Ep99: Financial Decision-Making During Times of Crisis

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Today's episode is a special rebroadcast of an economic presentation Patti gave to the oldest and largest law firm in Delaware. During this presentation, Patti outlined specific financial strategies that young Associates, as well as seasoned Partners and Directors, should consider implementing during this very volatile economy. Drilling down to the various stages of life is also critical when making certain decisions because each stage also has its own particular financial challenges. Rising inflation, potential interest rate hikes, and the turbulent real estate market is also affecting financial decision-making. This episode is not just for attorneys – the issues discussed, and strategies offered, apply to any industry – especially during times of economic crisis.

PATTI BRENNAN: Hi, everybody. Welcome to the "Patti Brennan Show." Whether you have $20 or 20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best lives.

I was recently asked to provide a presentation to the largest and oldest law firm in Delaware and talk about the different phases of life that people go through and the important decisions that we all have to make in those different seasons.

"How do we prioritize? What do we do first, second? What do we need to think about as we are making these choices? Then, what are we going to do?"

It occurred to me that, "Boy, you might like hearing about this, too...." There's a lot going on. We've got Russia, Ukraine, rising interest rates, weakened inflation, retirement planning. This is a podcast where we bottle that up. If you have access to a computer, fire up your computer because there's a lot of graphs that will help to laser into the concepts that I'm talking about.

Again, the whole goal here is to inform, educate, and give you actionable ideas that you can do. I'm so grateful you're here. Thank you for joining me. I hope you really enjoy this as much as I enjoy doing it.

SARAH: Thanks. Everyone, please join me in welcoming Patti to our firm. Patti is the CEO of Key Financial Inc., in West Chester, Pennsylvania. As some brief background, after graduating from Georgetown University with a degree in nursing, Patti worked in oncology and as an

ICU nurse before channeling her compassion for others to work as a financial planner.

Just over 30 years later, she has been named by "Forbes" as the number 1 female advisor in Pennsylvania and the number 13 female advisor in the nation. She's also a Barron's Hall of Fame advisor, which is a recognition held only by 150 men and women in the nation.

Today, Key Financial provides comprehensive financial and planning and portfolio management to clients and their families all over the country and manages under two million dollars of assets under management with the client retention rate of 99 percent.

With that brief introduction, I'll pass it off to Patti for her presentation.

PATTI: Thank you so much, Sarah. It's such an honor. By the way, I didn't realize that you all are going to be getting CLE credits. That's pretty nice. I had no idea.

Hopefully, you will find that it is worth that and more by the end of this meeting today. I think I will bring up my screen and start the screen sharing, and we'll go from there.

Today, I want to focus this in terms of what is the best way, how do you prioritize financial decisions? There are so many things that are screaming for everybody's limited resources. What do you do first? What do you do second?

We were talking offline. I don't know about you all, but I find a lot of times you go to these things, and they tend to be wishy-washy. I hope by the end you're going to have much more clarity and at least some things that you might want to consider.

First and foremost, we're going to talk about the four stages of life. Depending on what season of life you're in, the priorities are going to change as will what you do. Let's first identify those 8,000 days per stage. We'll talk a little bit about what's happening today.

I was listening to Chairman Powell talking about the 50 basis points increase in interest rates that he just announced. What impact is that going to have, how is the economy doing, and, by the way, what, if anything, should you be doing about it?

Last but not least, we're going to be talking about financial planning, financial advisers in general, and I really want to talk a little bit more about the difference between financial planning and wealth management. The latter, wealth management, it sounds really fancy. It almost sounds like a marketing term, but it's not the same thing. Let's hone in on that and differentiate the two.

Then, get your pencils ready to write some things down, because throughout the meeting today, and certainly at the end, I'm going to end with some action items to consider, some ideas that might make a difference in your lives.

We'll also end with some Q&A. If you have any questions, write those down as well. I am all yours and I mean that from the bottom of my heart. This time is for you. Even if you have questions after the fact, send me an email. I'm happy to help.

Also thanks to Sarah. It's a wonderful relationship that we have developed over time. Anything that you might need, just let me know.

As we go forward, again, four stages of life. Ironically, it's about 8,000 days per phase. This is according to the work of Dr. Joseph Coughlin. He's the director of MIT Age Lab. I happen to be on the board of the lab.

I've got to tell you guys, it is the coolest thing I get to do. We're learning so much about longevity and the different decisions that we are making in these different phases of life.

The first phase is the learning phase. That's from the ages of about 0 to 22. Now, we're not giving economics lessons to these two-year-olds. But - there's a lot, to be said, for piggy banks and simple math problems.

I was on a radio show a couple of years ago. It was a really interesting show. I didn't listen to it before I did it. The premise of the show was our path in life is ultimately determined by the experiences we have from the ages of 8 to 14.

Think about that, if you're a parent, in terms of, "Gee, what are we exposing our kids to?" This radio show was crazy. This host was asking me, "Tell me about your family? Did your mom work? Did your dad work? What did they do? What was your first job? Etc."

It was very clear that being one of seven children, and the fact that my parents always talked about money, that I grew up financially insecure. The host then said, "Isn't it any wonder that you became a financial planner?" What we expose our children to in those years, it may have more impact than you may even realize.

The learning phase, 0 to age 22. Then, we get into the growing phase. This phase is also 8,000 days, from the ages of about 22 to 44. There's a lot going on here. College is in a person's future. They're graduating from college, maybe going to grad school. They're growing, and a lot of important decisions are being made along the way.

For example, "Hey, you just graduated, TWIYO." That's my replacement for YOLO. The world is your oyster. You're living independently, making money once and for all, loving life. You might have some of those student loans. What do you do with those? How do you pay them off? The interest rates are way too high? What are the options there?

Of course, you still want to go and have Thirsty Thursdays. That's life. You want to keep on doing that stuff. Of course, for many people who are in partnership, it's time for the ring. I don't know about you guys. I don't know if anybody is in my generation.

I was surprised that this new rule of thumb that one partner is supposed to spend three months of salary on a ring. That's a lot of money. In any event, it's a big-ticket item. How are you going to save for it?

Last but not least, retirement. Again, young professionals, "It is way off in the distance. I could care less. I'll deal with that when I get closer to it. I'm having fun. YOLO, TWIYO, whatever." I'm going to stop you right here. I'm going to say, "OK. Guys, we got a line in the sand. 11 percent. You just got to do it. Put 11 percent into your 401(k). Don't even think about it, just do it."

You might say, "Well, Patti, why 11 percent? Why not 10 or just going up to the matching contribution?" 11 percent has value in my mind because it's one in one. You're number one. You can borrow for almost anything. You cannot borrow for retirement. Think about yourself first. The second one is for a partner.

11 percent, line in the sand, just do it. Don't think about it. You will thank me when you're 50 years old, 55 years old, when maybe – here's an idea – maybe you can look back and say or look at things and say, "Gosh, I'm working because I want to, not because I have to."

It's because of what you did in your 20s and early 30s that can make all the difference in your lives. I'm going to go through and give you not only that little nugget. I'm going to show you why. 11 percent into 401(k).

Now, you might say, "Well, I got this six-figure student loan from law school. How am I going to do 11 percent, then pay off that debt, etc.? We all know it's a big issue. Also, keep in mind that President Biden would like to do some loan forgiveness on student loan debt. Time will tell what gets passed.

It's not going to be $50,000 loan forgiveness, and whatever does get passed, it will probably be a taxable event to you. With student loans, I would say, continue to make your payments. Consider maybe refinancing with any one of these outside parties, if you will. I was surprised. We did some research on this.

These are specifically for law school loans, and they are specifically refinancing rates. For example, with Sallie Mae and a couple of these, you're still possibly going to be able to qualify for about three and a half percent fixed. Earnest is down to 3.24 percent fixed.

If your interest rate is higher than that, you may want to give these companies a call and see if you can possibly consolidate, refinance, etc. You know that, as people evolve in that phase, a lot of stuff is going on. You might still have that student loan debt.

You might be thinking, "Oh, I want to save for a down payment on a home. How much should we buy? How much should I buy? What can I afford? Is now the time to do it? Housing's gone nuts, interest rates are now approaching six percent. Is this the time?"

Then of course, if you're married and you're beginning to start a family, there is the childcare. That's a pretty big nut for a lot of young family. Childcare expenses are going to pop up. You see what's happening. As we get older, there are more and more things that are screaming for your attention and your resources.

The other thing is your career. Your career trajectory. I believe that childcare, for example, is a great investment in your career. The reason for that is, I know I've got four kids. I can tell you when I had good childcare, I was focused at work. I could get things done. I wasn't worried about the kids.

When we didn't have great childcare, I was running back and forth to the house. I was worried about the kids. I wasn't doing quite the job I could have been doing. Last, but not least, some people are already thinking about saving for college education for their children, and retirement, of course. That line is still there. Always 11 percent.

Lots of different things are evolving as we get older. I'm going to stop here and let's talk about a few fundamentals that you may already know. If you know it, great. If you don't, it's important we hone in on this stuff. Hopefully, I'm going to explain it in a way that makes it easy to understand.

First and foremost, it's the thing of compounded returns. Why did Einstein called compounding the eighth wonder of the world? It's because it's a big deal, but it doesn't work the way people think it does. We're going to hone in on that. There's more of a hockey stick phenomenon. I want you to remember this graphic of the dominos.

These dominos, it's interesting. I think it was Gary Keller in his book, "The ONE Thing." He said, "One small action, tapping that first domino creates an impact. Clap, clap, clap, clap, clap, clap, clap. All the dominoes go down." That's the way your financial decisions can work as well. There is always a domino effect.

For example, you put more money into your 401(k), it saves taxes. When you save taxes, you've got increased cash flow. You have increased cash flow. You can save for other things. You can get quality childcare. There is a domino effect in everything that we do. There's this thing called taxes.

What's the impact of taxes on that domino effect, and the ability to compound wealth over time? This is the rule of 72. Quick and easy way for you to figure out how many years is it going to take for you to double your money? If you're earning six percent into 72, every 12 years, your money will double.

What you see here on this graph is, money doubling. It's showing an eight percent rate of return and money doubling every eight and a half. Actually, it's nine and a half years. What you see there is, it looks very linear. That's not the way it works. The way it works is this. You got $100,000. In nine and a half years, you got $200,000.

It doubled. How long does it take to make the next $100,000? Not nearly as long. Closer to five years. The next 100, the next 100. Look at that. In fact, it's so differently, you can see here. Your investment was $100,000. The longer you have that in there, the quicker it accrues the next $100,000.

Again, your money is the first 100. What happens is, your money, the earnings on your money is also making money. That's compounding. It's awesome. How about a year and a half to make $100,000 over this period of time? For most of you, especially when you're starting out, it's hard to keep the hope alive.

You're putting the money away, you're putting the money away, and it doesn't feel like it's growing to be millions of dollars. I'm going to tell you, keep doing it. Do it, do it, do it. It's like that hockey stick. It doesn't feel like much, it doesn't feel like much. Beginning to accrue, beginning to accrue.

Then all of a sudden, boom, it takes off. That's the way that compounding works. Oops, I'm going to go back here. I'm going to do a little game with you guys. I want you to think about this. I want you to mentally figure out a number. Let's say that you have a penny, and the penny is going to double every day for 30 days.

At the end of 30 days, how much money do you have at the end of the term? A penny doubles every day, for 30 days. What do you have after a month? I want you to lock in a number. Is it 50,000? Is it 200,000? Hopefully, you guys are all sitting down, because you need to be sitting down.

At the end of the 30th day, you would have $5.3 million in that account. You're going to hear me say this a million times. First of all, there is no such thing that will double every day. Also, anytime you're talking about investments- past history is no guarantee of what you can expect in the future.

I'm talking conceptually here. What is it about compounded returns? What is it about that hockey stick phenomenon? It's important that we get this. It's slow. See this. At the end of 10 days, we've got five bucks. Doesn't feel like much. How in the world does it go from five dollars to five million in the next 20 days?

It's again, because of the compounded returns. Most of the money is made in the last three days. Day 27, it was $671,000, and in day 30 it was $5.3 million. That's nuts. That's a double. That's compounded returns. That, my friends, is the eighth wonder of the world.

Now, here's the thing. This is the mic-drop moment. You had to have the penny and save it on day one to get that to work. The sooner you start, the better off you'll be. Remember those dominoes? They were all the same size. That's great, but that's not the way this stuff works.

As you get on in the years, the dominoes get bigger and bigger and bigger. You've got that same one gesture, that push of the first domino, but over time, they get bigger and bigger and bigger. That's the way I want you to think about this. It's not like you're sacrificing other things. You are creating sustainable wealth for ourselves over time.

Now, all that's fine and dandy. OK, so I'm going to go back because I'm going to take this thing one step further. Same penny, same 30 days, same double. Except this time, you're in America, sorry about this. You got to pay taxes.

We're going to apply a 30 percent tax rate to the account. That's ordinary income taxes. At the end of 30 days, how much money do you have? Same double, same everything.

Here we go. Net of taxes at that same everything, you end up with $48,000. Now you can all get up off the floor. I get it. It sounds crazy. Get out your Excel spreadsheets, I know you've got...Some of you are Excel wizards. Do it yourselves. It's true.

Taxes are a very big deal. Anytime you can save money on taxes today, you usually want to do it. There are some exceptions. We'll go through some of those exceptions depending on the different options you have.

Stage three. Stage three is the maturing phase. This is the phase from, say, age 44 to 66. Again, it's that 22 years, give or take. I'm going to say to all of you and some of you that are in it can attest to this. This is the most expensive season in a person's life.

This is the time when the kids are getting older and all of a sudden, the toys at Walmart are now iPads and fancy computers, their cell phones. They're going to high school and college. These are big-ticket items. It's an expensive season of life.

Unfortunately, a lot of Americans get to this period of time and they're like, "Oh, my gosh. I'm 50 years old. I guess I better start saving for retirement." Now you've got to really make up for lost time. It's a really important phase of life and an expensive phase of life. Again, lots of things screaming for your money.

We've got to prioritize and understand what's most important for you. It's not going to be the same for the person who you may be in court with or who you may work with. Everybody is different. It comes down to what's important to you about your money, your family, your life.

Last but not least, is the exploring stage. This is typically referred to as retirement. Dr. Joe also has broken this down into four phases. Boy, this is a really interesting area. I'll tell you that we are living longer. He wrote a book called "The Longevity Economy." It's fascinating.

What we're doing in the lab is looking at the different ways of improving quality of life holistically. Not just financially, but in all areas during those different phases. As cognitive decline begins to set in, what are you going to do? What's plan B? Who can help you, etc.? That's the last stage.

Let's now cap it there. We've gone through the different life cycles. How do you invest? What do we do? First question is always, where are you now? That, my friends, is the most important question you're going to ask or I'm going to ask, is in what phase of life, what's important?

We're going to ask the question, where are we now? We all know it's not pretty. We've got the Russia Ukraine conflict. We've got wicked inflation, 8.5 percent inflation, rising interest rates as a result. A housing market that is off the charts.

We've got this thing in November called midterm elections. We all know what that can create. Not that politics necessarily impact the global economy or even the US economy. With all the rhetoric and all of the finger-pointing, people get nervous. When people get nervous, feel uncertain, what do they do? They move to cash. Don't be surprised that there's a lot of continuing volatility.

Eventually, it will all be baked in. Hopefully, things will recover. This was as of the 20th. It's gotten worse since this time. The S&P is now down 13 percent. You can see here, even at this time, this is a weird environment.

You have to go back to 1976 to have a quarter, a period of time, where stocks and bonds are both down about the same amount. The old 60/40 isn't working. In fact, I'm going to tell you all, there is not much that is working. Even cash is not working because of inflation. It's a very unusual and difficult environment to wade through.

I would just say to all of you, this is not advice. I can't give advice today. It's OK to feel the fear. Don't do anything. This is not the time to do anything. These times occur. You can see here on this chart you have periods of time, even in a secular bull market, where the market goes down a lot. Then it goes down, and then it goes up, etc.

Just hang tight and if you have an advisor, talk to your advisor. What is the implication for your plans for the things that are important to you? That's all that matters.

Again, Russia-Ukraine. Let's talk about inflation because inflation is wicked. It's eight and a half percent core. This is interesting. This is what is very different. Food and energy are the things that are making inflation, making it hurt for every American.

When you think about the Federal Reserve, and this is a sidebar, the Federal Reserve's got a dual mandate. Low unemployment, two percent inflation rate. That's their target, but 100 percent of Americans feel inflation.

Fortunately, not 100 percent of Americans feel unemployment. The Fed, I believe, is going to get aggressive raising interest rates and trying to get rid of this excess in the economy. Some of it is overblown probably because of the trade deficit. Some of it is because of the supply chain issues. That's probably going to be stickier because of China and because of the war. Time will tell.

I believe that it will eventually go down. The Federal Reserve knows how to deal with inflation. Is it going to put us into a recession? I can just give you statistics. There has never been a time when the Fed had to cut inflation rate by more than two and a half percent when we did not end up in a recession.

It's OK. It's part of the business cycle. No big deal. Don't change your plans for something that hopefully, is temporary. It happens. It's all part of the cycle.

Now, what is the real problem with inflation? Sometimes I'll meet with somebody, and they'll say, "I've got this money in the bank. I'm feeling very safe. I'm feeling really secure. I'm just going to leave it there." That's totally fine.

Always it's their money, but then I have to ask them, "When you think about this time last year, you had $100,000 this time last year...I don't know how to tell you this, but today it's got a purchasing power of about 92,000. You've lost eight percent because of inflation." Now, here's the problem with inflation. It's sticky. It's not volatile. It doesn't go up and down, typically.

Yes, it might go down, but those prices stayed. It's not like whoever manages the salaries and compensation gave you a nice raise for cost of living increase and then your boss is going to come to you and say, "We're going to cut that raise back down again." No, you're going to keep that same base. Inflation is very sticky. Wage inflation, in particular, tends to be a laggard.

That's the most difficult thing to combat. Again, just keep that in mind. There are lots of things I hope that you remember. This is one of them. Please, don't confuse stable with safe. Bank accounts, money market, they're stable. In this case, you got about $70 of interest, not even one percent on your bank accounts.

Inflation, look at that, you needed to get 66.4 over the term of this chart. Just keep that in mind as you make your decisions. Now, I'm going to pour some salt in the wound. Just what you wanted.

I'm pouring salt in the wound because now I'm going to take that dynamic and put somebody on withdrawal. Let's say that we have Mary. She's a widow. Let's say that she's 50 years old and has a million dollars.

Let's further assume that she's getting seven percent rate of return and that we're in a six percent inflationary environment. Hey, guess what, she's beating inflation. She's doing great. We can apply the rule of 72, and use that to determine the half-life of your money.

For example, again, if inflation is six percent. Six divided into 72, every 12 years, the purchasing power of Mary's capital will half and so will her income. Initially, she is doing great. She's got what she needs. She only needs about $50,000 from this money to live. She's got 70 coming in, and she's feeling very secure.

Living life, as my kids would say, living large. What happens is, over time, the value of that money halves and so does the income. Age 74, it halves again. In this example, if she's unfortunate enough to live to age 86, her million dollars spends like $125,000, and her income spends like $8,750 a year.

That is the tragedy of inflation. People run out of money. People by the way with money, run out of money. There's a solution to this. We're not going to get into solving all of the problems. When do you think someone like me gets a phone call? I will tell you that I usually get a phone call probably around age 60, right around here.

It always goes like this, "Patti, I feel like my income isn't going as far as it used to, and I'm beginning to dip into my principal." Mary has to now also. $35,000 doesn't cut it. What's interesting about that is that in spite of what you may have read in terms of this magic four percent rule. Take four percent out of a pool of capital and you'll be fine.

The problem is, people don't pull out the same amount and increase it every year for inflation. That's not the way life works. They may start out with the same amount, and then it gets chunky. She might start out for example with a certain amount and call it $6,000 a month, and then we'll get a breakthrough call.

"My bank account's getting a little low. Can you send me $5,000?" Or, a couple months go by, "Send me another 10." It's insidious. Think about it this way. Inflation, it's like hypertension. You may not know you have it, but it can kill you. Same thing here. Just be aware. That's why it's such a big deal.

Last but not least, we got the midterm elections coming up. Who knows what's going to happen? Who knows our reaction to what is going to happen? We saw the Roe versus Wade controversy and the release of that opinion. It's an interesting time in our country. Time to reflect.

Here's the deal, because I am very optimistic as a person. I'm making you aware of things to be aware of, is not all bad news. Look at this chart. This is pretty cool. This thing called the wealth effect is another important concept I want you all to get. Everyone has been getting wealthier.

The top one percent saw their net worth increase by 29 percent. You can see the next nine percent, etc. Look at the bottom 50 percent. The bottom 50 percent of Americans increase their net worth by 74 percent. It's not all bad news. Again, we got to keep it real.

When you look at the relative value, and the relative effect of that, the top one percent of Americans own...If you think about household net worth of being about $150 trillion, which is what it is. $50 trillion is owned just by the top one percent. The next nine percent owns the next $50 trillion.

It is focused on that top 10 percent. The bottom 50 percent still only has about four percent of the overall household net worth. We do have quite a ways to go.

The other thing I want to hone in on is something that we've been learning about more and more. It's not getting any headlines.

You're hearing it here first, maybe. Basically, when you compare household and nonprofit net worth as a percentage of GDP, this is an important statistic for anybody. By the way, I apologize in advance for the econ lesson. Believe me, we're going to be done in a second.

This is important because, people in my industry talk, "Oh, think long-term, think long-term." OK, fine and dandy. The fact of the matter is, nobody lives in the long-term, we're living today and this is not fun. Why long-term? Why is Patti Brennan optimistic? Here's one of the reasons.

Household net worth as a percentage of GDP is now over 600 percent. Going back to the 1950s, we've never been close to that. America, we Americans, we are wealthy. We dwarf any other nation. They're not even close. It's also important when you look at the households, forget nonprofits and forget by the way, the government.

Remember, that's not the net worth of America, that's household to nonprofits. We've got government assets also. The government is fine too. You think about it, forget the White House, it's worth whatever it is. Then I say all of this, because we are a nation of the people, by the people, for the people.

We are collectively owning the government assets as well. Look at this chart. Look at the

GDP versus the household net worth and look at what has happened. I learned this from Tom Lee from Fundstrat. This is a very big deal. In fact, according to Tom, we almost don't even need to focus on GDP anymore.

We Americans are so wealthy, that the wealth itself is called the wealth effect. Remember the earnings on the earnings themselves are sufficient. He refers to us as being. We could be the bankers of the rest of the world. This is an economic reality that is occurring and it continues.

It has been going on since the 1990s, and is getting stronger and stronger. Back to practical stuff. For those of you who are doing your own investing, this is important. How and when your returns are earned, it's important. Here's an example of $100,000 invested two ways. Investment A goes up 30. Down 10, back up 10.

The next investment 10, 10, and 10. Both are at 10 percent average annual return. Everybody focuses on performance, performance, forget performance. What do you want for your outcome? At the end of the third year, Investment A, a 128,000. Investment B, 133. The outcome is most important. How that compounded returns get to work.

During your accumulation years, OK, you can see this is...Call it Tom and George. Tom is red or orange. George is yellow. They've got different portfolios. Seven percent average annual return. It's just earned at different times.

Now, if they just hold on and stay with the program, they both end up at the same spot. I'm going to tell all of you, this is not reality because I got to tell you, right around here, Tom is saying, "Wait a minute, look, I'm not doing nearly as well as George is." "I'm selling this and I'm moving into this."

Then he loses all of that positive growth. This is average returns, fine and dandy, but boy, for those of you who may be approaching retirement, sequence of return becomes a much bigger deal. Portfolio C, again, this person ran out of money. Portfolio A, they ended up with significant working capital.

Same rate of return, very different outcome. They both pulled out the same amount of money in the same inflation area environment. It was the way the money was invested. Kind of said differently, it's dollar-cost averaging.

This is another example of 100 percent in the stock market over the last 20 years. Some markets done really well over the last 20 years. Yet, this person ended up with $17,000 on a $100,000 whereas the person in a well-balanced portfolio ended up with almost as much as they started with.

They were using it the entire time. Living life, having their increases, doing fine. How you invest is actually important, but it's important relative to what's important to you.

Market declines, I'm going to say this. When you invest in any kind of a market especially the US market is what's reflected here, please go in understanding, knowing...Again, I don't know anything. I can't guarantee anything. Past history is no guarantee. Go into every year assuming that at some point, you're going to lose 14 percent on the equities.

Historically, that's what it's averaged. That's what it's done. It goes down. Guess what? That's where we are right now. It goes down. In many of these years, it ended up doing just fine. It recovered. If you go in with that understanding, maybe you won't be as worried when it happens.

Again, we all talk about why stay the course? This trite stuff is for the birds as far as I'm concerned, but it's true. Staying the course is important. As you can see here, if you missed 25 of the best trading days, you ended up with a million dollars. If you hung tight, $4.6 million. Missing the 25 days.

Now, here's the problem with this whole dynamic. The best days typically occur very soon after the worst days. For example, in 21 of the 25 periods of time, the worst times, the best day occurred within a month. I would say don't do the thing that you want to do. I get it. We feel it, too. Don't act on it.

Here, this is not normal. This is normal. Let me begin to wind this down. We've talked about a lot of concepts, market volatility, decisions during different phases of life. Depending on what season of life you're in, let's talk about some action items. Some things that you might want to think about.

First, we hear a lot about active versus passive. In English, all that means is do you want to invest in an index fund or do you want to have an active manager? Whether it be a mutual fund or someone else. Buying and selling stocks based on their research, etc. That's a big debate.

I think that there are times when passive is the way to go because it's such low cost. Active managers don't necessarily outperform the passive index. Hey, if you can't beat them, join them. There are pockets of different markets where an active approach may be better.

For those of you who may be investing in single stocks, I would say at the end of this, you'll see my email. I am happy to send you some studies. We do not. I've done it. I have done it. I'm going to tell you honestly because that's the way I'll always be with you. It's hard to do it.

We live and breathe this stuff, and I am not going to look you in the eyes and tell you that we can outperform by picking 10 or 20 stocks. It's hard to do. The research suggests don't even bother.

Then, ask yourself as you look at your overall asset allocation, just ask yourself the question because, again, if you've got a 401(k) and you've got 15 different investments to choose from, it is human nature to say, "Wow, this one did well. This one stunk. This one did OK. I'm going to do the one that did well. I might diversify."

We want to be diversified, etc., but just don't pick your investments based on how they did historically. I'm going to tell you, it's a terrible way to pick any investment. Ask yourselves, "Do I think that the next 10 years is going to be like the last 10 years?" Simple question. If you do, OK, fine, invest in those funds. If not, you may want to rethink your strategy.

Always once you establish your strategy, rebalance. Don't think about it. I know equities are going way, way down. The last thing you want to be doing is buying. Feel that fear. Do it anyway. Rebalance. Go against what your heart wants you to do or what you feel like you should be doing.

Don't be afraid of some inflation. Just be prepared for it and understand that your retirement planning has changed a lot. Just understand that going in and run some modeling. Sarah will tell you that. Everybody will tell you. I am very big on modeling this stuff out.

If you continue doing everything you're currently doing, how are you doing? How are you doing over the next five years, the next ten years in retirement? How are you going to put the kids through college? Where are you going to come up with that funding? Do the modeling.

I always like to figure out in advance what's going to make this thing fail? Where are you vulnerable? What risks are out there? If inflation stays high, is that worse, or is a wicked bear market like we had in the financial crisis, is that worse? Once you have that visibility based on your personal situation, you're going to make better decisions.

Just understand that retirement planning has changed. I'm going to also say on that topic, retirement planning, yes, it's important while you're working. I believe that it is even more important when a person is retired because once you retire, you pretty much have whatever you're going to have. Then, it's just a matter of how that spends out for the rest of your life.

Monitoring that, that is the difference. We'll get into this a little bit more in a moment, but that's important. Always keep your three pools of money full. Pool number one is the money that you're going to need in the next, say, two to three years. Pool number two, three to six years, and then pool number three is your longer-term money.

If we go through a period that's down for, say, five years, you don't even have to think about it. You're not selling because you've got whatever you might need in pools, one in two to sustain you, so you're not in a position where you're selling low. That is the problem. That's why people tend to run out of money.

More specific things. Again, where it's appropriate, this is not advice, these are ideas. For those of you who are good with your 401(k), you're contributing your 11 percent, then you might want to consider a back door Roth. I'm not going to go into the specifics of these things. Just going to give you the name and you can Google it.

If you have children and they have summer jobs, my goodness, can you imagine? Take some of that money and put it into a Roth IRA for them? I've done that for all four kids, even I'm shocked at how much money my kids have and their Roth IRA.

Roth IRAs for children, by the way, since I'm talking about kids and I'm preaching to the choir, but with yourselves, as well as your clients, get a power of attorney on kids, health care as well as financial.

My son had a traumatic brain injury when he was, by the grace of God, 17 years old. If he was 18 and we were stuck in New York, we would not have been able to authorize brain surgery. That kind of stuff. These are practical things that every parent needs to know.

Roth conversions. Roth conversions are phenomenally great. I love having tax diversification along with investment diversification. Roth conversions and I'm going to put an exclamation point, if you or if you know anyone that may be exposed to an estate tax issue, doing Roth conversions while they're still alive is something everybody should consider.

Here's why. If someone has a taxable estate, then the excess over the exemption, whatever that's going to be, whether it's 12 or 6 or what have you, the excess is going to be taxed at 40 percent.

Now, if you have most of the assets or a lot of the assets in retirement accounts, the retirement accounts, there's an embedded income tax liability on that account. On $1,000,000, that's a $300,000 income tax that eventually someone's going to have to pay in the next 10 years.

To a certain extent, on a retirement plan, the kids are paying a tax on a tax. That doesn't sound very good. You're paying an estate tax on an income tax, and eventually, it's going to be paid over 10 years. What do you do? Again, always run the numbers doing Roth conversions while alive.

Then, if you can, once people retire, there is often this opportunity. That's the best time to do income tax planning because a lot of times we can get, or you can get yourselves into a 12 percent tax bracket.

If you're in a 12 percent tax bracket, you can take capital gains and pay no tax on it. How about that for a concept? No tax on your capital gains. Strategic run the numbers. Is that going to be a possibility? Be ready to execute.

Estate planning, again, I'm talking to the choir, SLATs, IDGTs, QPATs. Again, these are the things that you already do for your clients. I just had a meeting this morning talking about IDGTs, the gifting strategies, CLATs, and donor-advised funds.

Finally, I was asked to talk a little bit about financial planning and financial advisors. What is the difference between financial planning and wealth management? Is wealth management just an upscale term for marketing? For some people, it is, but for the real legitimate advisors, it's important.

When your assets get to a certain level, when your assets become sustainable, it's because the planning worked. Again, remember, when you retire, you have what you're going to have. It's one thing to get there, it's quite another to stay there.

Think of wealth management as the great outcome of financial planning that's been well-executed. We can all have our numbers, and we can look at stuff, but you've got to do certain things along the way. It's ultimately about the execution and the doing the things that work for you.

What separates financial advisors? It's like looking at these two brick walls. Any structural engineer will tell you the one on the left and the one on the right, they have the exact same number of bricks, same amount of mortar, but the one on the right is a lot more resilient. It is a lot stronger. That's what separates advisors.

You want the resilience. You want somebody who's got the depth, the knowledge...I'm hoping you're not seeing too much gray, but there is something to be said for experience. It's also important to have a deep bench with a variety of backgrounds. You don't want to necessarily be dependent on one person, a solo adviser.

You want that deep bench so that, in my case, if something happened to me, I feel like it's my responsibility to make sure that everything continues seamlessly. That's good business. There are big names you can go to.

Like one of the big wirehouses, Merrill Lynch, Morgan Stanley, or you can work with an independent advisor. I'm going to tell all of you, there are great advisors in both business models.

There may be some pros and cons to each approach, and it ultimately depends on what you want in your life.

That's it. Four phases of life, things to consider, important for everybody.

No matter whether you're working for a company, you're already retired, I'm so grateful that you joined us today. I'm grateful that you tune in every couple of weeks and look at the newest podcast that we're presenting. This one, in particular, I think can be valuable for anybody, whether it be yourself or anyone that you care about.

I'm Patti Brennan, Key Financial, Wealth Management with Wisdom and Care.