#130 - Financial Planning (with Logan Jackson)

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[00:00:00] **G Mark Hardy:** Hello, and welcome to another episode of CISO Tradecraft, the podcast that provides you with the information, knowledge, and wisdom to be a more effective cybersecurity leader. My name is G Mark Hardy. I'm your host for today, and I have a special guest on the show. We're going to be following through on what we talked about last week with regard to personal finance, but, but that came with a disclaimer saying, well, I'm not a professional and I don't do this for real, and I don't do it on tv, but I do have somebody who does it for real.

And so I'd like to introduce to you our special guest after a word from our sponsor.

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Well, thanks for the message, and I'd like to return to our show and welcome to Logan Jackson from Ray Capital Advisors.

[00:01:24] **Logan Jackson:** Thank you. Thank you very much. It's a pleasure to be here.

[00:01:27] **G Mark Hardy:** Now Logan, you're a professional in this area, as I said, and you do these things for a living, but more importantly, I think you have a lot of wisdom that's going to help out our listeners who are in professional careers. They are making money, sometimes making good money, but I faced questions from people before they come up to me and said, G Mark, I make it more money than my parents ever did, and I don't know what to do. Somebody said, buy the biggest house I could find and pay double mortgage payments and that's the way to wealth. And someone else said, well, you know, get an index fund and put everything in the lowest cost index fund [00:02:00] and leave it there until you get old and die and or until you get old and then you can have it there. But probably somewhere out there there's a little bit more sophisticated response. And this is why we'd like to investigate it further. But first of all, tell me a little bit about yourself and, and your background, if you wouldn't mind.

[00:02:15] **Logan Jackson:** Sure. Absolutely. So, so I run a Independent Fee-Only Wealth Management company, as you mentioned, Ray Capital Advisors. I've been in this industry for eight years. Eight years running now. , I specialize in affluent households specifically didn't specialize initially that, that came over time. So I've worked with three different institutions prior to launching Ray Capital Advisors

[00:02:36] **G Mark Hardy:** that sounds great. Now you work as a wealth manager and I mean, what's the difference between a wealth manager and a stockbroker? Let's take it something basic and, and go from there.

[00:02:45] **Logan Jackson:** Sure. Absolutely. So, you know, a stock broker versus a wealth manager, a wealth manager is, is more holistic in nature. So they're focusing on the entire breadth of the relationship. Everything from financial planning to the [00:03:00] investment management to tax strategies pertaining to the investment accounts that they're managing.

And, and really just maintaining a, a holistic relationship. So, the term wealth manager can mean a lot of different things. Quite frankly, in this industry there's a lot of different types of wealth managers. Some, some specialize in the general mass affluent households. Some specialize in more affluent or higher net worth counts.

And, and within that industry it can get it can get kind of befuddle and really complicated depending upon what you're looking for. But the, the general term wealth manager means that they are managing wealth in the holistic relationship for a family or household.

[00:03:38] **G Mark Hardy:** So essentially what this is is much like you'd have a. A personal doctor or maybe a, a lawyer that you deal with, a, a wealth manager would be somebody with whom you have more of a relationship rather than just some random thing. Like, I got an account at Schwab or TD Ameritrade or somebody else and I just, you know, pay, buy this or sell that.

And it's sort of a[00:04:00] institutional.

[00:04:01] **Logan Jackson:** Correct. Right.

[00:04:02] **G Mark Hardy:** But let's look at financial goal setting because for each of us, money just doesn't magically show up. And if it does, it doesn't stick around.

It tends to grow legs and wander off. And so if we just talk a little bit, if we will, initially, about the importance of financial goals and the types thereof.

[00:04:18] **Logan Jackson:** Absolutely. So, so the, when, when you're starting off in the financial world goal setting is extraordinarily important. What people tend to find, Whenever they're in this world and, and they start delving into it, is that you spend a proportionate amount of money to the income that you're making.

And if you're not setting goals for yourself what ends up happening is you just keep spending that money and and, and you don't save any of it. So, you know, at a very basic level for financial planning and goal setting you need to set a goal for yourself on when you'd like to retire.

You need to set a goal for yourself on college planning for kids. You need to set a goal for yourself on insurance needs. You need to set all different types of goals for yourself, [00:05:00] short-term, mid-term, long-term, and you need to track those goals. Those goals are very important. So over, over a period of, of somebody's career, if you have good goals, you have good planning, and you have somebody quite honestly, holding you accountable to those goals because oftentimes we don't hold ourselves accountable to our own goals. Then, then you can achieve a lot of success for yourself. Build a, build a very nice nest egg for yourself and, and accomplish a lot. So if you don't have a plan and you don't have a vision for where you want to go financially then you have no roadmap for how to get to where you want to go.

So goal setting and financial planning is extraordinarily important, especially when you're first starting off. And those goals get more complicated over time. So, You know, if you're just starting off in the wealth management industry or you're just starting off investing and saving for yourself, the, your initial goal might just be put X amount of dollars per paycheck away for myself per month into some type of investment vehicle for your family.

Do a budget for yourself. Make sure that you understand what's coming in and what's coming out.[00:06:00] Stick to that budget as best you can and, and start saving and investing. After that, and after you start saving and investing, you, you might have kids, now you're looking at some college planning and saving for those kids, maybe some insurance needs.

Do you want to take care of yourself to make sure that if something happens to your family and your kids, that they will be taken care of? And then at later stage planning in your life, you're going to have a, a bigger nest egg for yourself and you're going to be in more advanced. Planning stages.

You're going to be looking at tax distribution strategies for your wealth. You're going to be looking at estate planning specifically trusts potentially lots, lots of different, more advanced planning at that point in time. So it's going to be an evolution for your family as you're moving forward through this process.

And it's something that you need to track and and hold yourself accountable to.

[00:06:48] **G Mark Hardy:** Well, thank you, Logan. That's useful. Now a question is we do the planning. I think for a lot of people they say, well, we get that. We do financial plans in the business. We have to come with budgets for the year. We [00:07:00] have to know what to spend on. We plan with regard to hiring people, with regard to deploying different things.

But in that particular case is security professionals. We're very familiar with the types of assets that we're working with, but from an investment perspective, if someone says, Hey, I have a goal and I'm going to stick to it and I'm going to save this much. But then what do I do with it? There's things out there, there are different asset classes and sometimes people aren't completely clear about the difference and why you would go with one over the other and, and whether they're correlated or not, or whether one's riskier than not.

Can we talk a little bit about that level of sophistication.

[00:07:34] **Logan Jackson:** Sure. Absolutely. So, so as you mentioned, there are a lot of different asset classes and, and there's many different investment vehicles there. That you can invest in for your family that will achieve the goals that you want. So the, the, the biggest thing that you need to focus on is, is what is right for you, obviously and your family and your needs.

But if we go into detail a little bit more about those asset classes. So, you know, you've got equities, which are [00:08:00] stocks equities give you ownership in a company. You've got bonds, that's fixed income. Bonds, typically speaking, are either used for later stage planning for most individuals for, for retirement.

And and for getting income specifically or for risk management. Specifically for risk management. So, so if you're looking at, you know, the correlation between these categories, you're going to have a mix of a lot of this stuff in most of your portfolios, depending upon what stage of that planning cycle that you're at.

It gets really in depth and really complicated on, on the different types of stocks, the different types of bonds and, and what specifically you're looking for. So I would encourage people that want to do more, more analysis and in depth reviews for themselves to, to just, quite frankly go to Google type in what is a stock, what is, what is an equity, what is the ownership in a, in a company look like different types of bonds, different types of asset classes.

And really, really give themselves a little bit more of an in depth knowledge on what those asset classes are. Now you've got mutual funds and [00:09:00] ETFs obviously as well. Mutual funds and ETFs. Mutual funds came first. Mutual funds and ETFs operate very similar to each other. I'll talk about mutual funds first.

So, so in both of these asset classes you don't own anything in, in particular as far as a company, you own shares of the mutual fund or the etf. A mutual fund has a manager on the back end and that manager is trying to achieve a certain goal for that mutual fund for you. And that could be something that's high in growth in technology.

It could be something that's more stable in value. It could be covered call strategies or a much more in depth topics. And there are many, many, many different types. There's rating scales for mutual funds from one star to five star. You can go to Morningstar and look at those rating scales. And so and so again, the, the topic gets really in depth and, and really complicated really quickly.

But mutual funds in general are very good for diversifying your assets. Specifically same with [00:10:00] ETFs. ETFs came about after mutual funds. Typically speaking, they have lower fees than mutual funds Do. The managers that are managing ETFs, generally speaking are not managing them actively.

They're managing them passively. So you could buy a S&P 500, which is the top 500 companies that exist in the US who could buy a S&P 500 ETF. And it would track the S&P 500, right? Which is what a lot of people do. And so, you know, ETFs are an active way to get diversification without as many fees.

Whether or not an ETF or a mutual fund would be right for you is going to completely depend upon what you want for yourself and your family. There are some mutual funds that are actively managed, that have performed extraordinarily well over time, and there are other mutual funds that have not performed extraordinarily well over time.

Same with same with ETFs. So, you know, mutual funds and ETFs are very good to diversify yourself If you were just starting out. And you're just starting out building [00:11:00] assets for yourself and your family. That's a, that's a good route to go down for most people to diversify specifically you don't want to expose yourself to too much risk in any one asset class when you're building for a long-term discipline, investment strategy.

Stocks on the other hand, eliminate all fees. There's no fund manager, you're managing it yourself. Or you'd have a wealth advisor like myself managing those stocks for you. And, and I will tell you this, with the technology of 2023, there are platforms and there are ways that you can very well diversify yourself with a low amount of assets, with equities, stocks in fractional shares with no commissions to yourself.

And there are ways to, to go about it and diversify that very, very well and eliminate all of the other fees from ETFs and mutual funds as well. But you have to be a little bit more advanced to understand that and a little bit more you have to pay attention a lot more to your portfolio if you [00:12:00] start delving into, into specific instances like that.

So I would say starting off, for most families ETFs and mutual funds are a great place to start. And then as you become more advanced then I would look at equities and look at integrating some of those into your portfolio as well. Bonds are the last asset category that are really of importance for a lot of people.

Bonds are fixed income and they they again are a more conservative asset class, and you, you buy them and you receive an interest rate. It's very simple at, at its core, the very basic level of them. There are also bond funds that you can buy. And you can buy those bond funds through ETFs and mutual funds, the same two asset classes I was just mentioning.

So there are many different ways to make this portfolio or this financial reality for yourself come true. You just have to find out what the best mix is for you and what is going to work for yourself and your family.

[00:12:55] **G Mark Hardy:** So let me unpack a little bit of that and and summarize for our listeners. So the [00:13:00] major asset classes such as stocks, bonds, mutual funds, ETFs, I'll group them together, is they have different levels of risk and different expected rates of return is stock. You're a incremental owner of a company and you go up or go down based upon the success of that company, but there's not a lot of diversification there.

You could put all of your money into Apple stock or put it all into a meme stock or something like that, and that was the early days of crypto too. Or everything goes into Dogecoin or whatever, and if it goes up and it goes to the moon, you make outright, but when it crashes, You're wiped out. And so therefore we look for diversification to say we should look for things that aren't necessarily correlated.

So a diversified stock portfolio would not be Occidental Petroleum and Exxon and Chevron and just staying right there in the energy sector, but that might be a mutual fund or an ETF where that fund manager is going to say, I'm going to try to provide a return that's based upon what energy is doing. And as an investor, I can say, I think Energy's going to do [00:14:00] really well in the next year.

And I buy into that. For example, back in March of 2020 when everything was in the toilet and oil was literally selling for a negative amount of money, I went ahead and I bought Exxon, which was paying 9% dividend, which everybody, yeah, there's no way they could sustain that. Well, they did. And of course today a 9% dividend is ridiculous.

Oil stocks did pretty well. So what happened? My stock tripled in value if I wanted to sell it, but it's still paying a dividend. Why not? And then what we look then is on our longer term horizon, as you'd mentioned, things such as bonds tend to be a bit more conservative, a little bit more in a later career stage.

Or if you just think the whole equity market is going to go sideways and horribly down. That's a place where a lot of people run for safety. But that all brings us to the concept of building an investment portfolio and how do we allocate our assets and the strategies for doing so. And I've loved investing and I love stocks and things like that and, and did very successfully when I was actively managing my portfolio.

But I'm busier than ever in [00:15:00] my career. I've got family commitments. I'm on travel a lot, and as a result, I don't get to sit there on the keyboard. And then I said, Man, I, I knew that was going to do that, or I thought that. And when anybody says, I knew that was going to happen, I said, I believe you. But the person who benefited from it was not the person who knew it was going to happen and just thought about it was the person who knew about it and somebody did something with it.

So let's talk a little bit about asset allocation strategies and, and how one would diversify a portfolio and how that diversification might change over one's career.

[00:15:31] **Logan Jackson:** Absolutely. So as you're starting out, typically for most families, you're going to be heavily invested in, in the actual stock market itself. For most families. You want, you want the best return possible with the least amount of risk. And those are the two key indicators that most people don't look for the best return with the least amount of risk.

So you mentioned meme stocks and you mentioned cryptocurrency and other asset categories like that and people are very quick to jump on a [00:16:00] bandwagon and very quick, quick to jump on these companies. And, you know, I'm not going to tell you not to buy a meme stock if you want to, if you want to gamble a little bit and, and you want to take a little extraordinary risk.

You know, I, I, what I tell people typically speaking is if they're going to go into asset categories like meme stocks is not an asset category. It's a, it's a type of movement. Quite honestly, that's happened over the last couple of years. But if you're going to do something like that, then expect the money to go poof.

And if whatever money you invest in something like that if it goes poof, then you won't be surprised. Then you won't have invested enough money into it to where it will affect you materially. For yourself and your family. And, and it'll be something that you can move forward from. And and, and again, some people like doing stuff like that.

I wouldn't recommend it if you're trying to build wealth for yourself and for your family.

And, and I'll tell you this, when it comes to to asset allocation strategies the biggest thing that everyone can do is if you want to know what route to follow for your families, [00:17:00] look at the families that have already made it.

Look at the families that are successful. Look at the people around you your friends, your family members, your social network, and see who has achieved that level of success. And more, more importantly, go out and, and, and look into the world about the people that have achieved that success. They, they have a wheel.

They already made it, and they've already figured it out. You don't have to reinvent the wheel. You don't have to build it from scratch. So, you know, if, if you look around you and your family and your friends and everybody else around you is telling you to do something or buy something, oftentimes that could be a warning indicator that it might not be what you want to look at specifically if the people around you aren't at the point where you would like to be in the future.

Meanwhile, the people that are the most successful typically in these industries aren't speaking. This is the first podcast I've ever come on as an example. And they don't typically share that expertise just because they have a circle [00:18:00] of friends and family members or clients that they deal with.

They're very happy with that. And sometimes it's a little bit difficult to get some insight into that world. So if we go back to asset classes specifically, When you're younger you're going to want to look at something that's going to achieve a higher rate of return because you are building assets for yourself.

You're building that rate of return. I will say this, the rate of return, actually, when you're starting out, is the least important thing that you should be looking at. The most important thing is how much money you're saving on a monthly basis, because the rate of return actually doesn't matter as much at the beginning.

If you think about it like this, if you've got a million dollars invested and you get a 10% return, you just made a hundred thousand dollars. If you've got a thousand dollars and you got a 10% return, not quite so much. And so building the nest egg for yourself is extremely important. Building that asset and building that nest egg when you're [00:19:00] starting out.

But again, you're going to want invest in that in asset categories that are going to be a little bit riskier. It's going to. Grow and have a chance for growth. And, and just like we mentioned before, diversification is key. And you can just like, just like Mark mentioned, you can go into other categories, depending upon the sector, depending upon the timing, depending upon.

Where we're at from an economic standpoint. And those are much more advanced strategies that you can and will get into when you're starting out in this. And it can be exciting for a lot of people to, to look at oil at the beginning of 2022 and realize that it's going to do really well based on the factors of the economy and to invest into it.

But starting out, starting out, you want to, you want to focus on diversification and investing for yourself and building that nest egg. So as you advance in, in your financial knowledge and background and with your family you're going to get to that mid-stage points in your life where you're going to have kids that maybe are teenagers or they're going to [00:20:00] college, they're going to be in your forties, maybe fifties.

And you're going to be taking a little bit of risk off the table. What that means for you is very different. The typical knowledge for taking risk off the table is to take equities away from the portfolio and to add bonds in, which is certainly one way to do it. Another way to take risk off the table is to take riskier stocks or equities or ETFs or mutual funds out of your portfolio.

And to bring in more conservative ones. As an example, you've got growth companies. So you've got value companies specifically, so you can trim down on your growth companies, which have a, a much higher potential return, but much more risk, and you can pull in more value companies. These are the Walmarts and the Targets and the Starbuckses and the, the Clorox's and the Dollar Generals of the world.

And, and, and you can trim down that way in risk. So there's many different ways to trim down that risk as, as you move forward for your family. Another way, as we mentioned, and this is a, a, a category that I hadn't, hadn't mentioned prior, is to look at [00:21:00] money market funds. Money market funds are, are highly used amongst high net worth families to achieve a very comparable rate to a cd that you would get at your local bank, but not blocking your money up.

So I would encourage people to, to take a look at money market funds for themselves, for investment accounts as well. And then as you, as you get older and, and as you start into the end stages of your careers a lot of times at this point this is where people start seeking professional management.

This is where people come to, to, to shops like mine. They built a large nest egg for themselves is starting to get a little out of hand and they really want some professional guidance on, on what to do for themselves at that point on and how to, how to execute the best strategies for themselves. So I would encourage people to either look for somebody or be prepared to spend an incredible amount of time managing that nest egg that you built for yourself, which is perfectly fine if that's what's of interest to you, and that's what you enjoy doing.

But most people [00:22:00] that have built that nest egg for themselves focus on continuing to build that nest egg. And start dividing and conquering when it comes to their, their personal households. Just like, mark had mentioned earlier, it's just like the CEO of a company. The CEO of most companies know they're not the smartest person in the room, but they know how to bring the smartest people in the room.

They don't try to be every single department in their company. They subjugate and, and, and, and task that off to, to, to different departments and, and bring the smartest people in. And that's what a lot of people. As they continue to grow with their household end up doing as they, as they reach higher stages in asset classes.

So, so generally speaking, you're going to want to reduce your risk as you build for yourself and your family. And just like I've mentioned, there are many, many, many different ways to do that, but those are some of the few.

[00:22:47] **G Mark Hardy:** And that's really good insight because I think as we look at these asset allocation strategies and often we'll see. Target portfolios where if you're in your twenties or thirties, they'll say, okay, we'll be almost all equities and very [00:23:00] little bonds, but once you get into your fifties or sixties, they're going to like, you want to get a little bit more conservative on this?

Because if the market takes a dump like it did in early 2020 then, and they were just getting ready to retire. And now your 401k looks like a 2 0 1 , then it's not going to be a very exciting retirement. And we kind of joked back in 2008 that the reason the recession hit then was so many government employees were ready for retirement and the government didn't have any way to replace them.

So they engineered the economic crash to keep them all at work. That's a conspiracy theory and I, I don't hold much credence to it, but more to the point of being able to diversify your portfolio. As you start out, you're going to go over time and again, access to professional money management, and ultimately wealth advisors doesn't happen when you say, Hey, I've got $500 or something like that.

You usually don't get access to the smartest people. Until you're at a point where it makes sense for them, because then they can move big chunks of stuff around. And we'll get to that in a little bit about thresholds. But [00:24:00] you had mentioned about the importance of building a nest egg, and that brings up the concept of retirement planning.

And so there's different vehicles for retirement planning. I talked a little bit about some of them last week, like an IRA and a 401k and things such as that. And the importance of getting employer match when it's available because it's essentially like free money. But these days they say, what sixties?

The new 40, and I don't know what comes next after that Is 70 new, 50, whatever. But social security has you working later. You have to be 67 instead of 65 to get a full retirement. France has faced an awful lot of civil unrest about moving that number past 62, but the reality is we are productive, particularly in careers like ours, where you're not out there with back breaking work.

My mom worked until she was 80 and loved what she did, and my grandmother worked as a piano teacher till 92 and loved what she did. And so two things that. Play here. One is making sure that you have enough retirement savings, so you get to pick when you [00:25:00] retire, and you're not forced to keep working as a greeter at Walmart.

Well past your prime simply because you need to eat. But more importantly, how should somebody go about this concept of retirement planning when they're dealing with the mortgage, a car payment, kids, maybe kids going to college, and everything else that comes up?

[00:25:19] **Logan Jackson:** Definitely, so retirement planning as you mentioned, is different for every single person dramatically different. It completely depends upon your income, how much money you've saved, what, what stage you're at in your life cycle for yourself and your family. And, and quite frankly, what you want.

The traditional version of retirement planning. Is to contribute as much as you can to your, to your 401k or to your investment accounts in general in, in some way, shape or form your set ira, whatever that vehicle may be. Get tax savings and write-offs while you're in your working career and while you're making a higher income.

And then as you start reaching the, the end stages you know you're going to have to [00:26:00] start paying taxes when you, when you reach the actual retirement goal, but, Hopefully at that point in time you've retired and you're not making as much income. So when you start pulling the money out, you don't pay as much in taxes.

That's the general, that's the general guidance when you're, when you're looking at it specifically. But, but when we're talking about retirement planning in 2023, that number's a little bit different. And, and, and is is com is, is is very, very varied compared to what it is right now for somebody in their sixties and seventies per se.

A lot of people right now, even the ones that I speak with don't have any plans to retire. It's actually very interesting, just like you've mentioned in France. It, it, there was almost a revolution because they were trying to push that date forward. And in the US it's the exact opposite. Many people are, are continuing to work out of a choice, not out of a necessity, because they find it stimulating.

They, they enjoy doing what they're doing. If they're business owners, right, like a lot of people will [00:27:00] be on this podcast. A lot of people don't want to give up their businesses. They love what they're doing. It's very, very exciting and very stimulating. So retirement planning changes for those people from when can I retire and, and live in my quote unquote golden years to when do you have enough money to stop working if you wanted to.

And that is the goal that most people in my opinion should strive for. That doesn't necessarily mean you're going to stop working. It means that you have the freedom to stop working at any point in time to sell your company, to stop working in your career and to pivot and to make any decision that you'd want to make, and that golden number is going to vary from person to person.

If you are disciplined investing and following the strategies that we'd already mentioned. And you, and you're going about it in the right fashion, you can reach that age at a pretty young, quite honestly, people are surprised at, at the ages that they can reach that, that financial [00:28:00] independence number.

Which is, which is really what I like to refer it to.

The entire realm of retirement planning is going to completely depend upon who you are and what you really want. But once you reach that number, Once you reach that number and you've decided to tie it up and you've decided, I'm done.

I'm going to sell my company, I'm going to retire for my career whatever that may be. There are a host of advanced planning topics that now come into play. There's tax distribution strategies if you've got a 401k and a Roth IRA and an individual account or a joint account with yourself or your spouse.

What is the correct amount to withdraw from those accounts in what order to minimize your tax implications? And I'll mention, obviously on this podcast, I'm not a CPA, but when it comes to specialized guidance pertaining to investment portfolios and tax distribution strategies, that's something I'm very well versed in.

And and so you want to find out what the best mix is to pull out. [00:29:00] This is really where you either want to do some very in-depth research for yourself or your family, or you really want to go see some professional guidance. Because the amount of money that you're going to pay in taxes by missing the correct strategies for yourself is arguably going to be a lot more than you're going to pay an investment professional to do it for you and, and to manage it.

So there's, there's a lot of advanced topics that come into play. You're also going to be looking at trusts and wills and, and ways to shelter your assets as well, depending upon what net worth and what income bracket you're now in. Which is something that I also specialize in. It gets very, very advanced very quickly depending upon your asset classes.

If you're over the estate threshold for yourself or your family, now you've got other complications. You're worried about estate taxes and many other complications. Then you have insurance and your revocable life insurance trust and all types of other stuff that now start coming into play for many families and households.

So it really depends upon where you're at, what your assets look like at [00:30:00] that point in time. And, and what life cycle you're at. What do you want to do? Do you want to retire on a house with a bunch of land around you and maybe travel a couple times a year? That's not going to require as much assets as somebody that wants to live in a really nice location, wants to travel a lot, wants to really go to a lot of different places.

So, so it's really going to pin upon those goals, which goes back to the initial conversation at the beginning of this podcast on goal setting. Which is extremely important, extremely important for you to take a look at and to really hone in on and focus on.

[00:30:34] **G Mark Hardy:** Now, Logan, you'd mentioned a couple times the word tax and tax planning is very important for a lot of people. They don't realize it. What is your biggest expense? And you ask them my car payment or college, or the kids or whatever, and the answer is probably go look at your taxes. Typically for those of us in a professional career, you're at least in the

28% bracket and you might be invited to the next, welcome to the next [00:31:00] level, plus a 7.65% Social security and Medicare.

Plus any state. And if you live in a city like New York, for example, plus any state tax, and it's very, and if you're self-employed, then the other half of the self-employment tax, which is the 7.65% your employer pays, it's not too difficult to hit that 50% mark. And you're not a gazillionaire you're, you're at that level pretty quickly in some cases.

And so ultimately, It's not so much how much money you make, it's the top line, but what remains at the bottom line once it's gone through the tax man's review of it? Now, we're I absolutely in no way recommend? Or advise anybody to cheat on your taxes. That's not what we're talking about. But there is no legal or moral obligation to pay more tax than the law requires, and that means those tax planning and tax strategies are a good way to allow you to take care of your family a little bit better.

Any thoughts on that [00:32:00] concept of tax planning?

[00:32:01] **Logan Jackson:** Absolutely. So, so let's talk about beginning to end stage when it comes to tax planning. So, so if you're just starting out, the, the biggest tax savings that you're going to have is, is contributing to, to either your employer's 401k plan, to your SEP IRA as another vehicle or your IRA. And, and contributing as much as you can per year to that, to, to lessen the blow on your income at the end of the year.

Of course nothing that you do is is, is going to come for free. You have to also realize the implications on the backend. The backend implications on that is you can't take the money out to your 59 and a half. In most of these accounts. You get hit with a 10% penalty. If you pull the money out early before your 59 and a half.

So you really have to have a long-term planning mindset when you're putting money away into tax advantage accounts when, whenever you're young specifically, you really want to make sure, and this is a, a very basic concept, and I know most people have heard of an emergency savings account, but you really do want to [00:33:00] make sure that you have at least, you know, three to six months on average of assets saved up for yourself.

It can be in a savings, it can be in a money market. Somewhere that you would consider a safe asset class. And those are two relatively safe ones. I say relatively safe because obviously we just had the banking fiasco that happened this year. So it really depends upon what, what institution you're in, whether your money is F D I C insured, how much of it is F D I C insured?

And, and that's a whole different topic to, to even describe. So, that's, that's one way. Now many people on this podcast are probably making. Substantial incomes above and beyond the contribution limits that they can make to either a 401k or the SEP IRAs. And, and if you want to find those contribution limits out, just go to Google, type them in.

They're, they're right there. They update every single year. They typically increase every single year. At age 50, you can contribute a little bit more to the majority of these accounts. As long as you haven't maxed it out every single year of your life, which pretty much nobody on the planet has.

Because most people don't start maxing out all of their [00:34:00] retirement accounts at age 18. Moving on from retirement accounts specifically, now you're, now you're looking into the taxable world of taxable investment accounts. So taxable investment accounts operate a lot differently than retirement accounts do, and there are a lot of advantages that you can use in those accounts to put extra cash in.

Most people that make substantial incomes actually end up having the largest portion of their assets in non-retirement accounts because they max out their retirement accounts. They can only put so much in there. You've got a limit on Roth IRAs. Once your income goes above and beyond a certain points you, you can't even contribute to them anymore.

Most people have large individual accounts if you're, if you're going about this the right way and, and what you need to figure out. And that individual account specifically. Because this is where the advanced planning comes in, is how do you minimize your tax implications there because you've got income, and an income comes into your bank account and that income may or may not have been taxed yet, depending upon whether or not you're, you're self-employed or whether [00:35:00] you're employed for a company.

But you take that income essentially and you put it into this taxable investment account. It could be an individual or a joint investment account. And you have to pay taxes on any gains in those accounts. The question is, is what's the proper way to minimize your tax implications in those taxable accounts?

So there's a strategy called tax loss harvesting, and it's a strategy that many people have probably heard of but it, in it, in its nature, it's very simple. It's very, very simple. So let's say you own a portfolio of a hundred companies, and let's say in January to February 50 of those companies have lost money and 50 of them have gained money.

If you take the 50 companies that are down in value and you sell them, you now trigger a tax loss for yourself for the year, and you can use that to offset it against the gains of the other 50 companies. There's a, a wash rule that [00:36:00] is in effect, the IRS that says that you can't buy and sell the same company within 30 days.

So don't get me smart ideas about. Selling the 50 companies that are down in value and then immediately buying them back. You can't do that or else it washes it out. But as long as you wait 30 days you can, you can use that as a tax write-off. And so this is, this goes into more in-depth strategies, specifically with equities.

You can't really do this as much. You can, but not as much. With ETFs and mutual funds, it's a lot more difficult. I'll give you a good example At the end of 21, if you 2021, if you looked at the S&P 500 about half of the companies were down in value approximately, and about half of them were up in value, but the index as a whole was up over 20%.

It was a great year for the people that invested in the S&P 500, specifically for those 500 companies. If you own a mutual fund or an etf, well, there's not a whole lot you can do. You're looking at your account and you see a 20 plus percent gain in it. Which is, which is great. It's a great gain, but there's, there's no, there's no tax strategies that you can really [00:37:00] execute with that other than holding it for over a year, which is a different discussion that I'll get to in just a second.

If you owned all 500 of those companies individually, which you can do, if you have the right vehicles, the right platforms, the right guidance, you could own them all individually. There's, there's plenty of platforms that you pay zero commissions in nowadays that I would absolutely encourage people to explore for themselves.

Then you could have sold off at the end of the year, all of the companies in the S&P 500 that were down in value, and you could have used that tax loss to offset it against the gains, in which case you would pay much less taxes at the end of the year. Tax less Harvesting is a strategy that was typically in the past reserved for ultra high net worth families. Wealth managers like myself would go through accounts in December and they would look at all of the accounts that were down in value and up in value and the strategies and stocks and equities, et cetera. And they would tax loss harvest for those families to reduce the tax implications for them at the end of the year.

[00:38:00] There are plenty of ways to do this more actively now. If you don't just do it in December, but again, as you mentioned at the beginning of this podcast, mark, this depends upon how much assets you have and how much time you have. Because if you're focused on your careers and you're focused on your business, this, this is something that you can do.

But what's the loss of income that you're now losing because you're now focusing a lot of time on tax less harvesting that you could have focused on just building the assets that you had and, and growing your wealth. So this is, this is really an individual choice for everyone. They have to figure out what, what this means for themselves and, and whether or not this is, this is worth exploring in more, in, in more depth and executing.

But tax less harvesting is something that's really good in individual accounts. The other thing that people need to look for in individual accounts, Is long-term capital gain. So if you hold a company for longer than a year, you pay less taxes. Simple, easy enough. Now you're going to either pay 15 or 20% based on the current rates, depending upon your income.

[00:39:00] Generally speaking, it's a little over half a million. If you make it, it, you'll pay 20%. Once you sell the companies for the gains. If you're making less than about 500,000, then you'll pay 15%. And gains either one of those is more than likely going to be lower than a tax rate that you're currently under if you held them for less than a year.

So you're looking at this and you're looking at these strategies and you're looking at tax loss, harvesting and just, I, I just mentioned, you know, January to February, you might have sold those companies for a tax loss, but if you held them for longer than a year, now you've got long term capital gains.

But it's a short term capital gain if you do it prior to that. And so there's a lot of very advanced strategies to come into play here. For people to look at, but that's some of the topics. People can do some, some more in depth research on and see how to execute the strategies for themselves.

[00:39:51] **G Mark Hardy:** Got it. So the tax is important as we found out, because it's a big chunk of money. It, it's a way that you can lawfully and properly [00:40:00] minimize or at least avoid some of those taxes, either deferring them in a tax deferred account like an IRA. You avoid them entirely with a. Roth IRA, but you pay the taxes going in, but on the back end there's no tax coming out.

And ultimately when you're older and the thought is you're in a lower tax bracket, that might be the time we start pulling money out of these accounts, at which point there's a strategy for doing so. And we didn't even get into required minimum distributions because I don't think any of my listeners are over 70, but we'll, We'll get to that at some other show and you know, we're getting close to their time.

This has gone really fast and there's, I've still got a bunch of things I wanted to talk to you about, and so I'll give you a jump ball on two things and you pick the one you want to close with. Either a deeper dive on the wealth management industry about what people should know about it, or concepts on behavioral finance.

What are mistakes that people make psychologically when it comes to investing? That are common and potentially you can deal with them, but a lot of us think, is it just me? And the answer [00:41:00] is, well no, but you also helps to have some discipline to get you over those natural biases, whichever one you'd like.

[00:41:06] **Logan Jackson:** I'm going to talk quickly on behavioral finances, and I'm going to delve into the wealth management industry shortly as well. So, so behavioral finance specifically is very important for people to understand. A lot of people will look at, we'll just, we'll use something simple. If you look at the S&P 500 return then it depends upon what bracket of years you're looking at.

You're looking at somewhere between an eight and a 12% return based on the years and the brackets and the timing that you're looking at, but, That's a pretty good return. That's a pretty good return, especially if you don't have a wealth advisor or somebody that's professionally managing it. It's passive and you're just investing in it and forgetting about it and trying to grow those assets for yourself.

So here's the problem. Most people don't leave it there. This goes back to the long term investment planning. And from a behavioral finance standpoint, you have to think of it like this. Let's say it's 2008. You've invested from, let's say, 2001. Let's forget the.com crash, 2001 to 2008, [00:42:00] and now you're looking at the market plunging.

Your investment account that you've been building for years now is down 40 plus percent and you're looking at that as it's crashing and you're thinking to yourself is going to go farther. You're looking at C N B C or other news sources and, and it seems like the world is burning down around you.

You're scared. You're worried, you're talking to your friends and family members. They're scared, they're worried. You know, you can harken that all the way up to 2023. There's problems and worries people have today. And, and it, and it paralyzes people in from making decisions. And it's not just it, it's everybody at every asset class, every, every net worth every family.

It doesn't matter whether you're just starting out or whether you built a massive nest egg, it paralyzes everyone. They have a very difficult time making decisions during that time period because you just don't know what the right choice is. So if I said you could just leave your money in an S&P 500 ETF, forget about it and wake up 20 years later then you would probably be a pretty happy person if you base it [00:43:00] on past returns.

But that doesn't account for all of the crashes, all of the bad times, all of the news, all of the issues you see in society and, and people making bad decisions. There's a, there's some statistics out there that I would encourage people to go out and look at. But if you miss the best couple of days, just a couple of days of returns over the course of one year, your return for the year in many years is completely wiped out.

And I'll tell you this, the best days often come after the worst days, and they're right back to back. So you're looking at the market crashing down all around you. You sell out, you're in cash, you're going, thank God I'm in cash. And then right around the corner in many years, the best days come and you've missed it.

So from a behavioral finance standpoint, we really have to look at this entire investment strategy and wealth planning. You, you [00:44:00] have to look at it from a non-emotional standpoint, and that is very difficult to do. Whenever it's your money, it's your family's money, it's your, it's everything you're building for yourself.

It's what you're going to use for yourself and your family in the future. It's very difficult to, to look at it from a non-emotional standpoint. That is, that is the way you have to look at it if you're going to do this in the proper way. Moving real quickly to the wealth management industry, I'm not going to talk too in depth about this.

I'm happy to talk more in depth that people would like me to on a, on a different episode, but. The wealth manage industry is so, so in depth and complicated. So let's talk about professional money management just for a second. So if you're looking at professional money management, where do you go?

Who do you talk to? Who do you, who do you invest with? If, if you, if you want to have a, a wealth manager, financial advisor whatever you'd like to call it. There's many different types of, of shops and setups. So, as I mentioned at the beginning of this podcast, I run a fee only independent firm.

That is [00:45:00] one setup. It eliminates many conflicts of interest. Oftentimes, one investment fee is charged for everything. There's no commissions. There's nobody on the backend that's incentivizing the wealth advisor to put their clients in certain stocks or mutual funds or annuities or, or any other products.

That eliminates a lot of conflicts of interest. But for most of the financial industry, it's the traditional broker dealer model. The traditional broker dealer model is what they like to call a full service model. And that's a model where again, it's not necessarily a bad place to be, it's just something to be aware of.

There are a significantly larger amount of conflict of interest when you go into an industry like that. And you're looking at an advisor. So you're sitting down with your advisor and the advisor says, buy these mutual funds. And you have no idea whether or not that advisor's getting kicked back 12b-1 fees or whether the mutual fund rep for that mutual fund company has taken them out to a ballgame and now they're investing in that specific set of mutual funds.

You just don't know. There's a lot of potential [00:46:00] conflicts that come into play. They could be charging commissions for, for buying stocks. They sell you an annuity and they get a big commission from selling the annuity. And so again, It's not to say that these people aren't trying to do the right thing and that they don't have their client's best interest at the heart, and that that's not a great person that you're working with.

You just need to be aware that the conflicts exist. And you need to ask questions because if you don't know that those conflicts exist, you're not prepared to deal with them and not prepared to ask the proper questions for it. There's a lot of different ways that financial planners, wealth advisors, financial advisors can be compensated.

That's not directly from the client. And, and in my personal opinion, I think that there's a lot of conflicts of interest in this industry that people just need to be careful for. There's a lot of landmines, and as you're starting out, as Mark mentioned, it's very difficult. Again, generally speaking, this is generally speaking to find a, a good financial planner.

The problem is, is that the good financial planners oftentimes are running shops that have a [00:47:00] hundred clients in households or less. They, they close the doors once they get to that number that they're looking at. Or they're very selective on who they bring in. They're not advertising. You don't go to Google.

You, you can't find their companies. And oftentimes you find them through friends and family members and people that you meet. And, and a lot of the really, really good ones just, you just, you just don't find them by going to Google because they don't, they're, they're not looking for clients. This is stuff that people just need to be aware of in this industry.

Every single financial planning shop, it exists. Every single, major bank, every single major company. They have great financial planners there. And they also have not so great financial planners there. It's going to depend on who you're talking to and, and, and what institution you're with. So, so these are just some of the things to be aware of, some of the things you need to ask questions about and, and some of the things that you need to consider.

[00:47:50] **G Mark Hardy:** Well, Logan, that we covered a lot of stuff, and again, we could probably go for another 45, 50 minutes and still not get to the depth of everything. But I want to thank [00:48:00] you very, very much for your time on the call. This has been extremely valuable for us, and I think for our listeners who are at the point to say, okay, now I got a better idea of what I should start to be doing, and for those who are well along, who, as you had said, I have built up a pretty sizable nest egg.

They're like, Hmm, how do I find one of these little hidden wealth advisors who are out there? And then quite honestly, it's a little bit like asking for a financial mentor. It's in your career. You could go up to a senior vice president or a very successful CISO for a large organization and say, will you mentor me?

And the answer might be no. And it's not a negative thing, it's just that person's either too busy or you're not at the point in your career where it makes sense. For that type of advice. So for those who are looking for that level of sophistication in a wealth manager, recognize that you should probably be, have already put together, I guess a few million dollars or I don't know what the thresholds are.

And, and the point is, is that you can get there and you get there by making time [00:49:00] your friend. Not your enemy. When you have assets that are returning money, time is your friend. When you have debt that's taking money, time is your enemy. And so one of the lessons I've learned in life is make time your friend.

Well, we could go through a lot more but I guess the last closing thing, Logan, if anybody wanted to get in touch with you, if they felt that they wanted more information, should they come through me? Should they contact you directly? What's the best way?

[00:49:24] **Logan Jackson:** So anyone that is interested is welcome to go to raycapitaladvisors.com. I've got a form at the bottom. You're welcome to submit your inquiries and submit any questions you have. I respond to as many as I possibly can. My company right now is specifically looking for households that have a million or more in assets.

But I will provide guidance and I'm happy to reach out to as many people as I possibly can to provide as much guidance as I possibly can. I'm. I'm very passionate in this industry about providing help and providing expertise with within as much as I possibly am able to. Obviously, I'm just one person and there's a lot of people that [00:50:00] listen to this podcast.

So if you're interested, please go to raycapitaladvisors.com, go to the bottom of the page. Go ahead and submit an inquiry for me, and I'm happy to respond and, and see what I can do to assist you specifically with your needs and your family.

[00:50:14] **G Mark Hardy:** Thank you for that offer. Again, sort of in the spirit of mentorship. I think that's great. So for our listeners out there, thank you for being part of CISO Tradecraft. This is your host, G Mark Hardy. We're glad that you had the opportunity to listen in on this show, our second of two with regard to finances, both personal as well as planning for your family.

If you like the show, give us a like or a subscribe. Come to YouTube and subscribe there. We're trying to get our numbers up. Hate to be kind of grubbing on that one, but once we get to the right threshold, we get to control the ads and things like that, and we're better able to get our message out. Until next time, thank you for being a listener and stay safe out there.