The sheer number of financial decisions required to manage our finances can seem overwhelming. But often we spend an inordinate amount of time on small stuff — getting the bills paid on time, reconciling bank accounts, and calling to have a late charge waived. While those things need to get done, how do we judge whether we’re headed on the right course? There are six basic financial decisions that can determine the course of your financial life:

1. How you earn a living. Sure, we all want to enjoy our work. But why not choose a job that will pay more than another? Your income is going to drive all your other decisions, so investigate your options:

   ✓ Are you sure you’re being paid a competitive wage with competitive benefits? Pay attention to what is going on in your field.

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   ✓ Do you have an outside interest or hobby that can be turned into a paying job? This could be a good way to supplement your current salary.

   ✓ Can you get some additional training to help secure a promotion or qualify for another job?

2. How you spend your income. The amount of money left over for saving is a direct result of your lifestyle choices, so learn to live within your means. To control spending, consider these tips:

   ✓ Analyze your spending for a month. In which categories do you spend more than you expected? Give serious thought to your purchasing patterns, trying to find ways to reduce spending.

   ✓ One of the most significant spending decisions will be your home. Purchasing a smaller home will reduce your mortgage payment as well as other costs.

   ✓ Prepare a budget to guide your spending. Few people enjoy

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**Get These Decisions Right**

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**12th Annual Financial Literacy Leadership Conference**

*Conference Theme - Financial Literacy Applications*

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Get These Decisions

Continued from page 1

setting or sticking to a budget, but inefficient and wasted expenditures can be major impediments to accomplishing your financial goals.

3. How much you save. You should be saving a minimum of 10% of your gross income. But don’t just rely on that rule of thumb. Calculate how much you’ll need to meet your financial goals and how much you should be saving on an annual basis.

4. How you invest. The ultimate size of your portfolio is a function of two factors — how much you save and how much you earn on those savings. Even small differences in return can significantly impact your investment portfolio. Typically, investments with potentially higher rates of return have more volatility than those with lower rates of return. Your portfolio should contain a diversified mix of investment categories based on your return expectations, risk tolerance, and time horizon for investing.

5. How you manage debt. Before you take on debt, consider the effect it will have on your long-term goals. To keep your debt in check, consider these tips:

☐ Mortgage debt is acceptable as long as you can easily afford the home.

☐ Be careful about taking equity out of your home in the form of a home-equity loan. You might want to set up a home-equity line of credit for emergency use, but make sure it is only used for emergencies.

☐ Never purchase items on credit that decrease in value, such as clothing, vacations, food, and entertainment. If you can’t pay cash, don’t buy them.

☐ If you must incur debt, borrow wisely. Make as large a down payment as you can. Consider a shorter loan period, even though your payment will be higher. Since

Managing Correlations

The correlation, or relationship, between two different investments can be difficult to determine without historical data and statistical analytical tools. However, there are some basic rules of thumb that can help explain how the different forces interact and how investors can profit from them.

Most investments have a high correlation-to-market performance. In other words, when the overall market is rising, they’re rising too, so there is less variability between their performance and the performance of the market as a whole.

Other investment classes have a low correlation-to-market performance. Investments in this category typically include currencies, commodities, and most hedge funds. While these typically carry more risk than investments with a high correlation, they can be good alternatives during periods of uncertainty or bear markets (when the overall market is faring poorly).

Then there are investments with a negative correlation to the market — they rise when the market falls. These are some of the most challenging investments to manage. While they can serve to diversify a portfolio and lower risk, by themselves, they carry the highest risk since the investor is betting against the market. Investments in this category include shorted indexes and stock of companies dealing with inferior goods.

While each of these investment classes carries its own risk, combined they can lower your portfolio’s overall risk. When investors combine assets whose returns show low (or even negative) correlation with each other, they can minimize risk while maximizing return (because the investments are not as likely to fall at the same time). In other words, it is possible to be a prudent investor even if your portfolio includes riskier assets — as long as those riskier-yet-higher-yielding investments are balanced with others in a well-diversified portfolio.

Being diversified across different industries or international markets is not protection enough for days when almost every stock — domestic or international — gets hit. During these times, stock investors do not have anywhere to turn unless they’ve already hedged their stock portfolios with other asset classes.

Please call your financial advisor if you are interested in investigating the best asset classes for your goals.

interest rates can vary widely, compare loan terms with several lenders. Review all your debt periodically to see if less-expensive options are available.

6. How you prepare for financial emergencies. Making arrangements to handle financial emergencies will help prevent them from adversely affecting your financial goals. Make sure to have:

☐ An emergency fund covering several months’ worth of living expenses. Besides cash, that fund can include readily accessible investments or a line of credit.

☐ Insurance to cover catastrophes. At a minimum, review your coverage for life, medical, homeowners, auto, disability, and personal liability.

☐ A power of attorney so someone can step in and take over your finances if you become incapacitated.

If you’d like help with these decisions, please call your financial advisor.
Retirement planning is a lifelong process. Below are some of the key retirement-planning actions you need to take from your 20s through your 60s.

Your 20s
Start saving. The sooner you can start saving for retirement, the less you’ll have to save overall. If you start saving $5,000 per year at age 25, you’ll have just under $775,000 by age 65, assuming annual returns of 6%. Wait until age 35 to start saving and you’ll have about $395,000 — more than $300,000 less. Also, since you’re still decades away from your retirement date, don’t be afraid to take some risk with your investments. You’ll have to stomach some ups and downs, but earning higher returns from equity (or stock) investments now means more money (and less to save) as you get older.

Other steps to take when you’re young: Start budgeting, avoid debt, and save for other goals like buying a house. Even if you’re not earning a lot right now, adopting healthy money habits today will pay big dividends later in life.

Your 30s
As you enter your 30s, your income is probably heading upward and your life is beginning to stabilize. You may find that you can contribute more to your retirement savings accounts than you could in your 20s. As your income increases, consider raising retirement contributions by the amount of your annual raise, so that you don’t fall behind on saving. Reassess your savings rate and consider meeting with a financial advisor to make sure you’re saving as much as you can — and investing it well.

Your 40s
You’re at the halfway point to retirement. If you’ve been saving for the past 10 or 20 years, you should have a nice nest egg by now. If you’re still not serious about saving, now is the time to do so. You’ll have to be fairly aggressive, but you still have some time to build a respectable financial cushion. Whether you’re an accomplished saver or just getting started, you may also consider meeting with a financial advisor to help you make sure you’re saving enough to meet your goals and investing in the best way possible.

A special note: People in their late 40s and early 50s are often looking at steep college tuition bills for their children. Don’t make the mistake of sacrificing your retirement goals to pay for your children’s college educations. Stay focused and on track, so your children don’t have to jeopardize their financial future to support you as you get older.

Your 50s
Once you turn 50, you have the option to make catch-up contributions to retirement savings accounts like 401(k)s and IRAs. You can save an additional $6,000 a year in your 401(k) plan and $1,000 more a year in your IRA in 2019. That’s great news if you’re already maxing out your savings in those accounts.

Your fifth decade is also the time to start thinking seriously about what’s going to happen when you retire — when exactly you’re going to stop working, where you want to live, whether you plan to work in retirement, and other lifestyle issues. It’s also the time to take stock of your overall financial situation. You’ll still want to keep saving as much as you can, but you may also want to make an extra effort to be debt-free in retirement by paying off your mortgage, car loans, credit card debt, and any remaining student loans.

Your 60s
Retirement is just a few years away. If you haven’t already, you’ll want to dial down the risk in your portfolio, so you don’t take a large loss on the eve of your retirement. You’ll also want to start thinking about a firm retirement date and estimating your expected expenses and income in retirement. If your calculations show that you’re falling short, it’s better to know before you stop working. You can make up a shortfall in a number of ways — reducing living expenses, working a bit longer, and even delaying Social Security payments so you’ll get a larger check.

Whatever your age, the key to retirement is having a plan and consistently executing that plan. Not sure how to get started? Please call your financial advisor so we can discuss this in more detail.
4 Steps to Create a Budget

A budget shows you where your money is going every month to ensure you are bringing in more than you are spending and saving enough to meet your goals. Here are four steps to creating a budget:

1. Track where your money goes — You can track your expenses using your bank statements, receipts, or logging it into a journal or smartphone app. Add up the total for each month and then average it out. That will give you a good base to start building a budget you can stick to.

2. Put your budget on paper — Once you’ve tracked your expenses, use a spreadsheet or online/mobile application to put your budget on paper. In the expenses column, include everything you spend money on. In another column, input your income. If you have a salary, you can input how much you receive each paycheck; but if your income varies, you can use the average of the last three months. Subtract expenses from your income to see how much money you have left every month. If you have a negative number, you’ll need to make some changes to your budget. If you have a positive number, that can be the amount of money saved each month.

3. Look for ways to increase your savings — With essential expenses of fixed amounts, such as your mortgage, taxes, and insurance, you may be able to refinance your mortgage, find strategies to help reduce taxes, or comparison shop insurance to reduce premiums. Essential expenses that vary in amount, such as food, medical care, and utilities, can usually be reduced by altering spending or living habits. For instance, you can actively shop for food with coupons, exercise to get in better health, or put energy-saving light bulbs through your house. Discretionary expenses, such as entertainment, dining out, clothing, travel, and charitable contributions typically offer the most potential for spending reductions.

4. Reevaluate — It is critical to reevaluate your budget after the first few months to ensure it fits your needs and goals. If you find you are continuously spending more money than budgeted for necessities, adjust your budget. Once you get past the first few months with a new budget, reevaluate every six months or as needed.

Financial Thoughts

It is estimated that charitable giving will be reduced by $13 billion in 2018 due to the 2018 Tax Cuts and Jobs Act (Source: National Council of Nonprofits, 2018).

Almost 11% of Americans surveyed said they plan to spend more money on goods and services in 2018 as a result of the 2018 Tax Cuts and Jobs Act (Source: Forbes, 2018).

Approximately 13% of taxpayers are expected to continue to itemize deductions in 2018 compared to 30% in previous years (Source: Tax Policy Center, 2018).

One-third of millennial households (those born from the early 1980s through the early 2000s) who opened their first account in the past year had no equities. More than twice as many millennial investors who opened their accounts in 2008 or later (22%) have no exposure to equities compared to those who opened their account in 2007 or earlier (10%) (Source: Vanguard, June 2018).

In a recent survey, respondents in the 25 to 34 age group were 11% more likely to hold exchange-traded funds (ETFs) in a nonretirement account than those who were older than age 65 (Source: AAIL Journal, November 2018).