

RETIREMENT INSIGHTS

SPRING 2023

Watch Out for These Portfolio Mistakes

“ Fewer
than 40%
of survey
respondents
aged 55 to 59
demonstrated
knowledge of
making calcu-
lations related
to interest
rates, under-
standing infla-
tion, and
understanding
risk diversifi-
cation. ”

Source: Pension
Research Council,
January 2022

INVESTING IS A gradual process — purchasing some investments and selling others as the years go by. After a period of years, this can result in a mixture of investments that don't fit your overall strategy. Thus, periodically review your portfolio, watching out for these mistakes:

- ✓ **You don't use an asset allocation strategy.** Many investors select individual investments over the years, not considering their portfolio's overall makeup. Add up all your investments and calculate what portion is invested in each category. The basic categories are stocks, bonds, and cash, but each of these also has many subcategories. Assess your current allocation and determine whether it fits your personal situation.
- ✓ **You have too many investments that aren't adding diversification to your portfolio.** Diversification helps reduce the volatility in your portfolio, since various investments will respond differently to economic events and market factors. Yet it's common for investors to keep adding investments to their portfolio that are similar in nature. This does not add much in the way of diversification, while making the portfolio more difficult to monitor. Before adding an investment, make sure it will further diversify your portfolio.
- ✓ **Your portfolio's return is lower than benchmark returns.** Review the return of each component of your portfolio, comparing it to a relevant benchmark. While you may not want to sell an investment that has underperformed for a year or two,

at least monitor closely any investments that significantly underperform their benchmarks. Next, calculate your portfolio's overall rate of return and compare it to a relevant benchmark. Include all your investments — those in taxable accounts and retirement accounts. Also be sure to compare your actual return to the return you targeted when setting up your investment program. If

Continued on page 3

Dealing with These Estimating Mistakes

WHEN DETERMINING HOW much to save by retirement age, several variables must be considered, some requiring estimates that will span decades. Err significantly on those estimates and you can end up with little or no money left during the later years of your life. Three of the most significant estimating mistakes to watch out for are:

- ✓ **Underestimating how much income you'll need in retirement.** The entire point of your retirement savings is to ensure you have sufficient income to spend your retirement how you'd like, so make sure you have a good estimate of how much that will cost. Various rules of thumb indicate you'll need anywhere from 70% to over 100% of your preretirement income. At first glance, it seems like you'll need less than 100%, because

Continued on page 2

Copyright © Integrated Concepts 2023. Some articles in this newsletter were prepared by Integrated Concepts, a separate, nonaffiliated business entity. This newsletter intends to offer factual and up-to-date information on the subjects discussed, but should not be regarded as a complete analysis of these subjects. Professional advisers should be consulted before implementing any options presented. No party assumes liability for any loss or damage resulting from errors or omissions or reliance on or use of this material. Investing involves risk including the potential loss of principal. Past performance is no guarantee of future results. No investment strategy, including diversification, asset allocation, and rebalancing, can guarantee a profit or protect against a loss.

Dealing with These Estimating Mistakes

Continued from page 1

work-related expenses, lunches out, professional clothes, and commuting costs will be gone. But look carefully at your current expenses and how you plan to spend your retirement years before deciding how much you'll need. If you pay off your mortgage, remain in good health, live in a city with a low cost of living, and engage in inexpensive hobbies, you might need less than 100% of your preretirement income. However, if you plan to travel extensively, must pay for health insurance, and carry significant debt, you may find that 100% of your preretirement income is not enough. You need to look closely at your current expenses and planned retirement activities to come up with a reasonable estimate.

- ✓ **Underestimating how long you'll live.** Today, the average life expectancy is 84.3 years for a 65-year-old man and 86.6 years for a 65-year-old woman. But don't use those figures without further analysis. Average life expectancy means the woman has a 50% chance of dying before age 86.6 and a 50% chance of living past age 86.6. Since you can't be sure which will apply to you, you should probably assume you'll live at least a few years beyond your life expectancy. When deciding how many years to add, consider your health and how long other family members have lived.

- ✓ **Overestimating how much you can withdraw annually from your retirement savings.** With a retirement that could span decades, it's important to withdraw a reasonable amount so you don't deplete those savings too soon. A number of factors can make that a difficult number to calculate. First, as noted above, you can't be sure how long you'll be making withdrawals. Live significantly beyond your average life expectancy and you could find yourself with little in the way of savings. Second, inflation over such a long period means you'll have to withdraw increasing amounts just to maintain the same purchasing power. Third, your rate of return on your investments will significantly affect how much you can withdraw annually. When withdrawals are being made, down markets can have a devastating effect on your savings. Not only will your investment value go down, but you will be withdrawing the same amount from a smaller balance. Thus, when the market rebounds, you'll have less capital available to participate in that rebound. Especially if a major market downturn occurs early in your retirement, withdrawing an amount that may have been reasonable during an up market may quickly deplete your assets. Thus, it's generally prudent to keep your withdrawal percentage as low as possible, perhaps 3% or 4% of your balance. With that level of withdrawal, your funds should last for decades.

If you'd like help making these estimates, please call. ✓✓✓

Tips for the Sandwich Generation

IF YOU ARE caring for young children and aging parents, you are part of the sandwich generation. This can be a very stressful situation. Developing a financial plan for your parents, your children, and yourself will help you navigate the challenges you face.

A Retirement Income Plan for Your Parents — If you haven't already, it's time to have a serious money talk with your parents. In addition to understanding their wishes for medical treatment and long-term care, you should also understand if they have adequate retirement income. Helping your parents develop a retirement income plan will help ensure that they can cover their expenses in retirement.

Research Long-Term Care Options — You should research ways to pay for long-term care if your parents need it. If your parents are in good health and still relatively young, they may want to consider purchasing a policy before it becomes cost-prohibitive.

Prepare an Estate Plan — If your parents do not have an estate plan, it's time to create one so that their wishes are met. Help them through this process, including establishing a

will, trust, advanced health care directives, and medical and durable powers of attorney.

Inventory Assets — Help get your parents' financial assets in order by locating all important documents, including financial accounts, retirement accounts, wills, trusts, medical directives, powers of attorney, and digital assets.

Develop a College Savings Plan — As you switch the financial focus from your parents to your children, start by planning for their largest expense: their college educations. You should help your children plan for their life after high school. Engage your children in this process by having them research scholarships, grants, and work-study programs.

Your Turn — Because you are sandwiched between your parents and children, you may not have developed your own financial plan. It is important to take the time to get your own financial house in order. Creating a financial plan with long- and short-term goals will give you peace of mind that your own financial life is on track. Please call if you'd like to discuss this in more detail. ✓✓✓

6 Signs You Need a Financial Plan

A CLEAR FINANCIAL plan helps you prepare for the future, brace yourself for the unexpected, and positions you to pursue your goals. Below are six signs that it may be time for you to get a financial plan.

You're planning (or just had) a big life change. New job. New baby. New house. All of those milestones and more are signs you should take a big picture look at your finances. When your life changes in big ways, it often brings with it changes in how you approach money. Take this opportunity to put your financial house in order.

You're worried about your finances — and your future. If money worries keep you up at night, a financial plan can help ease your mind. Whether you have immediate worries or are just feeling uneasy about what tomorrow may hold, you can regain control over your life by having a clear direction. Your comprehensive financial plan will not only help you see where you stand today — and identify ways you could make the most of what you currently have — it will also help you plot a path to where you want to be.

You're making good money, but you're not sure where it goes. If you want to turn today's income into tomorrow's wealth, you need a financial plan. That way, you'll be able to take the money you're earning today and use it to create a secure future for yourself and your family.

You have financial goals, but you're not sure how to make them a reality. Does retirement seem like a distant dream? Do you wish you could upgrade to a bigger home, send your kids to college without taking on debt, or start a business? With a financial plan, you'll know what you need to do financially to make those dreams a reality.

You and your partner are fighting about money. If you and your partner can't see eye-to-eye on money issues, a financial plan might be part of the solution. Meeting with an objective third party, like a financial planner, can help you both recognize where you stand when it comes to your finances, and then negotiate a path forward that works for both of you.

Your investments and finances are getting so complicated, it's difficult for you to keep track of everything. As your money and life get more complex, it can be difficult to manage all the details without help. A financial plan, developed with the assistance of your financial advisor, will help you identify the best ways to save, find ways to reduce taxes, and protect yourself against risk. With the help of your advisor, you'll be able to understand your total financial picture and take the steps necessary to achieve your goals. ✓✓✓

Watch Out for These Portfolio Mistakes

Continued from page 1

you aren't achieving your targeted return, you risk not reaching your financial goals. Now, honestly assess how well your portfolio is performing. Are major changes needed to get it back in shape?

- ✓ **You trade too frequently without adequate research.** With so many choices and so much information, it's tempting to trade often based simply on other people's recommendations. Yet, besides the tax and costs associated with trades, frequent traders often underperform those who trade less frequently. Instead, purchase investments you are willing to hold for the long term.
- ✓ **You don't consider income taxes when investing.** Ordinary income taxes on short-term capital gains and interest can go as high as 37%, while long-term capital gains and dividend income are taxed at rates not exceeding 20%. Using strategies that defer income taxes for as long as possible can make a substantial difference in your portfolio's ultimate size. Some strategies to consider include utilizing tax-deferred investment vehicles (such as 401(k) plans and

individual retirement accounts), minimizing portfolio turnover, selling investments with losses to offset gains, and placing assets generating ordinary income or that you want to trade frequently in your tax-deferred accounts.

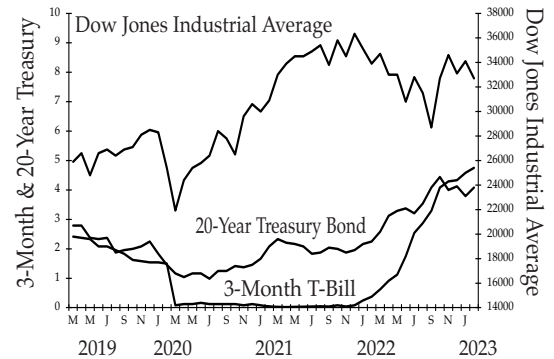
To help maximize your portfolio's value, avoid these investment mistakes. Please call if you'd like help reviewing your investment portfolio. ✓✓✓



Market Data	Month End			% Change	
	Feb 23	Jan 23	Dec 22	YTD	12-Mon.
Dow Jones Ind.	32656.70	34086.04	33147.25	-1.5%	-3.6%
S&P 500	3970.15	4076.60	3839.50	3.4	-9.2
Nasdaq Composite	11455.54	11584.55	10466.48	9.4	-16.7
Total Stock Market	40147.32	41167.86	38520.60	4.2	-9.7
Gold	1824.60	1923.90	1812.35	0.7	-4.5
Silver	20.83	23.68	23.75	-12.3	-14.1
			Dec 22	Feb 22	
Prime rate	7.75	7.50	7.50	7.50	3.25
Money market rate	0.47	0.35	0.33	0.33	0.07
3-month T-bill rate	4.75	4.60	4.35	4.35	0.36
20-yr. T-bond rate	4.10	3.78	4.14	4.14	2.25
Dow Jones Corp.	5.65	5.09	5.54	5.54	3.31
Bond Buyer Muni	4.66	4.30	4.64	4.64	3.66

Sources: Barron's, Wall Street Journal Past performance is not a guarantee of future results.

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield March 2019 to February 2023



Sources: Barron's, Wall Street Journal

Tips for Your 401(k) Plan

WHILE 401(k) PLAN information may seem confusing, it is not as complex as it seems and may be vital to your retirement plans. Here are a few tips to help you understand your plan:

- ✓ **Maximize contributions** — As soon as you possibly can, begin making contributions to your 401(k) plan, contributing as much as your budget will allow. In 2023, you can contribute a maximum of \$22,500 to your 401(k) plan, plus an additional \$7,500 catch-up contribution for those over age 50, provided this is offered by your plan.
- ✓ **Take advantage of employer matching contributions** — Many people don't take the time to learn how to take advantage of employer matching. If your company offers a matching contribution, strongly consider contributing enough to take advantage of the maximum amount provided.
- ✓ **Diversify investments** — 401(k) plans typically offer numerous investment options, so review your plan's investments carefully to make sure you select ones that fit your particular goals, including an allocation plan that fits the long-term nature of the plan.
- ✓ **Limit company stock** — Since you know your company so well, you may feel you should make the company's stock a significant portion of your 401(k) plan. However, since your livelihood is already tied to that company, you don't want too much of your

retirement funds to also be tied to the same company.

- ✓ **Review your plan annually** — Review all these other factors annually to make sure your 401(k) plan is on track. Use the annual review as a time to go over the performance of your investments, making necessary adjustments if needed.
- ✓ **Don't touch your plan for other purposes** — If you leave or lose your job prior to retirement, make sure to protect your 401(k) plan. Any loans you have taken will likely have to be repaid within a month or two of leaving your job. Otherwise, the loan will be considered a distribution and taxes and penalties may be assessed. Don't be tempted to cash out your 401(k) plan. Not only will you be reducing your retirement savings, but you may have to pay steep taxes and penalties.

Following these tips will help you make the most of your 401(k) plan. Please call if you'd like to discuss this topic. ✓✓✓

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to effect some of the strategies. Investing involves risks including possible loss of principal.