Morgan Stanley

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**FALL 2024**

# The 411 on 412

Greetings from Pittsburgh! Although the weather doesn't yet suggest it, we are now officially into Fall. As far as we are concerned, that means a few things: football, crisp mornings, and pumpkin-spice-everything.

As always, we believe it is important to keep you informed not only of timely business topics, but also of exciting news regarding the members of your financial services team, The 412 Group:

Our Head of Financial Planning, **Sarah Rigatti** and her husband, Dave spent the last few days of summer in the Adirondacks of New York, attending the wedding of Sarah's childhood friend. While they were "in the neighborhood", they visited the Lake Placid Olympic Center, which was the site of the 1932 and 1980 Olympics Games.

412 Group partner, **Colin Rosenberg** and his wife, Jackie are officially empty nesters. Their eldest, Jolie continues to live and work in Washington, DC, their middle daughter, Olivia is now living in New York City, and their youngest, Reed is well-into his freshman year at Duquesne University.

Our Senior Registered Client Service Associate, **Andrea Cipriani's** son, Charlie, is enjoying his first few weeks as a "big and bad" 5th grader. Throughout the summer, he took private drum lessons and is excited to show off his skills as a member of the Mt. Lebanon Middle School band.

412 Group partner, **Marc McCarey** and his wife, Shannon enjoyed celebrating their fourth wedding anniversary (time flies) with a quick getaway to their favorite resort, Nemacolin. Although they missed Lyla and Cameron while they were gone, they savored the much-needed quiet time and their moms were more than happy to spoil the grandkids for a few days.

We thank you for your continued business and friendship, and we hope you enjoy the reading!

-The 412 Group at Morgan Stanley

# Bonds: Not Just for Retirement

Bonds can be a good investment option at all stages of your life, not just when you retire.

**During Childhood —** Savings bonds can be a model way to teach the children in your life the importance of savings and growth. Though these bonds might not have the initial thrill of toys or cash, they can provide a unique opportunity to instill in young people the basics of saving and investing.

**In Your 20s —** Once you enter your 20s, bonds may be useful in a more grown-up way: retirement. Though most of your growth-centered retirement account will likely be in stocks, you might also consider a small allocation of bonds as an anchor that can provide some stability to your investments. After beginning your retirement contribution plan, focus on paying off student loans and building a savings account for emergencies. If you still have extra money to work with and you have a specific goal down the road, annual payments from a fixed-income investment such as bonds can help you reach your goals with minimal risk.

**In Your 30s and 40s —** Though it may seem like a lifetime away, you're now a decade or two closer to retirement, so it's time to rethink your asset allocation. Even though you're more likely to be serious about investing and retirement, you may want to rethink your risk tolerance, even if you're just getting started in the investment arena. Should the market happen to take a downturn and you're still entirely invested in stocks, you no longer have as much time to recover. Bonds can lend more security to your portfolio.

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## Bonds

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**Approaching Retirement —** Now that you're inching closer to retirement, it may be time to take a more conservative approach with your investments rather than exposing them to the volatility of the stock market. Whereas before you might have been more aggressive with your portfolio growth, you may now want to consider protecting what you've worked so hard to establish by transitioning a larger portion of your portfolio to bonds.

Beyond retirement planning, bonds can now help you reach specific goals, such as funding a new grandchild's college education down the road or achieving your dream of a vacation home in the tropics. Because bonds come with a variety of maturity dates, whether your goals are approaching in 20, 10, or even 5 years, bonds can help achieve them, with less risk than stocks but most likely a better return than the savings account at your credit union.

**Your Golden Years —** Collecting your Social Security benefits is one thing, but you may not be as thrilled about taking any kind of distribution that might dip into your retirement principal. This can be an ideal time to begin focusing predominately on bonds, which can offer numerous advantages throughout your retirement years. At this point in your life, the goal is to retain your principal as long as possible, since it's impossible to predict how long you'll live. Additionally, the more you can preserve in the long run, the more you can leave to loved ones when you die. You'll need an investment plan that maximizes your retirement accounts by affording you with enough interest to live comfortably without liquidating your principal. Because your income is likely entirely dependent on Social Security benefits and investments, it may not be prudent to expose your retirement funds to the volatility of the stock market. A bond fund can provide enough interest to subsidize your income while preserving enough of your principal to outperform inflation. Furthermore, tax-exempt municipal bonds can help shelter you from a higher tax bracket.

The best financial strategy at any age is an asset allocation tailored specifically to your personal goals and risk tolerance. Please call to discuss this in more detail. ❍❍❍

## 7 Ways to Pay Less for College

With the cost of college steadily rising, students and their parents are looking for ways to ease the financial burden.

**1. Take college-credit courses in high school.** Students who do well on AP (Advanced Placement) exams may be able to skip general education requirements in college. Some high schools also offer dual-credit courses, allowing students to earn college credit for high school classes or to enroll in classes at a local college or university during their time in high school.

**2. Apply for aid.** Always apply for financial aid, even if you think you might not qualify. Even if you earn a lot of money, your child may still be granted some assistance, depending on your family's circumstances.

**3. Start at a community college.** Tuition at two-year community colleges is typically more affordable than at four-year private and public universities. Many students can save money by beginning their college education at these schools and then transferring to a four-year institution to complete their degree. Community college may also be a good option for students who are not sure whether college is right for them, or those who are not sure what they want to study.

**4. Stay close to home.** Heading halfway across the country for college will probably be expensive. If your child stays closer to home for school, they'll spend less on travel and may even be able to live with you, cutting costs even further. Plus, tuition at in-state public universities and community colleges is typically less expensive than their out-of-state counterparts.

**5. Get a job.** College is hard work, but many students benefit from working at least a few hours a week while in school. Consider having your child rely on their part-time job, rather than you, for their spending money.

**6. Look for scholarships.** Scholarships aren't just for top athletes and those with perfect SAT scores. There's aid money out there for all kinds of students, including those belonging to certain ethnic or religious groups, pursuing certain majors, or attending certain schools. Check with local groups, organizations your child participates in, and even your own employer to see if there are any scholarships offered, and then apply.

**7. Choose a school that charges no or minimal tuition.** Yes, there are colleges that charge students nothing, or virtually nothing, to attend. While admission to these schools is competitive and they won't be an option for all students, they are worth exploring, especially if you feel college is financially out of reach.

The U.S. federal service academies, including West Point and the U.S. Air Force Academy, charge no tuition in exchange for a service commitment after graduation. A number of work colleges allow students to attend for free or a nominal cost in exchange for working on campus. However, keep in mind that despite free or discounted tuition, students may still be responsible for room, board, and other fees. ❍❍❍

# Tips to Get Your Finances in Order

If you're serious about pursuing your financial goals, you need to get your finances in order. Some tips to help in that process include:

✔ **Get organized.** It's difficult to assess how much progress you're making toward your goals if you don't know basic facts like how much your net worth increased during the past year, how you are spending your income, or how well your investments have performed. Organizing your finances will assist in tracking this information.

✔ **Budget your expenditures.** While many people dread the process of analyzing and budgeting expenditures, inefficient and wasted expenditures are often major obstacles to saving for financial goals. Analyzing your expenses will help you find ways to reduce spending and increase your savings.

✔ **Develop explicit written financial goals.** Goals help set our financial priorities and provide motivation for reducing spending and saving for the future. Quantify your ultimate goal and interim goals so your progress can be tracked.

✔ **Pay yourself first.** If you wait until the end of the month to see how much money is left over for saving, you'll probably find that the answer is nothing. It's often easier to pay yourself first, and then find ways to reduce spending to pay the rest of your bills.

✔ **Establish an emergency cash reserve.** This will give you funds to deal with short-term emergencies, such as a temporary job loss, a short-term disability, a major home repair, or a large medical bill. How much you need in the reserve will depend on your age, health, job outlook, and ability to borrow quickly.

✔ **Get your debt under control.** Take steps to reduce your consumer debt as much as possible — any interest payments are just reducing the amount available for saving. There are a variety of strategies you can use to either reduce your debt or lower the cost of that debt.

✔ **Invest automatically.** One of the best ways to invest consistently is to make investing automatic. Make arrangements to have a specific amount deducted from your checking or saving account periodically and transferred to an investment account. *(Keep in mind that an automatic saving plan, such as dollar cost averaging, does not assure a profit or protect against loss in declining markets. Because such a strategy involves periodic investment, consider your financial ability and willingness to continue purchases through periods of low price levels.)*

✔ **Develop an investment strategy.** Your strategy will depend on a variety of factors unique to your situation, including your risk tolerance, return expectations, investment period, and investment preferences. Developing an investment strategy requires evaluating many factors, but it can give you a well-thought-out strategy to help pursue your long-term goals.

✔ **Assess your insurance needs, including life, health, disability, long-term care, homeowners, automobile, and personal liability.** Over time, your insurance needs are likely to change. Insurance companies offer innovations and riders that might be applicable to your situation. Reevaluating your insurance can lead to lower premiums with coverage better suited to your situation.

✔ **Take active steps to reduce your taxes.** There are a variety of strategies that can help you reduce your income taxes, thus freeing money for saving. The key is to review those strategies now, so you have plenty of time to implement them.

✔ **Review your estate plan.** If it's been a few years since you've reviewed your estate plan, take time to go over your documents to make sure they still reflect your wishes for your estate's disposition. If you don't have an estate plan, get one in place.

While many of these tips may sound familiar, it is the rare individual who takes advantage of all of them. If you'd like help putting these tips into practice or would like to discuss your finances in more detail, please call. ❍❍❍

# Bond Investing Tips

Consider the following tips if bonds are part of your investment portfolio:

✔ **Determine your objectives before investing.** Decide how much of your portfolio you want invested in bonds.

✔ **Diversify your bond holdings among different bond types.** Consider government, corporate, and municipal bonds, as well as different industries, credit ratings, and maturities.

✔ **Understand the risks that affect bonds.** The most significant risk is typically interest rate risk. When interest rates rise, bond values fall, while values rise when interest rates decline. Other risks include default risk, or the possibility the issuer will redeem the bond before maturity; and inflation risk, or the possibility that inflation will outpace the bond's return.

✔ **Choose bond maturity dates carefully.** When you will need your principal is a major factor, but the current interest rate environment may also affect your decision. You may want to stagger or ladder the maturity dates in your portfolio.

✔ **Follow interest rate trends.** At a minimum, follow the prime rate, Treasury bill rates, and Treasury bond rates. Understand the significance of the yield curve and track its pattern over time.

✔ **Compare interest rates for specific bonds before investing.** Interest rates can vary substantially among different bond types and among bonds with different maturities or credit ratings.

✔ **Research a bond before purchase.** Review the credit quality, coupon rate, call provisions, and other significant factors.

✔ **Consider the tax aspects.** By comparing the after-tax rate of return for various types of bonds, you may be able to increase your return. Depending on the bond, the interest income may be fully taxable or exempt from federal and/or state in-come taxes.

✔ **Review your bond holdings periodically.** Evaluate the credit ratings of all your bonds at least annually to ensure the quality hasn't deteriorated. Also, ensure your holdings are still consistent with your overall investment objectives and asset allocation plan.

✔ **Call for assistance with your bond holdings.** You should use carefully designed strategies to make bond decisions. Please call if you need help. ❍❍❍



# Bonds and Interest Rate Changes

Basically, interest rate changes affect bond prices as follows:

✔ **Interest rates and bond prices move in opposite directions.** The price of a bond will decrease in value when interest rates rise and increase in value when interest rates fall. The price of an existing bond changes to provide the same return as an equivalent, newly-issued bond at prevailing interest rates. Since you receive the full principal value at maturity, holding a bond until maturity eliminates the impact of interest rate changes.

✔ **Interest rate changes have a more dramatic affect on bonds with longer maturities.** Since long-term bonds have a longer stream of interest payments that don't match current interest rates, their price must change more to compensate for those interest rate changes.

✔ **Bond price changes are less significant for bonds with higher coupon rates.** Bonds with coupon interest rates near or above current interest rates will experience the least amount of price fluctuation. ❍❍❍

# Financial Thoughts

Americans now believe they will need \$1.46 million to retire comfortably, according to a recent survey of 4,588 adults. That is up from \$1.27 million a year ago. It's also about \$1 million more than the average survey participant's nest egg (Source: Northwestern Mutual, 2024).

About six out of every 10 jobs people do today didn't exist in 1940. While many of those jobs were created by new technologies, some came from changing consumer needs. And while in the first 40 years of that nearly 80-year period most of the new jobs, which included many manufacturing and clerical positions, were scooped up by the middle class, the more recent jobs have tended to be either highly paid white-collar roles or lower-wage service jobs (Source U.S. Census, 2023).

Though the vast majority of renters polled said they want to own a home in the future, 61% said they are worried they will never be able to (The Guardian, 2024).

The number of students enrolled in vocational-focused community colleges increased 16% from 2022 to 2023 (National Student Clearinghouse, 2024). ❍❍❍