

# *Coronavirus:*

## What To Do If You Are Laid Off



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## Introduction

Congratulations! You have taken the first step in getting your finances in order after being laid off. This is a difficult time and the future is uncertain with this pandemic but we cannot stress enough that we are here to help you along the way.

This packet was designed to help you get your finances in order and be sure that you are not missing anything important. Often times when bad things happen, you are faced with many emotions and can lose focus. We are here to help take away that feeling of panic from a job loss. Our goal is to help you remain calm and organized. Important things can easily be overlooked in a crisis and we are here with resources and advice so that does not happen.

At Prosperwell Financial, our mission is to coach, mentor and inspire you to achieve financial independence and happiness and we would love to help you with your investing and financial planning. In addition to helping you during this transition, we are here to help you with any of the following:

- A complimentary asset allocation review of any investments. You can send us your investment account statements and we will give you an analysis and our opinion at no cost.
- Analyzing your insurance such as Life, Disability and Long-Term Care Insurance. We can review your current policies or get you quotes for a new policy. We can also help you analyze the proper amount of insurance.
- Send us your Social Security statement for a Social Security Analysis.
- Establishing a college savings account for your child or grandchild.
- Setting up a 401(k), Simple IRA or SEP IRA for your business.
- Roll over your old 401(k) and consolidate your accounts so it makes it easier to manage your money.

If you have any questions about the information in this packet, would like a second opinion on your investments or would like to start planning for your future, please call us at 763-231-9510 or reach out via our website at [www.prosperwell.com](http://www.prosperwell.com).

Sincerely,

Nicole N. Middendorf, CDFA  
CEO, Prosperwell Financial  
Wealth Advisor, RJFS

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## How to Financially Cope with a Job Loss

If you have lost your job, it is important not to panic. Breathe. Stay calm. Everything always works out how it is supposed to. Remember that you are not alone. These are trying times but you are not alone. We are here to help. Here are four things you can do now to help ease the stress financially and emotionally if you have been laid off.

1. Assess your situation. Now is the time to be calm and to stop and look where you are and where you would like to be. If you don't have a budget, create one. If you do have a budget, now is the time to re-evaluate it. You may need to cut back on non-essential expenses to make ends meet. There are two things you control. The amount of money you spend and the amount of money you have coming in as income. You will want to create a spending plan and look at other sources of income if needed. There usually are always things you can cut with your expenses. You will also want to take a look at your investments and meet with your Wealth Advisor to see if you need to re-allocate your investments during this time. It is ok to stop IRA contributions for a short period of time but it is never good to take money out of your retirement accounts unless absolutely necessary.
2. Look over your benefits. You may have had many different benefits from your employer. From disability insurance to life insurance, to health insurance, to a 401(k) plan or stock options etc. It is important to understand and know what if any benefits will remain. For instance, take Life Insurance as an example. Does your group policy transfer over to you or do you need to get a new individual plan? As for health insurance, consider looking into your spouse's insurance if possible or there may be other options. You might just want to enroll in coverage through COBRA. COBRA is health insurance that continues after you leave an employer if you don't have other health insurance coverage, coverage through a spouse's policy, or through a new job. You can be on COBRA for eighteen months, but most of the time it's expensive. You may be better off getting your own health insurance policy.
3. Consider your 401(k) options. You have four choices typically when you leave your job. You can keep your 401(k) with your old employer, roll the money into an IRA, roll the money into your new employer's plan once you begin employment again or cash out the account.
4. Pay off bad debt. There is good debt and there is bad debt. Good debt is a mortgage or business loan or something that is an investment in yourself. Bad debt is credit card debt or high interest rate debt. The goal is to get that gone. If you have a severance you want to use that to get yourself in a better state. You can take the severance and pay off any high interest debt. If you have any high interest credit card debt you will want to get that gone as soon as possible. If you have a mortgage at a reasonable rate, there is nothing wrong with that. The important thing is to look at the interest rate you are paying on debt and get rid of the highest rate debt first.

The goal is to not panic when there a major life change. There can be so much to do but just take one thing at a time. You can start with these four things to help you get in a better position so that you make smart financial decisions during this stressful time.

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## Job Loss Checklist

### Where to Start:

- Don't make any immediate financial decisions
- Gather all your benefit information from your employer
- Check on Severance Pay and if you will be receiving any
- Collect your final paycheck
- Consolidate Retirement Accounts
- Schedule a time with us to go over your finances. You can reach us at 763-231-9510.

### Benefits:

- Review Health Insurance options
  - Should you apply for COBRA?
  - Does your spouse have a Health Insurance plan you can use?
- Find out your options for your Pension Plan, 401(k), Stock Options, etc.
- File for Unemployment benefits

### Job Hunting:

- Get references and prepare for reference checks
- Update your LinkedIn profile that you are seeking opportunities
- Let your network know you are looking for job leads
- Start a job search and prepare to interview
- Reassess your career if needed

### Cash Flow:

- Develop a budget and limit spending if needed
- Visit [www.annualcreditreport.com](http://www.annualcreditreport.com) and print a copy of your credit report. You can do this once per year from Experian, Equifax and Transunion
- Focus on paying off any high-interest debt you have such as credit cards.

### Questions to ask your employer:

- Is this layoff temporary or permanent?
- Are you being offered a severance package?
- Are there any alternatives to a layoff (such as reduced hours, working from home, etc)?
- When will you receive your last paycheck?
- If you are furloughed, ask for specifics as to what benefits are available to you and when your employer believes you can return to work.
- Ask about unused vacation, PTO and other benefits that may possibly be able to be converted into money.
- Find out from HR exactly what you have in every insurance category (health, dental, life insurance and disability) and how long each segment will be continued during severance, if at all.

## Budgeting and Cash Flow

Budgeting. That dreaded word. Most of the American population does not have a budget. Budgeting is not fun but something that I believe is extremely important. When you have a budget, you spend money on the things you truly need and want. You spend money consciously and truly where you want your money to go.

Do you often wonder where all your money goes? Having a budget and tracking where your money goes can be very beneficial to achieving your financial goals. We often do not realize how all of the little things add up. A coffee here and a dinner there all add up and take away from money you could be saving. Have you ever had a \$20, \$50, or \$100 bill in your pocket and a couple days (or hours) later it is gone and you don't have anything to show for it? Tracking what you spend for a month or couple of weeks could be an eye-opening experience. You might see some things that you don't necessarily need and could eliminate from your monthly expenses. All those little amounts combined could be saved and put toward achieving your financial goals for the future. So, this month try to track your spending and see if you need everything you buy.

There is truly a difference between a want and a need. You want to really stop and ponder before you buy something and determine if it is a want or a need. We have a budget worksheet that we have developed over the years to help you with your budget. The easiest way is to take this budget worksheet and to start from today forward and truly write down everything you spend.

The pages that follow is our budget worksheet. The best way to do this is to track all your expenses for the current month. Set a timer for 15 minutes and work on it for 15 minutes at a time. When it is complete, send it to us and we can give you some ideas as well as to where you can cut back on your expenses. Completing this budget worksheet is the first step in awareness of where you are spending money and you may be able to find areas to cut back.

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## Budget Worksheet

*Expenses:*

**Living Expenses:**

Mortgage/Rent:	_____
Heloc:	_____
2 <sup>nd</sup> Property:	_____
Investment Prop:	_____
Home Insurance:	_____
Property Taxes:	_____
Assessment:	_____
Condo Fees:	_____
Dining Out:	_____
Lunch at Work:	_____
Groceries:	_____
Bedding/Linens:	_____
Pet Expenses:	_____
Postage:	_____
_____	_____
_____	_____

**Home Maintenance Expenses:**

Furniture:	_____
Interior Repairs:	_____
Home Supplies:	_____
House Cleaning:	_____
Decorating:	_____
Lawn Mowing:	_____
Landscaper:	_____
Snow Blowing:	_____
Furnace Filters:	_____
Garbage:	_____
Security System:	_____
Water Softener Salt:	_____
Tree Trimming:	_____
Spring/Fall Cleanup:	_____
House Painting:	_____
Gardening:	_____
Plumber:	_____
Room Maintenance:	_____
Irrigation:	_____
Pest Maintenance:	_____
Water System:	_____
_____	_____
_____	_____



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**Personal Expenses:**

Clothing: \_\_\_\_\_  
Hosiery: \_\_\_\_\_  
Shoes: \_\_\_\_\_  
Haircuts: \_\_\_\_\_  
Beauty Salon: \_\_\_\_\_  
Jewelry: \_\_\_\_\_  
Beauty Supplies: \_\_\_\_\_  
Massage: \_\_\_\_\_  
Manicure/Pedicure: \_\_\_\_\_  
Alterations/Repairs: \_\_\_\_\_  
Dry Cleaning: \_\_\_\_\_  
Spousal Maintenance: \_\_\_\_\_  
Personal Trainer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Utilities:**

Electricity: \_\_\_\_\_  
Gas: \_\_\_\_\_  
Water: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Cable TV: \_\_\_\_\_  
Cell Phone: \_\_\_\_\_  
Long Distance: \_\_\_\_\_  
Pager: \_\_\_\_\_  
Voicemail: \_\_\_\_\_  
DSL/Internet: \_\_\_\_\_  
Sewer/Septic: \_\_\_\_\_  
Firewood: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Transportation:**

Car Loan/Lease: \_\_\_\_\_  
Gas: \_\_\_\_\_  
Car Insurance: \_\_\_\_\_  
Vehicle Tabs: \_\_\_\_\_  
Car Washes: \_\_\_\_\_  
Oil Changes: \_\_\_\_\_  
Parking: \_\_\_\_\_  
Maintenance: \_\_\_\_\_  
Repairs: \_\_\_\_\_  
Bus Pass: \_\_\_\_\_  
Bikes: \_\_\_\_\_  
Car Savings: \_\_\_\_\_  
\_\_\_\_\_



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**Medical:**

\_\_\_\_\_  
\_\_\_\_\_  
Doctor Visits: \_\_\_\_\_  
Health Insurance: \_\_\_\_\_  
Eyeglasses/contacts: \_\_\_\_\_  
Dental: \_\_\_\_\_  
Medications: \_\_\_\_\_  
Medicare Supplements: \_\_\_\_\_  
LTC Insurance: \_\_\_\_\_  
Life Insurance: \_\_\_\_\_  
Disability Insurance: \_\_\_\_\_  
Vitamins: \_\_\_\_\_  
Non-Reimbursable: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Recreation:**

Hobbies: \_\_\_\_\_  
Relaxation: \_\_\_\_\_  
Sport Activities: \_\_\_\_\_  
Vacation: \_\_\_\_\_  
Theatre: \_\_\_\_\_  
Sports Events: \_\_\_\_\_  
Movies: \_\_\_\_\_  
Entertainment: \_\_\_\_\_  
Home Entertaining: \_\_\_\_\_  
Boat Expenses: \_\_\_\_\_  
Boat Insurance: \_\_\_\_\_  
Watercraft Expenses: \_\_\_\_\_  
Watercraft Insurance: \_\_\_\_\_  
Pool Expenses: \_\_\_\_\_

**Memberships:**

AAA: \_\_\_\_\_  
Golf Club: \_\_\_\_\_  
Country Club: \_\_\_\_\_  
Sam's Club: \_\_\_\_\_  
Costco: \_\_\_\_\_  
Golf League: \_\_\_\_\_  
Bowling League: \_\_\_\_\_  
Other Leagues: \_\_\_\_\_  
Health/Fitness Club: \_\_\_\_\_  
Fish/Hunt Licenses: \_\_\_\_\_  
Union Dues: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



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**Debit/Credit Cards:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**Savings:**

401k/457/403b:	_____
Roth/Traditional IRA:	_____
Deferred Comp:	_____
Liquid Money:	_____
VUL Insurance:	_____
Annuity:	_____
Spending Money:	_____
529/Ed IRA/UTMA:	_____
_____	_____
_____	_____

**Miscellaneous:**

School Expenses:	_____
Paper/copies:	_____
Laundry:	_____
Cards/Gifts:	_____
Donations:	_____
Travel:	_____
Cigarettes:	_____
Alcohol:	_____
Magazines:	_____
Books:	_____
Accountant Fees:	_____
Financial Fees:	_____
Attorney Fees:	_____
Income Taxes:	_____
Safe Deposit Box:	_____
Newspapers:	_____
Agent Fees:	_____
Promotion Fees:	_____
_____	_____
_____	_____



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**Kids Expenses:**

Clothing: \_\_\_\_\_  
Shoes: \_\_\_\_\_  
Food: \_\_\_\_\_  
Transportation: \_\_\_\_\_  
School Expenses: \_\_\_\_\_  
Cell Phone: \_\_\_\_\_  
Lunch Money: \_\_\_\_\_  
Personal Supplies: \_\_\_\_\_  
Haircuts: \_\_\_\_\_  
Babysitter: \_\_\_\_\_  
Nanny: \_\_\_\_\_  
Child Support: \_\_\_\_\_  
Day Care: \_\_\_\_\_  
Diapers: \_\_\_\_\_  
Diaper Service: \_\_\_\_\_  
Medical: \_\_\_\_\_  
Summer Camp: \_\_\_\_\_  
Activities: \_\_\_\_\_  
Lessons: \_\_\_\_\_  
Parenting Consultant: \_\_\_\_\_  
Supervision: \_\_\_\_\_  
Allowance: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**TOTALS:**

Total Income: \_\_\_\_\_  
Total Expenses: \_\_\_\_\_  
Income minus Expenses: \_\_\_\_\_

## Retirement Information

### 1. Types of Employer Accounts

- a. 401(b), 457 and 401(k) - The difference between these accounts is based on where you work. If you work as a school teacher, nurse or at a non-profit organization you probably have a 403(b) plan. If you work for the federal government you may have a 457. If you work for a public or privately held company, you may have a 401(k) plan.
- b. Pension – This is where you receive a set sum of money every month once you retire, until you pass away. It is important to look at your pension plans and be aware of them. You can see if you have a missing pension plan at [www.pbpc.gov](http://www.pbpc.gov). The range of specific benefits owed to each individual is vast. Some are owed as little as \$1, others as much as \$172,000 pension officials said. The average benefit owed is about \$3,000. If you leave a company and have a pension or a 401(k) this is a reason to take these accounts and roll them to an IRA in your own name so you have control.
- c. ESOP - An ESOP is an employee stock ownership plan where you can purchase the stock of the company you work for usually at a 10, 12 or 15 percent discount. These plans allow you to buy stock of the company you work for at a less expensive price per share than the general public.
- d. Stock Options - Stock options are simply the right to buy a stock at a certain price at a point in time. So, let's say you work for a company and they give you 100 stock options of ABC Company at \$10. That gives you the ability to buy 100 shares of ABC Company at \$10 a share. Then let's say right now ABC Company is trading at \$30 a share. That means you can buy 100 shares of ABC Company at \$10 and immediately turn around and sell them for the current stock price (in our example, \$30). That means you made \$20 on each share of stock. But remember, stock options may expire at a certain date so don't forget to use them before they expire. Where stock options do get more complicated is with their tax treatment. Some stock options are taxed as ordinary income and some are taxed as capital gains, depending on whether they are statutory or not. See the next question for more information.

### 2. When you leave your job, you have a few different options for your 401(k) plan. This is a retirement savings plan sponsored by your employer. It lets you save and invest a piece of your paycheck before taxes are taken out. Taxes are not paid until the money is withdrawn from the account.

- a. Keep it where it is. If your account balance is above \$5,000, you may decide to keep the 401(k) plan with your former employer. You won't be able to keep contributing to the plan, but the invested money could grow over time.
- b. Cash Out. Take the money as cash. The downside of this option is that you'll pay state and federal income taxes, including a 10 percent penalty tax if you're under age 59 ½, and you will put your future retirement needs at risk.
- c. Roll it over to an IRA. There are no penalties for a direct rollover to an Individual Retirement Account. This is a great option if you would like to consolidate your accounts as well as have more options for investing.

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- d. Roll it to your new employer's plan. Once you find a new job, you may be able to roll the funds from your old plan into your new company's plan.
3. IRA – Individual Retirement Account that is set up where you can purchase investments and hold them within the account. Eventually the money in that account can be withdrawn to provide income in retirement. Currently, you are able to contribute \$6,000 a year into your IRA and if you are over 50 years of age, you can contribute \$7,000 each year.
  - a. Roth IRA – Contributions are made post-tax dollars, meaning you can't deduct them from your taxable income. They payoff of contributing to a Roth is in retirement your withdrawals are not taxed at all. However there are income limits to this type of IRA.
  - b. Traditional IRA – The money you contribute may be deductible from your taxes for the year.



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## Insurance and Protection Planning

1. Make sure you have adequate protection:
  - a. Health Insurance
  - b. Insurance for car, home, valuables
  - c. Umbrella insurance policy
  - d. Disability Insurance
  - e. Fraud
  
2. Based on your situation, determine the type of insurance that is needed and if you are able to keep from your employer.
  - a. Life Insurance – This policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon your death.
  
  - b. Long Term Care Insurance – This is designed to cover long-term services and support, including personal and custodial care in a variety of settings such as your home or facility to assist with activities such as bathing, dressing or eating.
  
  - c. Disability Insurance – This type of insurance pays some or all of your salary if you become disabled and unable to work.
  
  - d. Umbrella Insurance – This is extra liability insurance. This type of policy is designed to help protect you from major claims and lawsuits and as a result it helps protect your assets and your future.
  
3. Now is a great time to work on your estate planning. Helping to protect your assets is doing estate planning such as setting up a health care directive, durable power of attorney and a will or a trust. Getting help protecting your assets doesn't just help you but also those who are your beneficiaries. If you need a referral to an Estate Planning Attorney, please contact us at 763-231-9510.
  - a. Will – A written document that indicates how your property will be distributed at the time of your death. It is revocable and subject to amendment at any time during your lifetime. It also allows you to appoint a guardian for your minor children.
  
  - b. Living Trust – This provides lifetime and after-death property management. If you are serving as your own trustee, the trust instrument will provide a successor upon your death or incapacity. Court intervention is not required. These are used to manage property.
  
  - c. Health Care Directive – Specifies what actions should be taken for your health if you are no longer able to make decisions for yourself.
  
  - d. Durable Power of Attorney - You can designate a durable power of attorney for your financial affairs. As with a health care proxy, a durable power of attorney can specify how you want your financial affairs dealt with in case you become disabled or suffer a serious illness and designates someone who can make any financial decisions on your behalf. A big advantage of this “financial proxy” is that it can help prevent your loved ones from having to go to court to request guardianship over your financial affairs if you become incapacitated. This arrangement can also give the person the ability to pay your debts,

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manage investment transactions and even make charitable gifts that could help reduce your estate taxes.

4. Many times, we see people laid off that have money in savings but also high interest debt. If you have \$50,000 in savings (earning 1% interest) but have \$10,000 on a credit card (charging you 20% interest, it makes the most sense to pay off that credit card.
  - a. Set aside 6-12 months of liquid money in an insured money market account. A Money Market is a type of savings account that usually earns a higher amount of interest than a basic savings account.



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## Asset Allocation

If you are one of the many Americans who believe your best investment strategy is to buy low and sell high, you may want to explore the merits of asset allocation. Studies of some of America's major pension funds have shown that an asset allocation policy is the major determinant of portfolio performance. Although no investment strategy can guarantee success, a properly allocated portfolio is more likely to do well as the markets do well, and offer some stability if markets aren't doing well. It is important to rebalance your portfolio and to watch your allocation so that you are not overexposed to a certain area. Or that your portfolio is more aggressive than you want it to be without knowing it.

When I talk about asset allocation, I describe five boxes, a big circle, and an underlining circle. The big circle is the fixed income category, which is made up of CDs, money market accounts, and bonds, which are your more conservative types of investments. The underlining circle is your specialty investments such as REITs or Alternative Investments. The five boxes are “growth” investments, which consist of large cap growth, large cap value, mid cap, small cap, and international.

- **Large cap:** Anytime you hear the word “cap” it means “capital,” which refers to the size of the company. Large Capital Companies are huge, blue chip corporations. These are the big corporations that we have all heard of.
- **Growth and value:** Within small, mid and large cap, there is growth and value. Growth is buying into companies that have great growth potential, whereas value is buying into companies that are a great value or at a discount. A company that has gone down in the price that you are paying for each share is at a good discount is a value company. If you are a coupon clipper or look to buy things when they are on sale that is an example of looking for that good value. Some stocks that go down keep going down so it's not just a low stock price. The company needs to be intact and undervalued. Whereas a growth company is one that generally has more growth potential and isn't purchased at such a discount.
- **Small and Mid-Cap:** Depending on your situation, you may also want to have money in small-sized companies and medium-sized companies. These are companies that could be more aggressive but generally not all companies go up at the same time. Most of the time not all areas are doing well at the same time and owning a bunch of different sizes of companies diversifies your portfolio. The prices of small cap stocks are generally more volatile than large cap stocks.
- **International:** It's also important to have your dollars invested internationally, that is, in companies based outside the United States. We now live in such a global economy, and investing internationally can help diversify. Be aware that international investing involves special risks including country, currency, and geo-political risk, as well as increased volatility of foreign securities and differences in accounting practices, currency fluctuation and political instability, and may not be suitable for all investors.



## Risk Tolerance Worksheet

The following worksheet may help you assess your ability to take on investment risk in pursuit of long-term goals. Answer each question, then tally your results at the end.

1. When making a long-term investment, I plan to hold the investment for:
  - a. 1-2 years (1 point)
  - b. 3-4 years (2 points)
  - c. 5-6 years (3 points)
  - d. 7-8 years (4 points)
  - e. 9-10+ years (5 points)

Points \_\_\_\_\_
  
2. If you owned an investment that fell 20% over a short period of time, what would you do?
  - a. Sell all of the investment (1 point)
  - b. Sell a portion of the investment (2 points)
  - c. Sell nothing (3 points)
  - d. Buy more of the investment (4 points)

Points \_\_\_\_\_
  
3. Generally, I prefer an investment with little or no fluctuation in value, and I am willing to accept the lower return associated with these investments.
  - a. I strongly agree (1 point)
  - b. I agree (2 points)
  - c. I disagree (3 points)
  - d. I strongly disagree (4 points)

Points \_\_\_\_\_
  
4. When it comes to investing in stocks and bonds, I would describe myself as a:
  - a. Very inexperienced investor (1 point)
  - b. Somewhat inexperienced investor (2 points)
  - c. Somewhat experienced investor (3 points)
  - d. Experienced investor (4 points)
  - e. Very experienced investor (5 points)

Points \_\_\_\_\_
  
5. How optimistic are you about the long-term prospects of the economy?
  - a. Pessimistic (1 point)
  - b. Unsure (2 points)
  - c. Somewhat optimistic (3 points)
  - d. Optimistic (4 points)

Points \_\_\_\_\_
  
6. What do you hope your portfolio value will be 10 years from now?
  - a. A little higher than it is today (1 point)
  - b. Moderately higher than it is today (2 points)
  - c. Substantially higher than it is today (3 points)

Points \_\_\_\_\_

Score	Investor Type	Description
6-12	Conservative	In general, a conservative portfolio will invest heavily in bonds and stable value/cash alternatives. The primary goal is to preserve principal.
13-18	Moderate	A moderate portfolio will generally attempt to balance income and growth by allocating significant investment dollars to both stocks and bonds.
19+	Aggressive	An aggressive portfolio will typically tend to concentrate heavily in stocks, focusing on potential growth.

This tool is not intended as investment advice, but rather as a guide to help you assess your risk tolerance.

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## Conclusion

*“Never underestimate the power you have to take your life in a new direction” – Germany Kent*

Congratulations! At this difficult time, you have taken a big step for your financial future. We highly encourage you to keep on this path and re-evaluate your budget and cash flow as your situation changes.

At Prosperwell Financial, we believe that life is not just about money, but instead it is about doing things that truly make you happy and living your life to the fullest. Our mission is to coach, mentor and inspire you to achieve financial independence and happiness. We would love the opportunity to work with you to help you achieve your goals, work towards what makes you happy and help you live your very best life.

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