SUMMER 2025

the FINANCIAL INSIGHTS

U P D A T E

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How Do You Know You're Saving Enough?

Most people think when they start earning more money, they'll start saving more money. But what often happens is the more you make, the more you spend. If you want financial independence, it is important to establish a savings routine. The more money you make, the more your savings rate needs to increase.

While it may seem like a daunting task, it can be accomplished. The only way to reach financial independence is if you save and live within your means. Your savings should include retirement account contributions, matching funds from your company if available, cash savings, and any other investments.

Your 20s: You are just starting out and, hopefully, you've found a good job that pays a reasonable salary. This is the beginning of the accumulation stage, so you need to start by paying off debt if you have student loans and work to save at least 10%–25% of your income. If your employer offers a 401(k) plan, start investing right away. Try to contribute as much as possible or at least contribute as much as your employer will match.

Your 30s: Hopefully, you have now decided what you want to do for a living and have had a jump in income. You are still in the accumulation stage, so you should be increasing contributions to your retirement account and trying to contribute the maximum per year. By the end of your 30s, you'll want at least twice your

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Planning Year Round

Many people confuse tax planning with tax preparation and only think about the subject when preparing their annual tax return. However, there is little you can do to actually lower your tax bill when preparing your return. If your goal is to reduce income taxes, you need to be aware of tax planning opportunities throughout the year.

Take time early in the year, perhaps as part of the tax preparation process, to assess your tax situation, looking for ways to reduce your tax bill. Consider a host of items, such as the types of debt you owe, how you're saving for retirement and college, which investments you own, and what tax-deductible expenses you incur. It often helps to discuss these items with a professional who can review strategies you might not have considered.

During the year, consider the tax consequences before making important financial decisions. This will prevent you from finding out later that there was a better way to handle the transaction for tax purposes.

Look at your tax situation again in the fall, which gives you plenty of time before year-end to implement any additional tax planning strategies. At that point, you'll also have a better idea of your expected income and expenses for the year. You may then want to use strategies you hadn't considered earlier in the year, such as selling investments at a loss to offset capital gains. ✔✔✔

How Do You Know?

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annual salary saved. A simple example: If you're making $50,000 annually, you'll want to have $100,000 accumulated in savings by age 39. But remember this includes retirement accounts.

Your 40s: This is the decade of major responsibilities, as you probably have dependents. Your income may have increased as you climbed the ladder at your job or moved to a new one. And even with the increase in expenses, you'll need to also be increasing your savings rate. By the end of your 40s, you should have saved four times your salary. Now you will want to be maxing out your contributions to retirement accounts as well as monitoring your investments for performance.

Your 50s: You are now at your peak earning years and your saving rate needs to be at its highest. Your expenses are still pretty high, but by the end of this decade you will most likely be an empty nester and expenses should decrease. By the time you reach 59, you'll want to have saved seven times your income. Monitor your investments so you can make adjustments to increase your returns.

Your 60s: You're getting close to or have retired. Your mortgage may be paid off and expenses have decreased. Your savings should be at its peak, and you should have 10 times your income prior to retiring. You can now start to relax as you will receive distributions from your retirement accounts as well as Social Security benefits. You'll need to make sure you are informed about distribution requirements of your retirement accounts.

Your 70s and beyond: Now that you're retired, all of your expenses are being covered by your retirement account distributions and Social Security benefits. Hopefully, you have saved well and are reaping the benefits of all those years of saving.

As you go through the journey to retirement, you may not be able to accumulate the level of savings you need, but you should have acquired a good amount of savings for a comfortable retirement.

Take stock of how much you are saving every year and look for warning signs you are not saving enough. If you experience any of the following, you need to take a hard look at your financial situation to get on track:

- ✔ You have no idea how much money you're spending every month, which means you are most likely overspending.
- ✔ You don't have savings goals or a savings plan. If you don't have goals and a plan to achieve them, you will have a hard time saving for important milestones.
- ✔ You're living paycheck to paycheck. It's time to take a serious look at your finances to see what can be reduced or eliminated.
- ✔ You're putting off saving for retirement. It will get here quicker than you think, and this is the one thing you really need to start saving for as early as possible.
- ✔ You can't pay your credit card balance in full, which means you probably have significant debt.
- ✔ You don't have an emergency fund. You know the unexpected will happen and need to be prepared. ✔✔✔

Before Purchasing Stocks

If you've been investing for years without a defined strategy, it may be time to make a change and align your portfolio accordingly. Or perhaps you have a strategy that needs some dusting off. Maybe it's simply time to sit down and realign your portfolio with your investment strategy. After all, the markets aren't static; your portfolio shouldn't be either.

Whether you're investing for the first time or buying new stocks to augment your current portfolio, there are five important questions to ask yourself:

What's your objective? Is your ideal stock one that pays a high dividend, or one that has a high growth rate with no dividends? Is it a stock with relatively little price volatility but lower potential gains, or one with a lot of potential risk and higher potential rewards?

How you answer those questions — and the stocks you choose — depends on your objectives. If capital preservation is your goal, for example, a lower-risk stock is probably preferred. On the other hand, if you're young and growth is your target, a higher potential return stock may make more sense. Whatever your objective, defining your goal is the first step to selecting stocks for your portfolio.

Is your portfolio diversified? When considering which stock to purchase, determine whether you need to target your investment in certain areas to balance out your diversification. Make sure your portfolio isn't concentrated in just one industry, but spread out over at least four or five. And there are other dimensions to consider as well, such as cap weighting (large, mid, and small), style (growth or value), and geography (U.S.-based, developed foreign markets, and emerging markets).

The benefit of diversification is that the up and down movements of different asset subclasses are not completely correlated, so over time, losses in one industry or subclass may be offset by gains or lesser losses in another.

What's your expected holding period? If you're looking to trade for quick gains, your expected holding period is short. In that case, you need to be sure you are timing your purchase so you're getting in near the beginning of an upswing, not the end of one.

If you are buying for the long term, on the other hand, the price you pay is less critical, as long as you don't purchase a stock in the early stages of a steep decline in value.

What's the prevailing market trend? In the 1990s, the market was so strong that almost any stock you bought was likely to go up in value. But in a trendless or declining market, it's a lot harder to find a winner, at least in the short and intermediate terms. That's because the majority of stocks move in the same direction as the market, no matter how fundamentally strong a stock may be.

At the current price, would you be paying too much? To answer this question, you'll have to consider some basic fundamentals.

First, look at the stock's price to earnings (P/E) ratio, which is its price per share divided by earnings per share. How does it compare to the stock's normal range, and how does it compare to its competitors? If the P/E ratio is high, maybe the stock is overpriced. On the other hand, if it's low, it could either be a bargain or an indication of a fundamental weakness.

In addition to the P/E ratio, you should examine the stock's past and future earnings growth rate. Then look at its price/earnings growth ratio (PEG ratio). The PEG ratio compares the stock's P/E ratio to its five-year projected earnings growth rate. A PEG ratio of 1 to 1.5 is typically considered normal. A PEG of 2.0 or higher is often a sign that a stock is overpriced, while a PEG ratio below 1 may be an indication the stock is a bargain.

Please call if you'd like help reviewing your stock investments. ✔✔✔

U P D A T E

Calculating an Investment's Basis

Your capital gain or loss on the sale of an investment equals the proceeds from the sale less your basis (the cost of acquiring the investment). When you purchase an investment, your basis equals the price you paid plus any fees or commissions. While the calculation is fairly straightforward, other factors can affect your basis calculations:

- Reinvested dividends are added to your basis at full market value plus any fees or commissions.
- The basis of any investment received as a gift is the donor's original basis plus any gift tax paid by the donor. However, if you then sell the investment at a loss, your basis is equal to the lesser of the donor's basis or the investment's fair market value on the date of the gift.
- For inherited investments, the basis is the market value on the date you inherited the investment, typically the date of the donor's death.
- Your basis in stock that has been split is the same as your basis before the stock split. Your per share basis, however, will now equal your total basis divided by the number of shares you own after the split.
- When you exercise a stock option, your basis equals the price you paid for the shares plus any fees or commissions, which may be lower than market value. Shares must be retained for at least one year after purchase and for two years after receipt of the option, or any gains will be taxed as ordinary income. ✔✔✔

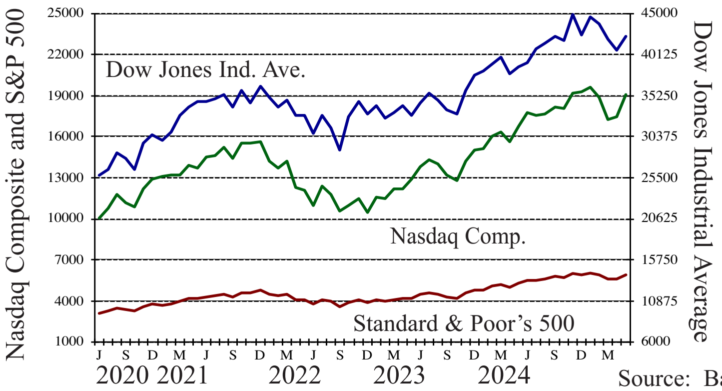
Market Data

	Month End			% Change	
Stocks:	May 25	Apr 25	Mar 25	YTD	12-Mon.
Dow Jones Ind.	42270.07	40669.36	42001.76	-0.6%	9.3%
S&P 500	5911.69	5569.06	5611.85	0.5	12.0
Nasdaq Comp.	19113.77	17446.34	17299.29	-1.0	14.2
Total Stock Market	58393.30	54949.64	55374.92	0.0	11.6
Precious Metals:					
Gold	3288.90	3302.05	3115.10	25.7	39.9
Silver	32.89	32.72	33.83	11.7	2.7
Interest Rates:	May 25	Apr 25	Mar 25	Dec 24	May 24
Prime rate	7.50	7.50	7.50	7.50	8.50
Money market rate	0.45	0.45	0.45	0.42	0.51
3-month T-bill rate	4.26	4.20	4.21	4.23	5.26
20-year T-bond rate	4.93	4.68	4.62	4.86	4.73
Dow Jones Corp.	5.38	5.38	5.37	5.45	5.65
Bond Buyer Muni	4.93	4.93	4.62	4.46	4.54

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

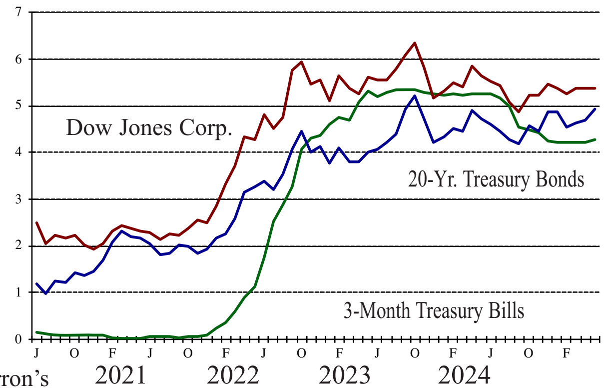
Stock Indices

June 2020 to May 2025



Interest Rates

June 2020 to May 2025



Source: Barron's

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