FINANCIAL*ink*®

Your Money Management Newsletter

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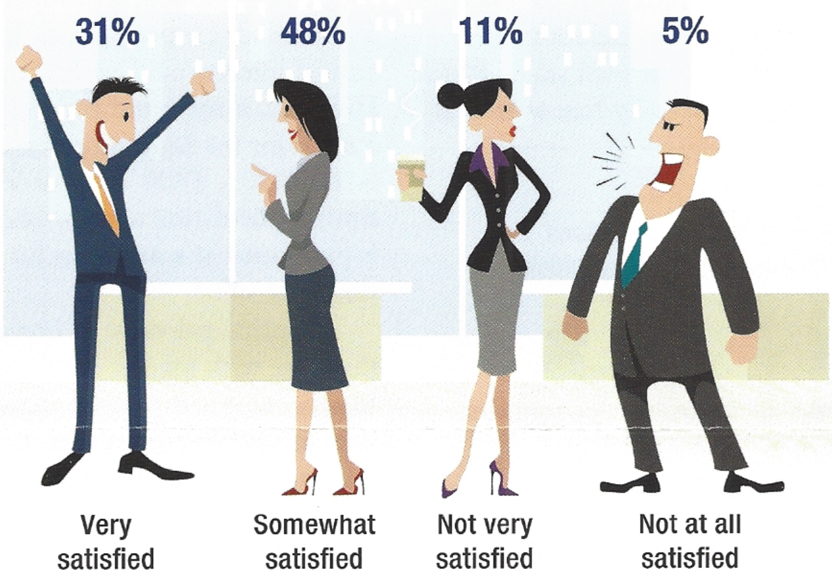
IRS Satisfaction

Despite the stereotype that the Internal Revenue Service is intimidating, most people are at least somewhat satisfied with their personal communications with the IRS.



The total does not equal 100% because some responses (such as don't know, not applicable, no response) are not included.

Source: Internal Revenue Service, 2018 (2017 survey data)

4.6 million

Number of new manufacturing job openings projected between 2018 and 2028 due to the retirement of current workers and economic growth. More than half of these positions, about 2.4 million, are predicted to remain unfilled due to a lack of skilled workers.

Source: Deloitte, 2018

Practical insights for your **FINANCIAL GOALS**

Bonds Can Offer Stability Even with Rising Rates

Bonds can be a tricky investment when interest rates are rising, as they have been for the last few years. The value of bonds sold on the secondary market typically falls as rates rise, because investors can buy new bonds with higher yields. (The reverse is true when rates are falling.)

Even so, bonds can play a pivotal role in portfolios as a source of income and to balance more volatile stocks in an asset allocation strategy. One way to address concerns with rising rates is to hold individual bonds to maturity. In this case, you would receive the principal and interest regardless of changing interest rates, as long as the bond issuer does not default. And with increasing interest rates, many individual bonds are offering higher yields, whether purchased new or on the secondary market.

Bond maturities typically range from 30 days to 30 years. Bonds with longer maturities generally pay higher interest rates but are more sensitive to changing rates. In the current environment, it may be more appropriate to focus on short-term and intermediate-term bonds, so you are in a position to take advantage of higher yields when your current bond holdings expire.

Types of Bonds

Bond issuers typically fall into three categories: U.S. Treasury securities, municipal bonds, and corporate bonds.

U.S. Treasury securities (bonds, bills, and notes) are generally considered among the safest investments because they are guaranteed by the federal government as to the timely payment of principal and interest.

Municipal bonds (munis) are issued by state and local governments. The rates paid by munis may be higher than Treasury securities but lower than corporate bonds with comparable maturities. However, the interest on bonds issued by your own state or local government is typically free of federal income tax. The compensation of tax benefits for lower yields tends to be more valuable for investors in higher tax brackets.

Corporate bonds may offer higher interest rates than Treasuries and municipal bonds with comparable maturities, but they are associated with a higher degree of risk, which varies based on the creditworthiness of the companies that offer them.

Discounts and Premiums

Corporate and municipal bonds are often sold with a face value of $1,000 and a minimum purchase of $5,000. Bonds purchased at less than face value are said to be purchased at a *discount*, and thus will offer a higher yield than the coupon rate (the interest rate stated on the bond). For example, if a $1,000 bond has a coupon rate of 4%, it promises to pay $40 annually, typically with half of the annual interest paid every six months. However, if the bond is purchased at a discount for $800, the annual yield is 5% ($40 ÷ $800 = .05 or 5%). A similar calculation applies when a bond is purchased at a *premium* for more than face value.

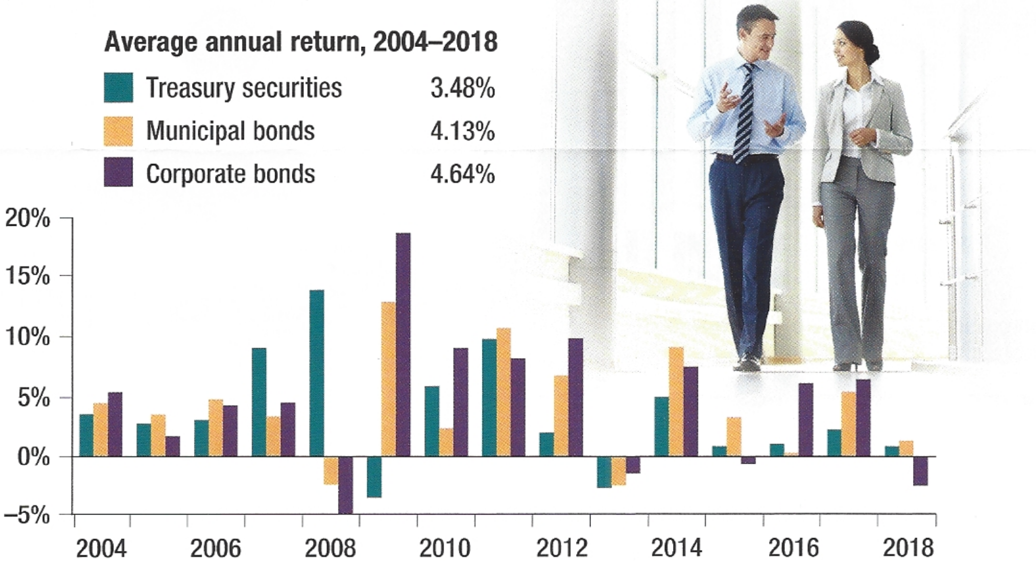
The principal value of bonds may fluctuate with market conditions. Bonds redeemed prior to maturity may be worth more or less than their original cost. Investments seeking to achieve higher yields also involve a higher degree of risk.

Investors who buy a municipal bond issued by another state usually have to pay income taxes. Although some municipal bonds may not be subject to ordinary income taxes, they may be subject to federal or state alternative minimum taxes. If a tax-exempt bond is sold for a profit, investors could incur capital gains taxes.

Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss.

Fixed-Income Performance

Although bonds held to maturity are not directly affected by market conditions, the performance of bonds bought and sold on the secondary market can vary widely.



Source: Thomson Reuters, 2019, for the period 12/31/2003 to 12/31/2018. Performance results are represented by the following Bloomberg Barclays total return (TR) indexes: U.S. Treasury TR Index, Municipal Bond TR Index, U.S. Corporate Investment Grade TR Index. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Expenses, fees, charges, and taxes are not considered and would reduce the performance shown if included. Rates of return will vary over time, particularly for long-term investments. Past performance does not guarantee future results. Actual results will vary.

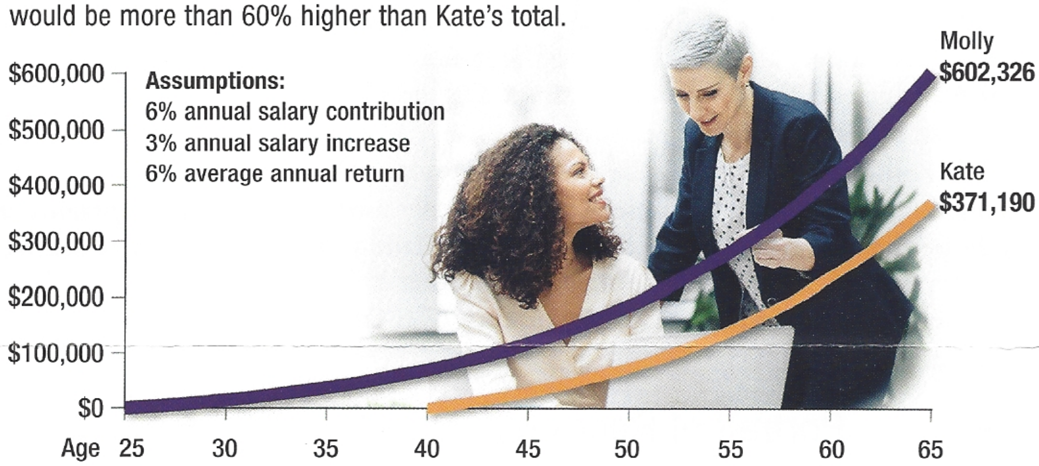
Why Not Do It Now? New Research on Procrastination

Do you have a tendency to push off important tasks? Do you do things at the last minute, or maybe not do them at all? If so, you're not alone. About one in five adults is a chronic procrastinator.[1]

Procrastination can be frustrating in the short term for even the simplest tasks. But it can have far-reaching effects on important activities and decisions such as completing work projects, obtaining medical treatment, and saving for retirement. Recent research offers some insights that may be helpful if you or someone you know has a tendency to procrastinate.

Advantage of an Early Start

Saving for retirement may be a low priority when you're young, especially if you're earning a low salary. But starting early can make a big difference. In the example below, Molly begins saving at age 25 when she earns a $40,000 salary, and Kate begins at age 40 when she earns an $80,000 salary. At age 65, Molly's savings total would be more than 60% higher than Kate's total.



This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent the performance of any specific investment. It assumes a monthly deferral of salary and monthly compounding of earnings. Fees, expenses, and taxes were not considered and would reduce the performance shown if they were included. Actual results will vary.

Blame the Brain

A study using brain scans found that the amygdala — the almond-shaped structure in the temporal lobe of the brain that processes emotions (including fear) — was larger in chronic procrastinators, and that there were weaker connections between the amygdala and another part of the brain called the dorsal anterior cingulate cortex (DACC). The amygdala warns of potential dangers, and the DACC processes information from the amygdala and decides what action a body will take.[2]

According to the researchers, procrastinators may feel more anxiety about the potential negative effects of an action and be less able to filter out interfering emotions and distractions. The good news is that it is possible to shrink the amygdala and improve brain connectivity through mindfulness meditation exercises.[3]

What's Important to You?

Another recent study found that people were less likely to procrastinate about tasks that they personally considered important and were within their own control, as opposed to tasks that were assigned to them and/or controlled by others. This is probably not surprising, but it suggests that procrastination may not be a "weakness" but rather a result of personal values and choices.[4]

Tips for Procrastinators

Here are a few suggestions that may help overcome a tendency to procrastinate.

Consider the triggers. One researcher found that people are more likely to procrastinate if a task is characterized by one or more of these seven triggers: boring, frustrating, difficult, ambiguous, unstructured, not intrinsically rewarding, or lacking in personal meaning.[5] You might try to identify the triggers that are holding you back and take steps to address those specific problems. For example, if a task seems too difficult, ambiguous, or unstructured, you could break it down into smaller, more definite, and manageable tasks.

Meet your resistance. If you don't want to work on a task for an hour, determine how long you *are* willing to work on it. Can you work on it for 30 minutes? What about 15 minutes? If you don't want to do it today, what day would be better?

List the costs and benefits. For big projects, such as saving for retirement, make a list of all the negative ways not making progress could affect your life and all the positive outcomes if you were to achieve your objectives. Imagine yourself succeeding.

Take the plunge. Although a big project may seem daunting, getting a start — any start — could reduce the anxiety. This might be just a small first step: a list, a phone call, an email, or some Internet research. For a written project, you might start with a rough draft, knowing you can polish and improve it later.

Forgive yourself. If you've postponed a task, don't waste time feeling guilty. In most cases, "better late than never" really does apply!

1) *Frontiers in Psychology*, July 5, 2018
2–3) BBC News, August 26, 2018
4) *Psychology Today*, January 9, 2018
5) *Harvard Business Review*, October 4, 2017

How Big, How Fast? Measuring GDP

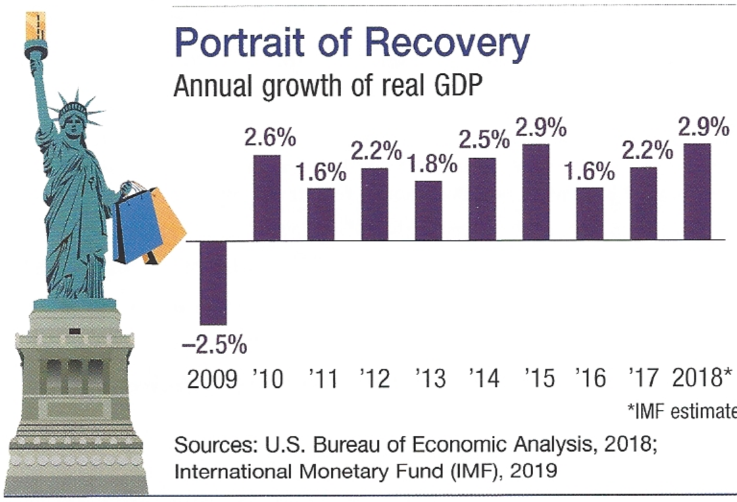
Measuring the U.S. economy is essential for economic policy decisions and an important tool for decision making in the business and investment worlds. While experts may scrutinize the numbers, the direction of the economy can have wide-ranging effects on almost everyone.

The broadest economic gauge is gross domestic product (GDP), the total value of goods and services produced in the United States. The U.S. Bureau of Economic Analysis (BEA), which is responsible for tracking GDP, uses two different scales for different purposes.

Current-dollar GDP measures the market value of economic output at a given time. This is typically used to indicate the total size of the U.S. economy in relation to other measures, such as the national debt or other national economies. At the end of Q3 2018, current-dollar GDP was $20.66 trillion.[1]

Portrait of Recovery

Annual growth of real GDP



Sources: U.S. Bureau of Economic Analysis, 2018; International Monetary Fund (IMF), 2019

Real GDP is adjusted for inflation, allowing for more meaningful comparison over time. Economists, investors, and business leaders are especially interested in the growth or decline of real GDP.

The BEA reports both sets of GDP numbers on a quarterly basis and organizes the data into four broad categories.

Personal consumption expenditures (consumer spending) includes durable goods such as cars and appliances, nondurable goods such as food and clothing, and services such as health care and utilities. Consumer spending accounts for about two-thirds of GDP.[2]

Gross private domestic investment includes residential and nonresidential real estate, as well as business equipment and intellectual property.

Net exports of goods and services includes the value of U.S. exports minus the value of imports. The trade deficit reduces the value of production in other economic sectors.

Government consumption expenditures and gross investment includes spending and investment by federal, state, and local governments.

These categories are broken into subcategories, and the BEA crunches the numbers to reveal various trends, such as how much a given component contributes to overall GDP or to GDP growth.

Quarterly GDP growth often receives a lot of media coverage, but it's unwise to pay too much attention to short-term changes. However, it may be helpful to keep an eye on long-term trends in the nation's economic output.

1–2) U.S. Bureau of Economic Analysis, 2018

Would you like to discuss the role of fixed-income investments in your portfolio? Call for an appointment today.

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