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the Financial Insights 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

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Changing Life Insurance Needs

Your life insurance needs will typically change over the years:

Just starting out — Young, single adults may have little need for life insurance. With no major debts and no one else counting on their income, the death benefit provided by life insurance may not be needed.

Married with no children — You may think you don't need insurance if both spouses work. However, if it takes both salaries just to make ends meet, you may want to purchase insurance to replace your income.

Two incomes with children — This is typically the time when your insurance needs are the greatest, since several family members are depending on your income. The death of either spouse can create a financial hardship. Even if only one spouse works, the death of the nonworking spouse can require additional funds to take care of the children and home. You may want to consider first-to-die insurance, which covers both spouses but only pays a death benefit after the first death.

Middle age with children — You should reassess your insurance again as your children approach college age, since you may need to increase coverage to fund their education.

Children out of college — Your need for life insurance may decrease when your children become independent. On the other hand, you may find you now have different needs for insurance. You may want to provide additional funds for your spouse if you aren't sure your retirement assets are sufficient. Or you may have a large enough estate that you want to provide funds to help pay estate taxes. ✔✔✔

Investing

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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 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. ✔✔✔

Encourage Estate Planning

Parenting is a never-ending job. Even when your children are grown, there will probably be lessons you'll want to teach them, such as the need for estate planning. Some items to include in that lesson are:

✔ **Explain why estate planning is important.** Your role is not to dictate what they should do with their estate, just to emphasize the need for estate planning. When your children encounter major life events, such as marriage, divorce, or a child's birth, remind them to review their estate plans.

✔ **Make sure all important estate-planning documents are in place.** At a minimum, every adult should have a will, a durable power of attorney, and a health care proxy. A durable power of attorney designates an individual to control financial affairs if one becomes incapacitated, while a health care proxy delegates health care decisions to a third person when one is unable to make those decisions.

✔ **Coordinate estate planning across generations.** If you have a substantial estate, you may want to coordinate your estate planning efforts with those of your children. A coordinated effort can help minimize estate taxes. ✔✔✔

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:	Feb 24	Jan 24	Dec 23	YTD	12-Mon.
Dow Jones Ind.	38996.39	38150.30	37689.54	3.5%	19.4%
S&P 500	5096.27	4845.65	4769.83	6.8	28.4
Nasdaq Comp.	16091.92	15164.01	15011.35	7.2	40.5
Total Stock Market	50820.93	48275.32	47787.47	6.3	26.6
Precious Metals:					
Gold	2048.05	2053.25	2068.67	-1.0	12.2
Silver	22.63	23.12	24.25	-6.7	8.6
Interest Rates:	Feb 24	Jan 24	Dec 23	Dec 23	Feb 23
Prime rate	8.50	8.50	8.50	8.50	7.75
Money market rate	0.51	0.50	0.48	0.48	0.47
3-month T-bill rate	5.26	5.21	5.26	5.26	4.75
20-year T-bond rate	4.51	4.34	4.20	4.20	4.10
Dow Jones Corp.	5.49	5.31	5.17	5.17	5.65
Bond Buyer Muni	4.38	4.84	4.48	4.48	4.66

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:

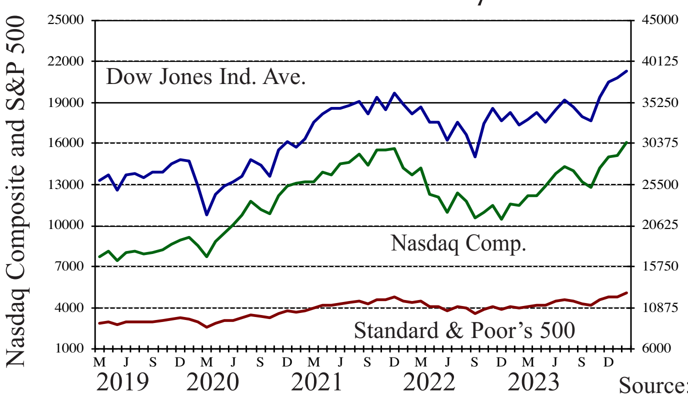
✔ **Use conservative estimates in your drawdown calculations.** Add a few years to your life expectancy, reduce your expected return a little, and increase your inflation expectations. That will result in a lower withdrawal amount, but it will also help ensure your funds don't run out. Take a careful 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

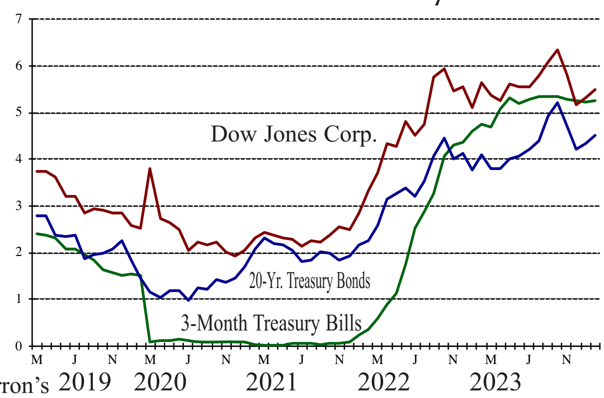
March 2019 to February 2024



Source: Barron's

Interest Rates

March 2019 to February 2024



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