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Top of Mind

What Qualifies as Savings?

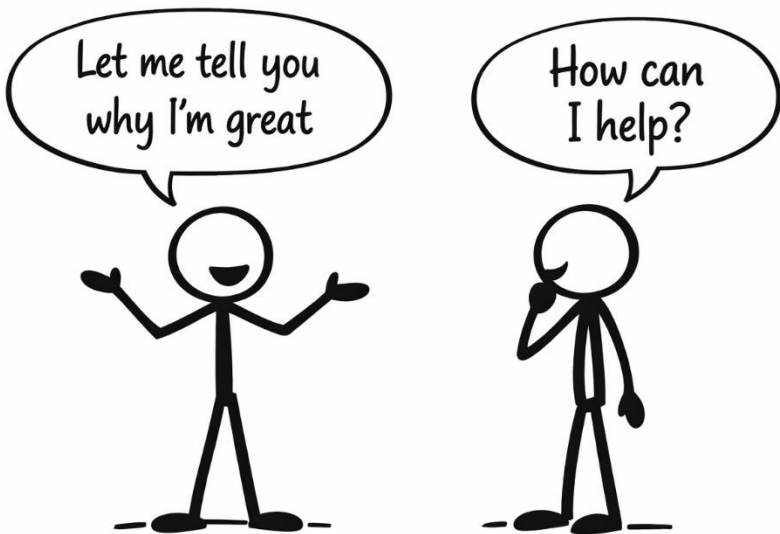
Several friends and family follow *The Money Guys* on YouTube, and their “Financial Mutants” rules of thumb are generally solid. One that comes up often is their 25% savings rule, which I support.

I watched a video last month where they broke down exactly what counts as “savings” and there were some curveballs.

- 1) Their 25% target savings rate is based off *gross income*. So, if you’re in a high tax bracket living in an expensive area, that 25% can feel surprisingly aggressive.
- 2) Employer contributions *may* count toward the 25% savings rule, but *only* for households under \$200k of income. Below that threshold, both your deferral and the employer match are included. So, if you make \$100k, put 5% into your 401(k), and your employer matches up to 5% then you’re treated as having a 10% savings rate.

But if you make \$250k then only your 5% employee contribution counts.
- 3) Other employer-sponsored retirement accounts, stock purchase plans (ESPP), IRAs, and HSAs (if investing) all count.
- 4) Contributions to 529 accounts (and by extension Trump Accounts) do *not* count, they’re a prepaid future expense.
- 5) Emergency fund savings and payments toward high interest debt do not count.
- 6) Nor do mortgage payments, even if putting extra toward principal.

I think I agree with these points, but I’d like to hear any rebuttals – I know they exist.



Gripes of a Wealth Advisor

“Our advisor is so nice.”

When people talk about their wealth advisor, they often lead with something like, “They’re so nice. We love talking to them.”

That’s great, but are they competent? Qualified? Do they execute well? Being nice and good at your job is not the same thing.

I realize this business is largely built on intangible metrics like trust, but it’s important to objectively evaluate quality of work and make a change if it’s in your best interest.

It’s not the Porsche’s Fault

If you buy a Porsche 911, drive it like a Porsche 911. It wasn’t built for 25 mph laps around the neighborhood, so don’t complain when it feels wasted.

Clients do this with advisors all the time: they hire a high-caliber wealth manager, use them only for basic, low-leverage work, and then gripe about the fees. They paid for a Porsche - it’s not the firm’s fault they’re only asking it to idle down the street.

This could be a standalone piece, but a lot of people don’t need a wealth advisor. They can self-service with good direction.

Fear of Embarrassment is Scary

On the other hand, some people DIY their finances, make a few catastrophic mistakes, and then get so embarrassed they avoid help entirely.

It’s like only going to the dentist once the cavities are unbearable - embarrassing, yes, but necessary to get back on track and prevent bigger problems later.

Your CPA Shouldn’t Fire Your FA

I’ve seen tax accountants tell clients to fire their advisor because the tax return shows realized capital losses. They assume losses equate to bad advisors. That logic is absurd.

A tax accountant often sees one narrow slice of your financial life. It’s like visiting a dermatologist for a rash and having them declare your cardiologist incompetent.

Be Helpful, not Impressive

Advisors should spend less time looking impressive and more time being helpful. Too many boast alphabet-soup credentials, dominate a conversation by demonstrating their knowledge level, and then lose sight of their clients’ real needs. Watch out for this.

ON THE NEXT PAGE

Are Stocks Systemic?
Trump Accounts Say Yes

Some think U.S. large-cap stocks are so concentrated and interconnected with the broader financial system that a major decline could trigger systemic risk.

Don’t Die w/ an HSA
It’s Poor Tax Planning

Health Savings Accounts (HSAs) are often praised for their tax benefits, but if these accounts are inherited, they can become a tax nightmare.

Collective Wisdom
Articles, Tweets, & More

Is \$1 million considered rich? A key Trump Account fix. The BiggerPockets couple gets help on The Money Guy Show. Huge changes in home prices.

Are Stocks Systemic?



Trump Accounts defaulted every dollar into [SPYM](#). The money can't be touched, reallocated, or withdrawn for 18 years.

Other [similar options are coming](#), but the federal government will effectively lock millions of children's accounts into a buy-and-hold, domestic large-cap strategy, with no ability to exit, for nearly two decades.

I see that as a massive endorsement.

When you design a program that locks money into a specific investment strategy, you've made an implicit bet it'll perform!

And once you've made that bet for millions of families, you have every reason to want it to pay off.

Not to mention all the retirement plan money that has been pushed into S&P 500-like funds, now representing a large chunk of household net worth.

So yes, I think an elongated and severe decline in the S&P 500 could now be viewed as a [systemic risk to society](#).

Almost everyone in the country will have a vested interest in the number going up. Is that a good thing though? Debatable.

As a tangent, while the Trump Account app is super clean and educational, there is effectively zero mention of risk. It's hardly buried in tiny font at the bottom.

There is no “what if the market goes down” visual which is telling.

I don't hate the S&P 500 or Trump Accounts, but it feels like we're living the popular [spiderman meme](#) with three characters pointing at each other – it's all fine until one group starts buying into a different narrative and bails on the S&P.

Don't Die with an HSA

Health Savings Accounts (HSAs) are tax-advantaged powerhouses given the pretax contributions, tax-free growth (if invested), and tax-free withdrawals for qualified medical expenses.

Many financial pundits suggest paying expenses out of pocket and letting the invested HSA dollars compound.

It can be a smart move, but don't push it.

If you die and your spouse inherits the HSA, they can treat it as their own and keep using it tax-free for medical costs.

But if a non-spouse inherits it...

The *entire balance* becomes *taxable income* to the *beneficiary* in the *year of death*! No stretch option, no rollover. They can use funds for the deceased's qualified medical bills, but that's it.

[Given that information](#), it can be smart to tactically use your HSA in the earlier retirement years. There's a window of opportunity. Don't get too greedy.

Article Arcade

SpaceX Felt Gravity, Fast The Daily Spark Six weeks in, SpaceX is down about 30% from its IPO. It's too early to call it a bust, but IPOs have been a slog for 7+ years - and honestly, the 40 before that weren't much better.	Free \$80 w/ CapOne Shops Capital One Shopping Capital One Shopping is a cashback portal like Rakuten, and they're offering a free \$80 for new users. Just sign up, install the browser extension within 7 days, and keep it installed for 90. No purchase required, no Capital One card needed.
Trump Account Fix Groom Law Group Last month I flagged a potential issue with Trump Accounts, forcing parents to file a gift tax return (Form 709). As expected, clarification was released shortly thereafter and it was good news for contributors.	Personal Finance Collab The Money Guy Show The BiggerPockets couple went on the Money Guy Show to unpack their \$10M net worth. They claim to be personal finance experts, which makes the episode entertaining. Their follow-up video here.
Fire Listener Questions The Compound Ben, Duncan, and Bill tackle whether \$1 million still means "rich," how to save with a baby on the way, paying down an 8% SBA loan vs. enjoying your success, fitting rentals into your portfolio, and whether selling stocks to buy a house makes sense.	% Change in Home Prices Data is Beautiful Great visual showing the percent change in the median home price across the United States since 2000. The data surprised me, a lot.

Talk of the Month

Friend: I greatly miss the Talk of the Month section in this newsletter. Also, I'd love to meet a 30-year-old with \$700k saved for a house.

Was that earned, inherited, or gifted? Or some combination?

Other Friend: It was earned. Would've been higher if I didn't buy Bitcoin at \$126k. *(joking)*

Me: As far as I'm aware, it was earned. There could have been some inheritance at play, but if so, it probably wasn't a big chunk.

The couple lived off one income and aggressively shoveled money into the market for years. They had good timing, to say the least.

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