- Tax deferral can help your money grow
- Take full advantage of 401(k)s and other employer-sponsored retirement plans
- Contribute to a traditional or Roth IRA if you qualify
- 10% additional penalty tax applies for early withdrawals

- A will is the cornerstone of an estate plan
- Directs how your property will be distributed
- Names executor and guardian for minor children
- Can accomplish other estate planning goals (e.g., minimizing taxes)
- Must be written, signed by you, and witnessed

## Estate Planning: Planning for Incapacity

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- Incapacity can strike anyone at any time
  - Failing to plan means a court would have to appoint a guardian
  - Lack of planning increases the burden on your guardian
  - Your guardian's decisions might not be what you would want
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# Disclaimers

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529 Plans are education savings plans operated by a state or educational institution designed to help families set aside funds for future college costs. By investing in a 529 Plan outside your state of residence you may lose any state tax benefits. 529 Plans are subject to enrollment, maintenance, administration management fees and expenses. Please consider a Plan's investment objectives, risks, charges and expenses carefully before investing. This and other important information about 529 Plans are contained in the Plan's disclosure document and prospectuses. Please read them and the Participant Agreement carefully before you invest. Call our office for a prospectus. 529 Plans are subject to market risk and may be worth more or less than the original investment.

Comments regarding tax implications are informational only. BB&T Scott & Stringfellow and its representatives do not provide tax or legal advice. You should consult your individual tax or legal professional before taking any action that may have tax or legal consequences.

Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns.

Diversifying investments does not ensure against market loss.

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