

AFM News and Views

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Alltrust Financial Management^(sm)
Trusted Financial Guidance - Exceptional Personal Attention

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***Our mission** is to serve our clients, in an atmosphere of trust, to help grow and preserve their wealth. We provide personal attention and comprehensive strategies, striving to enable our clients to live and retire with stability. Alltrust Financial Management serves clients seeking comprehensive financial guidance, with a team approach, in a manner that continuously exceeds our clients' expectations. We are a recognized and respected financial management firm delivering trusted, personal attention.*

SHOES FOR WATER

We are once again participating in Shoes for Water. If you have shoes you want to get rid of (in any condition), you can bring them by our office and put them in the collection box throughout the month of August. The shoes will be donated to WaterStep with several outcomes. First, shoes are sold to an exporter, with WaterStep using part of the profits to fund water treatment systems in third-world countries. Usable shoes will be sold by local merchants of these third-world countries to provide a sustainable living for their families. Additionally, recipients of these shoes will be protected from abrasions, parasites, and mites. Finally, if portions of unusable shoes can be recycled, they will be. However, no matter where the shoes go, hundreds of tons in landfill waste will be eliminated.

6 WAYS TO CONTROL OVERSPENDING IN RETIREMENT (SOURCE: USA TODAY)

The Society of Actuaries (SOA) puts the number of risks that you might face in retirement at 15. Some of those risks you can manage or mitigate, and some you can't. But one risk that you should be able to control is that of overspending.

According to recent research conducted by the SOA, most retirees tend not to overspend. They reduce expenses and adjust their spending to meet what they have in income. Some even have two accounts, one for essential expenses and one – a slush fund – for discretionary spending.

But even though they might have a slush fund, the SOA research suggests that retirees are not spending significant amounts of money on luxury items such as boats or RVs. Instead, they are making choices about current spending and a number of retirees report reducing the amount they travel and foregoing other discretionary spending when necessary, according to the SOA's report.

But what if you're not like the average retiree? What if you're having trouble with spending in retirement? What can you do to manage the risk of overspending?

Do you have a budget?

Well, the first place to start is your budget. Do you have a sense of your expenses, how much you are spending on housing, health care, transportation, food, and the like? If not, make this a priority. Next, look at your income and the sources of that income. Do you have a mix of income from Social Security, work, a pension, and retirement assets? If so, have you calculated – given the rate at which you're withdrawing money from your retirement accounts – how many years that money might last? One rule of thumb suggests that your money should last for about 30 years of retirement if you withdraw 4% or less. Withdraw more than 4% and you run the risk of having to reduce your desired standard of living later on in your retirement.

Stop overspending

Assuming that you're spending more than what you have in income, you've got three choices to cut spending, according to a white paper written by Zach Parker, a first vice president of wealth management and product strategy with Securities

America, a brokerage firm based in La Vista, Nebraska. You could stop overspending gently or you could take the shock therapy approach or do a little bit of both.

Past behavior predicts future behavior

Don't be surprised, by the way, if you have trouble cutting back your spending no matter whether you go cold turkey or take the kinder, gentler approach. Experts say some individuals addicted to spending face the same challenges in attempting to change their behavior as those struggling with substance abuse.

If you're really having trouble with overspending, consider working with a therapist who is familiar with money issues. You can find such a person on the [Financial Therapy Association's website](#). Also consider talking about your spending issues with your financial advisor.

What to cut

To be fair, to stop overspending you'll need to take a close look at how much you're spending on what. One place to trim expenses is housing, which is the biggest expense most retirees have, says Anna Rappaport, one of several authors of the SOA's report and president of a Chicago-based consulting firm that bears her name.

Consider: The average retiree household, those where the head is 65 or older, spent on average \$13,833 out of total average income of \$44,713 on housing, according to the Bureau of Labor Statistics' consumer expenditure survey. That works out to, call it, 31% of income.

So, Rappaport's recommends, though it's not popular, selling your home and moving into smaller less expensive housing. "Downsizing your housing is your biggest opportunity to trim expenses," says Rappaport. Consider moving, for instance, into a 55-plus community.

Transportation is another expense that could be easy to trim. Right now, households headed by someone 65 and older spend about 15% of their income on transportation. For her part, Rappaport suggests tapping into the "village movement," which offers a way for volunteers to help out other people and, in some cases, get credit for help for themselves. "There is a transportation company for elders that provides a similar 'exchange,'" says Rappaport. "I believe that there are many communities where people help each other out on an informal basis."

Food is another budget buster for retirees. The average retiree household spends about 11.3% of their income on food, both at home and away from the home. Rappaport recommends shopping "carefully for food" and using coupons.

Health care is yet another place where you can trim expenses if you're 65 and older. Right now, retiree households spend about 11.4% of their income on health care. You might be able to cut your spending by using a [Medicare Advantage plan](#) and using generic drugs, says Rappaport. Before switching from one plan to a Medicare Advantage plan, consult with a professional who can help you determine whether switching would ultimately be more costly. One good resource is your state's health insurance assistance program or SHIP.

Adjust retirement goals and expectations

Parker also recommends adjusting your retirement goals and expectations. Your income might not support your desired lifestyle. And that will mean giving up certain hobbies, activities and luxuries if you want to boost the chances of not outliving your assets.

Don't expect this adjustment to be easy. "Like any skill, living within a spending plan takes practice for those who have never done it before," writes Parker. "The ability to track income and expenses and balance the two to the greatest benefit seems to be a skill set that has eluded many adults approaching retirement."

Parker also recommends testing a "written spending plan" for several months before you retire. That way you'll get a sense of whether your plan is realistic or whether you need to adjust your goals and expectations.

Increase your income; work longer

If you're having trouble cutting your spending, you've got another option to consider: Increase your income. Consider, if you're retired, returning to work either part or full time. Or, if you're not yet retired, consider working longer or consider, if your employer offers this benefit, a phased retirement.

Remember, however, that working longer isn't a fail-safe plan. About half of retirees who plan on working longer are not able to do so due to some sort of shock: illness, disability, a layoff, the death of a spouse and the like.

Given that, if you have designs on working longer, Parker suggests the following: do all that you can to stay healthy; manage your career by sharpening your skills, pursue additional education, and keep your professional network current and relevant; consider a part-time job or small side business while you're still working full time; and avoid time off between jobs.

Consider too creative ways to boost your income in retirement. Parker, for instance, suggests turning your expenses into income. "When I talk about cutting expenses I like to look at hobbies at the first option," says Parker. "How can they turn an expense into a benefit? For example, says someone who is retired and likes golf can get a part time job at a golf course and get free golf. Turning an expense into income. I think there are lots of opportunities for this."

GREAT WAYS TO SAVE!! (SOURCE AARP BULLETIN)

1. Reveal your age! Ask restaurants if they have a senior discount. At 15% off, you'd save \$7.50 on a \$50 dinner for two.
2. Celebrate your birthday with free eats. The website Thrillist has a list of 75 major food chains that offer free items on your special day. Benihana restaurants, for example, off \$30 off during your birthday month.
3. Buy dryer balls instead of using fabric softener. Dryer balls reduce wrinkles without the extra cost or chemicals. With a small upfront investment you can save \$20 a year on fabric softener (the cost of about two big bottles).
4. Don't pay for redundant virus protection. Add-on software can cost \$25, but your PC likely came with virus protection already loaded. Or try a free program such as Avast.
5. Prolong the life of your fruits and vegetables. Wrap them with a paper towel and put them into a container or plastic bag. The towel will absorb water that causes rot. And line the produce drawer with paper towels. Save a few bucks a week, or \$100 a year.

WEEKLY UPDATES ARE AVAILABLE

LPL Financial's *Weekly Market Commentary* and *Weekly Economic Commentary* can be found on LPL Financial's website (http://www.lplfinancial.com/learning_center/research/).

OTHER UPDATES AVAILABLE FROM LPL RESEARCH DEPARTMENT

- Daily market update: <http://LPLresearch.com>
- YouTube Channel: <http://www.youtube.com/lplresearch> (which can also be found on our website)

CLIENT CONNECT

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If you have any input or comments about our newsletter, let us know. We love to hear from you!!

Your referrals mean a great deal to our business. If you know of a friend or family member who might benefit from our service, please let us know. We will work hard to ensure that your referrals feel it was a wise investment of their time – and their future- to have met with us.

Don't keep us a secret!! Share this with your family and friends.

Till next month,

The Alltrust Team

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