

Mike Wiliquette

**BIBLICAL PRINCIPLES  
OF MONEY  
MANAGEMENT**

## LESSON 3

# Investing for Retirement - B

# S&P 500



# How do Index Funds Work?

An index fund is a type of mutual fund or exchange-traded fund (ETF) with a portfolio constructed to match or track the components of a financial market index, such as the Standard & Poor's 500 Index (S&P 500). An index mutual fund is said to provide broad market exposure, low operating expenses, and low portfolio turnover. These funds follow their benchmark index regardless of the state of the markets.

Legendary investor Warren Buffett has recommended index funds as a haven for savings for the later years of life.

# An Actively-Traded Fund

Allen has decided he isn't making enough money working in the sound booth. So he has put together a mutual fund of 500 companies. He has carefully crafted what he believes is the perfect number of shares from each company, some companies have more shares and others less.

When Allen is not working the sound booth, he is actively buying and selling shares in his mutual fund.

"You know, my goal is to make enough money that some day I can buy my own sound board!"

# An Index Fund

Dave has watched Allen's mutual fund and thought about buying into it, but the fees are pretty high. So, Dave had an idea. He goes online and looks at the companies that Allen has in his actively-traded fund, noticing particularly the percentage of money that each is invested in each company in Allen's fund. Dave then mimics the same percentage with his fund.

When someone invests in Dave's fund, Dave simply buys stock in the companies that will allow him to match Allen's percentages.

"I hope to do so well, that my clients can buy their own sound board!"

# What does all this Mean?

By matching the holding percentages, an index fund can perfectly follow an actively-traded fund without paying the cost of it. So, you get the value of many people working on the "perfect" portfolio, without having to pay them to do it.

Whenever you can lower costs by 1 - 5.75%, you get a guaranteed higher return on your investments!

# Identifying an Index Fund

Vanguard 500 Index Fund (VOO)		Follow		Visitors trend 2W ↑ 100K ↑ 94K ↑								
372.87 +1.06 (+0.29%)		372.58 -0.29 (-0.08%)		After hours: 07:00PM EST								
No view: 04:00PM EST												
Summary		Chart	Conversations	Historical Data	Profile	Options	Holdings	Performance	Risk			
Previous Close	371.81	Net Assets	744.77B	1D	5D	1M	6M	YTD	1Y	5Y	Max	Full screen
Open	370.89	AUV	372.88									
Bid	372.75 x 900	PE Ratio (TTM)	14.89									
Ask	372.94 x 900	Yield	1.69%									
Day's Range	370.77 - 375.08	YTD Daily Total Return	6.11%									
52 Week Range	315.87 - 424.72	Beta (5Y Monthly)	1.00									
Volume	4,730,500	Expense Ratio (Inv)	0.02%									
Avg. Volume	4,076,280	Inception Date	2010-09-07									

Trade prices per net asset from all markets.



# Vanguard VOO - ETF

## Vanguard 500 Index Fund (VOO)

NYSE:VOO - Real-time bid, ask, price, currency in USD

[Follow](#)

[View history](#) [2W ↑](#) [100D ↑](#) [5Y ↑](#)

**372.87** **+1.06 (+0.29%)** **372.58** **-0.29 (-0.08%)**

As close: 04:00PM EST

After hours: 07:00PM EST

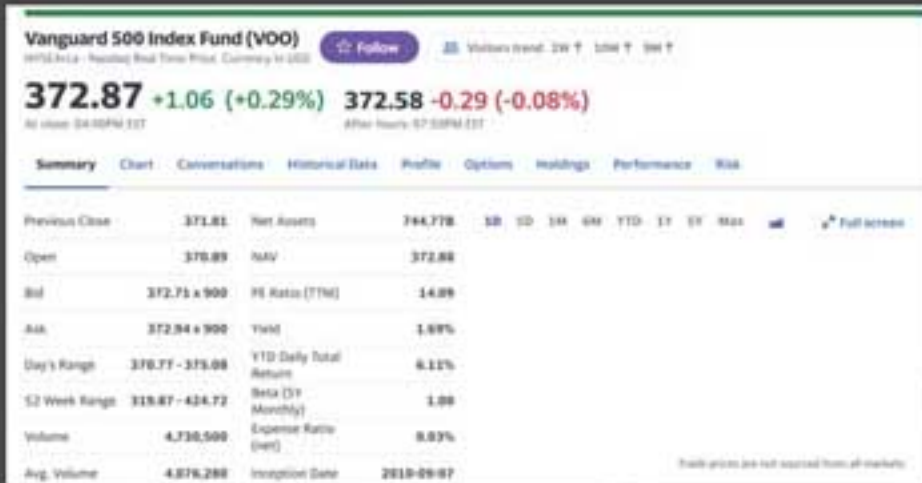
[Summary](#) [Chart](#) [Conversations](#) [Historical Data](#) [Profile](#) [Options](#) [Holdings](#) [Performance](#) [Risk](#)

Previous Close	371.81	Net Assets	744.77B	1D	5D	1M	3M	YTD	1Y	5Y	Max		
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52 Week Range	315.87 - 424.72	Beta (5Y Monthly)	1.00										
Volume	4,738,500	Expense Ratio (net)	0.02%										
Avg. Volume	4,076,280	Inception Date	2010-09-07										

Trade prices per net asset from all markets

# Vanguard VOO - ETF

Minimal Initial Investment: NONE Purchase as many shares as you like



# Vanguard VFIAX – Admiral Shares

Minimal Initial Investment: \$3,000 – allows auto invest setup after first investment



# How Much Do You Need?

- Determine your yearly income.
- Multiply this number X 25
- The result is the amount of money you will need in your retirement investment account IF you have no other streams of income (i.e. Social Security, side job, etc)
- This invested money has a 95% change of "outliving" you should you die 30 years after you retire.

Sign Up for mySocialSecurity Account at the following location:

<https://www.ssa.gov/myaccount>



The screenshot shows the top navigation bar of the Social Security website with the logo and the text "Social Security". On the right side of the bar are links for "SEARCH" and "MENU". The main content area features a heading: "Create your personal *my* Social Security account today". Below this is a paragraph: "A free and secure *my* Social Security account provides personalized tools for everyone, whether you receive benefits or not. You can use your account to request a replacement Social Security card, check the status of an application, estimate future benefits, or manage the benefits you already receive. All from anywhere!". There are two blue buttons: "Create an Account" and "Sign In". Below the "Create an Account" button, the text "Finish Setting Up Your Account" is visible, with a large red arrow pointing upwards towards it. On the right side of the page, there is a photograph of a man and a woman walking through a field of tall grass at sunset.

# Sign Up for my Social Security Acct

The screenshot shows the 'my Social Security' website interface. At the top left is the Social Security logo. The main content is divided into two columns. The left column is titled 'Create Your Account' and contains the text 'All information you will need' above a blue 'Create New Account' button. Below that is the text 'Finish Setting Up Your Account' above a white button with a blue border. A large red arrow points upwards from the bottom of the page towards this white button. The right column is titled 'Sign In' and contains a 'Username' input field, a 'Forgot Username?' link, a 'Password' input field, a 'Forgot Password?' link, and a blue 'Sign In' button. At the bottom of the page, under 'Other Sign In Options', there are two buttons: 'Sign in with LOGIN.COM' and 'Sign in with Facebook'. A link for 'Read External Privacy' is located at the bottom left.



Once you log into your account, your monthly benefits statement can be printed using the Print/Save link that they provide.



The screenshot shows the user interface of the my Social Security website. At the top left is the logo and the text "my Social Security". At the top right, the user's name "Michael J. Vitkopala" and "Sign Out" are visible. Below the header is a navigation bar with links for Home, Messages, Preferences, and Security Settings. A welcome message "Welcome, Michael!" is displayed. A notification box states "You last signed in on July 3, 2021 at 8:17 PM ET". The main content area features a list of links, with a red arrow pointing to the first link: "Print / Save a copy of your Social Security Statement (PDF)". Below this link are smaller links for "Download Statement (XML as an XML file) | How to use XML files", "Retirement Ready: Fact Sheet For Workers Ages 45-60", and "Fact Sheet: You Have Earnings Not Covered By Social Security". A "Replace your Social Security Card" link with a right-pointing arrow is also present. At the bottom, there is a link to "Print / Save a letter proving you do not receive benefits (PDF)".

my Social Security

Michael J. Vitkopala Sign Out

Home Messages Preferences Security Settings

Welcome, Michael!

You last signed in on July 3, 2021 at 8:17 PM ET

Print / Save a copy of your Social Security Statement (PDF)

Download Statement (XML as an XML file) | How to use XML files

Retirement Ready: Fact Sheet For Workers Ages 45-60

Fact Sheet: You Have Earnings Not Covered By Social Security

Replace your Social Security Card

Print / Save a letter proving you do not receive benefits (PDF)





# Your Social Security Statement

WICHILL, WILCOLETTE

July 1, 2019

This Statement, including any benefits payable, shows all earnings you reported that were used to fund Social Security. These earnings may be affected if you participate in a retirement plan to which a portion of your earnings are covered by Social Security.

### Retirement Benefits

You have earned wages that may be eligible for retirement benefits.  
Your first retirement benefit payment will be made on either July 11, 2027, or October 1 of the month in the next year you are age 62 or older. For more information about your benefits, visit [ssa.gov/benefits](http://ssa.gov/benefits) and for help call 1-800-787-2841. You may also contact your local Social Security office for more information. You can also visit your benefits account on the website [ssa.gov/myaccount](http://ssa.gov/myaccount).

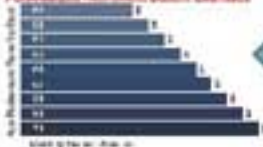
### Disability Benefits

You have earned wages that may be eligible for disability benefits. If you have a disability that may affect your ability to work, visit [ssa.gov/disability](http://ssa.gov/disability).

### Survivors Benefits

You have earned wages that may be eligible for survivors benefits to receive payments for you, your spouse, your child, or your family who may qualify for survivors benefits include:  
Widow or widower ..... \$  
Spouse, if during the covered worker's death ..... \$  
Spouse, if after age 62 ..... \$  
Spouse, if disabled, until full retirement age ..... \$  
Child, if dependent on full retirement age ..... \$  
Child, if dependent on full retirement age, but not on full retirement age ..... \$  
Child, if dependent on full retirement age, but not on full retirement age, but eligible for an additional child benefit benefit of \$.

### Projected Retirement Benefit Estimate



### Future Plans

Total estimated Social Security and Medicare wages paid that will be used to fund benefits reported on your Current Earnings Record:  
Social Security wages ..... \$  
Medicare wages ..... \$  
Unemployment ..... \$

### Medicare

You have earned wages that may be eligible for Medicare or Social Security Medicare. Medicare provides health insurance for people age 65 and older. Social Security Medicare provides health insurance for Social Security disability benefits recipients. For more information about Medicare, visit [ssa.gov/medicare](http://ssa.gov/medicare) or call 1-800-424-3447 (TTY: 1-877-464-2842).  
Even if you do not receive age 65, you may need to pay for Medicare before you are eligible for Social Security. Some of the ways you may be covered include paying health insurance through work. You should contact the Social Security Administration.

This Social Security Statement is a draft only, which Congress has reviewed before and may even change without changing. It may even affect your benefits. Visit [ssa.gov/yourstatement](http://ssa.gov/yourstatement) for more information.

Once you know how much you can assume you will receive from SS each month, you can then determine the difference of this and your monthly needs!

**Your Social Security Statement**

DONALD F. ROBERTS      06/1/2016

**Retirement Benefits**  
 The Social Security Administration has calculated your estimated monthly retirement benefit based on your earnings record. This benefit will be reduced if you are currently receiving Social Security Disability benefits. Your estimated monthly retirement benefit is \$1,400 per month at age 67. This benefit will be reduced if you are currently receiving Social Security Disability benefits. Your estimated monthly retirement benefit is \$1,400 per month at age 67. This benefit will be reduced if you are currently receiving Social Security Disability benefits.

**Disability Benefits**  
 The Social Security Administration has calculated your estimated monthly disability benefit based on your earnings record. This benefit will be reduced if you are currently receiving Social Security Disability benefits. Your estimated monthly disability benefit is \$1,400 per month at age 67. This benefit will be reduced if you are currently receiving Social Security Disability benefits.

**Supplemental Security Income**  
 The Social Security Administration has calculated your estimated monthly Supplemental Security Income (SSI) benefit based on your earnings record. This benefit will be reduced if you are currently receiving Social Security Disability benefits. Your estimated monthly Supplemental Security Income (SSI) benefit is \$1,400 per month at age 67. This benefit will be reduced if you are currently receiving Social Security Disability benefits.

**Projected Monthly Benefit Estimates**

Age	Estimated Monthly Benefit
62	\$1,200
63	\$1,300
64	\$1,350
65	\$1,380
66	\$1,400
67	\$1,400
68	\$1,380
69	\$1,350
70	\$1,300
71	\$1,250
72	\$1,200
73	\$1,150
74	\$1,100
75	\$1,000

**Notes:**  
 This statement is based on the information we have on file for you. It is not a guarantee of future benefits. Your actual benefits may be different. For more information, visit [www.ssa.gov](http://www.ssa.gov).

**Disclaimer:**  
 This statement is not a contract. It is only an estimate of your future benefits. Your actual benefits may be different. For more information, visit [www.ssa.gov](http://www.ssa.gov).

# Retirement Investment Goals

Enter values ONLY in green boxes. All other boxes are calculations

4		My Current Age	35
5		My Anticipated Retirement Age	67
6		Funds Currently Invested in Retirement Accounts	\$5,000
7		Projected Interest Rate	8.0%
9		Current Monthly Income:	\$5,303
10		Current Yearly Income:	\$63,636
11		Anticipated Monthly SS Income:	\$2,000
12		Monthly Income Needed from Investments:	\$3,303
13		Yearly Income Needed from Investments:	\$39,636
14		Goal to reach by the time you retire:	\$990,900
15		4% In-Retirement Yearly Investment-Account Withdrawal Amount each January:	\$39,636
16		Anticipated Combined Monthly Income in Retirement from SS and Investments:	\$63,636

Monthly payment necessary to reach the retirement goal:

\$522

1) Choose the income total that you are living off of right now.

2) The calculation assumes that you will own your home and have no debt when you enter your retirement phase. It also assumes that you either have a life insurance plan that will fully cover the costs of the funeral expenses OR that you have money in savings to do so.

3) The use of this document does not guarantee you will have enough for retirement as time, investment gains/losses, and anticipated Social Security benefits are not absolutes.

4) I suggest that if you are 10 or more years away from retirement, that you recalculate your retirement needs every 5 years or so. If you are within 10 years of your retirement, run this every couple of years or yearly. If you are IN your retirement, you can run this whenever you wish!!

Last revised: 6-24-2021

[mikewilliquette@gmail.com](mailto:mikewilliquette@gmail.com)

# Outliving your Investments

## FIRECalc: A different kind of retirement calculator

(first updated on April 11, 2016 after 10/10/15)



Thinking of retiring? If so, and retiring early, long before you start getting a pension or Social Security, and before you have ready access to your 401k and IRA?

Thinking you can't?

**"With what you have today, and what it costs you to live, Can you retire and maintain the same lifestyle?"**

Suppose I don't tell you what assets I have in the early 30's, starting with \$100,000, and ending with out \$20,000 each year, and an average yield of just 5%. But that's not average in real life, is it?

Suppose here are the real world behaviors of three identical portfolios, (how many in fact, just), within 10 years (\$100,000), and the results, both (green) - the results for retiring on average.

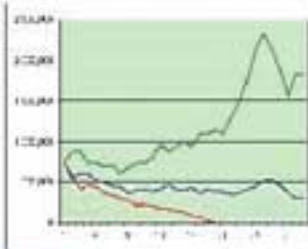
100 I can't tell you how much you would have needed to know that you are with a few degrees more portfolio if things are as bad as 10% or 15% or any of the past years for what we have 10%.

Indeed in the results of three different, identical portfolios, (100% for each) you see the results of many starting points, (100, 100, 100). You can get a sense of just how bad it is for you if you have 100,000, and if you have 100,000 with that every market condition we have you 100%.

Seeing the results will illustrate better than thousands of words.

At the start, enter how much you need, how much you have, and how much you want to risk on the calendar year you want to retire. Click the button to view the results in a new window. Then check the **assumptions** for how low market yields to a **calculator** for retirement.

Did not any other information, (100%) will illustrate you even to keep your annual spending, about the same for as many years as you want to spend, (100%) planning on retiring any time you want to, and your retirement portfolio will be a 100% of your portfolio.



### Start Here

Spending: 1000

Portfolio: 100000

Yield: 5%

Start

# Planning on Living 30 years Past Retirement Date?

## FIRECalc Results

Your spending in every year after the first year will be adjusted for inflation, so the spending power is preserved.

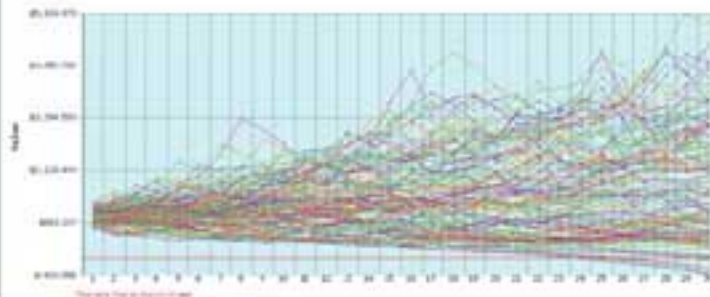
FIRECalc looked at the 100 possible 30 year periods in the random data, starting with a portfolio of \$1,000,000 and spending your specified amount each year thereafter.

100% of the 100 trials would have failed in each of the 100 cycles. The lowest and highest portfolio balances at the end of your retirement year is \$402,040 to \$1,476,475, with an average at the end of \$1,875,070. (Note: this is listing all of the portfolio periods; values are in terms of the dollars as of the beginning of the retirement period for each cycle.)

By our process, failure means the portfolio was required before the end of the 30 years. FIRECalc found that 0 cycles failed, for a success rate of 100%.

**Understanding the charts below:** Don't try to follow any individual line - with most accounts, there are just too many of them. But if you look at the mass of lines, and the bars below you can get a clear visual representation of how frequently your retirement needs have failed (shown below year) or succeeded. The objective of presenting the information this way lets allow you to get a "big picture" sense of how your strategy would have performed historically.

## Year-by-Year Portfolio Balances



The year that is shown in red

Mike Wiliquette

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