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Strategies from Steve

UPDATE

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Investing Before and During Retirement

There are two phases in the life cycle of a retirement portfolio: the time when you're contributing to it and the time when you're using it to cover your living expenses. During each phase, the basic challenge is deciding how to invest your nest egg, and for that there are three common approaches:

✔ **Going with your comfort level.** Most people have some idea as to what investments appeal to them, either because of the rate of return they associate with them or how much safety they seem to offer. People tend to pile their retirement funds in one place — which can cause problems if there is a significant decrease in that investment.

✔ **Using a one-size-fits-all formula.** There are at least several of these formulas floating around. On the theory that the closer you get to retiring the more conservative you should become, one says you should subtract your age from 100, treat the result as a percentage, and put that portion of your portfolio in stocks and the rest in bonds. Another follows the same method, but suggests you subtract your age from 120. The appeal of this approach is that it's simple and unambiguous. The downside is that the results don't take into account the details of your circumstances, the state of the economy and inflation, or the cyclical nature of market returns.

✔ **Using a financial plan.** A plan includes all the details that the other two methods leave out. It's by far your best bet for achieving your retirement goals since it takes your circumstances and the state of the economy into account.

Before You Retire

The key factor is to determine what rate of growth you need to

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Avoiding Credit Card Dependence

If you are concerned you are too dependent on your credit cards, there are steps you can take to become credit card independent.

✔ Put your credit cards somewhere for safekeeping to reduce the temptation to use them as your regular form of payment.

✔ Become more disciplined with spending by enacting a cash-only policy. While many people use debit cards as a convenient way to pay cash; be careful, because many financial institutions will allow you to overdraft your account when you use a debit card and may charge a large fee for this overdraft privilege.

✔ Consolidate your balances to fewer cards that have the lowest interest rates and close the rest of your credit card accounts to reduce the amount of available credit and, thus, the potential amount of debt you could incur. While closing credit cards can have a negative impact on your credit score, it's still better to have a temporary credit score setback than to go deeper into debt if you can't control your spending. To reduce the impact to your score, you should also consider keeping your oldest credit card in addition to a lower interest-rate card.

✔ Shock yourself into reality by looking at a few important things on your credit card statement including: how much are you paying in interest on an annual basis? How long will it take you to pay off the balance and how much will you pay in interest if you are only making the minimum monthly payment? This information can be a real eye-opener.

Please call if you'd like to discuss this in more detail. ✔✔✔

Steve

Investing

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achieve in your portfolio to retire with a nest egg capable of supporting you for the rest of your life once you no longer earn a paycheck. It's a balancing act between how much you can afford to put aside every year, how much growth will maximize your nest egg, and how much risk you feel comfortable taking.

By analyzing these factors, a good financial plan produces a recommended asset allocation strategy that specifies how much of your portfolio should be invested in stocks, bonds, cash, commodities, and real estate.

In general, the younger you are, the more risk you can afford to take, since you will have many market and economic cycles to smooth out your returns. It's not unheard of for someone in his/her 30s or 40s to invest up to 70% or 80% of his/her assets in stocks. Conversely, younger people who are risk-averse may be able to take less risk and put more of their assets in bonds, as long as they have more modest retirement goals.

It's generally true that the closer you are to retiring, the more conservative your portfolio ought to be. But this doesn't suggest the precise proportions you ought to put into each asset class, nor does it take into account the opportunities or challenges that current market conditions present.

After You Retire

After you retire, the goal shifts to keeping your retirement portfolio large enough to continue generating the supplemental income you need for the rest of your life.

While this shift means your strategy aims for less growth and risk than in the accumulation stage, it's usually a mistake to revert to the most conservative strategy possible. That's because your portfolio gets eroded over time by:

✔ Inflation, which means the real value of your portfolio gets smaller every year.

✔ Taxes on income and capital gains in taxable accounts and withdrawals from non-Roth IRAs.

✔ Withdrawals you make to support your lifestyle.

Because of this constant shrinkage, some portion of your portfolio needs to be invested in stocks, which is a riskier asset class but typically stays ahead of inflation, taxes, and reasonable rates of withdrawals.

Please call if you'd like to discuss your situation. ✔✔✔

Financial Advice for Children

It's a common enough goal — to live a better life than your parents. While you may be able to say you accomplished that goal, how likely is it that your children will be able to say the same thing? To help them with that pursuit, make sure to teach them these important financial lessons:

✔ **Graduate from college.** Even if your children are interested in pursuing careers that don't require a college education, encourage them to obtain a college degree first. It is much easier to go to college straight out of high school. And financially, college graduates have higher earnings on average than nongraduates.

✔ **Develop written financial goals.** Get them into the habit of saving first, then worry about how to spend the rest of their money. Encourage them to set up a system to automatically divert some of their income to savings.

✔ **Live well within their means.** Make sure they understand the difference between needs and wants, with saving for retirement high on the list of needs. They should realize that the only way to save for future goals is not to spend all their current income. Help them prepare a budget to see how much they can really afford for those items and still have money left over for saving.

✔ **Utilize all retirement vehicles available.** As soon as they become eligible, your children should start contributing to a 401(k) plan at work. If their employer doesn't offer a 401(k) plan, teach your children the benefits of individual retirement accounts (IRAs), both traditional deductible and Roth. The importance of saving for retirement at a young age can't be stressed enough.

✔ **Use debt sparingly.** If your children take on too much debt early in life, they can spend the rest of their lives struggling to get out of debt. Large payments for principal and interest can seriously reduce the funds available to save for other financial goals. Stress to your children that it is best to use credit cards only if they can pay the balance in full every month. Other debt, like car loans and mortgages, should only be taken on after a careful analysis of whether your child can afford the payments and whether the purchase fits in with their financial goals.

Please call if you'd like help imparting these financial tips to your children. ✔✔✔

4 Steps to Financial Confidence

When it comes to being in control of your money, confidence is one of the most important attributes you can have. Below are four simple suggestions that can help you increase your financial confidence.

1. Get organized. Not too long ago, it didn't take much work for the average person to organize their finances. Unless you were very wealthy, money matters were fairly straightforward — you might have had checking and savings accounts, an insurance policy, maybe some stock investments and bonds, and a mortgage. If you were lucky, you had a pension. You could easily store all your financial information in a single accordion file.

Today, things are more complicated. Credit cards, home equity lines of credit, student loans, 401(k)s and IRAs, 529 plans for college expenses — the list of things to keep track of seems endless. It's easy for things to get lost or overlooked. That in turn can lead to mistakes that can weaken your financial confidence. Getting organized will give back a feeling of control.

There are numerous strategies for getting organized. The best approach for you depends on your specific situation and your personality. Some people stick with that old-fashioned accordion file. Others go completely digital. Whatever solution you choose, you need to know all the details of your finances.

2. Get educated. When you start a new job, you may feel nervous and on edge. There's a lot to learn, and you may not be confident that you'll succeed in your new position. But if you commit yourself to learning new skills and the ins-and-outs of how your new organization functions, your confidence will gradually increase. The same holds true for your finances. Simply taking the time to learn more about finances and managing your money can do wonders for how you feel about your life.

Basic financial literacy isn't really covered in most school curricula, so many otherwise savvy adults are clueless in this area. Fortunately, increasing your financial literacy is not hard; it just requires a little bit of effort. Many community colleges, churches, and nonprofit groups offer classes, or you can sign up for a class online. If you don't want to go back to school, consider watching videos or reading articles to review unfamiliar financial concepts.

3. Get a financial plan. Making financial decisions on a day-to-day basis with no larger purpose or focus in mind may work for some people, but it's not likely to help you become financially confident. If you don't have any idea what might (or what you want to) happen, you're not likely to be very confident about your future. To achieve true financial confidence, you need a plan. Setting goals and making meaningful progress toward those goals will do wonders for your financial self-esteem. Having a financial plan will also help you prepare to cope with an uncertain world. You'll be better prepared for the unexpected. In fact, people who engage in financial planning are more likely to report that they live comfortably and are on track to meet all of their financial goals.

Why is a financial plan so important? It brings together all the threads of your financial life. Having a solid financial plan in place that covers everything from preparing for emergencies to planning for retirement is key to boosting your financial confidence.

4. Get help. Getting reliable advice from an outside expert can greatly improve your financial confidence. Just like a doctor supports and guides you in making decisions about your health, and a personal trainer is there to encourage and motivate you to get fit, a financial advisor is there to make sure you're sticking to your financial plan. Even if you're organized and financially savvy, there are many decisions that are difficult to make on your own, from deciding how much to save for retirement to choosing investments for your portfolio. If you're unsure about what to do next, please call. ✔✔✔

Drawdown Retirement Funds Carefully

Your withdrawal amount can be calculated based on your life expectancy, expected long-term rate of return, expected inflation rate, and how much principal you want remaining at the end of your life.

Market Data

	Month End			% Change	
Stocks:	Apr 24	Mar 24	Feb 24	YTD	12-Mon.
Dow Jones Ind.	37815.92	39807.37	38996.39	0.3%	10.9%
S&P 500	5035.69	5254.35	5096.27	5.6	20.8
Nasdaq Comp.	15657.82	16379.46	16091.92	4.3	28.1
Total Stock Market	50054.60	52402.86	50820.93	4.7	20.6
Precious Metals:					
Gold	2307.00	2214.35	2048.05	11.5	16.4
Silver	26.42	24.80	22.63	8.9	5.4
Interest Rates:	Apr 24	Mar 24	Feb 24	Dec 23	Apr 23
Prime rate	8.50	8.50	8.50	8.50	8.00
Money market rate	0.48	0.48	0.51	0.48	0.51
3-month T-bill rate	5.25	5.23	5.26	5.26	5.07
20-year T-bond rate	4.90	4.45	4.51	4.20	3.80
Dow Jones Corp.	5.84	5.40	5.49	5.17	5.26
Bond Buyer Muni	4.48	4.37	4.38	4.48	4.43

Sources: Barron's, Wall Street Journal. An investor may not invest directly in an index.

Guess wrong on any of those variables and you risk depleting your assets too quickly. Consider these strategies for calculating your drawdowns:

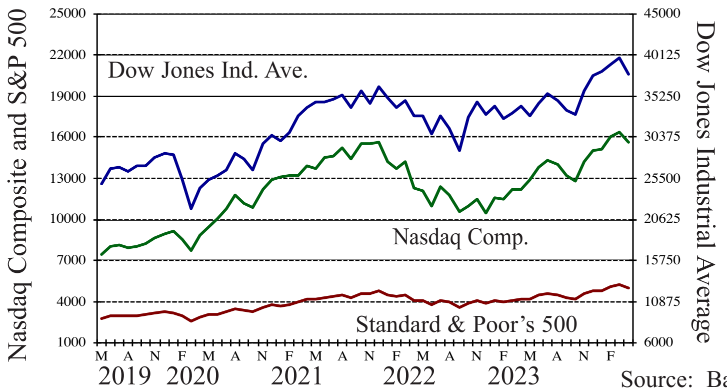
✔ **Use conservative estimates in your drawdown calculations.** Add a few years to your life expectancy, reduce your expected return a little, and increase your inflation expectations. That will result in a lower withdrawal amount, but it will also help ensure your funds don't run out. Take a careful look at any answer that indicates you can take out much more than 3% to 5% of your balance each year, which is a reasonable withdrawal amount if you want your funds to last for several decades.

✔ **Review your calculations every couple of years.** This is especially important during your early retirement years. If you find you're depleting your assets too rapidly, you may be able to go back to work on at least a part-time basis. If you find out late in life that you're running out of assets, work may not be an option.

✔ **Place three to five years of living expenses in short-term investments.** That way, if there is a severe market downturn, you won't have to touch your stock investments for at least three to five years, giving them time to recover. ✔✔✔

Stock Indices

May 2019 to April 2024



Source: Barron's

Interest Rates

May 2019 to April 2024