

Guide to Financial Topics

At Citizen Mint, one of our goals is financial education. We believe it is imperative that all investors have access to informative information about financial topics. As such, we have created this booklet to provide a basic overview of numerous financial topics. If you have a topic that you want more information on that isn't included here, email our team at contact@citizenmint.com. We will look to increase our library of topics over time based on these submissions.



Table of Contents

01	Financial Mindsets
04	Investing Basics
10	Budgeting Basics
15	Charitable & Family Giving
19	401k Roth & Traditional
22	HSA Plan Investing
25	Behavioral Finance
31	Managing Risk

Financial Mindsets

There are many different types of financial mindsets, which define the way people think about money. Below are some common characteristics of different mindsets as well as ways to improve their mindset as not to hinder their happiness and long-term financial success.

01 The Saver



☀ Savings drives life decisions

Pros:

Gets by with less, organized, responsible.

Potential Cons:

Stingy with oneself and with others, pound wise but penny foolish (lose perspective of what is really important and the savings become more important than relationships, family, etc.), not as adventurous and likely to miss out on valuable experiences.

Thoughts on Improving Long-term Financial Success:

Encourage to spend money appropriately and learn the joy of sharing your abundance. Money is a means to an end but not the end in itself.

02 The Spender



☀ Splurging and social status are important

Pros:

Generous, Spontaneous, Creative

Potential Cons:

Likely has too much debt, self-worth based on material things, may put too much emphasis on status.

Note:

Savings can feel just as good as spending.

Thoughts on Improving Long-term Financial Success:

Both delayed gratification and quality over quantity are important.

03 The Security Seeker



☀ Security is paramount

Pros:

Trustworthy, Prepared, Forward Looking

Potential Cons:

Overthinking, self-involved, less willing to take on risk

Thoughts on Improving Long-term Financial Success:

Important to encourage community service and volunteer work. It is okay to take some risk! Doing well can be for both our community and ourselves.

04 The Risk Taker



☀ Willing to take substantial risk with little understanding of financial risk

Pros:

Entrepreneurial, quick to act, sees big picture

Potential Cons:

Impatient, can gloss over problems, easily bored

Thoughts on Improving Long-term Financial Success:

This person should slow down and think thoughtfully about how they should proceed.

05 The Philanthropist



☀ Giving is a key component of purpose and identity

Pros:

Generous, Service Oriented, Responsible

Potential Cons:

Always puts other first, hard to say "NO", lots of wishful thinking

Thoughts on Improving Long-term Financial Success:

This person needs to make sure they are taken care of so they can also take care of others. Bucketing will help: Share/Save/Spend.

06 The Adventurer



☀ Money is secondary to experiences

Pros:

Not motivated by money, adventurous, lives in the moment.

Potential Cons:

Refuses to "grow up", lack of planning, could give responsibility to others who may not act in best interest

Thoughts on Improving Long-term Financial Success:

Taking care of the financial side of life will help lead the life they want. It is likely important to help this person understand the need for budgets

Take time to think through how you view money and ways to improve your long-term financial success. This may also involve a conversation with those whom you share resources with such as a spouse or partner to understand your different mindsets about money and ways you can improve your relationship by understanding how each other view money and finances.

Investing Basics

When it comes to investing, you have options. Take a look at the different types of investments that may be available for your plan.

Stocks

A stock is a share of a company. When you buy stock, you have an ownership interest in the company. The many different kinds of stocks can be categorized based on:

Market capitalization.

This term means how much investors think the company is worth. 'Small-cap,' 'mid-cap' and 'large-cap' are types of market capitalization that relate to the size of the company.

Growth or value.

Growth stocks have the potential for greater rewards but come with a higher risk. Value stocks are focused on holding their value and growing steadily over time. Some stocks are also classified as blends.

Industry.

Stocks can be divided into sectors, such as energy, real estate and health care, among others. Typically, when stocks in one sector are doing well, stocks in another sector may be down.

Advantages & Disadvantages

Stocks typically have a greater potential for return than other investments, but they also have a higher degree of risk. Building a diversified portfolio with different types of stocks and other investments can help lower your risks.

Bonds

A bond is a loan that you give to a corporation, government, federal agency or other organization. In return, you get interest on the loan, and the entire amount is paid back when the bond matures. Treasuries, corporate bonds and municipal bonds are some of the different types of bonds.

Advantages & Disadvantages

Bonds can provide a steady stream of income, preserve your principal and help diversify your portfolio. Typically, stocks and bonds follow different patterns: if stocks are down, bonds may be up. However, just like other types of investments, bonds also come with risks. For example, there's a risk that bonds won't keep pace with inflation, and a risk that the borrower may not be able to make interest payments or pay back the principal.

Cash Equivalents

Many financial experts suggest keeping some money in more liquid investments that are easier to convert back to cash.

Money market funds are mutual funds that provide interest payments (generally small, around 1% to 2%). Stable value funds and savings accounts also fit in this category.

Advantages & Disadvantages

Money markets are generally lower risk than other investment options, such as stocks, but they offer lower returns.

Mutual Funds & ETFs

Mutual funds pool money from many investors. That money is used to purchase a range of investments, such as stocks, bonds or cash. When you invest in a mutual fund, you're purchasing shares of the funds and you own part of all of the underlying investments.

Advantages & Disadvantages

Mutual funds offer built-in diversification because you're investing in several companies within an industry or even across industries. But they're still subject to fluctuations in the market. Before you invest in a mutual fund, take a look at the investment strategy and the potential risks.

Private Market Investments

Simply put, private investments are not traded on a public exchange. They are increasingly an area of focus for investors as a way to diversify out of the public markets, while potentially capturing a competitive market return.

Advantages of private market investments include:

01 Long-term Focus

In general, private market investments are more concentrated to a specific area and have a longer-term focus. This allows the managers or sponsors to be opportunistic and take advantage of market drops during which they can be a buyer while conversely selling into market euphoria.

02 Diversification

The number of US public companies has gone down significantly over the last 20 years. Further, most of the value creation and return is happening in private markets as companies have access to sufficient capital without being burdened by the significant regulations and hurdles of public markets.

03 More Options

The private markets offer a wide variety of investments. Beyond the different parts of the capital structure from debt to equity, this can include different industries, geographies, stages of the business life-cycle, as well as niche opportunities not available in public format (i.e. specialty structured finance, environmental carbon credit ownership, etc.).

04 Targeted Impact

Ability to select opportunities that align with values or interests, especially as it relates to having a material, measurable and intentional impact with your capital such as investing in renewable energy or affordable housing.

05 Due Diligence Payoffs

There can be a significant difference of return between the best manager or sponsors and the worst. This creates a dynamic where rigorous due diligence is key to any investment in the space.

[Read more about Citizen Mint's rigorous due diligence process here](#)

Investment Terms To Know



Asset allocation

How you decide to invest your money across different asset classes (such as stocks, bonds, private markets and cash). The right asset allocation for you will depend on your time horizon and your personal risk tolerance.



Diversification

Spreading out, or allocating, your capital among different types of investments. You can diversify between different asset categories as well as within asset categories. Putting your money in different baskets can help you better withstand market ups and downs over the long haul. When one fund is underperforming, typically other funds in your portfolio may be holding steady or on the upswing.



Rebalancing

Getting your portfolio as close to its original design as possible by periodically buying and selling investments. Over time, investment returns can vary, and your asset allocation may stray from its original goals. That's why rebalancing is key.



Target Date Fund

Designed to take the confusion out of investing. Target Date Funds provide diversified investment mixes that are appropriate for different target retirement dates. These funds change investments over time, generally becoming more conservative as you near your retirement date.

Impact Investing: What is it?

Every investment has an impact on society. The vast majority of dollars invested daily maintain the status quo – think an S&P 500 index fund. But there's another way. Instead of going with the flow, your money can fund positive change and still earn a return. That is impact investing.

Impact investing is not a fad. It has been done for decades, especially by global nonprofits. However, it wasn't until 2007 that the Rockefeller Foundation coined the term "impact investing" to describe how funding can drive enormous positive change by leveraging technology and economic incentives.

Impact investing can happen in the public and private markets. At Citizen Mint, we invest through the private markets for two reasons:

- 1 you can invest in specific projects with known targets
- 2 your interests as an investor and those of the project or fund managers can be closely aligned

Impact investing in the public markets is also a force for good. But it often is not specifically targeted. The focus is on publicly traded stocks and bonds of companies that meet guidelines on environmental, social and governance (ESG) criteria.

Impact investing at Citizen Mint is targeted. You choose specific projects to invest in, and this gives you more control on your ultimate impact.

Why Now?

We believe that there has never been a better time to be an impact investor. The number of investable opportunities targeting one or more social or environmental positive outcomes has increased dramatically due to technology, innovation and increased awareness. Projects could include more efficient renewable power technologies, affordable micro-finance solutions, and ways to mitigate the significant water shortages expected in the coming decades.

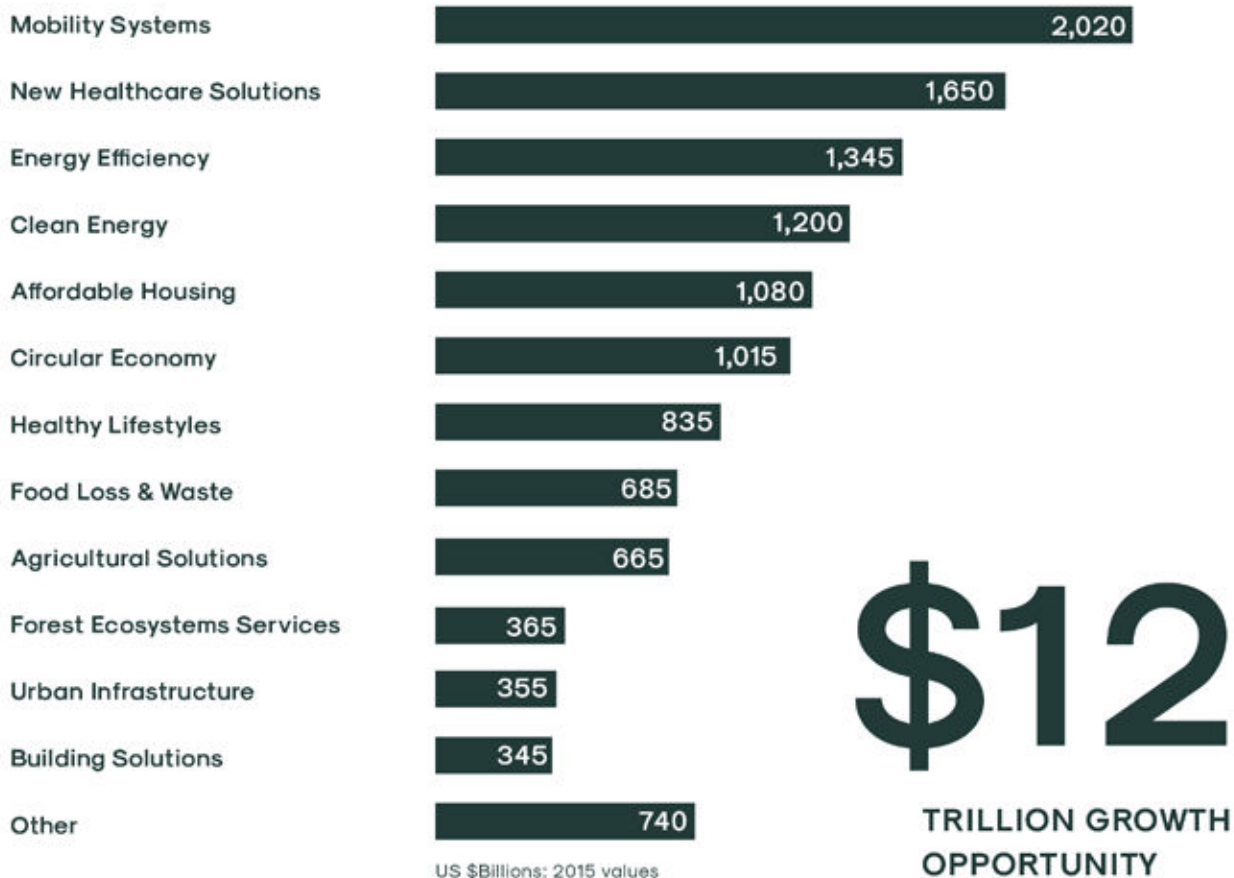
The value of opportunities that align with the UN Sustainable Development Goals (SDGs)¹ was estimated as a \$12 trillion dollar opportunity from 2017 to 2030. We believe this opportunity has only become larger over the last few years as needs have grown in every asset class. See the projected breakdown of the opportunity on the next page.



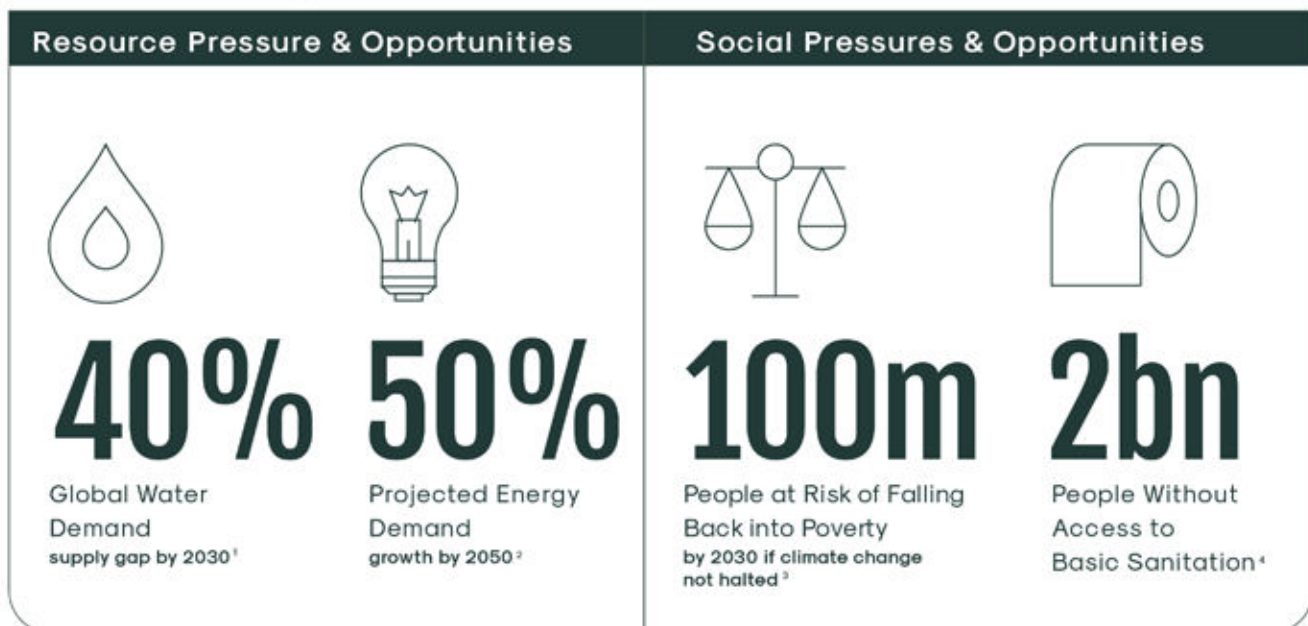
¹ Read more about the UN SDGs on page 10

How Big Is the Opportunity?

Value of Incremental SDG Opportunities to 2030



Source: Better Business World; The Report of the Business and Sustainable Development Commission; 2017



Source: Mercer Investments

1. World Bank Group, 2030 Water World Resources Group (WRG)
2. US Energy Information Administration (EIA) 2019
3. Business and Sustainable Development Commission (BSCD) 2017
4. World Health Organization (WHO)

How Can Your Investment Make An Impact?

Citizen Mint is a bridge between investors (You) and qualified sponsors or managers who need capital to fund products and services that address some of the world's most challenging problems. We focus on investment opportunities in three impact areas:



01 Environment

Alternative energy sources, resource sustainability, and resource efficiency.



02 Empowerment

Products or services that support the creation of diverse, equitable and inclusive workforces through things like education, training, transit availability, employment services, corporate training and awareness.

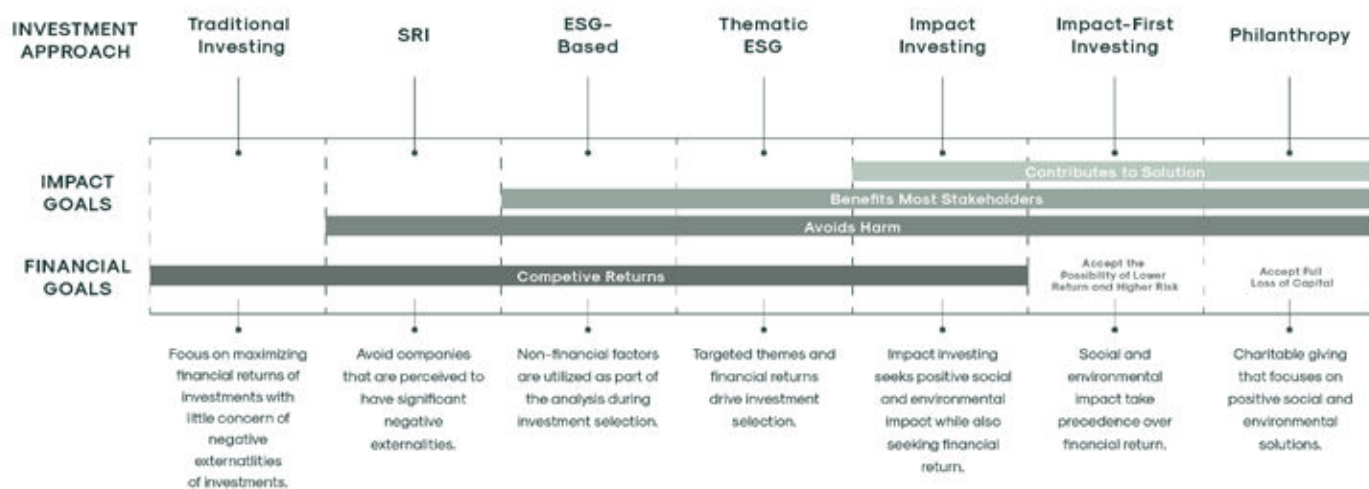


03 Community Health & Wellness

Products or services that improve local communities through affordable housing, healthcare & nutrition, and access to basic services (i.e. internet, utilities, transport, etc.).

Where Impact Investing Fits In

The Sustainable Investing Universe



SRI

This is the oldest and perhaps the easiest of approaches: You simply do not put any money into things you find harmful. Historically, SRI applied to "sin" stocks -- alcohol, cigarettes, casinos, guns -- but today includes avoidance of fossil-fuel producers -- from big oil to coal-dependent utilities.

ESG

Here, investors apply an analytical framework to invest in publicly traded companies that meet specific environmental, social and corporate governance benchmarks. ESG investing is most often done in the public markets and adds a layer of scrutiny, which can reduce risk and enhance long-term returns, as well as countering business as usual. Generally, ESG investing is broadly focused but thematic ESG allows investors to target specific themes, such as companies working on clean energy.

Impact Investing

Here, you are intentionally investing in an opportunity whose goods or services you think will be good for society and/or the environment while also providing you with financial return. This could be an affordable housing development for low and middle-income workers or a wind or solar project to reduce reliance on fossil fuels. Impact-first investing puts the focus on impact and less so on financial return.

Budgeting Basics

Budgeting is a tool to retake control of your finances.



At first, budgeting can seem daunting. The question becomes, do I really want to evaluate how I am spending my money and maybe have to look over mistakes I might have made in the last day, month, year? So instead, we need to switch the conversation to the reward we will get from better utilization of resources and ultimately a sense of financial security.

Debt is such a common part of our society and many people live their lives built on debt. To understand this, note that in the US, 72% of consumers say they are overwhelmed by debt with avg debt of over \$34,000 per person, not including a house (Source: Ramsey Solutions). This doesn't have to be you and the fact that you are looking into your own personal finances is a testament that you want to be above average. You want to have a life not consumed by feelings of financial insecurity but financial accomplishment and peace.

Most of the knowledge you need will be contained in this booklet but it is incumbent upon you to put this knowledge into action. So remember the knowledge is right here and ready for you to easily obtain, but you are the implementor of that knowledge. **You got this!**

Making a Budget:

➔ Did you know that only 1 in 3 Americans has a monthly budget.

Let's be in the minority and start one right here and now:

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- 01 Collect bank and credit card statements over the last six months which will provide an accurate picture of how you are spending your money.
 - 02 Create an Excel or Google Sheet where you can track the following categories: necessities and wants.
 - Necessities are expenses that can't be eliminated: housing, car insurance, utilities, debt repayments (i.e. student loans).
 - Wants are things such as entertainment expenses (i.e. subscription services, dining out), clothes, experiences (i.e. trips, concerts, etc.)
 - 03 Mark whether the expenses change over time or are static. Static or fixed expenses would be the cost of your mortgage or rent. Expenses that change over time or that are variable would be the cost of groceries and utilities.
 - 04 Include one-time expenses such as home insurance and divide them by 12.
 - 05 Examine where you could trim expenses. Ideas:
 - **Reduce Grocery Bills:** An average household is spending roughly ~\$5000 dollars a year on food (Source: US News Money) with a decent portion of money spent on impulse buys instead of basic necessities. Having a list and sticking to it has been shown to provide savings up to 23% (Source: Credit Counseling Society)!
 - **Cut Subscription Services & Check Internet Pricing Deals:** Cutting cable and streaming services that you are not consistently utilizing can provide hundreds of dollars in savings a year. Additionally, reviewing new deals for internet in your area can lead to 30-45% savings. It may be worth calling your current internet provider to see what specials they are running and if you qualify (many times you do).
 - **Reduce Utility Usage:** Being thoughtful about your utility usage can be good for the environment as well as save you hundreds of dollars a year. Utilizing a smart thermostat can help to reduce energy usage by noticing when you are not home and automatically adjusting the temperature down. Several utility companies give cash credits to purchase these devices to offset the cost. Check with your local utility provider. Additionally, switching to energy efficient LED bulbs can be a great way to reduce electricity usage. Many utility companies have additional rebates on these bulbs as well.
 - **Drink Coffee at Home:** A daily habit of eating out or purchasing a morning cup of coffee can get expensive. Just reducing this habit by a few days is worth hundreds of dollars back in your pocket every year!
 - **Review Monthly/Yearly Plans**
 - Phone:** Looking for specials or incentives for new phone plans can save hundreds of dollars a year and many now include some level of subscription streaming service as a free ad-on (i.e. T-mobile includes Netflix, AT&T includes HBO Max).
 - Car & Home Insurance:** Insurance is such a great industry given it is highly sticky (people don't switch often) as it is usually just an automated payment and it regularly increases its prices without any additional service. That said, it is also a very competitive industry with many competitors trying to constantly take market share through special pricing. As such, it is a great idea to check your car insurance costs on a yearly basis which could lead to hundreds in savings. It is a great idea to check with any alumni clubs and or membership services (i.e. Costco, Sam's Club) for special discounts.
 - 06 Now subtract your necessary expenses from your take home income which is the income that you receive after all deductions for taxes, healthcare, 401k contributions have been taken out.
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How are you doing?

Are you consistently earning and saving more than you spend? If not, how can you adjust your lifestyle and expenses to save often and early.

The rule of thumb in the past has been 50/20/30.

50% to essentials: Housing, food, utilities, transportation

20% to savings, debt payment and long-term financial goals

30% to wants like dining out, travel and entertainment

It is a good idea to review your budget every 3-6 months to see how you are doing and ways to improve. Additionally, budgets have become rather easy and automated with a plethora of online tools available that can consistently and effectively show you where you are spending your money and how that compares to a budget you set. Mint.com is probably the most commonly used tool.

Saving Money & Emergency Funds

Saving money is not easy, especially given the rising prices across housing, food etc.



We are further bombarded with ads showing us aspirational lifestyles where we "need" to spend money in order to feel like we are living. We need the newest gadget, phone, clothes, car. This is compounded by social media where we essentially get to see a highlight reel of every person we know when they are traveling, at concerts, on a boat, etc. This makes it really hard for us to mentally differentiate what we need and what we want.

Do I actually need a phone? Am I going to justify that new phone so that it goes from a want to a need?

- "My battery doesn't last as long as it used to"
- "I need a new camera to take better pictures of my kids"
- "It is slower than it used to be"
- "I am getting a great deal because it is \$150 off right now"

Buying a new phone is not wrong, but the first step in saving money is understanding that we as humans are really good at turning wants into needs and we need to be able to recognize this and utilize this knowledge to our advantage.

What do we actually need:

- We need **shelter**
- We need **food & water**
- We need **transportation**
- We need **clothing**

At a most basic sense these are core things we need. Now there are other things that we essentially need but are not the core necessities: these include bed, table, chairs, utensils.

The differentiating factor for people who can save money easily is thoughtfully utilizing the resources we have in front of us.

The first and most important step to saving money is having a budget and sticking to it to the best of your ability.

The initial goal for savings should be 10% of your take home income which should be put into a separate account that is different from the account that you pay your bills out of. This mentally provides a separate bucket for your savings. In some cases, you can have your bank automatically take a certain amount out of your normal checking account and deposit it into a savings account. This helps in aggregating savings over time and will mentally make you more cognizant that the money is not available to be spent.

While 10% may seem like a lot, it is the goal, not the perfect outcome that is important. Having a specific and determinable goal is key and individuals are more likely to follow through if it is a specific percentage. How to get to this goal should be through thoughtfully cutting out what are wants in your life? Some quick ideas:

- Reducing the times you buy coffee/breakfast outside the home
- Meal planning/prepping based on what is on-sale that week at your local grocery store
- Reducing take-out and/or meals at restaurants
- Being thoughtful about your entertainment budget-Do you need that extra subscription? Are you actually using it?
- Watching a movie at home instead of at a movie theater.

Some tips for additional ways to save:

Prioritize the Match: If your employer offers a match on your retirement account, put in at least enough money to get the match. This is free money!

Gradually Save More: If you can't save 10% at first, start at 5% and challenge yourself to raise this amount by 1-2% a year as you get pay raises or pay off other debt.

Turn on Auto Increase: Increase your retirement contribution rate every year automatically. This will significantly increase your retirement savings over time.

Emergency Funds

According to a recent study, about 60% of Americans have less than \$500 in their savings to cover an emergency (Source: Bankrate). This is scary and provides a daunting task when something goes wrong. Having an emergency fund can have significant benefits which include:

- Protecting you from a job loss
- Protecting against a major car expense
- Protecting against unexpected home repairs (sewer/roof issue)
- Protecting against unexpected health issues

How to Prepare:

01 Start a separate account for the funds that is easily accessible.

This can be an extra savings account or money market account. Capital One 360 has very competitive rates on these accounts even if they are low in the current environment.

02 Start small and look to save \$500 to \$1000.

This will reduce the chances that you increase debt through other means or need to take early withdrawals from retirement accounts. Most banks allow you to set up automatic savings deposit which can help in saving for these events.

03 Find other ways to save.

Try to see what is around the house that you are no longer using and could sell either on eBay or OfferUp/Craigslist. Trim expenses on eating out. Utilize any tax refund for a direct deposit into your savings.

04 Fund 3 to 6 Months of Living Expenses.

Save until you can fund 3 to 6 months of living expenses.

05 Real Emergencies Only!

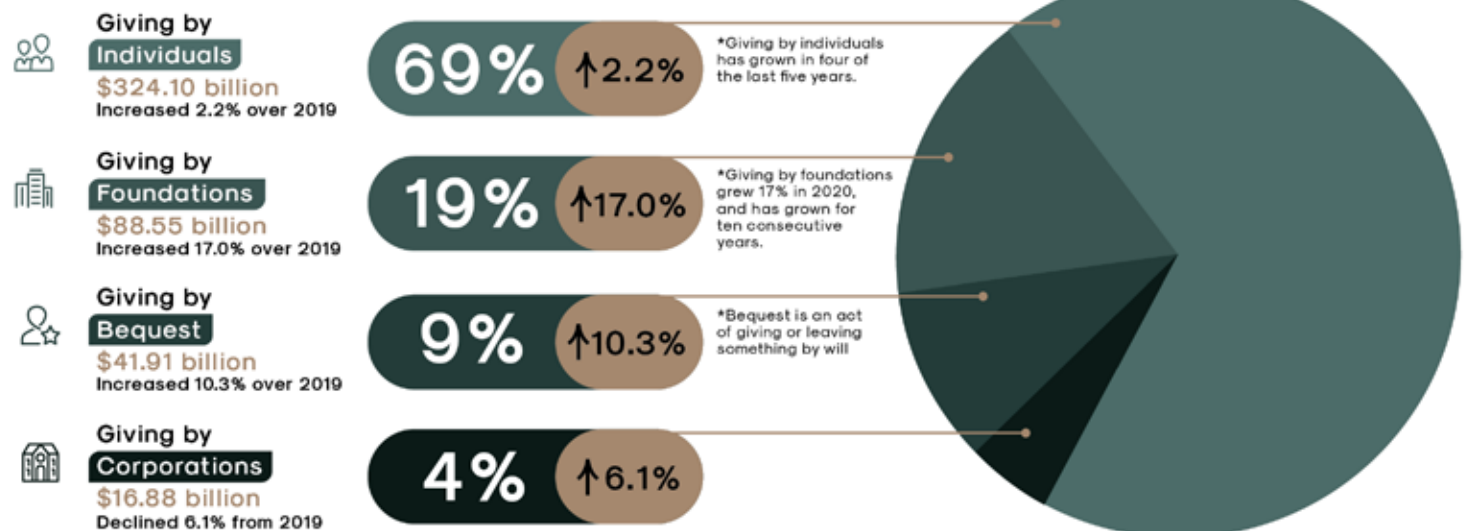
The funds are for items that were unexpected, necessary, and urgent only. This is not the savings to tap for a trip, phone, remodel, etc.

➔ **Having an emergency fund will provide you with peace-of-mind as well as reducing the chances of catastrophic set-backs to your retirement goals.**

Charitable & Family Giving

Individuals give for many different reasons and the utility of giving is different for each individual based on what they would like to support. First, individuals may give to have a personal impact. This could be to have an impact on a philanthropy (increasing its reach/capabilities), it could be to provide a legacy (say an endowment for a professor, musician, student, etc.), or it could be for familiar reasons around what the family looks to accomplish with their wealth. The last provides family members with a cause and passion. In 2019, Americans gave \$471.44 billion to charity (Source: Giving USA) with the total amount steadily increasing in nine out of the last 10 years.

Where did the generosity come from?



Source: Giving USA

Where did the charitable dollars go?

Contributions by destination



↑ Change in comparison to total raised in 2019

In the US, there is a financial benefit to giving which includes:

- Income tax deductions
- Capital gains tax savings
- Estate tax deductions

There are many ways to give to organizations and to set-up giving if the gift is expected to be long-term in nature. This could include:

- Direct gift to charitable organization
- Donor advised funds
- Private Foundation
- Charitable trust

Income Tax Deductions

Charitable contributions are an itemized deduction so as long as the individual is itemizing deductions on their tax return, they are able to utilize this tax benefit. Qualifying for this deduction, there must be an irrevocable transfer of assets to a qualified charitable organization. In layman's terms, this means that you can't recall the gift in any form.

In most cases, the fair market value at the time of contribution qualifies as an itemized deduction.

Limits on deduction:

- 50% of adjusted gross income (AGI).
30% for certain organizations and private foundations.
- 30% of AGI for capital gain assets (e.g., investment assets).
20% for certain organizations and private foundations.
- You can carryover excess contributions for five years.
- May be further limited as part of total itemized deductions.

Reducing Capital Gains

Contributions of highly appreciated securities can be even better given the ability to both decrease or eliminate capital gains as well as minimize income tax.

Example:

- 10,000 shares of stock, purchased five years ago for \$1 per share.
- It is now worth \$10 per share.
- Assume 15% long-term capital gains tax.

Alternative 1: Contribute cash from sale of securities

- Donation Value: \$100,000
- Capital gains tax incurred: \$13,500 (15% x (\$100k current value - \$10k initial investment))
- Net cost to donor: \$23,500 (\$10k initial investment + \$13.5k capital gains tax)

Alternative 2: Contribute appreciated securities

- Value of donation: \$100,000
- Capital gains tax saved: \$13,500
- Net cost to donor: \$10,000 (initial investment)

Comparing Gifting Methods

Gifting Method	Implementation	Requirements	Costs	Control	Complexity	Continuity
Direct Gift to Charity	Transfer of Cash or Assets	Adequate documentation of gift by donor from the charity	Minimal, possibly discussion with CPA	Complete control in selection of charity, irrevocable donation	Most simple way to make a charitable gift, gifts of securities may take additional planning.	Limited ability to involve family in charitable planning, and limited continuity beyond donor's lifetime.
Donor Advised Fund	Charitable giving fund established by donor.	Make charitable contribution to public charity managing fund. Retain advisory status to make donation recommendation.	Low costs for ongoing administration, management.	Gifts irrevocable but have ability to change manager. Flexibility to get tax deductibility in one year and make distributions in another year. Allows for anonymity.	Simple to establish and can contribute either appreciated securities or cash	Easy to involve family in charitable planning. Can endure beyond donor's lifetime.
Private Foundation	Tax-exempt, non-profit entity controlled by an individual, family or private group	Foundation created for charitable pursuits and is funded with irrevocable gifts to charities. Donor maintains recordkeeping and administration.	Substantial costs for establishing administering, and management. Excise tax on investment income.	Full flexibility in giving, even to other charitable organizations. Donor retains complete control. Must distribute 5% of assets each year to charitable organizations.	Significant regulations, accounting requirements and administration. Can accept multiple asset types for donation.	Can create a family legacy and involve multiple family members. Can exist beyond donor's lifetime.
Charitable Split Interest Trust	Trust to benefit more than one party. Can be a charitable organization & non-charitable beneficiary such as children.	Establish an irrevocable charitable trust. The interests are split with one party receiving "income" interest and the other "remainder" interest. The income beneficiary receives payments from donated trust property. Then, the remainder beneficiary receives the remaining assets in a lump sum.	Initial set-up will take many professional advisors. Costs of administration and management will be ongoing.	Charitable organization and non-charitable beneficiary at designated up-front with terms and timing of gift designated as well. Donor can retain powers as trustee.	Requires significant planning. Income tax and estate tax deductions, much more restrictive. Must file a gift tax-return given the non-charitable beneficiary.	Limited ability to involve family. Can exist beyond donor's lifetime.

Tax Efficient Gifting Methods

Annual Gifting Exclusion

- Most direct gifting method with gifts of cash or property up to \$17,000 given tax free each year. If you are married, you can gift split which doubles the amount a married couple can give (\$17,000 from each spouse for a \$34,000 total gift).
- As of 2022, the lifetime tax free gift amount for individuals was \$12.9 million per person (charitable gifts are not factored in towards this limit).

529 Plans

- 529s can be opened and utilized for anyone who will have qualified education expenses. Most typically these are opened for children to help save for their college education.
- Gifts of cash up to the annual exclusion amount of \$17,000 can be contributed tax free each year to the beneficiary's 529 plan. Appreciated securities are not allowed.
- Most plans allow the ability to front-load the account with five years' worth of annual exclusion gifts, in this case \$85,000 (\$17,000 x 5).

Medical & Education Expenses

- Unlimited amounts can be gifted towards education as long as they are paid directly to the qualified educational institution (exclusion is for tuition only). Appreciated securities are not allowed.
- Unlimited amounts can be gifted toward someone's medical expenses as long as they are paid directly to the qualified medical care provider. Appreciated securities are not allowed.

Gifts to a Spouse

- Unlimited assets can be gifted to a spouse if they are a US citizen and you are legally married. Limits are placed on foreign spouses.

Valuation of Gifts

Appreciated Assets

Cost basis is transferred to recipient if gifted while donor is alive. Inherited assets receive a step-up to the date-of-death value.

Depreciated Assets

In some cases, the recipient will receive a depreciated asset such as a real estate property. If the donor is alive and the asset is sold for less than fair market value. Fair market value at the time of the gift will be considered the cost basis. If the asset is sold for more than original donor cost, the original cost will be used to determine the gain. If the asset is sold between fair value and original cost basis, the gain or loss will be zero. If the asset is gifted at death, the cost basis is stepped down to value of assets on the date of the death. If the asset is sold between fair value and original cost basis, the gain or loss will be zero.



Gifting can be a huge part of anyone legacy and gifts can have momentous impacts on many people's lives. Being thoughtful about gifting is key and should be also beneficial to long-term estate and tax planning.

401k Investing - Roth or Traditional

401k's are great savings vehicles for employees and there are additional tax advantages to these vehicles if properly utilized. First off, most employers usually offer both pre-tax and Roth after-tax accounts. The difference between these is noted below:

- Pre-tax contributions are deducted before income taxes are withheld and as such this reduces your current taxes owed. These taxes will need to be paid on contributions and earnings when you withdraw them in retirement.
- Roth after-tax contributions are deducted after income taxes are paid with the benefit being that in retirement distributions are tax-free.

When deciding if a pre-tax or Roth 401k is right for you it is key to predict what you think your tax rate may be in retirement compared to your current tax rate. In most cases, in your early years of working, your tax rate will be low so utilizing a Roth 401k is usually the best option. Additionally, with the current low tax rates compared to history and the massive debt levels of the US that are increasing at an unsustainable pace, it is likely that taxes will be significant higher in the future. This again points to utilizing the Roth 401k.

Other Considerations

Pre-tax contributions could be better:

- If you would reduce your 401k contributions if you didn't get the tax savings (i.e. you need the extra money).

Roth after-tax could be better:

- If you want to avoid social security taxes (Roth distributions aren't included in Social Security taxation calculation compared to pre-tax contributions which are).
- If you are a high earner and not eligible for ROTH IRA contributions.
- Expect to pass on the account to heirs as an inherited Roth that won't be subject to income tax.

Limits

If you are under 50, you can contribute up to the 2022 IRS limit of \$20,500 (this is a total of both pre-tax and Roth contributions and does not incorporate what the company may match or contribute to your 401k). If you are 50 or older, you can make an additional contribution of \$6,500 for a total of \$27,000.

Qualified Distribution (Roth 401k Only)

Two requirements for a qualified distribution:

- Roth after-tax account has been open for at least 5 years and
- The distribution is after age 59 1/2, or due to death or disability.

There is a lot of flexibility with these plans and you can split your contributions between the pre and post-tax contributions and change these allocations over time.

Pre-Tax 401k and Roth 401k Overview

	Pre-Tax 401K	Roth 401K
Paying Taxes: • Making Contributions • When Withdrawing Contributions & Gains	No Yes	Yes No
Maximum combined annual contribution 2023	\$22,500	\$22,500
Maximum catch-up contributions for 2023 (those over 50)	\$7,500	\$7,500
Earnings limit for highly paid employees	None	None
Distribution included as income in Social Security taxation calculation	Yes	No
Roll over Roth IRA to avoid required minimum distribution	Yes	Yes

One of the key considerations in thinking about pre or post tax accounts is how much time until you expect to retire.

5-10 Years to Retirement

- Pre-tax can be appealing if you believe you will be entering a lower tax bracket and plan on utilizing the money in the account soon rather than later.
- Post-tax can still be attractive if you are not going to be utilizing the money (likely utilized for inheritance and/or would be the last source of funds used during retirement to allow it to grow over a longer period of time).

10-20 Years to Retirement

- If you don't have much in a Roth 401k, this is the time to make this happen (if you can). It will diversify your investment savings and you still have a lot of time to grow the capital tax free.
- Think about converting pre-tax savings to Roth. This is called an In-Plan Conversion and can be very advantageous if done well (see more below).

20+ Years to Retirement

- Pre-tax savings could be the way to go if you need extra money (i.e. down payment on a house, paying off student loans, etc.)
- If you can afford it, Roth is the best option as compounding tax free can be incredibly fruitful over a long period of time.

Tax diversification can help over time and provide the ability to save on taxes and grow assets when taxes may be higher because of higher income.

Pre-Tax Savings	Tax-Free Growth	After-Tax Assets
• Pre-tax 401(k)/403(b) and 457(b) contributions • Traditional IRAs	• Roth after-tax 401(k)/403(b) contributions • Roth IRAs • Health Savings	• Non-retirement accounts such as a bank account • Real estate (e.g., sale of property with capital gains exemption)

Back-door Roth Conversions

Roth conversions allow you to convert a portion or all of your pre-tax account to Roth after-tax dollars. You can do this in multiple phases to take the tax hit over multiple years, lessening a dramatic tax hit and allowing for the possibility of converting in a year where you have less earnings.

Note: For tax-free treatment on money converted, you have to be at least 59 1/2 for withdrawal and it has to be five years since the earliest of the first conversion or first Roth contribution.

HSA Plan Investing: A Hidden Retirement Planning Gem

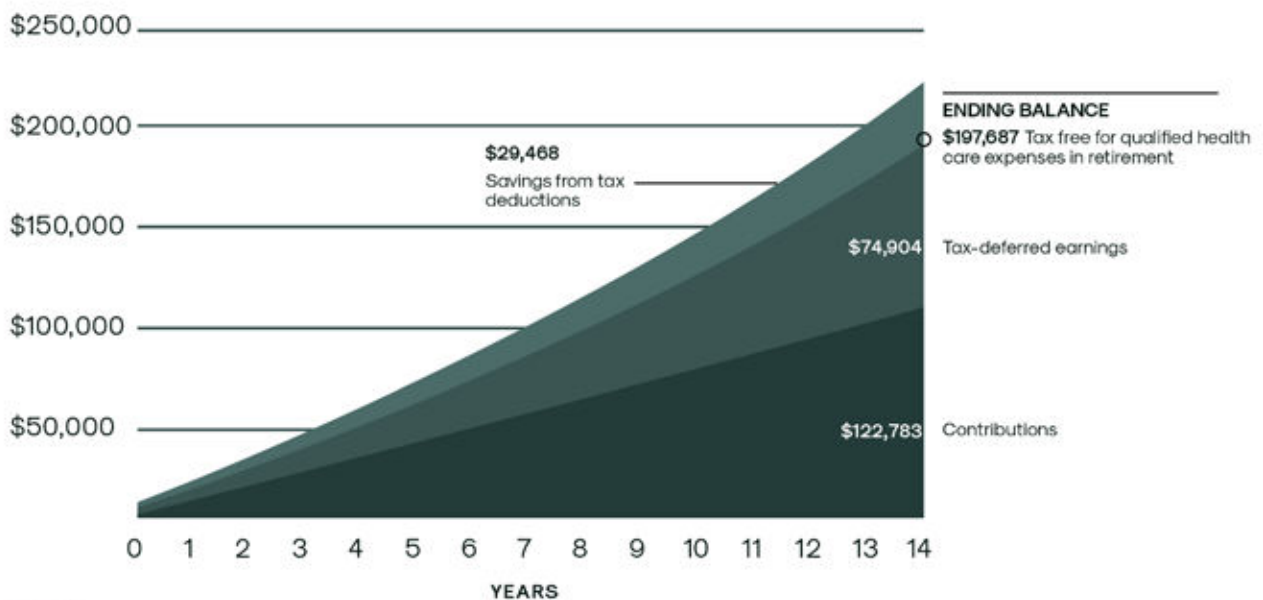
Health Savings Accounts (HSAs) were introduced in 2003 as tax-exempt trust or custodial accounts to pay or reimburse many medical expenses as they occur. Unlike a flexible spending account (FSA), the funds in an HSA roll over to the following years when not spent. These are likely the best and least known place to stash away capital for retirement and get rewarded with tax deductions both in the contributions and then the tax free withdrawals at retirement.

As noted above there are incredible benefits to utilize HSAs.

- Triple Tax Preference:
 - Contributions reduce taxable income as well as social security and Medicare taxes.
 - Earnings accumulate tax free
 - Distributions are not subject to taxation when used for medical expenses / (some restrictions apply)
- HSAs stay with the person even when they change employers and/or leave the workforce
- HSAs funds can be used at retirement

Health Savings Account (HSA) savings are triple tax advantaged

Maximum annual family contributions, 6%
return and 24% marginal tax rate



Source: JP Morgan

Must have a qualifying high-deductible health plan to make contributions. Funds in the HSA may be withdrawn tax free for qualified medical expenses unless a credit or deduction for medical expenses is claimed. After age 65 funds also may be withdrawn at ordinary income tax rates without penalty for any reason. Some health insurance premiums may be qualified expenses such as COBRA coverage, coverage while receiving state or Federal unemployment compensation, Medicare Part B and D premiums and qualified long-term care insurance premiums up to certain limits, but excludes Medigap / Medicare supplement policies and most long-term care policies that include annuity income or life insurance. See IRS Publications 969 and 502. This is not intended to be individual tax advice; consult your tax advisor.

The above example is for illustrative purposes only and not indicative of any investment. Does not include account fees. Present value of illustrated HSA after 15 years is \$146,885. Estimated savings from tax deductions at a 37% marginal rate are \$45,430. Assumes cash or income used for health care expenses is not withdrawn from an account with a tax liability. The example assumes the HSA is fully invested; if \$2,000 was held in a cash account, the illustrated cumulative HSA account value would be \$197,687 is projected to be enough to fund about 13 years of projected average qualified Medicare-related health care expenses for a couple.

Qualifying for an HSA:

- Have to utilize a high deductible plan (HDHP)
 - Monthly premiums will be lower, but out of pocket costs are much higher until you meet the deductibles. Many employers make it cheaper to have a HDHP than a PPO by contributing to the HSA an amount based on if the employee has to meet a self-only or family deductible.
 - Many hold-outs that like the mental security of the PPO plan worry about the costs if they have a medical emergency. In most cases, healthy individuals and families really do spend significantly less than the deductible in most years and as noted above, employers understand the additional cost of emergencies under HDHP and try to make up for this with additional contributions that actually make it a better deal than the PPO.
- Have to have no other health coverage
 - Cannot have additional health coverage that is not HDHP
 - You are still eligible if your spouse has a non-HDHP but you are not covered under it.
- Not enrolled in Medicare (still can utilize contributed funds from HSA)
- Not claimed as a dependent on anyone's tax return

2023 Contribution Limits

- Maximum annual contribution is \$3,850 for an individual and \$7,750 for a family
- Additional contributions of \$1,000 are allowed if you are 55 or older and not enrolled in Medicare

Flexible Spending Account (FSA)

- You can't contribute to an FSA if utilizing a HSA
- Still can contribute to a limited purpose FSA such as a one utilized for dependent care or vision/dental care
- Cannot "double-dip" by trying to get reimbursed by both HSA and LPFSA to cover same qualified expense

Distributions from an HSA

- Medical expenses are paid up to the deductible of the HDHP
- You may utilize the HSA to pay for medical expenses or pay these out of pocket

Most medical and dental expenses are qualified under an HSA plan. Additionally, prescription medication and over-the-counter medications for which you have a prescription are also covered. Under the CARES act, certain medications such as pain relievers and allergy medications are covered.

Qualified expenses could be incurred by you, your spouse, and all dependents you claim on your tax return.

IRS Qualified Expenses (see IRS Publication 502 for further details)

- | | | |
|---|--|--|
| - Acupuncture | - Feminine Hygiene Products | - Special Education Services for Learning Disabilities (Recommended by Doctor) |
| - Ambulance | - Fertility Enhancement (including In-Vitro Fertilization) | - Speech Therapy |
| - Artificial Limbs | - Flu Shots | - Stop-smoking Programs (includes Nicotine Gum or Patches, if prescribed) |
| - Artificial Teeth | - Guide Dogs | - Surgery, excludes Cosmetic |
| - Birth Control Treatment | - Hearing Aids & Batteries | - Vaccines |
| - Blood Sugar Test Kits for Diabetics | - Infertility Treatment | - Vasectomy |
| - Breasts Pumps and Lactation Supplies | - Inpatient Alcoholism Treatment | - Vision Exam |
| - Chiropractor | - Insulin | - Walker, Cane |
| - Contact Lenses & Solutions | - Laboratory Fees | - Wheelchair |
| - Crutches | - Laser Eye Surgery | - Wig |
| - Dental Treatments (including X-rays, Cleanings, Fillings, Sealants, Braces and Tooth Removal) | - Medical Alert Bracelet | - X-rays |
| - Doctor Office Visits & Co-Pays | - Medical Records Charge | |
| - Drug Addiction Treatment | - Midwife | |
| - Drug Prescriptions & Some OTC Drugs | - Occlusal Guards to Prevent Teeth Grinding | |
| - Eyeglasses (Rx & Reading) | - Orthodontics | |
| | - Orthotic Inserts (Custom or Off the Shelf) | |
| | - Oxygen | |

Ineligible Medical Expenses

- Baby Sitting, Childcare, and Nursing Services for a Normal Healthy Baby
- Controlled Substances
- Cosmetic Surgery
- Dancing Lessons
- Diaper Services
- Electrolysis or Hair Removal
- Funeral Expenses
- Future Medical Care
- Hair Transplant
- Health Club Dues
- Golf Club Dues
- Household Help
- Illegal Operations and Treatments
- Insurance Premiums
- Maternity Clothes
- Medicines and Drugs from other Countries
- Nonprescription Drugs and Medicines
- Nutritional Supplements
- Personal Use Items
- Swimming Lessons
- Teeth Whitening
- Veterinary Fees
- Weight-Loss Program

CARES Act Changes

- Allows for telehealth coverage until December 31, 2022

Other Items to Consider

If any portion of a distribution is used for non-qualified medical expenses, that portion is subject to income tax PLUS 20% Penalty!! There is no penalty if the distribution was taken after reaching age 65 or after becoming disabled.

If the HSA holder dies:

- HSA will transfer to spouse if they are beneficiary
- If there isn't a designated beneficiary, the accounts stops being an HSA and the fair market value becomes taxable to the beneficiary in the year of death.
- If the HSA goes to the estate, the value is reported as income on the final income tax return

Additional insurance for the following items is okay even with an HSA:

- Liabilities incurred under workers compensation laws, torts, or ownership or use of property
- Specific disease or illness
- Fixed amount cost for hospitalization
- Vision, dental, accident, disability, and long-term care insurance wouldn't disqualify an individual

Maximizing Your HSA

- Try to pay for medical costs outside of your HSA and use your HSA as another retirement vehicle.
- Make sure to invest your HSA. It is best to try and get broad diversification like the rest of your portfolio. Begin as soon as you can to take advantage of compounding.
- If the goal is to minimize taxes and maximize savings, max out your HSA contributions before 401k contributions. This will obviously need to be weighed versus loss of 401k contribution match from your employer, but in many times HSA still makes sense.

Behavioral Finance

"Great investors are those who are generally less affected by cognitive bias than the general population, learn about biases and how to cope with them, and put themselves in a work environment that allows them to think well."

— Thorsten Hens and Anna Meier
of Behavioral Finance Solutions

A subject that has been broached and become more mainstream over the last decade has been that behavioral finance has a large impact in how investors make decisions. However, for most investors and investment processes, the subject continues to hang on the outskirts and is not readily implemented or observed. This section hopes to shine a brighter light on something that should be an aspect of every eventual investment decision, not to be all encompassing or to cause inertia, but to reduce behavioral errors that can have major implications on your portfolio and financial goals.

This section will first and foremost discuss what behavioral bias look like in investors, while also extrapolating on ways to mitigate this bias in order to provide better investment outcomes. The ultimate goals that we hope this section will instill in investors is first a recognition of our own bias and those of investors in which we have allocated financial resources too, and; secondly, being cognizant of the mistakes made as a result of these biases and taking judicious steps to avoid them in the future.

Traditional Finance Theory and the Evolution to Prospect Theory

Traditional finance theory has been based on utility theory, where investors are risk averse and feel diminishing marginal utilities of wealth (i.e. as wealth increases, they are less likely to take risk). Unfortunately, utility theory is based on unrealistic expectations such as:

01 Completeness:	Choices and preferences are known
02 Consistency:	Rankings are applied consistently
03 Independence:	The level of satisfaction with investments is additive and stated
04 Continuity:	The point of change in investor attitudes can be accurately determined

While these were used to for simplicity reasons, they were not able to be as practically implemented in investment processes. This led academics, mostly psychologists, to review specific and observable investor behaviors that persist over time which came to be known as behavioral finance.

Academics Daniel Kahneman and Amos Tversky's were not satisfied with the practicality of utility theory, and instead proposed Prospect Theory, which postulated that the significance of investor losses has the greatest impact on the utility perceived by investors. Basic assumptions of Prospect Theory include:

01	Investors are concerned with the perceived gain or loss (changes in wealth), not the level of wealth.
02	Gain or loss depends on a specific reference point, usually either a year-end price or the original cost.
03	Gain or loss is only considered after being realized.
04	Low probability events are given too much weight in decision making (i.e. investors like to believe that something can happen, even though it may there may be a slim chance of it actually happening).

The result is that prospect theory assumes investors are risk averse when facing gains (and therefore sell winners too soon) but loss averse and risk seeking when facing losses (and therefore hold losers too long). This is also called disposition affect and it can have massive negative implications on the portfolio returns over time. As an example, it is often that "deep value" managers made a wrong determination about a stock and its future prospects, but continue to hold it in order to not face the realization that something they did was wrong. Most of the time this means changing the underlying thesis to present a more rosy picture of a company's prospects and ability to get out of the rut they are currently in.

Herbert Simon proposed Bounded Rationality as "the idea that when individuals make decisions, their rationality is limited by the available information, the tractability of the decision problem, the cognitive limitations of their minds, and the time available to make the decision". Essentially, we are not machines and have limitations on the amount of data we are able to process at any one point in time. We are also shaped by experiences and are not necessarily always rational. This leads to the process of satisficing or accepting the most satisfactory option based on the data we have been able to process and our prior experiences.

Behavioral Finance Basics

Behavioral finance is the process of reviewing how cognitive limits and emotional bias affect us as investors. The goal is to make sure that we have a strong understanding of how these will affect us so as to have the highest probability of investment success and not making significant and irreversible financial mistakes.

Behavioral finance assumes investors exhibit three other major characteristics which are loss aversion, biased expectations and they construct portfolios via asset segregation (bucketing investments into certain areas instead of looking at the portfolio as a whole). We will discuss each below, but in general, individual

investors overestimate their ability to forecast the future. This overestimation isn't just relegated to the world of personal finance, but most people overestimate their abilities in multi-facets of life: 75% of employees believe they are above average, which as you can see is an impossibility. Relatively the same statistic applies to people who believe they are better drivers even when their traffic and accident record say differently.

The most common behavioral finance mistakes are below and fall into the category of belief perseverance:

Conservatism Bias

A view is formed based on initial information and then maintained.

Example: Investors are slow to update views and may hold securities too long and/or they are not willing to update their view based on new and/or better information.

Mitigation: Investors need to consistently seek new information and alternative views.

Confirmation Bias

Only information that supports the initial view is sought or considered.

Example: Can lead to under-diversification and over-concentration in employer stock as an employee believes they have better information. In most cases, they won't even seek out disconfirming or differentiated views to theirs.

Mitigation: Seek out contrary information and alternative methods of analysis.

Illusion of Control Bias

Individuals assume they can influence the outcome even when they cannot

Example: Trade too quickly and under-diversify while not fully assessing the risk they are taking.

Mitigation: Apply probabilistic analysis (what could happen during different market conditions), consider alternative views and worst case scenarios.

Hindsight Bias

Selectively remembering what was known or done in the past.

Example: Most people believe they are a better investor than they actually are. They usually forget their losses, and remember their wins while ascribing that the winners did much better than the losers.

Mitigation: Keep and review records to determine successes and failures. Benchmark your account performance. Don't confuse your capabilities with a positively trending market (most people feel smart when the market is going up).

Cognitive errors are patterns of thinking that distort how we approach a subject or decision. Try to diligently review and recognize your own cognitive errors in order that we may not fall victim to them in the long-term pursuit of your financial goals.

A brief list of the most common cognitive errors that we look to identify are as follows:

Anchoring and Adjustment

This is the act of focusing on an initial piece of information and actively ignoring new evidence that may be contrary to this initial view.

Example: You invest a significant portion of your wealth in the next hottest trend but it is clear based on news and data that the sector has become overvalued and the prospects may not be as great as was once thought.

Mitigation Tactic: Determine how the analysis and/or conclusion would change if you had never made the investment and were looking at it for the first time right now.

Mental Accounting Bias

Funds are categorized into separate buckets and categorization depends on how the funds will be used.

Example: You have multiple buckets of retirement assets (i.e. 401k, IRA, brokerage account) that are invested in very different fashions and with highly different risk profiles even though they are all going to be used for financial goals and retirement.

Mitigation Tactic: Look at the total return and risk of the overall portfolio. Ask: Are you appropriately diversified? Are you being too aggressive in some of the accounts?

Framing bias

Information is perceived differently based on how it is presented.

Example: A person may have a more positive view of an investment idea or theme if it was presented in a more interesting fashion, highlighting favorable metrics, and glossing over negative metrics.

Mitigation Tactic: Focus on expected risk and return, would you still be interested if it hadn't been presented in an interesting format.

Availability Bias

The ease of recalling a data point leads to an increase in that data points importance.

Example: Making choices based on irrelevant information and inadequate diversification (i.e. I heard on CNBC that this company is going to be the "leader" in this particular sector contrary to the data and contrary to the company's own capabilities).

Mitigation Tactic: Follow a disciplined investment process where theses and data points are thoroughly documented and reviewed in the process of decision making.

Emotional errors are a result of the tendencies and preferences you have built over time. Think of it as your "gut reaction" to a problem. This is embedded in you and as such is actually the hardest to recognize and change.

A brief list of the most common emotional bias include:

Loss Aversion Bias (prospect theory)

Realized losses are more painful to investors than realized gains.

Example: Selling winners may reduce upside and holding losers may increase risk.

Mitigation Tactic: Would you be willing to purchase this position today at the current price? This can be effective in selling losers where you feel "I just want to get back to even" which is an opportunity cost for other places you could utilize the money. This is also effective in knowing when something is overvalued "I wouldn't buy this stock at this valuation today" but you are holding it in your portfolio so it is likely time to trim or sell.

Overconfidence Bias (illusion of knowledge)

Believing that you know more than you actually do.

Example: An investor's perception that they understand more about a particular company than other investors. This is a very common error among all investors. It is also one of the most serious given that it can lead to an underestimation of risk and an overestimation of return. This can manifest itself in a number of different ways including prediction overconfidence (i.e. overestimate accuracy of models) and certainty overconfidence (i.e. overestimate possibly of an acquisition)

Mitigation Tactic: Maintain and review investment thesis on a regular basis. Look for information that disproves your thesis which is much harder to do as people usually look for information that confirms their beliefs.

Self-Control Bias

Lack of self-discipline. Short-term satisfaction takes precedence over long-term goals.

Example: An investor may feel the need to increase and/or reduce the risk of their portfolio in order to hit a particular goal and/or make up for a prior loss in the portfolio.

Mitigation Tactic: Before making a change to your investment plan, make sure it is matching up with the long-term goals of the plan and not possibly jeopardizing the plan through making a poor investment decision.

Status Quo Bias

Investor not making a change as they are comfortable with what they currently own.

Example: Markets evolve and what worked one decade or year is not likely to work in the same way in the future. This could be the case with an investor ignoring private markets in favor of large cap US equities and/or ignoring the fact that fixed income has a very low chance of meeting that investor's retirement goals but keeping it as a sizeable part of the portfolio.

Mitigation Tactic: Review portfolio versus broad opportunity set. Ask: Do valuations look better in other asset classes? Are there areas of my portfolio that may not produce the returns that meet my long-term goals?

Endowment Bias

Feeling that what is owned is better than what could be own. This could be based on some sense of loyalty.

Example: Holding onto stocks and bonds even and not diversifying given you are comfortable with these asset classes.

Mitigation Tactic: Review the risk, return and correlation of other assets classes in the market.

Behavioral decision making can be the difference between poor returns and great ones. This is why it is key to have a thoughtful long-term plan for your investing and stick to it through good and bad market environments.

Managing Risk

Managing risk is an often-overlooked part of an individual's financial plan and for the most part many individuals are taking much higher risks than they even realize. This can come in the form of buying individual stocks, investing in the newest fad or hottest ETF, and/or having a home country bias where they invest the significant portion of their net worth in only one country. The last is rather common in that many individuals will put the majority of their liquid net worth into US stocks. The theory goes, "well the US is the most innovative country in the world so the stocks will do better than all other countries over time". While innovation is highly important, it does not always play out that the most innovative country is always the best performing from a stock market perspective.

All this means is that we extrapolate events based on the most recent happenings. As for the performance of the US, we see the last 10 years of extraordinary returns and assume this will happen into the future. Now, what if I asked you: what were the returns in US from the 2000 to 2010? It was a total return of 0%. So if you had your money exclusively invested in the US over this 10 year period, you would have made nothing and that includes dividends because actual stock returns were partially negative over this period. This fact surprises so many investors but this is what can happen over time and we need to be thoughtful that the current trends will evolve and change so it is best to be diversified.

We as humans have many biases that we don't recognize or choose not to recognize, one of which is recency bias.

Ways to diversify:

- Diversify across asset classes: Invest in numerous categories including stocks, bonds and cash equivalents.
- Diversify within asset classes: Choose a variety of investments within the same asset class. Buying small and mid-cap to diversify away from just large cap holdings. Don't just hold a technology index. Make sure to diversify internationally to provide for a broad range of outcomes.

What this should do over time is allow your portfolio to better withstand the swings of the market.

See the quilt chart on the next page to understand how assets classes can perform very different year to year.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	ANNUALIZED RETURN	
BEST	Commodities 25.91%	Small/ Mid Cap 45.51%	REITs 36.41%	Commodities 21.36%	REITs 34.35%	Commodities 16.22%	Bonds 5.24%	Large Cap Growth 17.21%	REITs 27.58%	Bonds 7.84%	REITs 20.14%	Small/ Mid Cap 36.96%	REITs 27.02%	Large Cap Growth 1.67%	Small/ Mid Cap 17.09%	Large Cap Growth 33.21%	Cash 1.38%	Large Cap Growth 36.39%	Large Cap Growth 36.49%	REITs 39.88%	Large Cap Growth 10.86%	
	Global Bonds 16.53%	International 36.98%	International 26.22%	International 11.54%	International 26.34%	Large Cap Growth 11.81%	Global Bonds 4.79%	Small/ Mid Cap 34.19%	Small/ Mid Cap 26.71%	REITs 7.22%	Small/ Mid Cap 17.88%	Large Cap Growth 33.46%	Large Cap Value 13.40%	REITs 2.25%	Large Cap Value 17.34%	International 25.03%	Bonds 6.01%	REITs 38.07%	Small/ Mid Cap 19.91%	Large Cap Growth 27.60%	REITs 12.77%	
	Bonds 10.23%	REITs 38.47%	Small/ Mid Cap 18.39%	REITs 8.20%	Large Cap Value 22.25%	International 11.17%	Cash 1.30%	International 31.39%	Commodities 16.80%	Global Bonds 5.64%	Large Cap Value 17.51%	Large Cap Value 32.55%	Large Cap Value 13.26%	Bonds 0.55%	Commodities 11.77%	Small/ Mid Cap 16.81%	Global Bonds 1.25%	Small/ Mid Cap 27.77%	Diversified Portfolio 10.58%	Commodities 27.11%	Small/ Mid Cap 10.30%	
	REITs 5.32%	Large Cap Value 30.02%	Large Cap Value 16.49%	Small/ Mid Cap 8.11%	Small/ Mid Cap 16.57%	Global Bonds 3.48%	Diversified Portfolio 27.54%	REITs 27.45%	Large Cap Growth 16.77%	Large Cap Growth 2.64%	International 17.32%	International 22.76%	Small/ Mid Cap 7.07%	Cash 0.23%	REITs 9.39%	Large Cap Value 13.96%	Large Cap Value -1.51%	Large Cap Value 26.54%	Global Bonds 9.20%	Large Cap Value 25.10%	Large Cap Value 8.24%	
	Cash 1.72%	Large Cap Growth 29.25%	Diversified Portfolio 14.88%	Diversified Portfolio 7.92%	Diversified Portfolio 15.02%	Bonds 4.91%	Commodities -23.85%	Diversified Portfolio 23.72%	Diversified Portfolio 15.75%	Large Cap Value 0.39%	Large Cap Value 15.26%	Diversified Portfolio 13.41%	Bonds 3.33%	International -6.81%	Diversified Portfolio 8.72%	Diversified Portfolio 13.21%	REITs -6.12%	International 22.01%	International 7.62%	Small/ Mid Cap 18.18%	Diversified Portfolio 7.26%	
	Diversified Portfolio -2.31%	Diversified Portfolio 27.25%	Global Bonds 3.27%	Large Cap Value 7.25%	Large Cap Value 8.07%	Cash 4.74%	Small/ Mid Cap -38.77%	Large Cap Value 13.09%	Large Cap Value 15.51%	Cash 0.88%	Diversified Portfolio 15.22%	REITs 3.21%	Diversified Portfolio 5.32%	Small/ Mid Cap -7.36%	Large Cap Growth 7.08%	REITs 9.27%	Diversified Portfolio 5.36%	Diversified Portfolio 30.32%	Bonds 7.55%	Diversified Portfolio 17.45%	International 6.33%	
	Large Cap Value -15.02%	Commodities 23.05%	Commodities 9.15%	Large Cap Growth 5.38%	Global Bonds 6.64%	Diversified Portfolio 4.69%	Large Cap Value -35.80%	Commodities 18.51%	International 7.75%	Diversified Portfolio -6.56%	Global Bonds 4.32%	Cash 0.85%	Global Bonds 8.39%	Global Bonds -3.15%	Bonds 2.65%	Global Bonds 7.39%	Large Cap Value -6.27%	Bonds 8.72%	Large Cap Value 7.80%	International 11.26%	Global Bonds 4.42%	
	International -15.94%	Global Bonds 12.51%	Large Cap Growth 6.39%	Cash 3.26%	Cash 4.76%	Small/ Mid Cap 1.38%	REITs -17.84%	Global Bonds 6.53%	Bonds 6.54%	Small/ Mid Cap -2.51%	Bonds 4.21%	Bonds -2.52%	Cash 0.03%	Diversified Portfolio -3.31%	Global Bonds 2.09%	Bonds 3.54%	Small/ Mid Cap -10.30%	Commodities 7.68%	Cash 6.16%	Cash 0.01%	Bonds 4.31%	
	Large Cap Mid Cap -17.80%	Bonds 4.19%	Bonds 4.34%	Bonds 2.40%	Bonds 4.3%	Large Cap Growth -51.71%	Large Cap Growth -36.64%	Bonds 5.59%	Global Bonds 5.54%	International -12.14%	Cash 1.07%	Global Bonds -2.46%	International -4.59%	Large Cap Value -2.82%	International 1.00%	Commodities 1.70%	Commodities -11.29%	Global Bonds 6.84%	Commodities -3.12%	Bonds -1.54%	Commodities 1.76%	
	Large Cap Growth -27.38%	Cash 1.97%	Cash 1.03%	Global Bonds -4.49%	REITs 2.07%	REITs -17.83%	International -43.88%	Cash 0.16%	Cash 6.13%	Commodities -13.32%	Commodities -1.94%	Commodities -9.52%	Commodities -17.81%	Commodities -34.66%	Cash 0.27%	Cash 0.94%	International -13.79%	Cash 2.23%	REITs -5.94%	Global Bonds -4.77%	Cash 1.23%	
WORST	MARKET SEGMENT	REPRESENTED BY					STANDARD DEVIATION					MARKET SEGMENT	REPRESENTED BY					STANDARD DEVIATION				
	- Cash - Bonds - Global bonds - Diversified portfolio - Large Cap Value stocks	FTSE 3-month T-bill Index ¹ Bloomberg US Aggregate Bond Index ² Bloomberg Global Aggregate Bond (Unhedged) ³ Equal allocations of all segments disclosed herein, excluding cash Russell 1000 ⁴ Value Index ⁵					0.42 3.36 3.45 11.05 15.32															

IMPORTANT RISK CONSIDERATIONS

The historical performance of each index cited is provided to illustrate market trends; it does not represent the performance of a particular MFS investment product. It is not possible to invest directly in an index. Index performance does not take into account fees and expenses. Past performance is no guarantee of future results. The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, consult an investment professional. For more information on any MFS product, including performance, please visit mfs.com.

See next page for important information

Rebalancing your portfolio back to long-term strategic targets is key over time as noted above, asset classes can have very different returns and many times, asset classes that were at the top of the chart one year are not the next. This will also reduce the risk of your portfolio over time. I would recommend rebalancing every six months in normal market conditions. If the market is very volatile it may be worth rebalancing sooner (i.e. in March of 2020, equities sold off significantly, so rebalancing weight from fixed income to equities would have provided strong returns through the remainder of the year). In some cases, there is the ability to sign-up for automatic rebalancing which is usually done quarterly. Further, if you utilize target date funds, these will do it automatically for you.

32

Resources

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