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STRATEGIES FROM STEVE

U P D A T E

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Estate Planning Tips for Baby Boomers

Many boomers have put off estate planning, putting themselves and their families at risk. These tips can help this generation get back on track with estate planning.

1. Know what your kids expect — and what you plan to give them. Boomers' parents were conservative savers. They came of age in the Great Depression, and that often led them to be cautious with their money. Many of them accumulated far more than they ever spent, and they passed that wealth on to their boomer children. But many baby boomers aren't taking the same approach to money. For one, the world has changed. Even boomers who've saved a lot may end up spending much of what they've accumulated, since retirements are likely to be long and healthcare costs expensive. But there's also an attitude difference. Active boomers may be planning on spending much of their hard-earned money on themselves. They believe they've done a lot for their children already and don't feel the need to leave them substantial assets. That's fine — it's your money, after all — but if you plan on spending most of your assets, you may want to let your children know. It's one thing to not leave money to the next generation, but if they are blindsided by your decisions after your death, they may end up feeling resentful.

2. Have a plan for the end of your life. Many, if not most, boomers are still leading busy lifestyles, and they plan to keep doing so for some time. Boomers who value staying fit and healthy may not really be thinking about what will happen to them when the inevitabilities of aging finally do catch up. But while taking steps to

Continued on page 2

Handling the Financial Aspects of Death

The emotional trauma of dealing with a loved one's death can be devastating. If you also have to handle the financial aspects, it can seem overwhelming to deal with all the details. Consider this:

✔ Your most immediate concern will be to notify family and friends of the death and to make funeral arrangements. If you aren't sure of the deceased's burial wishes, look for a letter of instruction.

✔ If a surviving spouse and/or minor children are involved, evaluate their means of support and determine whether care for the dependents needs to be obtained.

✔ Locate any safe deposit boxes and follow necessary procedures to have them opened.

✔ If the deceased was employed, contact his/her employer to start the process of collecting any outstanding pay, life insurance proceeds, or other benefits. If the deceased was retired, notify Social Security and any pension plans.

✔ Locate important documents, including wills, trusts, deeds, investment records, insurance policies, business and partnership arrangements, and other evidence of assets and liabilities.

✔ Meet with an attorney to discuss the deceased's estate matters. You may need to retain an attorney, accountant, and/or financial advisor. These professionals have experience dealing with the financial matters of estates and can help significantly with the process. ✔✔✔

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Estate Planning

continued from page 1

live a healthy lifestyle is important to enjoying a great retirement, boomers shouldn't assume they'll be healthy forever. Sickness and disability can happen, and it will be easier for you and your family to deal with if you have a plan. Not only should you think about long-term care and how you'll pay for it, you should also make sure you have end-of-life planning documents in place, like a health care power of attorney and a living will.

3. Make sure your estate plan is up-to-date. Many boomers have estate plans that they created decades ago. The primary goal of those estate plans may have been to ensure that their children and surviving spouse were protected in the event of unexpected death. But as you get older, your estate planning needs change. If your kids are independent adults, providing for them is no longer as critical. Plus, if it's been two or three decades since you created your will, your life has likely changed in other ways too. You may have grandchildren who you want to receive part of your estate or new property that should be incorporated into your will. Or your family composition might have changed — you may have been divorced or widowed, for example. You may even have received a health diagnosis that is affecting your estate planning goals. For all these reasons and more, boomers need to sit down and review their estate plans to make sure they properly convey all their wishes.

4. Decide if, and how, you want to leave a legacy. Boomers often want to find a way to leave a lasting impact on the world and to support the causes and organizations closest to their hearts. If you count yourself among those for whom leaving a legacy is important, now is the time to start thinking seriously about how you want to turn those legacy dreams into reality. If your goals are ambitious — like starting a foundation or a charity or endowing a scholarship — you should start planning now. The more lofty your goals, the more important it is that you take clear, concrete steps to turn your dreams into reality — like meeting with the leaders of the organization you support and finding out how you can best help them. After all, you won't be able to do this work after you are gone.

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

Financial Rules of Thumb

Financial rules of thumb are designed to provide quick guidelines for your finances. However, you shouldn't blindly follow them without giving thought to your personal circumstances:

Save 10% of your gross income. While this will give you a good start, it's typically the minimum, not the maximum, you should be saving. Analyze how much you'll need for your financial goals, and then work backwards to calculate how much you save.

Plan on spending 80% of your preretirement income during retirement. This may be true if you don't plan to be very active during retirement, but more and more people expect retirement to include extensive travel and expensive hobbies. Review your individual situation.

Set the percentage of stocks in your portfolio to 100 minus your age. With increased life expectancies, this can result in a portfolio that is too heavily weighted in income investments. Set your asset allocation based on your risk tolerance and time horizon for investing.

Keep three to six months of income in an emergency fund. You may need a larger fund if you are the sole wage earner in the family, work at a seasonal job, own your own business, or rely on commissions or bonuses. A smaller fund may be required if you have more than one source of income, can borrow significant sums quickly, or carry insurance to cover many emergencies.

Pay no more than 20% of your take-home pay toward short-term debt. However, don't become complacent if you meet this rule of thumb, since a large percentage of your income is still going to pay debt.

Keep your mortgage or rent payment to no more than 30% of your gross income. While you can obtain a mortgage for more than that, staying within this rule will help ensure you have money to devote to other financial goals.

Obtain life insurance equal to six times your annual income. Different individuals require vastly different amounts of insurance, depending on whether one or both spouses work, minor children are part of the family, or insurance is being obtained for other needs, such as to fund a buy-sell agreement or to help pay estate taxes. Thus, you should determine your precise needs before purchasing insurance. ✔✔✔

Should You Retire Early?

Not so long ago, most working people wanted to retire early. But the prospect of retiring at a young age and depending on your investments for income for decades is suddenly a scarier thought. Should you consider retiring early?

Much will depend on your definition of early retirement. If your definition means to quit working completely so you can travel extensively and pursue expensive hobbies, then you might want to postpone those plans for a while. However, if your definition means to change careers to work part time at a less stressful job, cut back on your living expenses, and only take minimal amounts from your retirement savings until Social Security and pension benefits kick in, then your early retirement plans might still be feasible. If you want to seriously consider early retirement, review these tips:

✔ **Make sure you know what you're going to do with your time.** When you're working full time, it seems like you could fill all your waking hours with the things you don't have time to do. But if you're used to a fast-paced life, can you really expect to spend the next 20 to 40 years of your life just puttering around the house and golfing? Make sure you have concrete plans to fill your days so you don't get bored early in retirement. If possible, ask your employer to give you a short sabbatical. That way, you can see how well you'll adjust to retired life. If you like it, you can go ahead and retire. If you find yourself quickly bored, you haven't given up your job.

✔ **Calculate your numbers carefully.** You want to be sure your retirement savings and other income sources, such as Social Security and pension benefits, will support you for what could be a very lengthy retirement. When calculating how much you need for retirement, be very conservative. Bump up your expected expenses by 5% to 10%, add a few years to your life expectancy, reduce your expected return by a couple percent, and increase your inflation expectations. Don't expect to draw more than 3% to 4% annually from your retirement investments. Now, can you really afford to retire early?

✔ **Cut back on your standard of living.** Unless you're very wealthy, you probably won't be able to retire early and afford fancy cars, expensive homes, and other luxuries. Cutting back your expenses now will serve two purposes. It will provide more money to save for retirement and it will reduce your living expenses now and during retirement. Don't just look at obvious ways to cut back. Look at more drastic measures, such as moving from your current home to a smaller one or comparison shopping for items like auto and home insurance.

✔ **Work at least part time during retirement.** Even a small amount of income after retirement can go a long way in helping to fund your retirement expenses. Consider working at a less stressful job, starting your own business, or turning hobbies into a paying job. This can give you time to pursue travel, hobbies, and other interests, while helping to fund a long retirement.

✔ **Move to a less expensive city.** The cost of living in different cities across the country and in different countries can be vastly different. If you live in a city with a high cost of living, moving to a different location can dramatically lower your living expenses. However, this is not just a financial decision. You need to consider whether you'll be happy living somewhere else, away from family, friends, and other ties.

While retiring early certainly seems more challenging, that doesn't mean it can't be done. But you do need to make sure your plans are realistic before retiring. Please call if you'd like help developing a plan for early retirement. ✔✔✔

Should You Serve as a Guardian?

When asked to serve as the guardian of someone's minor children in the event of his/her death, it is usually meant as a compliment that the person trusts you to serve in this important role. While you may fear you'll hurt your relationship with that person by saying no, don't accept this role without giving it serious thought. Consider the following:

✔ **Are your lifestyles compatible?** Go over all details involved in raising the children. Will the children move in with you? If so, will that mean relocating them far from their current home? What are the parents' preferences regarding education, religion, lifestyle, and other factors? How well does your family get along with their children?

✔ **How much financial support will be available?** This involves more than making sure money is available for college and other expenses directly attributable to the children. Additional children in your house will increase many of your bills.

✔ **Are you comfortable taking on responsibility for the children's finances?** You may feel more comfortable with another person involved to review how the children's money is spent.

✔ **Has a contingent guardian been named?** Find out if a contingent guardian has been named in case you cannot serve. However, don't use this as an excuse to say yes when you really want to decline. ✔✔✔

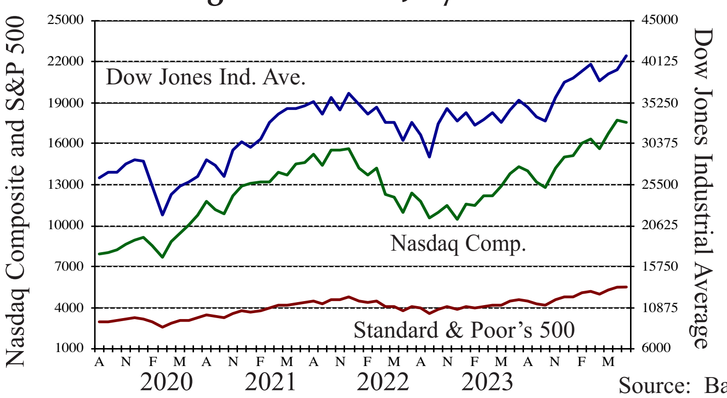
Market Data

	Month End			% Change	
Stocks:	Jul 24	Jun 24	May 24	YTD	12-Mon.
Dow Jones Ind.	40842.79	39118.86	38686.32	8.4%	14.9%
S&P 500	5522.30	5460.48	5277.51	15.8	20.3
Nasdaq Comp.	17599.40	17732.60	16735.02	17.2	22.7
Total Stock Market	54862.65	53915.68	52345.32	14.8	19.3
Precious Metals:					
Gold	2426.30	2330.90	2350.65	17.3	23.1
Silver	28.82	29.28	32.04	18.8	16.2
Interest Rates:	Jul 24	Jun 24	May 24	Dec 23	Jul 23
Prime rate	8.50	8.50	8.50	8.50	8.50
Money market rate	0.48	0.50	0.51	0.48	0.56
3-month T-bill rate	5.15	5.24	5.26	5.26	5.28
20-year T-bond rate	4.44	4.61	4.73	4.20	4.22
Dow Jones Corp.	5.43	5.51	5.65	5.17	5.54
Bond Buyer Muni	3.94	4.33	4.54	4.48	4.37

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

Stock Indices

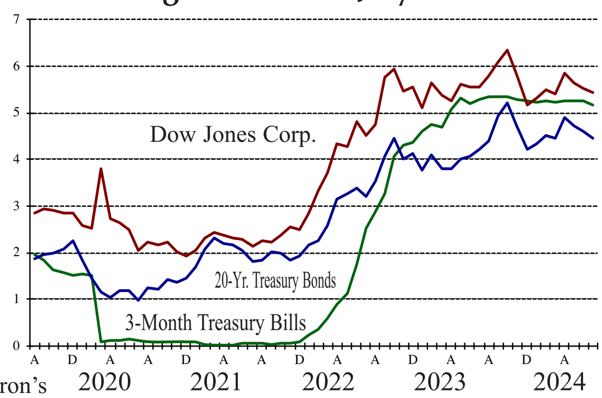
August 2019 to July 2024



Source: Barron's

Interest Rates

August 2019 to July 2024



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