

THE EPLEY – WOLBECK GROUP

U P D A T E



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Morgan Stanley

Start Longevity Planning Now

Just because we are living longer doesn't mean we're going to remain healthy throughout our longer lives. And as we all know, health care costs money — lots of it. With a longer life comes the greater likelihood of needing assisted living or long-term care.

Plan Now for a Long Life

Some things you can do to plan for a long life come down to repositioning your assets as well as your approach towards life.

For example, lifestyle factors can contribute significantly to both how long you live and the quality of life you lead. Areas where most of us could easily pay more attention include lower caloric intake, higher vegetable and fruit consumption, a higher fiber diet, lower body fat, and regular exercise.

Furthermore, research has revealed that as you age, learning new skills can help protect the brain against age-related memory decline and dementia. This is particularly important during retirement when you no longer have the work-related cognitive challenges that kept your mind active. Effective brain-stimulating activities include doing crossword puzzles, playing video games, learning a new skill such as cooking or ballroom dancing, or learning a foreign language.

Studies have also found that people who feel the most socially connected are four times less likely to

Continued on page 2

News and Announcements

Welcome to the Spring edition of our newsletter! As I'm writing this (early February), we just went through two bitterly cold weeks and unfortunately Gertie the Groundhog saw her shadow which means 6 more weeks of winter. Spring cannot get here soon enough! After two mild winters, I guess we were due for a snowy and cold one. My husband and kids are enjoying the added opportunities to ski in Galena on available weekends. Although we don't have many of those!

Juliana is living her best 8th grade life at St. Thomas School. She is Student Council Co-President this year, qualified for the IESA State Finals in golf, had a great final cheer season, and we're in the thick of volleyball games now. She'll finish out the year on the Scholastic Bowl team before heading to Notre Dame High School in the fall. We're so proud of who she is and excited for all the opportunities high school will bring. Charlie, now in fourth grade, has spent so much time accompanying us to all his sister's activities, he is now self-appointed Assistant of Concessions. He is also on the chess team at school and plays baseball for the Peoria Notre Dame travel baseball team.

The team also continues to do great. For the fourth year in a row, we've been named a Forbes Best-In-State Wealth Management Team. We are proud to be recognized and appreciate your continued support.

This year the market is expected to end positive, however history tells us that volatility picks up in midterm election years. According to Franklin Templeton, the S&P 500 has an average drawdown of 17.5% in midterm election years, with the average return one year after the trough being 32%. As I've stated in the past, this volatility is expected and acceptable. Just be patient, deploy cash if available, and carry on. Jeffrey & Yale Hirsch at the Stock Trader's Almanac, reported that since 1950 the direction of the full year – up or down - is the same as that of the first five trading days of January 70% of the time (53 out of 76 observations). And when the first five days are positive, the S&P has finished the year in positive territory 84% of the time (41 out of 49 observations). The S&P 500 was up 1.11% during the first five trading days of 2026!

Thank you for the opportunity to be of service to you and your family. Please call or email us if you have any questions or concerns.

Best,

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The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks. An investment cannot be made directly into a market index.

Past performance is no guarantee of future results.

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2023-2026 Forbes Best-In-State Wealth Management Teams

Source: Forbes.com (Awarded 2023-2026). Data compiled by SHOOK Research LLC based on 12-month time period concluding in March of year prior to the issuance of the award.

Start Longevity

continued from page 1

develop serious illnesses.

Finances

Now is a good time to think about your priorities and align your assets to support your personal goals (not just your financial aspirations). In fact, you may need to reposition your assets to accommodate a longer life with fewer assets than you previously thought.

When thinking about reevaluating and establishing financial goals, it shouldn't just be about seeking a 10% average annual return on your investments over the next five years. You should consider what you actually want to do with your money. What is the purpose of it — to live out your life comfortably and secure, or to live in luxury, entertain, and travel extensively? The latter lifestyle may no longer be your priority, so before you determine what changes to make in your finances, it's important to establish what you want from your life.

Even in retirement, your portfolio may need to be positioned for both growth and security. Growth to meet the challenges of a long life and the impact of long-term inflation and health care, but also sources of secure income to ensure your daily essential living expenses will be met.

Insurance

During this continuing era of slow economic growth, remember that one of the key components to managing wealth is managing risk. In addition to the traditional sources of retirement and estate planning, consider today's popular insurance options, such as annuities, long-term care, and life insurance policies.

A Lifelong Plan

Life is long, and it's getting

longer with each generation. They say that life gets in the way of even the best-laid plans, and it's true. Every plan, even a financial plan, requires tweaking and adjusting periodically to account for current events. However, your personal goals may well remain the same for the rest

of your life. So if you establish the purpose of your money — what it is that you want out of life — then you can reposition your assets to help you reach those goals.

Please call if you'd like to discuss longevity planning in more detail. ✓✓✓

Growth vs. Value Investing

One major question that investors who are looking to diversify their portfolios tend to have is whether to focus on growth or value investing. It's true that both of these approaches are fundamentally different from one another, but what many people overlook is that both have their pros and cons.

To gain a better understanding of growth and value investing, let's take a moment to discuss the differences between the two.

Growth Investing

Growth stocks are those that have seen impressive gains in recent years and have been proven to be leaders in their sectors. Mutual fund managers often choose growth stocks for their clients because they're considered to be safe bets for continuing to deliver high levels of profit growth, although it's important to realize that there are no guarantees. Generally, growth companies are those that have held a prominent place in the market for some time, but they may also be new, emerging growth companies that bring in large profits at the beginning of their business life.

Growth stocks tend to be higher priced, more volatile, and characteristic of higher earnings than the rest of the market.

Value Investing

Another approach to buying and selling stocks is value investing. This involves looking for companies whose stock prices may not

necessarily reflect their value. The idea is that by getting in on the ground floor or after a good company has experienced a serious setback, investors have a good chance of seeing an impressive return with value stocks. This being said, the market price for certain stocks that show promise may actually be accurate, in which case a large return will likely not materialize.

Which Approach to Take?

Because growth and value investing are so different from one another, there doesn't tend to be a whole lot of overlap. This is actually good for the investor, however, as it allows for both approaches to be utilized at the same time. Making use of growth investing *and* value investing is an effective way to diversify your portfolio and increase the chances you might see a strong return over time. While many people choose to take a split approach and allocate half of their stocks to value and half to growth, this is entirely dependent on your portfolio allocation. If you feel more pulled towards growth investing, then by all means allocate the majority of your portfolio to growth stocks.

When it comes to making the right decisions about value and growth stocks, it helps to work with a professional who has a deep understanding of how these two techniques can assist each other. Please call if you'd like to discuss growth and value investing in more detail. ✓✓✓

Asset Allocation Tips

Unfortunately, there is no single asset allocation plan that is suitable for all investors. You need to evaluate your risk tolerance, time horizon for investing, and return needs to determine how you should allocate your portfolio among the various investment categories. To help you with those decisions, consider these points:

✓ The theory behind asset allocation is that different investment categories are affected differently by economic events and market factors. Some asset classes move in opposite directions while others move in the same direction at different speeds. By owning different types of assets, it is hoped that when one asset suffers a major decline, other assets will increase in value.

✓ Investments with higher return potential generally have higher risk and more volatility in year-to-year returns. While most investors want higher returns, they may be uncomfortable assuming higher risk levels. Asset allocation allows you to combine more volatile investments with less volatile ones. This combination can help reduce the overall risk in your investment portfolio.

✓ Not only should you diversify across broad investment categories, such as stocks, bonds, and cash, you should also diversify within those categories. For instance, within the stock category, consider large capitalization stocks, small capitalization stocks, value stocks, growth stocks, and international stocks. Bonds could include long-term bonds, intermediate-term bonds, high-quality bonds, lower-quality bonds, Treasury securities, municipal bonds, and international bonds.

✓ Assessing your risk tolerance is one of the most important, yet most subjective, parts of determining your asset allocation. You are trying to assess your emotional ability to stick with an investment when returns are less than expected.

✓ Your portfolio can become more aggressive as your time horizon lengthens, since you have more time to overcome potential downturns in investments. Those with a time horizon of less than five years should not be invested in stocks. Look at cash and bonds for those short-term needs. Individuals with time horizons over five years should consider stocks because of their growth potential. As your time horizon lengthens, you can add higher percentages of stocks to your portfolio.

✓ Make sure you have reasonable return expectations for various investment categories. Basing your investment program on return estimates that are too high could cause you to increase your portfolio's risk in an attempt to obtain higher returns.

✓ In general, consider a more conservative allocation if you are

older, have short-term needs for your money, have low earnings, have a low risk tolerance, or are uncomfortable with investing. A more aggressive allocation may be warranted if you have higher earnings, are younger, do not need your money for many years, or are an experienced investor.

✓ Time diversification is also important. By staying in the market through different market cycles, you reduce the risk of receiving a lower return than expected, especially with investments that fluctuate significantly over the short term.

✓ Rebalance your portfolio at least annually. Over time, your actual asset allocation will stray from your desired allocation due to varying rates of return on your different investments. Changes may be needed to bring your allocation back in line.

✓ Be patient. The results of an investment program are best evaluated over a period of years, not days, weeks, or months.

Please call if you'd like help with your asset allocation strategy.

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Keep Saving after Retirement

Just because you're retired doesn't mean you should stop saving. Consider these tips:

✔ **Construct a financial plan.** Create a financial plan detailing how much money will be obtained from



Market Data



| | MONTH END | | | % CHANGE | |
|---------------------|-----------|----------|----------|----------|---------|
| | JAN 26 | DEC 25 | NOV 25 | YTD | 12-MON. |
| STOCKS: | | | | | |
| Dow Jones Ind. | 48892.47 | 48063.29 | 47716.42 | 1.7% | 9.8% |
| S&P 500 | 6939.03 | 6845.50 | 6849.09 | 1.4 | 14.9 |
| Nasdaq Comp. | 23461.82 | 23241.99 | 23365.69 | 0.9 | 19.5 |
| Total Stock Market | 68500.03 | 67501.51 | 67583.58 | 1.5 | 13.9 |
| PRECIOUS METALS: | | | | | |
| Gold | 5033.00 | 4344.00 | 4218.30 | 15.9 | 79.0 |
| Silver | 98.75 | 72.45 | 56.45 | 36.3 | 214.0 |
| INTEREST RATES: | JAN 26 | DEC 25 | NOV 25 | DEC 25 | JAN 25 |
| Prime rate | 6.75 | 6.75 | 7.00 | 6.75 | 7.50 |
| Money market rate | 0.41 | 0.41 | 0.43 | 0.41 | 0.40 |
| 3-month T-bill rate | 3.58 | 3.57 | 3.75 | 3.57 | 4.20 |
| 20-year T-bond rate | 4.82 | 4.79 | 4.62 | 4.79 | 4.88 |
| Dow Jones Corp. | 5.06 | 5.00 | 4.92 | 5.00 | 5.37 |
| Bond Buyer Muni | 4.83 | 4.79 | 4.76 | 4.79 | 4.44 |

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

what sources and how that income will be spent. Make sure your annual withdrawal amount won't cause you to deplete your savings.

✔ **Consider part-time employment.** Even earning a modest amount can help significantly with retirement expenses. However, if you receive Social Security benefits and are between the ages of 62 and full retirement age, you will lose \$1 of benefits for every \$2 of earnings above \$24,480 in 2026.

✔ **Contribute to your 401(k) plan or individual retirement account (IRA).** If you work after retirement, put money into a 401(k) plan or IRA.

✔ **Try before you buy.** Before you buy a home in an unfamiliar city or purchase an expensive recreational vehicle, try renting first.

✔ **Keep debt to a minimum.** Most consumer loans and credit cards charge high interest rates that aren't tax deductible. During retirement, that can put a serious strain on your finances.

✔ **Look for deals.** When was the last time you compared prices for auto or home insurance? Can you find a credit card with lower fees and interest rates? When did you last refinance your mortgage? ✔✔✔

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