Interactive Financial Advisors

WINTER 2021 NEWSLETTER

What a timely newsletter! It echoes our Company's philosophy in so many ways.

Retirement- Are you 100% sure your retirement will be great or do you have some doubt?

Student Loan & Consumer Debt- We can show you how to get out of debt in 9 years or less without you spending any more money than you are currently spending.

Budgeting- Let us help you understand where your money goes every month.

2021 is the year to take control of your future. Call us for help! 860-678-7806 ext. 203

-Ed, Kara & Alexa

Retirement Blindspots

Some life and financial factors that can sometimes be overlooked.

We all have our "blue sky" visions of the way retirement should be, yet our futures may unfold in ways we do not predict. So, as you think about your "second act," you may want to consider some life and financial factors that can suddenly arise.

You may end up retiring earlier than you expect. If you leave the workforce at "full" retirement age (FRA), which is 67 for those born in 1960 and later, you may be eligible to claim "full" Social Security benefits. Working until 67 may be worthwhile because it will reduce your monthly Social Security benefits if you claim them between age 62 and your FRA.[1]

Now, do most Americans retire at 67? Not according to the annual survey from the Employee Benefit Research Institute (EBRI).

In EBRI's 2020 Retirement Confidence Survey, 16% of pre-retirees expected to retire between ages 66-69, and 31% thought they would retire at age 70 or later. The reality is different. In surveying current retirees, EBRI found that only 6% had worked into their seventies. In fact, 70% percent of them had left work before age 65, and 33% had retired before age 60.[2]

You may see retirement as an extension of the present rather than the future. This is only natural, as we all live in the present – but the future will arrive. The costs you have to shoulder later in retirement may exceed those at the start of retirement. As you may be retired for 20 or 30 years, it is wise to take a long-term view of things.

You may have a health insurance gap. If you retire before age 65, what do you do about health coverage? You may shoulder 100% of the cost.

Looking forward, you may need extended care, and it seems to get more expensive each year. Wealthy households may be able to "self-insure" against extended care, but many other households struggle. In Genworth's 2020 Cost of Care Survey, the median monthly cost of a semi-private room in a nursing home is $7,738. In California, it is $9,023; in Florida, $8,803.[3]

Suppose you become disabled or seriously ill, and working is out of the question. How do you make ends meet?

Age may catch up to you sooner rather than later. You may stay fit, active, and mentally sharp for decades to come, but if you become mentally or physically infirm, you need to find people to trust to manage your finances.

You could be alone one day. As anyone who has ever lived alone realizes, a single person does not simply live on 50% of a couple's income. Keeping up a house, or even a condo, can be tough when you are elderly. Driving can be a concern. If your spouse or partner is absent, will there be someone to help you in the future?

These are some of the blind spots that can surprise us in retirement. They may quickly affect our money and quality of life. If you age with an awareness of them, you may have the opportunity to manage the outcome better.

Is It Better to Finish College Faster or Debt-Free?

BY MIRIAM CALDWELL

Paying for college can be a juggling act. It can be difficult to balance the amount that you borrow with how much you work and how quickly you can graduate from college.

If you are determined to graduate debt-free, it may take you a bit longer to graduate, since you may be working full time and taking only a few classes a semester. And if you decide to attend school full-time, you may accumulate more in student loans, since you won't be working full-time.

Consider the following as you decide whether it's better to graduate college more quickly or graduate with less debt.

Working While You Attend College

One of your options to graduate college with less debt is to work full-time and to attend school part-time. This schedule may be a good option if you are already supporting a family, though you should consider how much your earning power will increase once you get your degree.

If you are working, your employer also may offer to reimburse the cost of tuition for a certain number of credit hours each semester. In exchange, you may need to agree to work for them for a set number of years after you graduate. This work-for-school exchange may make attending school possible for you.

For some, working while attending school can be a good option. But if you are not making steady progress toward your degree, you may want to cut back your work hours a bit and add a few more school hours into your schedule.

Attending School Full-Time and Taking out Student Loans

Another option is to attend school full-time and take out student loans to cover your tuition and expenses. You may justify this by considering the timeline—if you attend school full-time, you will graduate more quickly, so the time you'll spend paying for tuition, books, and other school-related expenses will be less.

If you decide to take out student loans to go to college, it is important to think about your career prospects once you graduate. For example, if you are spending tends of thousands of dollars on a technical degree that will have you earning $10/hour once you graduate, the investment may not be worth it. But if you are attending a prestigious business program that will likely have you earning six figures once you graduate, it may be worth it.

Finding the Right Balance

It is important to find the right balance for you. Some people have a difficult time working and attending college, so to balance things, they work multiple jobs over the summer and save aggressively to help lower the amount they need to borrow for school.

Other students find that they can work part-time and take a slightly lighter course load while attending a few classes over the summer to keep them on track for graduation. Some semesters the student may be able to increase their hours while planning on a lower workload during the last few semesters of school.

There is not going to be a single right answer for everyone. A lot depends on your major, your expected earnings, and the amount that you end up borrowing. As you decide on your situation, you need to make sure you are following a tight college budget, and that you are working on keeping your tuition costs down. It does not make sense to lose your full-tuition scholarship to keep a minimum wage job.

12 Budgeting Tips to Help You Win With Money

You've started budgeting. Three cheers for you! This is a huge step—and the most important—in making those money goals a reality.

Maybe it's going well. Maybe it's hard. Maybe it's somewhere in between. Wherever you are on the comfort-and-ease-of-budgeting scale, we're always here for you. And we've got 12 solid tips at the ready to help the process run even smoother and the results get even better.

1. Budget every month before the month begins.

To get ahead, you need to think ahead. This is solid life advice—and a superb first budgeting tip. You need a new budget each month. And you need to set that up before the month begins … Think about the unique spending coming up (like your BFF's birthday or that yodeling competition entry fee) and move money around to make room for it.

2. Budget to zero.

Why? Telling all your money where to go means you're in charge of it—you own it instead of the other way around. Practically speaking, here's how you create a zero-based budget:

Add all sources of income. Type in your fixed expenses, like mortgage or rent, utilities, food and transportation. Then type in common monthly expenses, such as restaurants, entertainment and clothing. Check your past budgets or bank statements to get an idea of what you typically spend. Give every dollar a name, meaning all your income has a place in your budget. If there's still money left after you've entered all those expenses, put it toward your current money goal, like paying off debt.

3. Track every expense.

Seriously. Every. Single. One. The impulse pack of gum. The drive-thru coffee on the way to work. The corgi-covered socks. Those things add up. Literally. $ + $ + $ = $$$. Tracking every expense is how you know where all your money's going. Then you can start telling your money to go exactly where you want.

4. Review your spending habits.

You have to get real with yourself. And you do that by reviewing your spending habits. That gum-buying routine, drive-thru coffee habit, or sock obsession could be costing you some serious money that would be way better spent on your current money goal.

Be honest with yourself about places you overspend. You either need to cut back or think about upping a budget line. But, remember, if you spend more in one spot, you have to spend less in another. It's the circle of budgeting, young Simba.

5. Set a realistic budget.

Like we just said, it's okay to add some money into a line if you've been unrealistic with the planned amount. If you're trying to save on groceries, for example, and you've done all the coupon clipping, meal planning, and BOGO shopping you can—but you're still overspending each month—you probably need to up that grocery budget.

But remember, there's no magic money tree dropping dollar bills into your wallet when you change a planned amount. Like a teeter totter of money, when one budget line goes up, another must go down. Tell your entertainment budget line you're sorry, but you need real food more than the mega-size popcorn at the movies.

6. Make adjustments.

So, as you see, adjustments will and must be made as you budget. Don't freak. Lots of people think a budget is set and can't be adjusted. But no way, friend. No way. This is your money. And you're the boss of it. That's what a budget does. It puts you in charge.

So we already said you'll need to adjust when you realize you started with unrealistic expectations. You'll also need to adjust when a bill is more or less than what you planned. Moral of the story is: Don't be afraid to make adjustments. Just keep the goal of spending less than you make (overall) a key objective. That's how you win with your money.

7. Create a "Miscellaneous" category.

We're not elephants. We do forget. Your kid's school fundraiser. Your $2 portion for that co-worker's birthday cake. Your anniversary. (Yeah. Don't forget that.) You might be surprised when these things pop up, but your wallet doesn't have to be. Make room in your budget for the little things that slip your mind by creating a "Miscellaneous" line with $50 or so in it.

8. Budget for annual and semi-annual expenses.

There are some things that really shouldn't be a surprise hit to your budget, though, even though they don't come every month. We're talking about those annual or semi-annual expenses like car insurance, your pet's yearly checkup, your anniversary (because—seriously, you should be ready for this). One perfect option is to set up a sinking fund for these kinds of expenses. This way you can be saving up month by month for the day that expense is due.

9. Save for big purchases a little at a time.

Another great thing about sinking funds is you can use them to save up for big purchases. Be prepared for new tires by being watchful of the treads on all the wheels. Save up for Christmas all year long since you know it's coming December 25. Pay cash for that new digital camera to take your photography hobby to the next level (or create a new side hustle). You do all these things by setting up sinking funds in EveryDollar and setting aside money each month for that big purchase.

10. Budget for fun.

We don't mean to budget for the fun of it—though we think budgeting with EveryDollar is quite fun. We mean put in a budget line for fun things. All work and no play make you a dull, angry, frustrated, back-sliding budgeter. Of course, don't go crazy. But there are ways to have fun and even reward yourself on a budget. And it's easier to stay on track when the track offers one fancy coffee a month, extra foam, hold the guilt.

11. Understand the difference between needs and wants.

Speaking of fancy coffee—we all know that's a want and not a need, right? Yes. We do. But other lines can blur. If your shoes are literally falling apart, you need new shoes. But that red vegan leather moto jacket—that's a want. We budget for both, but needs get the priority.

12. Give yourself grace.

You will make mistakes. We all do. And it generally takes three months before you get the hang of this budgeting thing, so be kind to yourself—both at the start and throughout your budgeting lifestyle.

Because that's what this budgeting stuff is—a lifestyle. And it's the best kind possible: the life doesn't control my money—I DO! daily decision to make better money choices.

You've got this. We mean it. You just need a "Yeah I can!" attitude … and confidence.*Don't expect to start literally rolling in cash during your first few months, or even your first few years. That takes time. Scrooge McDuck didn't build his money bin in a day, after all.

Full Moons of 2021

JANUARY 28: WOLF MOON

FEBRUARY 27: SNOW MOON

MARCH 28: WORM MOON

APRIL 26: PINK MOON

MAY 26: FLOWER MOON

JUNE 24: STRAWBERRY MOON

JULY 23: BUCK MOON

AUGUST 22: STURGEON MOON

SEPTEMBER 20: HARVEST MOON

OCTOBER 20: BLOOD MOON

NOVEMBER 19: FROST MOON

DECEMBER 18: COLD MOON

Quarterly data

Quarter in Brief

On Wall Street, the fourth quarter's biggest development had everything to do with science and medicine. In November, news that two vaccines had been highly effective against COVID-19 in clinical trials strengthened Wall Street's fall rally. The Food and Drug Administration (FDA) authorized both vaccines for emergency use weeks later.

Two important deals were struck after much negotiation. In the nation's capital, Congress approved a second economic stimulus in response to the pandemic. Overseas, the United Kingdom and the European Union met the deadline to forge a post-Brexit trade agreement.

All three major Wall Street indices ended 2020 with 12-month gains, with the Nasdaq Composite far outpacing the Dow Jones Industrial Average and S&P 500. As a tragic year ended, participants in financial markets here and abroad hoped that vaccine rollouts, further economic support measures, and dovish monetary policies would help stabilize the global economy in 2021.

Domestic Economic Health

The federal government's Operation Warp Speed produced results. In December, the FDA greenlighted the immediate distribution of two COVID-19 vaccines, both of which were found more than 90% effective in clinical trials. States began vaccinating health care workers and residents of long-term care facilities on December 14. On Main Street and Wall Street, there was hope that the end of the pandemic was in sight, albeit not near at hand.[1,2]

In the second half of December, Capitol Hill legislators approved a new economic stimulus for American households, which President Donald Trump subsequently signed into law. The new stimulus included $600 economic relief payments for most taxpayers and at least a 10-week extension of the enhanced $300 federal jobless benefit.[3]

The Department of Labor statistics showed headline unemployment lessening in the quarter, dipping to 6.7% in November from 6.9% in October. The U-6 jobless rate, which counts both the unemployed and the underemployed, was 12.1% in October, 12.0% a month later. The economy added 610,000 net new jobs in the quarter's first month, and 245,000 in its second.[4]

Understandably given fall headlines, consumer spending and consumer confidence wavered. The Bureau of Economic Analysis said personal spending contracted in both October (0.3%) and November (0.4%), along with personal incomes (down 0.6% in October, and 1.1% in November). Retail sales, ticking down only 0.1% in the tenth month of the year, slumped 1.1% during the eleventh, according to the Census Bureau. The University of Michigan's monthly consumer sentiment gauge came in at just 76.9 in October and 80.7 in November; the Conference Board's monthly consumer confidence index declined from 92.9 to 88.6 in the same time frame.[4]

Both the service and manufacturing sectors were growing, at least

Quarterly data

Domestic Economic Health cont.

according to the monthly purchasing manager indices (PMIs) at the Institute for Supply Management. ISM states that when these indices are above 50, the sectors are expanding. Its monthly manufacturing PMI was at 59.3 in October and 57.5 in November; its services PMI came in at 56.6 in October and 55.9 the following month.[4]

In contrast to most of the above economic indicators, existing home sales rose in November and declined in October. National Association of Realtors reports showed residential resales improving 4.4% in the opening month of the quarter, followed by a 2.5% November dip. As for new homes, the Census Bureau said they plunged 11.0% in November, following a 2.1% October descent.[4]

Federal Reserve chairman Jerome Powell on December 16 said that the central bank would keep buying bonds until the economy showed "substantial" improvement. To many traders and market analysts, that commitment signaled that interest rates might stay near historic lows for years; in fact, the latest consensus opinion among Fed policymakers projects no change for the federal funds rate through 2023. Last month, the Fed forecast a 2.4% contraction for the U.S. economy in 2020, improved from a 3.7% estimate in September. For 2021, it sees economic growth of 4.2% and unemployment declining to 5.0% by year's end.[5]

Global Economic Health

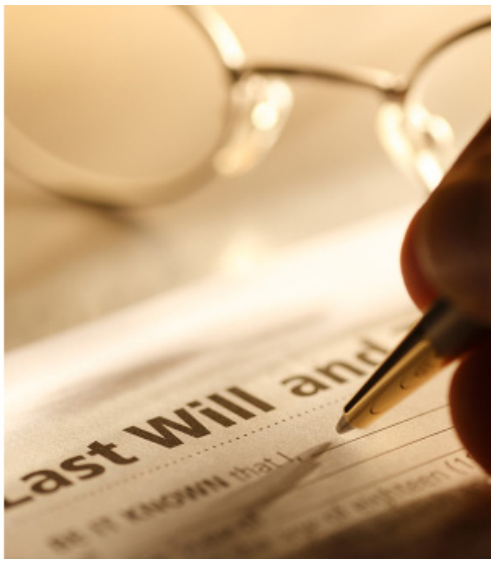
The United Kingdom and European Union hammered out a post-Brexit trade agreement, beating a year-end deadline; Michel Barnier, the E.U.'s chief negotiator in the deal, called the Brexit "an act of mutual weakening." The E.U. has lost one of its largest members, one that accounted for about a sixth of its economy. While the U.K. gains some political control, its residents can no longer live or work in much of Europe with the ease they once knew, and its economy and financial industry may face potential setbacks.[6]

China's powerful economy was expanding again, according to China government reports. The nation's official factory sector purchasing manager index stood at 51.9 in December, down from 52.1 in November; anything over 50 signifies sector growth. China's services PMI has been above 50 for ten months. China's government never announced an economic growth target last year; according to CNBC, its 2020 gross domestic product will approach 2.0%, compared to the 6.0% GDP of 2019.[7,8]

The MSCI EAFE Index, tracking shares in 21 stock exchanges outside North America, rose 15.75% for Q4. The top 3-month gainer among national benchmarks was Brazil's Bovespa, up 25.81% in Q4; that was hardly the only major climb. India's Nifty 50 rose 24.31%, South Korea's Kospi Composite 23.44%, and Spain's IBEX 35 20.21%. In Japan, the Nikkei 225 added 18.37%. Hong Kong's Hang Seng improved 16.08%, France's CAC 40 15.57%. China's Shanghai Composite gained 7.92%, Germany's DAX 7.51%.[9,10]

Your Estate Strategy

Many Americans don't have wills. If you haven't created a will, do so.



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