access INSIGHTS

PLAN FOR A LIFE WELL LIVED

Fall 2020

Welcome to our Fall issue of Access Insights

We hope you and your loved ones are healthy and safe.

Many positive things are happening here at Access Wealth that we want to share with you.

Earlier this month, we moved into our new office in East Hanover, NJ (pictured to the right). The office looks beautiful, and we look forward to showing you around. Currently, out of an abundance of caution for our staff and clients' wellbeing, we are not holding any in-person client meetings. However, we will let you know the moment that changes, and we can invite you in. In the meantime, we continue to be available by phone and video chat. Our phone and fax numbers remain the same.

We have also made some behind-the-scenes changes to our phone system and email software. To ensure there is no disruption in our ability to communicate, whether we are working from the office or at home, we have upgraded these systems to communicate with our clients and staff more efficiently.

We are very proud to share some of the achievements that our young advisors, Leo Chubinishvili, CFP®, and Adrian Rodriguez, continue to make.

Leo recently passed the first of three exams on his way to earning the Chartered Financial Analyst (CFA®) certification. Adrian will sit for the CERTIFIED FINANCIAL PLANNER™ (CFP®) exam in the spring of 2021.

Both Leo and Adrian sit on the firm's investment committee and provide input on a variety of financial planning topics. They also contribute content to our blog (access-wealth.com/blog) and monthly e-newsletter, and we now wish to welcome them as contributors to our quarterly printed newsletter.

In this issue, we have chosen to feature articles written by these advisors. Leo's article, titled "4 Ways to Save Money More Efficiently," provides valuable tips to help everyone save money. Leo's advice to "create a budget, so you know exactly how much money you need to pay your fixed/ non-discretionary expenses" is right on the money (no pun intended).

Adrian's article, titled "The Income Trap," dispels the myth that the only way to become truly wealthy is to make a lot of money and accumulate many assets. This thought can discourage people from even trying to become wealthy. Adrian lists steps that you can take to accumulate and grow assets to achieve what's most important – financial independence.

We hope you enjoy this issue. If there are more topics you wish to read about, please drop us a line at info@access-wealth.com. There's a good chance if you're thinking about it, someone else is too.

Through comprehensive financial planning and investment management, Access Wealth helps clients plan for and achieve a life well lived.

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4 Ways to Save Money More Efficiently

By Leo Chubinishvili, CFP®

Here are some frightening statistics about how Americans save for things such as emergencies, short- and long-term financial goals, and retirement.

- 39% of Americans don't have enough savings to cover an unplanned $400 expense (according to the Federal Reserve).
- 21% of survey respondents don't save anything at all (according to a Bankrate.com survey of 1,000 adults).
- Only 10% of survey respondents are confident they'll have enough money saved for retirement. On average, people believe there is a 45% chance they'll run out of money in retirement (according to an annual study conducted by Northwestern Mutual).

If you want to achieve financial independence, developing healthy financial habits is crucial. Here are some tips to help you develop better saving habits.

Savings Tip #1: First Save Your Money, Then Spend It

Most people think about savings as the money left over after they pay their expenses. For example, James gets paid on the first of the month. He uses the income to pay for his fixed/non-discretionary expenditures (such as a mortgage, utilities, car payments, and insurance premiums). Then, he incurs variable/discretionary expenses throughout the month, such as restaurants, shopping, travel, entertainment, etc. His income pays for these expenses as well. Finally, whatever money he has left over at the end of the month (if anything) becomes his savings.

The problem with this scenario is that for most Americans, very little is left when using this reactive approach.

Here is a proactive strategy for saving money:

1. First, create a budget so you know exactly how much money you need to pay your fixed/non-discretionary expenses.
2. Next, make saving your second priority. If you are nearing retirement (or even just thinking about it), saving and budgeting for retirement is critical.
3. Finally, spend whatever is left on the "fun" stuff.

This ensures you are saving some amount of money every month, and it should effectively reduce impulse spending and increase the likelihood of achieving your financial goals.

Savings Tip #2: Create an Emergency Fund

Open a savings account to use as an emergency fund. Most financial planners recommend having an emergency fund with a minimum of three months of expenses saved. In other words, if James spends $1,500 each month on non-discretionary expenses (i.e., his monthly bills), then he should have at least $4,500 in his emergency savings account at all times. An emergency fund protects you in the case of unemployment or an unexpected expense. People are often forced to borrow money using credit cards that can charge between 12-26% interest or withdraw money from their retirement accounts. If you are already retired or do not have a reliable income, then you should have a minimum of six months of non-discretionary expenses saved up.

Savings Tip #3: Save for Retirement by Contributing to a 401(k) or IRA Every Month

Utilizing tax-deferred investment vehicles is very helpful in maximizing the growth of your savings. Most employers offer defined contribution plans — such as a 401(k), 403(b), or individual IRAs — which allow employees to elect a portion of their salary to contribute to the plan. These funds are intended to be used for retirement. Because these contributions are tax-deferred, it effectively reduces your taxable income in the year of contribution (which means you'll pay less in taxes today) and delays all tax payments until the funds are withdrawn (ideally in your retirement years). Ideally, you should automatically deposit a percentage of your salary into your retirement savings account. Automating a percentage (rather than a specific dollar amount) will ensure that your retirement fund grows at the same rate as your income, as your contributions will automatically increase when you get a raise.

Also, remember to keep a long-term vision for all tax-deferred investments. As Charles Munger, Vice Chairman of Berkshire Hathaway, said, "Waiting helps you as an investor, and a lot of people just can't

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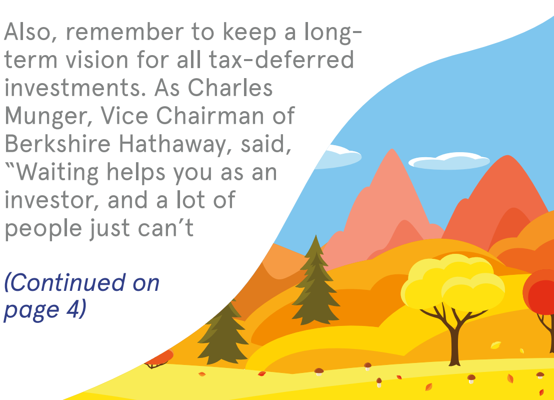

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The Income Trap

By Adrian Rodriguez

What does it take to become a wealthy individual? A lot of assets? A high six-figure salary? I would argue that these can play a role in accumulating wealth, but the most important factor is you: your lifestyle, your goals, and your plan.

This article discusses the pitfalls of chasing ever-higher salaries to achieve the goal of building your wealth. Let's begin by defining "wealthy." According to the Meriam-Webster dictionary, the definition of 'wealthy' is an affluent person. A person who has an abundance of assets and has more than enough to satisfy their needs. This is the definition that we are using for this article.

What Constitutes Wealth?

As a Financial Planning Analyst, a significant portion of my day-to-day is calculating cash flows from pay stubs and budgets. I then project these values over a person's lifetime to see if they will have enough assets or wealth to support their lifestyle in retirement. In my role, I don't always see a correlation between one's income and successful retirement plans. In fact, the primary correlation I see is income and expenses.

As income increases, people tend to spend what they make. Some clients earn well over $300,000 a year but will not have a successful retirement without making significant changes to their plan. I have worked on projections for some clients with significantly lower annual incomes who are personally happy with their status and lifestyle. When asked if they would want to take on a higher paying management role within their organizations, they confidently turn the offer down because our projections show they don't need the extra income.

How Do I Become Wealthy?

So, "*how do I become wealthy?*" you may ask? The solution is simple.

> **Step 1 —** Spend less than what you make. Create a budget, get an idea of what you spend, and tailor it around your values and hobbies.
>
> **Step 2 —** Ensure your surplus money (i.e., the money left over after paying your non-discretionary expenses) is working for you. You can achieve this by working with a financial planner to develop a well-diversified, well-managed portfolio and a comprehensive financial plan. Of course, there is more to this step, but it depends on you and your goals.
>
> **Step 3 —** Time. Give yourself and your portfolio time to grow.

You don't need a $500,000 a year salary to achieve true wealth. With a financial plan and proper guidance, you can achieve financial independence.

Don't Forget Those Year-End Deadlines

There are various deadlines and enrollment periods that need to be considered in the weeks ahead as we approach the end of the year.

As a means to this, we encourage you to visit access-wealth.com/blog for information on a variety of topics. This includes open enrollment for Medicare (ends December 7, 2020), open enrollment for the Affordable Care Act (ends December 31, 2020) and how to apply for the Senior Freeze Property Tax Reimbursement Program (ends December 31, 2020). There are also some year-end deadlines around retirement.

If you have any questions, feel free to call us.

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4 Ways to Save

(Continued from page 1)

stand to wait. If you didn't get the deferred-gratification gene, you've got to work very hard to overcome that." In other words, fund your retirement account, expect it to fluctuate, and don't look at it every day.

Savings Tip #4: Make Saving Automatic
Once you have identified all your fixed expenses and considered all your personal and financial goals, contribute money to a savings account. You can start with a small amount but make it an automatic transfer between your checking account and the new savings or investment account. This will ensure the consistent growth of your savings. Whatever is left in your checking account can go towards your discretionary spending. We also recommend that you increase your contribution to savings over time, either as you get more comfortable with your budget and financial plan, as you get a raise or bonus, or as your priorities and goals change.

Discuss Your Financial Goals with a Qualified Financial Planner
To live a financially independent life, you need to make smart financial decisions. Many questions will arise as you consider your financial priorities. *How much should I save from my paycheck? How much should I contribute to my retirement accounts? Should I purchase insurance, and how much insurance? On my current track, what can I afford to buy, and when can I retire?* These are all important questions, and the best way to discover if you are maximizing your savings and on the right financial path is to hire a qualified financial planner.

It's never too early to start saving. Life is unpredictable, and priorities can change quickly. Follow the steps above to help secure your financial future.

Are You Receiving Our Email Communications?

If you are not receiving our email newsletters and alerts, please sign up today! Email info@access-wealth.com with the subject line: Subscribe Me.

Once a month, we send out an e-newsletter containing timely articles written and sourced by our advisors, as well as a Video of the Month. Every other month, we also send pre-retirees a special retirement planning article. Recent articles and videos included:

- Record GDP Growth Rate Announced
- The Presidential Election and Your Portfolio
- Year-End Deadline Reminders and Actions
- Life Insurance Myths Debunked
- Understanding the Cycle of Investing
- Why You Shouldn't Enter Retirement Without a Budget
- Avoid Making These Retirement Planning Mistakes
- What You Need to Know about the NJ Pension Exclusion
- Deciding if an Intrafamily Loan Makes Sense
- 3 Estate Challenges for Blended Families

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