In This Issue...

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Horsetooth Financial Outlook

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Tips for Getting Your Finances in Order

If you're serious about pursuing your financial goals, you need to get your finances in order. Some tips to help in that process include:

- **Get organized.** It's difficult to assess how much progress you're making toward your goals if you don't know basic facts like how much your net worth increased during the past year, how you are spending your income, or how well your investments have performed. Organizing your finances will assist in tracking this information.
- **Budget your expenditures.** While many people dread the process of analyzing and budgeting expenditures, inefficient and wasted expenditures are often major obstacles to saving for financial goals. Analyzing your expenses will help you find ways to reduce spending and increase your savings.
- **Develop explicit written financial goals.** Goals help set our financial priorities and provide motivation for reducing spending and saving for the future. Quantify your ultimate goal and interim goals so your progress can be tracked.
- **Pay yourself first.** If you wait until the end of the month to see how much money is left over for saving, you'll probably find that the answer is nothing. It's often easier to pay yourself first, and then find ways to reduce spending to pay the rest of your bills.
- **Establish an emergency cash reserve.** This will give you funds to deal with short-term emergencies, such as a temporary job loss, a short-term disability, a major home repair, or a large medical

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The Psychology of Saving

Saving money sounds simple. You set aside a portion of what you earn on a regular basis and watch your money grow. As a result, you're more prepared for emergencies, feel more financially stable, and are better able to achieve what you most want. But in reality, saving is a little more complicated. Sometimes, our own minds work against us when it comes to setting aside some of the money we earn. A basic understanding of the psychology of saving can help you overcome roadblocks and achieve your goals.

Why It's Hard to Save

What is one of the biggest obstacles most people face when saving? We tend to prefer the certainty and immediate gratification of short-term rewards over the potentially greater — yet perhaps more uncertain — benefits of longer-term rewards. One study found that most adults would prefer to have $50 today rather than $100 two years from now, for example.

Part of the difficulty with saving for long-term goals is that people may tend to think of their future selves as different or separate from their current selves. That disconnect can make it hard to prioritize saving for the future. Researchers studying this issue looked at whether encouraging people to think of saving for retirement in terms of a social responsibility to their future self, rather than in terms of their basic self-interest, would lead them to save more. The study found that the former appeal led to higher savings rates. In a related vein, another group of researchers found that

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Tips for Getting

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bill. How much you need in the reserve will depend on your age, health, job outlook, and ability to borrow quickly.

- **Get your debt under control.** Take steps to reduce your consumer debt as much as possible — any interest payments are just reducing the amount available for saving. There are a variety of strategies you can use to either reduce your debt or lower the cost of that debt.
- **Invest automatically.** One of the best ways to invest consistently is to make investing automatic. Make arrangements to have a specific amount deducted from your checking or saving account periodically and transferred to an investment account. *(Keep in mind that an automatic saving plan, such as dollar-cost averaging, does not assure a profit or protect against loss in declining markets. Because such a strategy involves periodic investment, consider your financial ability and willingness to continue purchases through periods of low price levels.)*
- **Develop an investment strategy.** Your strategy will depend on a variety of factors unique to your situation, including your risk tolerance, return expectations, investment period, and investment preferences. Developing an investment strategy requires evaluating many factors, but it can give you a well-thought-out strategy to help pursue your long-term goals.
- **Assess your insurance needs, including life, health, disability, long-term care, homeowners, automobile, and personal liability.** Over time, your insurance needs are likely to change. Insurance companies offer innovations and riders that might be applicable to your situation. Reevaluating your insurance can lead to lower premiums with coverage better suited to your situation.
- **Take active steps to reduce your taxes.** There are a variety of strategies that can help you reduce your income taxes, thus freeing money for saving. The key is to review those strategies now, so you have plenty of time to implement them.
- **Review your estate plan.** If it's been a few years since you've reviewed your estate plan, take time to go over your documents to make sure they still reflect your wishes for your estate's disposition. If you don't have an estate plan, get one in place.

While many of these tips may sound familiar, it is the rare individual who takes advantage of all of them. If you'd like help putting these tips into practice or would like to discuss your finances in more detail, please call. ❍❍❍

Why Budgets Are Important

For most of us, a budget is arduous and time-consuming, but it is the first step in securing your financial future. Do you want to buy a home? Go on a fabulous vacation? Retire comfortably? Then planning is critical and you have to know how you are spending your money today. The merits of a budget include:

The Foundation for Establishing and Reaching Financial Goals

You have to understand your overall financial situation in order to set financial goals. The first step is to understand your income and expenses. Review your bank, credit card, and income statements for the past six to 12 months. Once you know where your money is going and if you have a surplus or deficit, you can establish goals, such as paying off debt or saving for something you want.

Helping You Spend Based on Your Priorities

Now that you understand your complete financial picture and have established goals, you can begin to control your money instead of it controlling you. It will help you decide if you need to or want to make sacrifices to meet specific goals. It will also help you determine how much debt you can afford if, for example, you are interested in buying a house.

Building Wealth and Saving for Retirement

You can also begin to focus on the long term as part of your budget. Identify how much you can put toward savings and investments so that you can reach some of the goals you defined. You will be able to clearly see what spending you may have to reduce or cut in order to save. And retirement warrants special attention, so put away as much as possible. Even $100 a month can increase your savings by tens of thousands of dollars by the time you retire.

Reducing Stress

Feeling confident about your finances will significantly reduce stress and help you enjoy the benefits of your hard work.

Please call if you'd like to discuss this in more detail. ❍❍❍

The Psychology

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seeing pictures of their future selves encouraged people to save more.

In fact, there are number of studies that suggest changing our mentality — either about the future or about saving in general — might allow us to set aside more money. One study found that people who adopted a cyclical mindset to saving, where they focused on making saving routine in the short term, saved more than people who set more ambitious longer-term goals. Those with a traditional linear mindset saved about $140 over two weeks, while those with a cyclical mindset saved $223 over the same time period. Overall, the evidence seems to suggest that if we can change the way we think about the future — and our future selves — we may be able to boost our savings rates.

The Psychological Advantage of Saving

Once you commit to savings, there's a good chance you'll see a psychological boost from doing so. A survey by Ally Bank found that 38% of people with a savings account reported being extremely happy, compared to only 29% of people who didn't have a savings account. That same survey found that 82% of people reported saving made them feel independent. Those feelings of success, well-being, and independence may in turn lead to even more saving. In fact, feeling powerful and having high self-esteem can lead people to save more, perhaps because increasing their net worth and financial stability helps people maintain their powerful feelings.

There might even be a formula for spending and saving that could lead to more happiness. Ryan Howell, a professor of psychology at San Francisco State University, found that happy people tended to demonstrate a particular pattern of spending and saving, earmarking 25% of their money for savings and investments, allocating 12% to charitable giving or gifts to others, and spending about 40% on life experiences they considered meaningful.

While our mental quirks might make saving difficult, being aware of the obstacles our mind creates can help us conquer them. ❍❍❍

4 Reasons to Invest in Bonds

Bonds have a reputation as safe, stable investments. But writing off bonds as boring investments that are best for the risk-averse could be a mistake. While it's true that investing in bonds tends to lack the dramatic highs (and the lows) that come with investing in stocks, that doesn't mean you should ignore the opportunities bonds present. Here are four reasons to consider bonds.

1. Bonds are a way to diversify your portfolio. Many financial experts recommend diversifying your portfolio to include a variety of asset classes, including bonds. This is a concept known as asset class diversification. Because different asset classes tend to perform differently at various times, you may be able to create a portfolio that generates more stable returns by investing across asset classes. For example, stocks and bonds tend to historically move in opposite directions, which means that owning some of both can help smooth out the ups and downs in your portfolio.

2. Bonds are (usually) less risky than equities. If you are looking to dial-down risk in your investment portfolio, increasing your allocation to bonds may be one way to do that. However, keep in mind that less risky doesn't mean risk free. Bond issuers can default. You also face inflation risk.

3. Bonds can provide a steady, predictable source of income. Stocks and other investments are unpredictable — you don't know with any certainty how well a given stock might perform in a certain year or even how well certain types of stocks (like small-cap stocks or international stocks) will do. Bonds are a bit different. They are debt investments, which means you are essentially agreeing to loan an entity, like the government or a corporation, money for a certain period of time. The entity you are lending money to agrees to pay you a certain amount of interest (known as the coupon) over the time they have your money, plus repay your initial investment when the bond reaches maturity. That means you have a pretty good idea of how much money you're going to see from your bond investments over the years. Of course, bonds aren't risk free. Bond issuers can default, and you could lose your money. But in general, bonds are more predictable in how much money they generate for investors.

4. Bonds can provide valuable tax savings. Depending on the types of bonds you own, you may be able to save on taxes. While you'll pay normal taxes on corporate bonds, income from Treasury bonds (which are issued by the U.S. federal government) is free of state and local tax. Then there are municipal bonds, or bonds issued by state and local governments. You won't pay federal tax on money you earn on these investments, and you may also be exempt from state and local tax. For anyone who is looking to minimize their tax burden, especially retirees, this can be an appealing proposition.

Questions about making bonds part of your investment strategy? Please call to discuss this topic in more detail. ❍❍❍

Financial Data

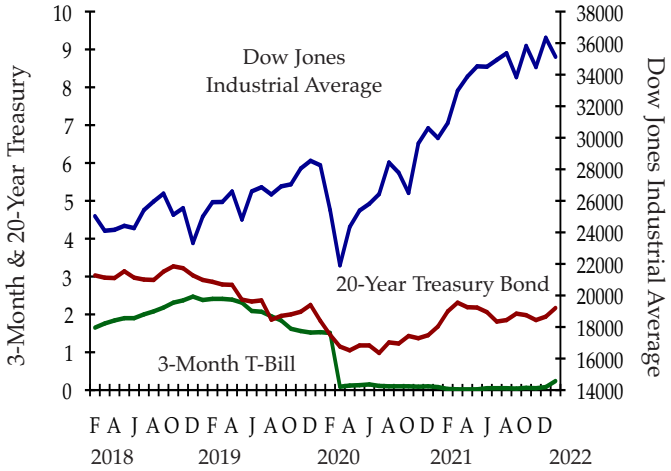
Indicator	Month-end Nov-21	Dec-21	Jan-22	Dec-20	Jan-21
Prime rate	3.25	3.25	3.25	3.25	3.25
Money market rate	0.07	0.07	0.07	0.20	0.10
3-month T-bill yield	0.05	0.08	0.24	0.10	0.08
10-year T-bond yield	1.43	1.52	1.79	0.93	1.11
20-year T-bond yield	1.85	1.94	2.17	1.45	1.68
Dow Jones Corp.	2.54	2.48	2.85	1.93	2.04
30-year fixed mortgage	2.64	2.63	3.16	1.91	1.97
GDP (adj. annual rate)#	+6.70	+2.30	+6.90	+4.30	+6.30

Indicator	Month-end Nov-21	Dec-21	Jan-22	% Change YTD	12 Mon.
Dow Jones Industrials	34483.72	36338.30	35131.86	-3.3%	17.6%
Standard & Poor's 500	4567.00	4766.18	4515.55	-5.3%	21.6%
Nasdaq Composite	15537.69	15644.97	14239.88	-9.0%	8.9%
Gold	1804.40	1805.20	1795.25	-0.6%	-3.7%
Consumer price index@	276.59	277.95	278.80	0.3%	7.0%
Unemployment rate@	4.60	4.20	3.90	-7.1%	-41.8%

— 2nd, 3rd, 4th quarter @ — Oct, Nov, Dec Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

February 2018 to January 2022



Past performance is not a guarantee of future results.

The Colorado Armageddon

The world of investing is often keyed on measuring risk, and assessing contingencies to maximize outcomes. Our personal lives involve the same elements of planning: health considerations, where to work and live, when to retire, unforeseen accidents, marriage, divorce, children, etc.

Occasionally, I find myself wondering why I didn't plan for something in my life better, and begin to feel regret. And then, the last two years, I observed two of the most horrifying events an individual would have to live through and never expect, and feel blessed and fortunate for every day that is normal.

From August, 2020 through January, 2021, the Cameron Peak fire became the largest forest fire in Colorado history, destroying 208,931 acres of forestry (wiki). The fire came with 8 miles of Fort Collins, and about 11 miles from Loveland, but not with a real threat of spreading over the foothills to the city areas. The foothills in these areas have sparsely populated trees and little groundcover to burn.

That fire, which burned for 5 months, consumed 461 structures, about 224 homes, and a number of outbuildings (inciweb.nwog.gov). I ruminated on the extent and degree of that devastation and thought how horrible it was that so much loss could occur uncontrollably. Prior to the Cameron Peak fire, no Colorado fire had ever been larger that 100,000 acres in recorded history.

Then, on December 30, 2021, an apocalyptic event occurred that was unimaginable. After a couple of months of little or no precipitation in the Colorado area, grasslands and mountain terrain were extremely dry. With snow predicted to arrive in 2 days, high winds began to be pushed eastward by the cold front moving in.

By late morning, winds were being registered between 80-100 mph, with gusts that were eventually registered as high as 115 mph. What will be know as one of the most tragic events in Colorado history, fires started near the towns of Superior and Louisville, communities near Boulder, CO, the causes of which are still being determined. Named near the road where the fire originated, it was called the "Marshall Fire".

With seemingly little fuel to burn, the high winds spread fire quickly through residential neighborhoods, and within 24 hours, destroyed 991 homes, and 1084 structures (artemis.bm). Only 24 hours. That destruction, occurred in only 6219 acres, with loss estimates at over $500 million initially. Miraculously, only two deaths have been reported, as 30,000 persons were evacuated, and lives were massively displaced. This occurred in a place that no one would ever believe to be a fire risk, certainly not on a scale of that magnitude. My perspective of where I live, after trees that have grown for the past 22 years, many new homes, fences, outbuildings and yards constructed, suddenly changed dramatically.

On January 3, 2022, The Fort Collins Coloradoan headline aptly read, "Armageddon", with unreal photos of neighborhoods burned to the ground.

On New Years Eve, snow began to fall, leaving as much as 11" in areas of Boulder County, as they say, " A day late, and a dollar short".

Not many are ever likely to prepare for a disaster like this, but with the emotional trauma that occurs, so is the seriousness of the economic realities. I recommend all my clients to consider updating and reviewing your will and trusts; review the details of coverages in your home and auto insurance policies; place valuable documents in a secure spot to escape destruction or theft; be willing to adjust your perspective so you are not a victim.

Most importantly, live every day like it's a gift. It is privilege and honor for me to be considered as your financial advisor. Thank you for your Trust and Confidence! ❍❍❍