FINANCIAL PLANNING WORKSHOP

April 18, 2019
Introduction

The Financial Planning Process

Budgeting, Debt Management, and Saving

Investing and Retirement Planning

Tax Planning

Risk Management and Personal Insurance

Estate Planning

Questions & Answers
INTRODUCTION

Founded in 1986, The Colony Group is an independent, fee-only financial advisory firm.

We are a growing firm with offices in Massachusetts, New York, Maryland, Virginia, Colorado, and Florida.

We have 10 offices, 150 professionals, and manage approximately $8 billion of client assets.

OUR MISSION

TO PROVIDE PEACE OF MIND TO OUR CLIENTS THROUGH OBJECTIVE FINANCIAL ADVISORY SERVICES DELIVERED BY A TEAM OF TRUSTED EXPERTS DEDICATED TO THE HIGHEST LEVEL OF PERSONALIZED SERVICE
Why choose a CFP® professional?

Working with a CFP® professional can secure your financial wellbeing, give you peace of mind, and help you reach financial planning success.

CFP® Certification Requirements

- Education
- Examination
- Experience
- Ethics
- Enforcement

How do I find a Certified Financial Planner™ professional?

- www.letsmakeaplan.org
- www.cfp.net
- www.napfa.org
- www.plannersearch.org
THE FINANCIAL PLANNING PROCESS

1. Gather data and set goals
2. Analyze and evaluate your financial status
3. Develop a plan
4. Implement the plan
5. Monitor the plan and adjust accordingly
STAGES OF THE FINANCIAL LIFE CYCLE

**Getting Started**
- Manage debt
- Establish and maintain good credit
- Consider health care options
- Create a spending plan
- Start saving

**Balancing Goals**
- Set short and long term goals
- Purchase a home
- Start a family
- Obtain life and disability insurance
- Update spending plan
- Continue to save
- Execute a Will

**Peak-Earning Years**
- Manage taxes
- Maximize retirement savings
- Update spending plan
- Education funding
- Care for aging parents

**Retirement & Legacy**
- Coordinate retirement income
- Develop estate plan
- Review spending plan
- Plan for Social Security & Medicare
- Consider Long-Term Care insurance
- Philanthropic planning
**BUDGETING**

**Where does my paycheck go?**

- Taxes
- Insurance – Health, Dental, Home, Auto, Life, Disability, etc.
- Debt service – Student Loans, Mortgage, Auto Loan
- Retirement savings
- Utilities
- Food, Clothing, Furnishing
- Entertainment
- Travel, Vacation
- Child care
- Personal savings

**Why is budgeting important?**

- Identify your spending patterns
- Prioritize your spending (needs vs. wants)
- Eliminate potentially damaging spending behavior
- Control your money or your money will control you
- Peace of mind and increases probability of reaching goals
DEBT MANAGEMENT

AVOID “BAD DEBT” AT ALL COSTS

Debt may be inevitable, but certain types of debt should be avoided or minimized.

Here are some TIPS for avoiding credit card debt:

1. Don’t miss your monthly payments
2. Charge only what you can afford
3. Pay off your balance in full each month
4. Limit your number of credit cards
5. Know the terms of your credit cards
6. Avoid unnecessary balance transfers
7. Avoid cash advances
8. Don’t lend your credit card,
9. Have an emergency fund
Organizing and prioritizing debt obligations is critical to successful financial planning

<table>
<thead>
<tr>
<th>Debt Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate vs. Variable Rate</td>
</tr>
<tr>
<td>Student Loans</td>
</tr>
<tr>
<td>Credit Cards</td>
</tr>
<tr>
<td>Auto Loans – Lease vs. Buy</td>
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<tr>
<td>Mortgage – Primary Residence &amp; Second Home</td>
</tr>
<tr>
<td>401(k) Loan</td>
</tr>
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</table>
SAVINGS - GOAL SETTING

NON-RETIREMENT SAVINGS

• Emergency fund (3-6 mos. of expenses)
• Down payment on home (20% of purch.)
• Car purchase
• Vacation
• College savings for children (529 plans)
• Investing for the future

RETIREMENT SAVINGS

• Starting now makes it easier
• Take advantage of tax-deferral
• Target a 15% savings rate
• Avoid pauses
• Avoid withdrawals until retirement
• Choose an appropriate asset allocation
• Consider company stock plans as applicable
SAVINGS – START EARLY

Benefit of Saving Early

$5,000 invested at the end of each year for 10 years. No additional contributions. Graph assumes a 6% annual return.

**Susan** invests $5,000 every year from age 25 to age 35.

**Amy** invests $5,000 every year from age 35 until age 45

**Jill** invests $5,000 every year from age 45 until age 55

**Mary** invests $5,000 every year from age 55 to age 65

**Estimated value at age 65**

- Susan: $378,519
- Amy: $211,363
- Jill: $118,024
- Mary: $65,904

Please see the disclosures at the end of this presentation.
INVESTMENTS – DEVELOP A PLAN FOR YOUR GOALS

ESTABLISHING AN INVESTMENT PLAN

1. Set Goals
   • Retirement
   • Education
   • New home
   • Vacation
   • Car

2. Assess Factors
   • Risk tolerance
   • Timeline
   • Inflation
   • Liquidity needs
   • Income taxes

3. Determine Target Asset Allocation
   • Strategic allocation
   • Tactical allocation

4. Select Investment Vehicles
   • Individual stocks/bonds
   • Mutual funds
   • ETFs

5. Monitor Portfolio
   • Review portfolio against benchmark
   • Rebalance to target asset allocation
MATCH YOUR ASSET ALLOCATION TO YOUR GOALS AND RISK TOLERANCE


Annualized returns reflect historical index performance. Please see disclosures at the end of this presentation for indexes and weights used.
INVESTING – TIME & VOLATILITY

Range of stock, bond and blended total returns
Annual total returns, 1950-2016

<table>
<thead>
<tr>
<th></th>
<th>Annual total return</th>
<th>Growth of $100,000 over 20 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks</td>
<td>11.1%</td>
<td>$823,015</td>
</tr>
<tr>
<td>Bonds</td>
<td>6.0%</td>
<td>$318,764</td>
</tr>
<tr>
<td>50/50 portfolio</td>
<td>8.9%</td>
<td>$553,221</td>
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</tbody>
</table>
INVESTING – INVESTMENT DISCIPLINE

Portfolio returns: Equities vs. equity and fixed income blend

20-year annualized returns by asset class (1996 – 2015)
### INVESTING – INVESTMENT SELECTION

#### Active vs. Passive Management

<table>
<thead>
<tr>
<th>Mutual Funds</th>
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<tbody>
<tr>
<td>- Expense ratio, front and back-end loads, redemption fees</td>
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</table>

<table>
<thead>
<tr>
<th>Target Date Mutual Funds</th>
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</thead>
<tbody>
<tr>
<td>- May be ideal if you are not comfortable choosing investments</td>
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</table>

<table>
<thead>
<tr>
<th>Exchange Trade Funds (ETFs)</th>
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</thead>
<tbody>
<tr>
<td>- Low expense ratios with some brokers offering commission free ETFs</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual Stocks and Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Time consuming and diversification requires significant money for investment</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Annuities</th>
</tr>
</thead>
</table>
PERSONAL TAX - INTRODUCTION

“*In this world, nothing can be said to be certain, except death and taxes.*”

- Benjamin Franklin

- What’s New
- Tax Calculation
- Tax Savings Tips
- Filing Requirements
### 2019 Ordinary Income Tax Rates

<table>
<thead>
<tr>
<th>Single</th>
<th>Married (Filing Jointly)</th>
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</thead>
<tbody>
<tr>
<td>$0-$9,700</td>
<td>$0-$19,400</td>
</tr>
<tr>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>$9,700-$39,475</td>
<td>$19,400-$78,950</td>
</tr>
<tr>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>$39,745-$84,200</td>
<td>$78,950-$168,400</td>
</tr>
<tr>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>$84,200-$160,725</td>
<td>$168,400-$321,450</td>
</tr>
<tr>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>$160,725-$204,100</td>
<td>$321,450-$408,200</td>
</tr>
<tr>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>$204,100-$510,300</td>
<td>$408,200-$612,350</td>
</tr>
<tr>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Over $510,300</td>
<td>Over $612,350</td>
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<tr>
<td>37%</td>
<td>37%</td>
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</tbody>
</table>

### 2019 Long-Term Capital Gain and Qualified Dividend Tax Rates

<table>
<thead>
<tr>
<th>Single</th>
<th>Married (Filing Jointly)</th>
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</thead>
<tbody>
<tr>
<td>$0-$39,375</td>
<td>$0-$78,750</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>$39,375-$434,550</td>
<td>$78,750-$488,850</td>
</tr>
<tr>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Over $434,550</td>
<td>Over $488,850</td>
</tr>
<tr>
<td>20%</td>
<td>20%</td>
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</tbody>
</table>
HIGHEST MARGINAL ORDINARY INCOME TAX RATES
CALCULATING YOUR TAX LIABILITY: GROSS INCOME

Income Tax Calculation

$ Gross Income
- Adjustments
= Adjusted Gross Income
- Deductions
= Taxable Income
x Tax Rate
= TAX LIABILITY

- Compensation (W-2)
- Dividends/Interest
- Capital Gains
- Business profits
PERSONAL TAX

CALCULATING YOUR TAX LIABILITY:
ADJUSTMENTS

Income Tax Calculation

$ Gross Income
- Adjustments
= Adjusted Gross Income
- Deductions
= Taxable Income
x Tax Rate
= TAX LIABILITY

- Business expenses
- Losses from sales
- IRA contributions
- Moving expenses
**Calculating Your Tax Liability: Deductions**

**Income Tax Calculation**

\[
\text{Gross Income} - \text{Adjustments} = \text{Adjusted Gross Income}
\]

\[
\text{Adjusted Gross Income} - \text{Deductions} = \text{Taxable Income}
\]

\[
\text{Taxable Income} \times \text{Tax Rate} = \text{TAX LIABILITY}
\]

**Higher of:**

- **Standard Deduction**
  - Single: $12,200
  - MFJ: $24,400

- **Itemized Deductions**
  - State & local taxes (SALT)
  - Mortgage Interest
  - Charitable Donations
  - Medical Expenses
## PERSONAL TAX – TAKE-HOME PAY

### CASH FLOW AND PAYCHECK ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th>Gross</th>
<th>$50,000</th>
<th>$150,000</th>
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<tbody>
<tr>
<td>Federal Tax</td>
<td>$3,600</td>
<td>$25,000</td>
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<tr>
<td>MA Tax</td>
<td>$2,200</td>
<td>$7,000</td>
<td></td>
</tr>
<tr>
<td>Social Security</td>
<td>$3,100</td>
<td>$8,500</td>
<td></td>
</tr>
<tr>
<td>Medicare</td>
<td>$725</td>
<td>$2,200</td>
<td></td>
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<tr>
<td>401(k)</td>
<td>$3,000</td>
<td>6%</td>
<td>$9,000</td>
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<tr>
<td>Medical</td>
<td>$3,500</td>
<td>$3,500</td>
<td></td>
</tr>
<tr>
<td>Disability</td>
<td>$500</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>Life</td>
<td>$500</td>
<td>$500</td>
<td></td>
</tr>
</tbody>
</table>

| Net                | $32,875 | 66%     | $93,800  | 62%     |

Calculated using “Single” filing status
INCOME TAX – KEEPING MORE IN YOUR POCKET

TAX SAVING TIPS

401(k):
- Traditional 401(k) contributions are made with pre-tax dollars (upfront tax break, taxable when distributed). $19,000 limit for 2019.
- Roth 401(k) contributions are made with after-tax dollars (no upfront tax break, tax-free when distributed). $19,000 limit for 2019.

At the very least, contribute enough to obtain the maximum employer match, if available.

IRA:
Make a Traditional IRA (pre-tax) or Roth IRA (after-tax) contribution if circumstances warrant such a contribution. $6,000 limit for 2019.

Flexible Spending Account (FSA):
Allows employees to set aside a portion of earnings pre-tax to pay for qualified medical and dental expenses. $2,700 limit in 2019. Up to $500 carryover year to year (employer specific).
**TAX SAVING TIPS**

**Transportation:**
Employees can pay for transportation costs on a pre-tax basis, up to $150/month for a mass transit pass and $260/month for qualified parking.

**Student Loan Interest:**
Individuals may deduct up to $2,500 of interest paid on a qualified student loan used for higher education, subject to AGI limits ($65K-$80K for single and $135K-$165K joint filers).

**Education Credits:**
American Opportunity Tax Credit is available for the first four years of postsecondary education. The maximum annual credit is $2,500, generally claimed by the parents of undergraduate students, subject to AGI limits ($80K-$90K for single and $160K-$180K for joint filers.)

**Massachusetts Rental Deduction:**
Limited to 50% of the rent paid to a landlord up to $3,000 for your primary residence.
Employer sponsored plans: Defined Contribution (most common) and Defined Benefit (rare)

Defined Contribution 401(k) Plan limits

- $19,000 maximum salary deferral in 2019
- Employer matching contributions & profit sharing
- $56,000 max total contribution amount in 2019 (employee + employer)

No employer plan? Consider a Traditional or Roth IRA

- $6,000 maximum contribution in 2019 (ability to make Roth contributions subject to AGI limits, for example a single filer in 2019 phases out at $137,000 of AGI)
- Over age 50, you can contribute an additional $1,000
HEALTH INSURANCE

You can stay on your parents' plan until age 26, even if you are married, financially independent and no longer live with your parents.

Employer-provided group coverage tends to be the best solution.

HMO vs. PPO

Review your deductible, your maximum out-of-pocket cost, and the premium.
College students can be covered under their parents’ policy if they share the same legal address.

Coverage can get expensive depending on age, vehicle, driving record, and principal garaging.

Review deductibles for potential premium savings.

Inquire about discounts:
- Good driving
- Good student
- Driver training
- Annual mileage
- Anti-theft
- Etc.
Renters, Condo, and Homeowners

Protection of your possessions whether at home or not

Renters Insurance is a relatively low cost way to protect your personal belongings

If someone is injured during an accident at your home, insurance can help protect you in the event of a lawsuit

Be sure to catalog your belongings with a digital camera
LIABILITY INSURANCE

Liability coverage via automobile and property policies

Umbrella liability coverage is a relatively inexpensive way to protect yourself from a catastrophic lawsuit

$1,000,000 of umbrella liability coverage can cost as little as $150 per year
LIFE INSURANCE

- Pay off debt
- Income replacement for dependents
- Funding future goals such as college education for child(ren)

WHY MIGHT I NEED LIFE INSURANCE?

HOW MUCH DO I NEED?

WHAT TYPE IS RIGHT FOR ME?

WHERE DO I GET IT?

- Individual vs. Group
- Term vs. Whole Life
DISABILITY INSURANCE

WHY MIGHT I NEED DISABILITY INSURANCE?

• Your earning power is an enormous asset
• 1 in 4 of today’s 20 year-olds will become disabled before reaching age 67
• 30 year-olds are three times more likely to suffer a disability than they are to die
• Disability benefits from Social Security are not enough

HOW MUCH DO I NEED?

• Typically 60% of your gross income

WHERE DO I GET IT?

• Individual vs. Group

The Colony Group
IDENTITY THEFT

$16B stolen from 15.4M U.S. consumers in 2016. 29% was tax fraud; 33% was credit card fraud.

Protect your Social Security number & account info

Shred documents containing personal information

Use strong passwords, secure websites, multi-factor authentication, etc. Be careful on social media.

www.annualcreditreport.com
ESTATE PLANNING – SUMMARY

**Will** – distributes property at death; names guardians and executor

**Trust** – used during lifetime and at death; manages and distributes assets

**Durable Power of Attorney** – lifetime document that gives legal authority to another to make legal and financial decisions on your behalf

**Health Care Proxy** – lifetime document that gives legal authority to another to make health care decisions on your behalf

**Medical Directive & Personal Memorandum** – an expression of your wishes
KEY TAKEAWAYS

STEPS TO BECOMING FINANCIALLY INDEPENDENT

- Don’t spend more than you make
- Avoid bad debt
- Pay yourself
- Invest appropriately for your goals
- Stay disciplined
- Protect your plans
- Monitor and adjust

THINGS TO REMEMBER

- Goals should be SMART
  - Specific
  - Measurable
  - Achievable
  - Realistic
  - Timely
- Prioritize goals
- Be flexible
- Find balance
FIRM INFORMATION
The Colony Group, LLC ("Colony") is an SEC Registered Investment Advisor with offices in Massachusetts, New York, Maryland, Virginia, Colorado, and Florida. Registration does not imply that the SEC has endorsed or approved the qualifications of Colony or its respective representatives to provide the advisory services described herein. In Florida, Colony is registered to do business as The Colony Group of Florida, LLC. The Firm provides individuals and institutions with personalized investment management services.

AWARDS & RECOGNITIONS- p.2
Awards and recognitions by unaffiliated rating services, companies, and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if Colony is engaged, or continues to be engaged, to provide financial advisory services; nor should they be construed as a current or past endorsement of Colony or its representatives by any of its clients. Rankings published by magazines and others are generally based exclusively on information prepared and/or submitted by the recognized advisor. Colony did not pay a fee for inclusion on any list described herein.

Barron’s criteria: Advisor’s assets under management, contribution to the firm’s revenues and profits, and quality of service. The Barron’s Top 100 list included Colony’s CEO for 2007 and 2009-2017, and the President of Mintz Levin Financial Advisors (MLFA) for 2007-2011, who, after MLFA merged into Colony in 2012, was included in the list for 2013-2015 while serving as Colony’s Vice-Chair. Colony’s CEO was ranked first among Massachusetts-based advisors in 2009, 2013, and 2016.

InvestmentNews criteria: Be a registered investment adviser or affiliated independent broker-dealer; be in business a minimum of one year; have at least 15 employees. Information is gathered from the advisor regarding employee benefits and policies, and employees confidentially answer a survey regarding employee engagement and satisfaction. Colony was featured on the list in 2018.

Financial Times criteria: Based on data gathered from RIA firms, regulatory disclosures, and the FT’s research. As identified by the FT, the listing reflected each practice’s performance in six primary areas, including assets under management, asset growth, compliance record, years in existence, credentials and online accessibility. The Financial Times ranking included The Colony Group from 2014-2017.

Wealth Manager criteria: average assets under management per client. The Wealth Manager list included Colony for 2009, and MLFA for 2006-2010.

FIVE STAR Wealth Managers criteria: Credentialed as an IAR, FINRA-registered rep, a CPA, or a licensed attorney; at least five years in the financial services industry; favorable regulatory and complaint history review; meeting firm’s review standards; accepting new clients; one and five-year retention rates; assets administered; number of households served; and education and professional designations. The list, as published in Boston Magazine, included two Counselors of Colony for 2010 and one for 2011; MLFA’s President, Executive VP, and two Advisors for 2010 and 2011; one MLFA Advisor for 2012; five Counselors for 2013; one Counselor for 2014; nine Counselors for 2015; nineteen Counselors for 2016; and twenty-one Counselors for 2017.


Best-in-Business IMPACT Award (Schwab): recognizes an independent investment advisory firm that has elevated business management to new levels of excellence and achieved exceptional business results. Colony received the award in 2010.

OUR TEAM - p.2
Designations are current as of January 30, 2018. Some employees have multiple designations listed under “Trusted and Recognized Team of Experts”, e.g., an employee may be an attorney and hold the designation of CFP®.
DISCLOSURES

BENEFIT OF SAVING EARLY - p. 10
The graph on page 10 is an illustration of the compound effects of early investment. It is based on contributions of $5,000 each year over varying 10-year periods and assumes a 6% investment return each year, without subtractions for fees, expenses, or withdrawals. The Colony Group is not guaranteeing or offering a 6% investment return on an annualized basis. Market conditions vary widely over time and can result in a loss of portfolio value. This report includes estimates, projections or other forward looking statements, however, due to numerous factors, actual events may differ substantially from those presented.

ASSET ALLOCATION – p. 12

<table>
<thead>
<tr>
<th>Index</th>
<th>Aggressive</th>
<th>Growth &amp; Income</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 TR</td>
<td>29.25%</td>
<td>17.55%</td>
<td>3.9%</td>
</tr>
<tr>
<td>S&amp;P MidCap 400 TR</td>
<td>9.0%</td>
<td>5.4%</td>
<td>1.2%</td>
</tr>
<tr>
<td>S&amp;P SmallCap 600 TR</td>
<td>6.75%</td>
<td>4.05%</td>
<td>0.9%</td>
</tr>
<tr>
<td>MSCI EAFE NR</td>
<td>22.5%</td>
<td>13.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>MSCI EM GR</td>
<td>7.5%</td>
<td>4.5%</td>
<td>1.0%</td>
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<tr>
<td>Barclays US Aggregate Intrm. TR</td>
<td>7.0%</td>
<td>28.0%</td>
<td>52.5%</td>
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<tr>
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<td>HFR Fund of Funds Composite</td>
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<td>9.0%</td>
<td>9.0%</td>
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<td>Bloomberg Commodity TR</td>
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<td>1.5%</td>
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<td>DJ US Real Estate</td>
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<td>3.0%</td>
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<tr>
<td>MSCI ACWI Infrastructure NR</td>
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<td>1.5%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Performance measurements presented were obtained using historical index performance based the stated allocations, retroactively applied to 1995 and rebalanced monthly. In deriving performance, from 1/1/1999 to the present, each model is represented by the same eleven indices as shown above. From 2/1/1995 to 1/1/1999, the ACWI Infrastructure index was not yet in existence, so real assets were represented by a full 3% allocation to the Bloomberg Commodity index across all models. A range of annualized returns for each model has been presented to provide a visualization of the range of returns experienced over the rolling periods shown. Based on the models presented, an investor will notice how risk (the variation of returns) decreases while moving from the aggressive model to the income model and how that variation can be more pronounced over shorter time periods.

OTHER DISCLOSURES
Information provided herein is general and educational in nature. It is not intended to be, and should not be construed as, investment, tax, or financial planning advice. Individuals should seek professional advice for their particular circumstances before undertaking actions in response to the matters discussed. Colony’s services are provided pursuant to an advisory agreement with the client. Colony’s Form ADV Part 2A and 2B and Privacy Statement will be provided as required by law. For a description of fees payable for investment advisory services, please see Colony’s Form ADV Part 2A. This presentation is confidential and intended only for use of the person to whom it is distributed by Colony. Further distribution or disclosure is expressly prohibited without the prior written consent of Colony.