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financial $UCCESS

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Enjoy Life and Still Save for Retirement

Some people worry that when saving for retirement, they have to give up the things they enjoy. While there needs to be a balance between spending and saving, it doesn't mean you can't enjoy life.

Look at Your Current Situation and Set Goals

You should start by reviewing how you live and how you save. Make a list of questions about your lifestyle to assess what is most important to you:

- ✔ Am I happy with my current lifestyle?
- ✔ Are there things I want to pursue?
- ✔ Do I have enough money to support my lifestyle and the things I want to pursue?

Prioritize your responses by order of importance, so you can budget for the things you really want to do.

Next, you will want to make a list of how you are currently managing your finances and savings:

- ✔ Am I able to cover my current bills?
- ✔ How much am I saving for retirement?
- ✔ Am I saving enough for retirement?
- ✔ How much disposable income do I have every month?

Once you have answered these questions, it is time to look at your responses to figure out how you can accomplish both. You'll want to develop or revise both lifestyle and retirement goals, being as realistic as possible with your current financial situation. Also make sure your goals are specific, so you can assign dollar figures to them, such as:

- ✔ Play golf at least once per week.
- ✔ Save $500 per month in retirement accounts.
- ✔ Travel abroad at least once per year.
- ✔ Establish an emergency account with six months of

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Enjoy Life

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income.

Make a Plan

Now that you have established your goals, you need to figure out if you can make it all work. As part of your budget, add both your lifestyle goals and your retirement goals with specific dollar amounts for each.

If you can't meet all your goals within your budget, you will have to make decisions about what is most important. You should not put your retirement goals in jeopardy, nor should you give up on your lifestyle goals. You either need to look for other things you can cut from your budget or find ways to earn more income.

If golfing once a week is really important to you, what can you give up to make that happen? If you pack a lunch instead of eating lunch out, will that be enough money to cover your weekly golf game? It all comes down to what is most important without putting off saving for retirement.

Also assess your job. Are you earning enough money for the type of job you have? Are you happy with your job? Is it worth trying to find another job that pays more? Changing a job takes time and energy, but you need to decide if it is an option so you can have more disposable income.

Review and Reassess

You will want to review your goals and budget on a regular basis to determine if you need to make adjustments, especially if you are having trouble accomplishing your goals within your budget. Also, as time goes by, you will find that your goals will change and you need to adjust your plan as well.

Please call your financial advisor if you'd like to discuss this in more detail. ❍❍❍

5 Estate Planning Tips for Dependents

When you have people who are dependent on you, like children or elderly parents, you want to ensure they will be well taken care of in the event that you can no longer care for them. Here are five tips for creating an estate plan to help ensure your dependents are taken care of according to your wishes.

✔ **Hire an estate planner —** An estate planner will make sure you think of and lay out every aspect of your estate plan. Estate planners stay up-to-date on tax rules and other laws and regulations, so they can help you ensure that your plan is legally and financially sound, leaving your dependents in the best situation possible.

✔ **Choose a guardian —** Choosing someone to take care of your children in the event that both you and the children's second parent are deceased is a huge decision to make and deserves great care and time. You want to choose a guardian who loves your children and has the capacity to take care of them into their adulthood. That means a guardian who has the financial capacity to care for your dependents, as well as the physical capacity to do so.

So even though grandparents may be able to love and care for your children just as you did, they may not be in good enough health to care for a child or children. On the other hand, your sister may be able to love your dependents just as much as you did and be in perfect health, but is unable to hold a steady job or stay in a committed relationship. The goal of choosing a guardian is to make sure your children are loved and taken care of adequately, they receive a good education, their lives remain as stable as possible, and they receive emotional support to cope with your loss. It's crucial to communicate with your chosen guardian. Ask early (and often) if they are comfortable being the guardian of your child or children.

✔ **Develop a trust —** A trust is often used when people have minor children or dependents that are incapable of taking care of themselves. You, the trustor, put a trustee in charge of the beneficiary's property and/or assets until the beneficiary meets certain requirements such as reaching a certain age or milestone. Usually the named guardian is also the trustee, however, every situation is different. Just like choosing a guardian, make sure you take time in choosing a trustee and pick someone who is trustworthy and capable.

✔ **Start as soon as possible —** As soon as you have a child or otherwise become responsible for a dependent, it is important to get an estate plan in place to protect them in case of emergency.

✔ **Reevaluate often —** As time goes on, your situation may change quite a bit from your original plan. For example, anytime you acquire a new asset or debt, it should be included in your estate plan. Also, you may realize the guardian you originally chose for your dependent is no longer the right choice — they might get sick or die, or move far away. You may have more children or unexpectedly start caring for an elderly family member. Any time major changes happen in your life that impact what you would leave behind and who you'd want to leave it to, you should revisit your estate plan.

You may have no control over when or how you will die, but you do have control over what happens to your dependents. To get started with your estate plan, please call your financial advisor. ❍❍❍

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Myths about Bonds

Bonds are a core part of many people's investment portfolios. But that doesn't mean they're widely understood. In fact, there are many common myths about bonds, and following those myths could lead to poor investment decisions. Below, we debunk a few of the most common myths about bonds.

Myth 1: Bonds Are a Risk-Free Investment

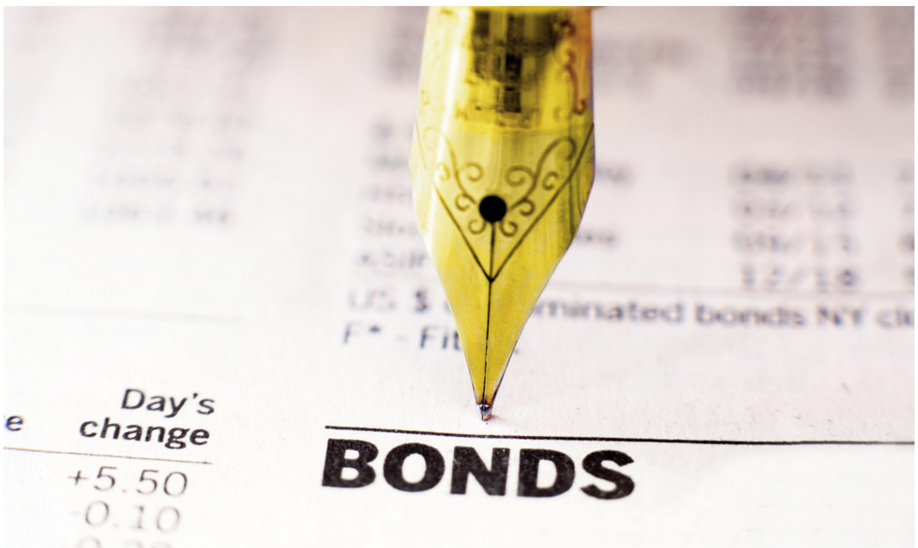
It's true that investing in bonds is not as risky as some other investments, like stocks or real estate. But less risk doesn't equate to no risk. A bond issuer may default on their obligations, which could leave investors without their principal. Also, some bonds are riskier than others. Treasury bonds, which are guaranteed by the U.S. government, carry relatively little risk — the U.S. has never defaulted on its debt obligations. Corporate bonds, which are issued by companies, are generally riskier than government bonds. You can get an idea of the relative risk of a certain bond by reviewing its bond rating, often expressed as a letter grade. A triple-A bond means the issuer is extremely likely to meet its commitments. A bond with a C rating means the issuer is vulnerable.

Myth 2: Lower Returns Mean Investing in Bonds Isn't Worth It

Bonds may not be as glamorous as stocks and other investments, but that doesn't mean they don't have a place in your investment portfolio. Bonds are a way to add diversification to your portfolio; a stock-heavy portfolio can earn great returns, but it can also lose a lot of money fast if the market drops. Your stocks may eventually regain their losses, but if you need the money in the interim, you'll need to find other resources. Bonds can also provide a steady source of income, which may be appealing if you're at a point when you want to live off investment income. They are also a way to preserve your capital while still earning some returns. In addition, certain types of bonds offer tax advantages — income earned on municipal bonds is free of federal income tax and sometimes state and/or local income taxes, for example.

Myth 3: Bonds and Bond Funds Are Essentially the Same

Not exactly. In some ways, the difference between bonds and bond funds is similar to the difference between stocks and mutual funds.



Like a stock mutual fund, with a bond fund, you give your money to a professional investment manager who chooses a range of bond investments on your behalf. With an individual bond, you have an investment in a single bond, which you hold until the bond's maturity date. Individual bonds have fixed payments, often semi-annually or quarterly; and if you hold the bond to maturity, you get your original investment back.

Bond funds, on the other hand, have fluctuating income based on how well the underlying bond investments perform. Bond funds are more liquid than individual bonds, however, which means it's easier to sell your investment if you need the cash. You'll also need to invest in a greater array of individual bonds to diversify the bond portion of your portfolio. Which one is right for you depends on your goals, your comfort level with investing, and other factors.

Myth 4: All Bonds Are Safe Investments

First, it's important to understand there are no guarantees when it comes to investing — there's always risk. While bonds are generally considered less risky than stocks, that doesn't mean there's no risk, and some bonds are riskier than others. Bonds issued by the U.S. federal government carry minimal risk (for example, savings bonds or Treasury bonds). But similar bonds issued by a less stable country or government could carry much more risk. State and local bonds (called munis) come with a greater risk of default than bonds issued by the U.S. federal government. Corporate bonds can be risky too, especially so-called junk bonds.

Want to get more of the facts on bonds? Please call your financial advisor to discuss bonds in more detail. ❍❍❍

Nurture Your IRA

It's tempting to pay little attention to an individual retirement account (IRA). After all, with a maximum contribution of $6,500 in 2023 ($7,500 if you are over age 50), how much can an IRA contribute to the vast sums you'll need for retirement? The answer is plenty, especially if you follow these tips:

✔ **Start contributing as soon as possible.** That way, tax-deferred or tax-free compounding of earnings can have a dramatic impact on your IRA's ultimate value. Consider the following example. Four individuals, ages 20, 30, 40, and 50, each contribute $5,000 to an IRA this year. What will that amount grow to when each person reaches age 65, assuming an 8% annual rate of return? The 50 year old will potentially have $15,861, the 40 year old will have $34,242, the 30 year old will have $73,927, and the 20 year old will have $159,602.*

✔ **Contribute every year until you reach retirement.** Even if you can't afford the maximum contribution, contribute something every year. Assume that at age 30 you start contributing $5,000 per year to an IRA, earning 8% compounded annually. After one year, you'll have only $5,400. But that will grow to $29,333 after five years, $72,433 after 10 years, $228,810 after 20 years, and $861,581 after 35 years, when you turn age 65.* *(Keep in mind that an automatic investing program, such as dollar cost averaging, does not assure a profit or protect against loss in declining markets. Because such a strategy involves periodic investments, consider your financial ability and willingness to continue purchases through periods of low price levels.)*

✔ **Select investments with care.** Your IRA should be a long-term investment vehicle for retirement, so your investments should be appropriate for that long time frame. Even modest changes in your rate of return can substantially impact your IRA's ultimate value.

✔ **Fund your IRA at the beginning of the year, rather than at the end of the year.** This allows your contributions and earnings to compound for a longer period.

Please call your financial advisor if you'd like to review strategies to help maximize your IRA's value. ❍❍❍

** These examples are provided for illustrative purposes only and are not intended to project the performance of a specific investment. They do not take into account the effects of commissions or any taxes that may be due.*

The Role of Bonds

Before purchasing bonds for your portfolio, consider the following questions:

✔ **How much of your total investment portfolio do you want allocated to bonds?** Typically, you'll want a diversified portfolio containing cash, bonds, and stocks.

✔ **When do you need your principal back?** If you're a buy-and-hold investor, you'll probably want to select a maturity date that coincides with your need for your principal. Investors who actively trade may be more interested in yield differences among maturities.

✔ **What types of bonds interest you?** Decide whether you're interested in Treasury securities, municipal bonds, or corporate bonds.

✔ **What are the tax consequences of bonds you are interested in?** Different types of bonds are taxed differently. Your tax bracket and the tax consequences of the interest income will impact your yield comparisons.

✔ **How much risk are you willing to tolerate?** Bonds are typically subject to interest rate risk, reinvestment risk, inflation risk, default and credit risk, and call risk. Each bond type is affected to a varying degree by each risk type. ❍❍❍

Financial Thoughts

Recently, stock and bond yields have been converging. At the beginning of April 2020, the S&P 500's earnings yield was 6.5 times greater than the yield on 10-year Treasury bonds (4.01% versus 0.62%). This gap narrowed as the Federal Reserve aggressively tightened monetary policy. The S&P 500's earning yield at the start of March 2023 was 4.73% while the 10-year Treasury bond yield was 4.01% (Source: *AAII Journal*, April 2023).

Nearly three-quarters of defined-contribution plan participants aged 60 and older leave their employer's plan within five years after separating and choose to roll these assets to an individual retirement account (Source: *AAII Journal*, April 2023).

In mid-2022, IRA assets represented 11% of all household assets, 3% more than 20 years ago. More than two of five U.S. households own IRAs. A big part of these IRA are rollovers from employer-sponsored retirement plans, since individuals don't want to leave assets with former employers, want to consolidate assets, and continue to shelter savings from taxes. IRA ownership increases with age and household income. However, few U.S. households make contributions to their IRA (Source: *ICI Perspective*, February 2023). ❍❍❍