

July 2022

Conducting Mid-Year Financial Checkup

The midpoint of the year is a great time to review your financial position

With June officially behind us, it's time to face the facts: we're headed toward the second half of 2022. While there's still plenty of time to enjoy the rest of summer, we encourage you to slow down and check up on your financial well-being.

Review your budget: Your spending habits likely look different now than they did in 2021, but did you adjust your yearly budget accordingly? The second half of the year can be expensive, between the holiday season and back-to-school spending. Take some time now to prepare.

Check your credit score: If you plan on moving, purchasing a car, or taking out a personal loan this year, you'll want your credit score in good shape. Your score could have been impacted by recently accrued debt, late payments, hard credit inquiries, identity theft, and more.

Prepare for advanced tax credits: If your family is eligible, you may begin receiving advanced child tax credits in July. Families who qualify are expected to receive six installments via direct deposit or mailed check. If you anticipate getting the credit, you may want to talk it over with your tax professional.

- IWM TEAM



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The Behavior Gap and Your Financial Health

How might it affect you?

"It turns out my job was not to find great investments but to help create great investors," writes Carl Richards, author of "The Behavior Gap." From increasing our budget mindfulness to taking a steadier approach to investing, Richards has drawn attention to how our unexamined behaviors and emotions can be to our detriment when it comes to living a happy and financially sound life. In many cases, we make poor financial decisions when experiencing panic or anxiety due to personal or widespread events.¹

The Behavior Gap Explained. Coined by Richards, "the behavior gap" refers to the difference between a wise financial decision versus what we decide to do. Many people miss out on higher returns because of emotionally driven decisions, creating a behavior gap between their lower returns and what they could have earned.

Excitement When Stocks Are High. Whether in a bull market or witnessing the hype from a product release, many investors may feel tempted to increase their risks or attempt to gain from emerging investments when stocks are high. This can lead to investors constantly readjusting their portfolios as the market experiences up-swings.

Fear When Stocks Are Low. In response to market volatility, investors may feel the need to choose more secure investments and avoid uncertain or seemingly unsafe investments.

When stocks are low, a typical response may be to sell and effectively miss out on potential long-term gains.

Short-Term Anxiety and Focus. As humans, viewing aspects of our lives through the lenses of current circumstances is normal. However, one emotional response to any event is letting the moment consume us. Many may find it difficult to think long-term and remember. However, making a rash decision can inhibit the long-term benefit of maintaining a balanced perspective without reactionary behavior.

The market can go up or down at any given point, or it can remain the same. One thing we can control is how we handle our financial strategy. Remembering the likelihood of recovery over time — and the market's nearly inevitable up-and-down movement — can provide a more logical angle to calm the nerves.

If you're experiencing financial anxiety in response to the markets, take a breath and remember the potential for long-term gains. Of course, you can and should always reach out to your financial professional for further clarification.

- Mico



How to Buy I Bonds Direct from the Treasury

A short guide.

With inflation hovering near 40-year highs, some investors are looking for alternative ways to weather the storm. For many, a Series I Savings Bond is just the ticket. I Bonds give investors a rate of return plus inflation protection and are backed by the U.S. government.

I Bonds are pretty simple to set up. You can go to [TreasuryDirect.gov](https://www.treasurydirect.gov) and open a free account to purchase these federally-backed securities directly from the U.S. Treasury.¹

Here's how to get started.

Gather your info. Make sure you have the following close at hand: your taxpayer identification number, current address, checking or savings account information, and email address.

Go to Treasurydirect.gov's account creation page. Navigate to the bottom of the page and select "Apply Now" on the left. This will begin your account creation journey. Next, you will choose between an Individual or Entity account. Select Individual account type (it's the default option) and click "Submit."

Enter your info. Using the information gathered in step 1, fill in the fields requested and check the box at the bottom to certify your



Individuals hold about \$2.5 trillion in annuity contracts; a tidy sum considering an estimated \$12.2 trillion is held in all types of IRAs.¹

Annuity contracts are purchased from an insurance company. In exchange, the insurance company makes regular payments to the buyer — either immediately or at some future date. These payments can be made monthly, quarterly, annually, or in a single lump sum. Annuity contract holders can opt to receive payments for the rest of their lives or a set number of years.

The money invested in an annuity grows tax-deferred. The amount contributed to the annuity will not be taxed when the money is withdrawn, but earnings will be taxed as regular income. There is no contribution limit for an annuity.

There are two main types of annuities. Fixed annuities offer a guaranteed payout, usually a set dollar amount or a set percentage of the assets in the annuity. Variable annuities offer the possibility to allocate premiums between various subaccounts. This gives annuity owners the ability to participate in the potentially higher returns these subaccounts offer. It also means that the annuity account may fluctuate in value.

What is an Annuity?

What you should know about them.

The prospectus is available from the insurance company or your financial professional. Variable annuity subaccounts will fluctuate based on market conditions and may be worth more or less than the original amount invested when the annuity expires.

Case Study: Robert's Fixed Annuity. Robert is a 52-year-old business owner. He uses \$100,000 to purchase a deferred fixed annuity contract with a 4% guaranteed return.

Over the next 15 years, the contract will accumulate, tax-deferred. By the time Robert is ready to retire, the contract should be worth over \$180,000.

At that point, the contract will begin making annual payments of \$13,250. Only \$7,358 of each payment will be taxable; the rest will be considered a return of principal.

These payments will last the rest of Robert's life. Assuming he lives to age 85, he'll eventually receive over \$265,000 in payments.

-Barbie





Should You Downsize for Retirement?

Some retirees save a great deal of money by doing so; others do not.

You want to retire, and you own a large home that is nearly or fully paid off. The kids are gone, but the upkeep costs haven't fallen. Should you retire and keep your home? Or sell your home and retire? Maybe it's time to downsize.

Lower housing expenses could put more cash in your pocket. If your home isn't paid off yet, have you considered how much money is going toward the home loan? When you took out your mortgage, your lender likely wanted your monthly payment to amount to no more than 28% of your total gross income, or no more than 36% of your total monthly debt repayments. Those are pretty standard metrics in the mortgage industry.¹

What percentage of your gross income are you devoting to your mortgage payments today? Even if your home loan is 15 or 20 years old, you still may be devoting a significant part of your gross income to it. When you move to a smaller home, your mortgage expenses may lessen (or disappear) and your cash flow may greatly increase.

You might even be able to buy a smaller home with cash (if finances permit) and cut

your tax liability. Optionally, that smaller home could be in a state or region with lower income taxes and a lower cost of living.

You could capitalize on some home equity. Why not convert some home equity into retirement income? If you were forced into early retirement by some corporate downsizing, you might have a sudden and pressing need for retirement capital, another reason to sell that home you bought decades ago and head for a smaller one.

The lifestyle reasons to downsize (or not). Maybe your home is too much to keep up, or maybe you don't want to climb stairs anymore. Maybe a condo or an over-55 community appeals to you. Maybe you want to be where it seldom snows.

On the other hand, you may want and need the familiarity of your current home and your immediate neighborhood (not to mention the friends close by).

Sometimes retirees underestimate the cost of downsizing. Even the logistics can be expensive. Just packing up and moving a two-to-three-bedroom home will cost about \$1,250 if you are resettling locally. If you are sending it

long distance, you can expect the journey to cost around \$5,000, if not more. If you can't sell or move everything, the excess may go into storage, and the price tag on that may be around \$90 a month. In selling your home, you will probably pay commissions to both your agent and the buyer's agent that add up to 6% of the sale price.^{2,3,4}

Some people want to retire and then sell their home, but it may be wiser to sell a home and then retire if the real estate market slows. If you sell sooner instead of later, you can always rent until you find a smaller house that could save you thousands (or tens of thousands) of dollars over time.

Run the numbers as accurately as you think you can before you make a move. Downsizing always seems to have a hidden cost or two, but for many retirees, it can open a door to long-term savings. Other seniors may find it cheaper to age in place.

-Jim



Taxpayer Identification Number. Click "Submit."

Select a personalized image. Take some time here to select an image and caption you will remember. Think of this as a visual password for your account. Click "Submit."

Secure your account. Select your password and security questions on this screen. Make sure the answers to your security questions are impossible to guess but easy to remember. Click "Submit" to move to the final step.

Check your email. Finally, look for your TreasuryDirect account number in your email. You'll need this to log into your account later.²

You can begin purchasing I Bonds now that you've created your account. Here are a few things to keep in mind. I Bonds earn interest for 30 years unless you cash them in. You can do this after a year has passed from the time of purchase, but you'll lose the previous three months of interest. However, there is no penalty if you let them mature for five years or more. The maximum amount you can invest is \$10,000 total per calendar year.³

- Shawn



Fun Facts about U.S Currency

- Instead of the famous phrase, "E Pluribus Unum" the original penny carried the phrase "MIND YOUR BUSINESS"
- In 2015, the TSA reported collecting \$765,759.15 in loose change at security airport checks
- U.S "Paper" money is actually 75% cotton and 25% linen.





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What is an Emergency Fund?

IWM Quick Tips

While it may differ due to employment field and overall comfort level, most in the financial industry would consider an emergency fund as 3-6 months of living expenses easily accessible in the case of a complete halt of income or large unforeseen expense.

Let's say your monthly expenses is \$3,000, and you feel you could find new employment in 4 months if you were to stop working. The goal for your emergency fund would then be to have at least \$12,000 in savings.

Anything over this threshold should then be tied to another goal and held outside of your normal checking/savings and to begin working for you!

Give the IWM a team a call to see how much you should have on hand!

