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## “Best of 2020”

Host Joe Clark, CFP and Co-host Angi Kinser, Grant Soliven, Adam Harter

In this week’s episode, we will cover:

- **The ways to teach your children healthy money habits**
- **How to know if we are really in a recession or not**
- **Understanding how to harvest losses**
- **How annuities actually work**

### **Successful Habits To Teach Your Children**

As a parent, you teach by example. You should lead by example and encourage your children to pick up habits. In a perfect world, your children should start saving their money between the age of three and five. Use three mason jars to hold money for your kids: one jar for spending, one jar for saving, and one jar for giving. Children understand these three concepts. However, there’s a fourth jar that most parents often miss: taxes. Start with three, then add the tax jar when your children start to mature.

It’s far better when the children earn the money for their jars. For instance, you can give them money in exchange for doing chores. Take time as you go through the process of teaching your children about money. Don’t be afraid to repeat yourself; it’s going to take a decent amount of time for them to understand all the concepts. Also, have a real talk about money and what it does. For instance, tell them it’s not free; it has to be earned. At some point in time, your children will have to save money. It’s essential to prepare them ahead of time.

### **A Lesson About Recessions**

The word recession gets thrown around in the news all the time, but how do we know if we are really in a recession or not? The National Bureau of Economic Research (NBER) will label whether we are in a recession. The formal label become official well after the fact. For example, the NBER labeled a recession twelve months after it occurred.

A recession typically happens every four or five years. So, what should you do as an investor to prepare for a recession? As an investor during a recession, you want to run for the hills. It can be excruciating to watch your stocks go down for twelve months straight. However, you can’t run for the hills. Instead, look at the sectors you are invested in because some do better than others during a recession.

### **Understanding How To Harvest Losses**

You can capture a loss by selling your shares in one company and buying shares in another similar company. It keeps us from being trapped. When we talk about a capital loss, it never deals with an IRA or a 401(k). You can use all of your losses, up to all of your gains, plus an additional \$3,000. The losses never run out. If you file a joint 1040, it's a spouse and spouse relationship. If one spouse dies, half of those capital losses disappear.

## How Annuities Actually Work

If you have to use an annuity, Joe says to use a no-load annuity. It is a type of retirement investment that charges lower fees. Plus, these annuities are sold by people who are not commission-based brokers. Instead, these annuities are sold directly by financial institutions. If someone needs an immediate income guaranteed over a certain period of time, then an annuity can be of great assistance.

## Financial Tidbits

- *"Habits make up about forty percent of our lives."* -Joe
- *"We trade our energy and time for a paycheck."* -Joe
- *"Anytime you have debt, you are borrowing from the future."* -Joe
- *"If a CFA can't tell you what you own, then you have no business in buying it."* -Joe

## In This Episode:

- **Successful Habits To Teach Your Children**
- [ 6:05 ] The four jars to teach your children about money
- [ 20:40 ] Teaching your children about the Roth IRA
- **A Lesson About Recessions**
- [ 1:40 ] How do we know if we are in a recession?
- [ 4:10 ] How can you prepare for a recession?
- [ 6:25 ] Household debt during a recession
- **Understanding How To Harvest Losses**
- [ 2:55 ] How it works
- [ 7:10 ] How the CARES Act affects capital losses
- **How Annuities Actually Work**
- [ 1:45 ] The hidden fees in an annuity
- [ 4:45 ] What if you already have an annuity
- [ 7:25 ] Choosing your asset model

## Links Mentioned:

- Free To Focus: <https://freetofocus.com>
- NBER: <https://www.nber.org>

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## **We would love to answer your questions on air!**

Call Angi at (800) 928-4001 or send them to [TalkToFEG@yourlifeafterwork.com](mailto:TalkToFEG@yourlifeafterwork.com)

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