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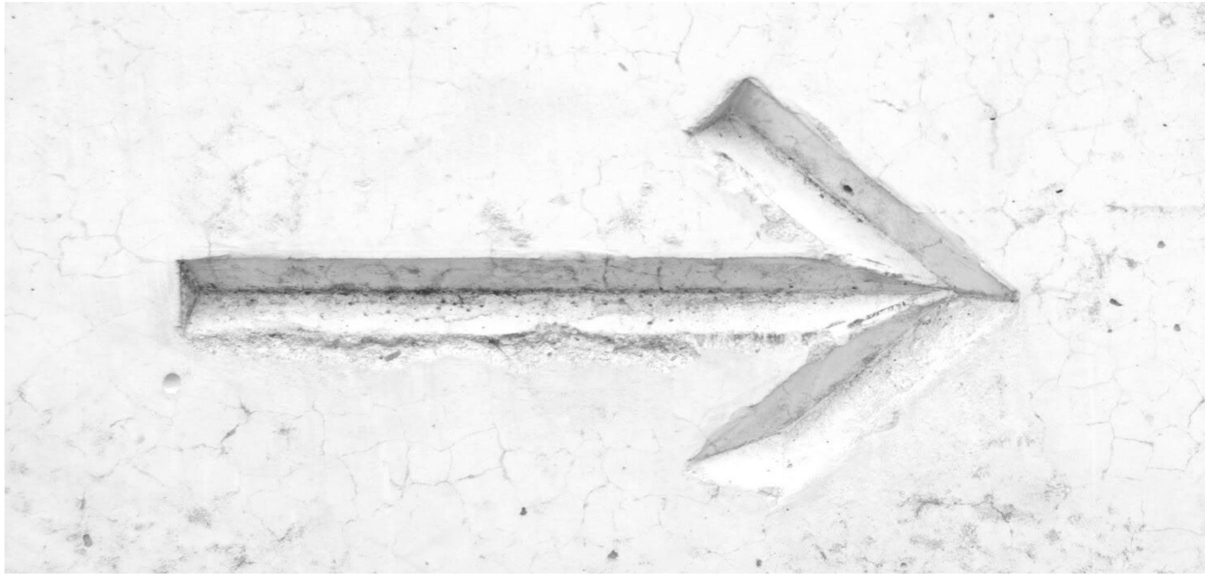

FINANCIAL PLANNING FOR CERNER ASSOCIATES: 5 DECISIONS TO MAKE

As an associate of Cerner Corporation, you have a unique set of challenges in planning for retirement. While each person's financial situation is different, certain commonalities exist among those sharing the same employer. This paper will identify these commonalities and provide insights into how one should take advantage of these opportunities.

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What sets you apart?

Your position has several interesting financial planning implications: access to associate stock purchasing program (ASPP), restricted stock units (RSUs), stock options, black-out periods, Cerner Performance Plan (CPP), and a variety of health insurance options.

Associate Stock Purchasing Plan (ASPP) allows eligible employees the opportunity to purchase shares of Cerner common stock at a 15% discount on the last day of the option period. Associates should consider taking advantage of this when extra cash is available and should not forget to consider the tax implications of selling shares through this program.

Restricted Stock Units (RSUs) are a full-value stock award given to associates on a vesting schedule. Each RSU represents the right to receive one share of common stock at vest. As long as the stock price is above $0, they will have value and typically become taxable as ordinary income as they vest.

Stock Options are what they sound like — they give you the right to purchase stock at a fixed price within a specified time period. It's important to consider whether the current price is above the granted price. If the current price is below the granted price then, the option will expire worthless.

Cerner Performance Plan is a cash incentive commission program designed for employees in sales-related positions. Plans are based on the booking's profitability, revenue contribution, dollars sold, and company sales priorities.

Health Insurance Options provide distinct differences in health coverages, premiums, deductibles, and tax advantages.

Most associates find themselves in the midst of a unique wealth accumulation time. The remaining questions in this paper will lay out the decisions you should be considering as you create a financial plan.

1. Are you an active or passive investor?

Active investing typically means selecting individual securities that you expect to outperform the market. Investors do this by timing the market or paying a broker to trade stocks on their behalf.

Passive investing means buying and holding index funds that own every security in their underlying benchmark index.

Investors must choose a side. This distinction is fundamental in investing. An investor either believes a). that they can identify mispriced assets in the market, or b). that the market is largely efficient — meaning the market price of an asset reflects all known information about an asset.

While there is evidence that one investment manager can beat the market in a given year, it is nearly **impossible** to pinpoint these people. If you believe you can always beat the market, you are a). ignoring overwhelming evidence that says otherwise, b). in the wrong profession, because you should be a wall street stock trader, and c). probably wrong.

What is the cost of being wrong?

When an active investor is wrong — which they are, most of the time, investment returns can be dramatically below the market. Additionally, this type of strategy is more costly due to higher volume of trading and fund fees.

Passive investing tracks the market using an index (typically S&P 500 or Total Stock Market), allowing investors to receive returns in a diversified low cost manner. According to a 2007 Bloomberg report*, as little as 86 of the original S&P 500 companies have survived since the inception of the index in 1957.

Holding most of your portfolio in Cerner stock is considered active investing. Intelligent passive investing still requires thoughtful portfolio construction, regular rebalancing, and behavioral discipline to succeed.

*https://www.bloomberg.com/news/articles/2007-03-05/s-and-p-500s-50-year-clubbusinessweek-business-news-stock-market-and-financial-advice

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2. How much of a risk taker are you?

Conscientious investors must make this critical decision — how much of a portfolio is tilted toward **growth assets** (equities) versus **conservative assets** (fixed income). Following your asset allocation each year is an important step in long-term investment planning.

A historic realization occurs: allocating more of your portfolio to growth assets will **increase** your long-term expected return and, in return, **increase** the volatility of possible return outcomes.

Selecting an individual's allocation requires a deep understanding of your risk tolerance, which is a function of your ability to take risk, your need to take risk, and your willingness to take risk. This process is more art than science.

A typical starting point is a risk tolerance test, which consists of behavior-based questions related to an investor's appetite for risk. It is only as accurate as an investor's own self-knowledge. Engage in some self-reflection to determine if your personal circumstances warrant a lower or higher allocation.

Regardless of the allocation you select, it's safe to assume that your risk tolerance will decrease as you age. As a general rule, decrease your target exposure to growth assets as you age.

You cannot understate how important health insurance is in today's society. A *Kaiser Family Foundation study, found that medical bills forced 1 million people to declare bankruptcy in 2015.

Moreover, if you have dependents, adequate disability and life insurance policies should be purchased to prevent financial hardship during death or sickness.

Resist the urge to tweak this plan or react to headlines. Revisit it only when your circumstances change significantly or during an annual review of your investment plan.

*https://www.kff.org/report-section/the-burden-of-medical-debt-section-3-consequences-of-medical-bill-problems/4

3. What will you invest in?

Does the asset class have cost barriers?

Depending on the asset class, there are various types of fees, such as holding fees, expense ratios, 12B-1, etc. This needs to be analyzed with extra scrutiny due to the long-term negative impact of fees on returns. Funds with high fees, such as hedge funds, active "proprietary" funds, alternative investments, and load funds, should be avoided by most associates.

Investment vs. Speculation

In your portfolio, you should have a good understanding of what assets are expected to produce a future stream of income (Investment), such as stocks, bonds, real estate — versus what assets are less likely to do so (Speculation). Speculations, such as commodities, fine art, mineral rights, gold, and crypto currencies, should be limited in a portfolio. They can be useful in diversifying your portfolio, but only when used correctly.

Can this diversify the portfolio?

Proper diversification can lower risk and increase your odds of meeting your long-term goals. You can do this simply by investing in low-cost index funds, which typically contain hundreds of individual securities within them. Diversification may be the only 'free lunch' in investing.

Much of your portfolio is likely tied to Cerner stock. **This can be dangerous**, as a high concentration in one company's equity can increase the volatility and market risk of the total portfolio.

Find the sum of ASPP, stock options, RSUs, 401k match, and gifted stock. Ideally, you should keep a single company stock concentration below 10% of your total portfolio.

4. How to minimize your tax burden?

Compounding in your portfolio is key to long-term growth, but you need to keep tax management in mind — it is not what you make but what you get to keep. Tax strategy will differ by individual, but here are a few boxes that all Cerner associates should check:

Optimize tax-efficiently

Build your portfolio with passive funds, which have lower turnover and therefore lower holding costs. Allocate funds in tax-efficient asset classes (REITs, active bond funds) and in tax-advantaged accounts (401k, IRA) when able.

Maximize tax-advantaged accounts

Allow every dollar to grow in a tax-advantaged manner. Max out your 401k, IRA, and HSA, if selected. Measure whether pre-tax (traditional) or post-tax (Roth) retirement vehicles are best for you.

Tax benefits of charitable giving

If you are making charitable donations to the First Hand Foundation or to other organizations via your credit card, you are almost certainly leaving money on the table. Donate appreciated securities whenever possible, and consider using a Donor Advised Fund.

Work with a professional

Your tax accountant and estate attorney should work closely with you (and/or your financial advisor) to ensure that your investment, tax, and wealth transfer strategies are aligned with your values.

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5. Should you work with an advisor?

The answer: it depends on your situation. There are many reasons to consider working with a financial advisor, including:

- Delegation of tasks you know are important but don't have the time or desire to handle on your own
- The peace of mind that comes with hiring with an experienced professional
- Having an accountability partner that will guide you in making sound financial decisions and avoiding pitfalls
- An advisor may know the answers to questions you're not even considering

In other words, if personal finance is something you feel passionate about and you trust your own financial judgment, you may not need one. It's important to establish clear goals for yourself and regularly assess your progress, and brushing up on reliable financial literature is never a bad idea.

If you don't see yourself dedicating the time needed to establish and maintain a personal financial plan, partnering with an advisor should help you both decrease stress and increase your likelihood of ensuring a well-funded retirement. Your time is better spent on your interests, your career, and your family.

A good advisor produces value that far exceeds their costs, while a bad advisor can be worse than no advisor. It comes down finding an advisor that is a good fit for you. Questions that should be asked: Does your advisor understand the ins and outs of your situation? Does the advisor's service match what you want to have delegated? Does the advisor fit your investment philosophy? Do you like this person? Can you imagine working with this person for a long time?

But finding the right advisor is critical.

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WealthU Advisors is a fee-only, fiduciary financial planning firm based in Pennsylvania that meets with clients based on their time, exclusively using video conferencing software. About half of their clients are within Central PA and half are out of state.

Some of the services we provide to our clients:

Financial Planning	**Investment Management**
Insurance Check	Holistic Portfolio Management
College Planning	401ks, IRAs, HSAs
Tax Planning	Stock Compensation Analysis
Estate Planning	Business Planning

*****If we are not an expert in one of these subjects, we can direct you to the right person who can

Mike Uehlein is the lead financial advisor at WealthU Advisors, where he helps employees at technology firms with all facets of financial planning and investment management - including his coveted travel advice.

Have any thoughts about this white paper? Send us a message or email Mike@WealthUAdvisors.com.