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WINDFALL INVESTING

WHAT ARE THE OPTIONS?

If you've come into a sizable lump sum of money and are wondering what options you have for the money to work for you, I have 3 options for you. I'll introduce the alternatives, discuss what they are and list the pros and cons. There is no right or wrong choice. Everyone has their preferences, risk tolerances and inherited wisdom on what is best for particular situation.

REAL ESTATE

The old school method of investing is to buy real estate, rent it out, generate income and profit from the payments made by the tenants. This can be residential properties such as single-family homes, duplexes, small residential buildings or even commercial properties. You also would increase the value of your investment over time through appreciation of the real estate. Here are the positives and negatives:

Positives:

- A tangible asset which appeals to many.
- Steady predictable income from tenants.
- Stable asset value which is the opposite of many other investments that fluctuate wildly in value.
- Many tax benefits including depreciation and deduction of expenses.
- Ability to mortgage a portion of the value of the property to allow leveraging purchases of other properties as well.
- Steady increase in rents over time so it tends to generally match inflation.

Negatives:

- May require hands on involvement that is not for everyone.
- If you choose a property management company, that eats into your profit at 8-10% of the rent.
- Periods of tenant vacancies that will eat into your income.
- Hidden costs that pop up with maintenance and repairs
- Asset illiquidity. It can take a significant amount of time to sell asset. Maybe even years depending on the size and value of asset.

ANNUITY

The typical annuity everyone thinks about it where you exchange a single lump sum payment to an insurance conpany in exchange for a monthly payment for life. That would be a Single Premium Immediate Annuity (SPIA). The appeal is that you have income for life no matter the ups and downs of the market. You can't outlive the monthly payment that comes in steadily every month. The amount provided to you is dependent on your age and current interest rates. Like everything in life it has positives and negatives:

Positives:

- Steady, predictable income for life.
- Passive in that it requires no effort or involvement.
- Set it and forget it.

Negatives:

- If you add a rider for cost of living increases or survivorship for a spouse, it cuts into the amount you receive.
- Generally, there is no ability to get the lump sum back that you provided the insurance company to begin the annuity. The money is gone.

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It's already September. Crazy how time flies. Kids are back in school and everyone is on a regular routine. Temperatures start easing and the days start getting shorter, which is one thing I don't like. It makes me feel the day is done when the sun sets.
Labor Day kicks off the month with barbecues as it is the last gasp of summer. Football kicks off (pardon the pun) the month as well. Whether your favorite college or pro team will have a good year remains to be seen but everyone is hopeful. You fantasy football fans put together your teams too.
I start seeing Christmas decorations for sale in the stores and some start decorating their yards in spooky Halloween themes.
It is also a time to reset and start looking at what you can do financially before Dec 31. Contributions to retirement accounts, and Roth conversions from 401Ks are among some of the strategies you can think about.

Alexis Hongamen, CFP®, CRPC®

FAMOUS QUOTES

- The journey of a thousand miles begins with one step. Lao Tzu
- It does not matter how slowly you go so long as you do not stop. Confucius
- It's not whether you get knocked down, it's whether you get up. Vince Lombardi
- You miss 100 percent of the shots you never take. Wayne Gretzky
- If you are going to achieve excellence in big things, you develop the habit in little things. Colin Powell
- If you think you can do a thing or think you can't do a thing, you're right. Henry Ford
- Well done is better than well said. Benjamin Franklin
- Nothing easy is worth a darn. Coach Woody Hayes.
- Winners never quit, and quitters never win. Coach Vince Lombardi
- How you do anything is how you do everything. Coach Mario Cristobal
- Quit talking and begin doing. Walt Disney
- Believe that you can and you are halfway there. Teddy Roosevelt
- People will forget what you said, but they won't forget how you made them feel. Maya Angelou
- When in Rome, do as the Romans do. Unkown
- Where there's smoke, there's fire. Uknown.
- If it looks like a duck, walks like a duck, and quacks like a duck....it's probably a duck. Unknown.
- There's two things money can't buy....time and a reputation. Uknown
- You are what your record says you are. Coach Bill Parcels

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- Unless you have the COLA rider previously mentioned, your income won't keep pace with inflation.
- Unless you have a survivorship rider, income ends at death. There is no legacy left for family.

STOCKS AND BONDS

This is where you investment your money in a diversified portfolio of stocks, bonds and ETFs. You can generate income by targeting dividend income, interest payments from bonds or a systematic sale of equities. Here are the positives and negatives:

POSITIVES:
- Completely liquid. Access your investments without a wait.
- You can be strategic and minimize your tax liability by timing when to sell investments.
- Investments grow to keep pace with inflation
- Ability to easily change investments as market conditions warrant.

NEGATIVES:
- Investments can be volatile as market values go up or down and the accompanying stress that goes with that.
- Oversight is needed to manage your exposure
- Little guarantees in terms of income.

A balanced, thoughtful approach in tune with your needs, goals and risk tolerance is essential to build an income strategy that works for you. Contact me to help plan your family's future and the wishes you want carried out with someone you can trust.

TOTAL FINANCIAL PLANNING

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Contact the office

Phone: 407-900-1653
Mobile: 407-900-1653
Email: alexis@totalfinancialplanning.com
Address: 1120 Bella Vida Blvd, Orlando, FL 32828

Evenings and Saturdays available by scheduling at totalfinancialplanning.com/schedule-call

I have been quoted in the following publications:

Flashback 45 Years Ago This Month

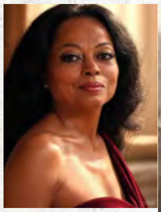
MOVIES: September 1980

- **Ordinary People**....The film, directed by Robert Redford, follows the disintegration of a wealthy family after one son dies in an accident and the other attempts to die by suicide. It stars Donald Sutherland, Mary Tyler Moore, Judd Hirsch, and Timothy Hutton.
- **In God We Tru$t....**Raised in a Trappist monastery, the innocent Brother Ambrose (Marty Feldman) sets out to find money to save the bankrupt monastery. His education in worldliness is comedic.

MUSIC

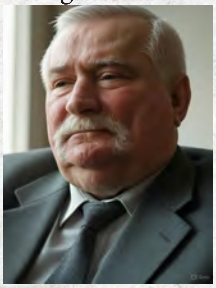
Billboard Hot 100: Sept. 1980!!

- **Upside Down (Diana Ross)**
- **All Out of Love (Air Supply)**
- **Another One Bites The Dust (Queen)**



NEWS/SPORTS/CELEBRITY

- Jennie Finch, American softball pitcher (Olympic gold 2004, silver 2008) and broadcaster (ESPN), born in La Mirada, California
- Yao Ming, Chinese basketball player, born in Shanghai
- Ben Savage, American actor (Little Monsters, Wild Palms), born in Chicago, Il
- Swiss tennis player Martina Hingis (5 Grand Slam singles titles), born in Košice, Czechoslovakia (now Slovakia)
- "Blizzard of Ozz," the debut solo album by English rock musician Ozzy Osbourne, is released in the United Kingdom
- Polish workers, under the leadership of Lech Wałęsa, found the Solidarity movement at the Gdańsk Shipyard
- Alain Boubil and Herbert Kretzner's musical "Les Misérables" premieres at Palais des Sports, Paris
- Iraq invades Iran in an attempt to control the Shatt al-Arab waterway. Starts war.
- Jaromir Wagner is the first to fly across the Atlantic while standing on an airplane's wing



Questions? Call Alexis' cell 407-729-8516

Q: Should I invest in international stocks?

Absolutely! You want to have a diversified portfolio with many different asset classes. The goal is to not have one thing sink your boat! Many times when one asset class is down, another will be up which you can benefit from. While it is true that international stocks have underperformed in recent years, they have rebounded strongly the past few months. Being in the market allows you to benefit when the rebound occurs.

Q: How much debt can I safely carry?

The general rule of thumb is it isn't a good thing if your debt to income (DTI) ratio is over 36%.
Breaking it down further, your housing debt (mortgage or rent payment) should be no more than 28% of your income. I know that nowadays with skyrocketing housing costs that is hard to do.
Debt is defined as any mortgage/rent, car loans, student loans, personal loans, recurring credit card debt and any other debt you have.
For example, if you pay $2000 a month towards debt and your gross income is $6000 a month, your DTI is 33%.
Maintaining a low DTI is important. It shows lenders you can handle your debt and makes you a more attractive borrower. A lower DTI can help you get better loan terms, like lower interest rates and higher borrowing limits.
A healthy DTI also benefits your overall finances. It ensures you have enough money for living expenses, savings, and investments. A high DTI, on the other hand, can stress your finances and slow your financial goals.

Idiom Of The Month

" C L O U D 9 "

If someone wins the a championship, the lottery or gets their dream job, you can say they are "on cloud 9".

The term has an interesting origin.

A British aristocrat, Sir Ralph Abercromby, had developed an interest in meteorology and color photography after he left the British Army in the 1890s.

He travelled the world taking pictures of clouds using color photography, a new technology at that time. Abercromby realized that the same general types of cloud appeared much the same all over the world.

He found that observers all over the world were using their own local names for clouds.

Abercromby and a fellow meteorologist, Hildebrand Hildebrandsson, proposed a new classification of clouds. This was such a significant development that the year 1896 was made the International Year of the Cloud, culminating in September with a meeting in Paris to establish the new cloud types.

In September, 1896, cumulonimbus, the greatest cloud in the world, was listed as Cloud 9 in a new cloud classification, and so to be on cloud nine became like floating on the tallest cloud on Earth.

F I N A N C I A L T R I V I A

1. What is the difference between active and passive income?
2. What is net worth?
3. How long do coins typically stay in circulation until they're melted down? A) 10 yrs B) 20 yrs C) 30 yrs D) 40 yrs
4. What's the 2nd most important currency in the world? A)Euro B)Chinese Yuan C)Japanese Yen D)British Pound
5. How many agencies in the United States make coins and paper money?
6. What is the oldest currency still in use? A) US Dollar B) Euro C) Yen D) Pound
7. What is the lifespan of US $100 bills? A)3 years B)5 years C)10 years D)15 years
8. How many tons of ink does it take to print new US banknotes every day? A) 1 ton B) 2 tons C) 6 tons D) 9 tons
9. Who holds the record for appearing on the most currency (of anyone in the world)? (Hint: It's royalty)
10. True or False: Seashells were once a common form of currency in several parts of the world.
11. How many official currencies are there in the world? A) 85 B) 100 C) 159 D) 215
12. The Lincoln Memorial is on the back which bill?
13. The dollar symbol ($) appears on what US currency?
14. Which is the only US coin where the portrait faces right?

Answers:

1. Active income is trading your hours for money, like with your job. Passive income is income that can be produced without a direct trade on hours – like renting or earning from a business without active participation. 2. Assets (what you own) minus liabilities (what you owe) 3. C 4. A 5. Two: the Bureau of Engraving and Printing and U.S. coins are produced by the U.S. Mint. 6. D, 1707 7. D 8. D 9. Queen Elizabeth II 10. True 11. C 12. $5 13. None. Trick question. Sorry! 14. The Penny.