Hadel financial advisors

Hadel Financial Advisors, Inc.
11900 College Blvd., Suite 315
Overland Park, KS 66210
Telephone (913) 825-2626
Facsimile (913) 825-1313

Gregory T. Hadel, CFS
LPL Investment Advisor Representative

Sean P. Aikmus, CFP®
LPL Investment Advisor Representative

R E T I R E M E N T
INSIGHTS

WINTER 2024

Enjoy Life and Save for Retirement

Some people worry that when saving for retirement, they have to give up the things they enjoy. While there needs to be a balance between spending and saving, it doesn't mean you can't enjoy life.

Look at Your Current Situation and Set Goals

You should start by reviewing how you live and how you save. Make a list of questions about your lifestyle to assess what is most important to you:

- ✔ Am I happy with my lifestyle?
- ✔ Are there things I want to pursue?
- ✔ Do I have enough money to support my lifestyle and the things I want to pursue?

Prioritize your responses in order of importance, so you can budget for the things you really want to do.

Next, you will want to make a list of how you are managing your finances and savings:

- ✔ Am I able to cover my bills?
- ✔ How much am I saving for retirement?
- ✔ Am I saving enough for retirement?
- ✔ How much disposable income do I have every month?

Once you have answered these questions, it is time to look at your responses to figure out how you can accomplish both. You'll want to develop or revise both lifestyle and retirement goals, being as realistic as possible with your current financial situation. Also make sure your goals are specific, so you can assign dollar figures to them, such as:

- ✔ Golf once per week.
- ✔ Save $500 per month in retirement accounts.
- ✔ Travel abroad once per year.
- ✔ Establish an emergency account with six months of income.

Make a Plan

Now that you have established your goals, you need to figure out if you can make it all work. As part of your budget, add both your lifestyle goals and your retirement goals with specific dollar amounts for each.

If you can't meet all of your goals within your budget, you will have to make decisions about what is most important. You should not put your retirement goals in jeopardy, nor should you give up on

Continued on page 3

"In mid-2022, IRA assets represented 11% of all household assets, 3% more than 20 years ago."

Source: *ICI Perspective, February 2023*

Should You Borrow from Your 401(k) Plan?

For many people, their 401(k) account represents one of their largest financial assets. While designed to provide a source of income in retirement, the Internal Revenue Service (IRS) allows plan sponsors to permit participants to borrow from their accounts before they retire.

Continued on page 2

FR2023-0717-0062

Should You Borrow from Your 401(k)?

Continued from page 1

But tapping into your 401(k) may jeopardize the lifestyle you're hoping for once you retire. So is it ever okay to borrow from your 401(k) plan?

The general consensus is that spending today what you've put away for tomorrow is a bad idea, especially if you're planning to spend on discretionary purchases. If you're using your account as an alternative to a credit card, it's most likely a sign that you're living beyond your means and probably should look for ways to cut back your spending.

However, under certain circumstances, borrowing from your 401(k) plan may make financial sense. Before you take out a plan loan, though, it's important to weigh the pros and cons.

The Advantages of 401(k) Loans

If your family is suffering financial distress and your credit is poor, a 401(k) loan might be your only option for a loan.

The terms can also be quite generous: you're allowed to borrow half of your account value, to a maximum of $50,000, and the rate is generally very competitive with rates on unsecured consumer loans — typically 1% above the prime rate, although this will vary by plan.

Finally, application fees, if your plan charges them, are generally much lower than bank fees.

Plans must also allow hardship withdrawals, but specific requirements must be met to qualify. In addition, the withdrawal is subject to income taxes and early withdrawal penalties.

Because a 401(k) loan isn't subject to income tax or penalties, it's likely a better alternative.

In addition, because you're paying yourself back with interest, your loan retains some value as an asset that provides a positive return.

The Disadvantages

The first thing to realize is that you have to pay the balance with interest within five years, unless the proceeds are being used to purchase a principal residence (then you can repay over a longer time period).

Next, consider how secure your job is, because if you no longer work for your plan sponsor, you may have to repay the entire loan balance within 90 days.

Otherwise, that amount is considered a withdrawal; and if you're not yet at least 59½ years old, you'll owe a 10% penalty in addition to income taxes.

A plan loan can also present some other disadvantages:

Opportunity Cost. Money taken out of your plan can't take advantage of bull markets. So even though your interest payments are providing some return, having your money out of the stock market could significantly reduce how much you'll have when you're ready to retire.

Suspended Contributions. Make sure you won't have to reduce or stop new 401(k) contributions because you are struggling to make your loan payments.

Taxation. Loan payments are made from after-tax income, and interest paid on the loan is not tax deductible. Thus, other types of loans, such as home-equity loans, may be cheaper on an after-tax basis.

If you're seriously thinking about taking out a loan from your qualified retirement plan, it's important to assess its short- and long-term consequences and consider alternatives.

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

When Adult Children Return Home

ONCE YOUR CHILD has graduated from college, don't assume that your financial responsibilities are over. Adult children return home to live for a variety of reasons — they can't find a job, they have too much debt to afford living alone, or they have divorced and need financial support. Use the situation to help reinforce basic financial concepts:

- ✔ **Set a time frame.** Don't let your child move in for an open-ended time period. Financial goals should be set and followed, so your child is working toward financial independence and living on his/her own.
- ✔ **Charge rent.** There are increased costs when your child returns home — additional food, phone bills, utilities, etc. Although you don't have to charge a market rental rate, you should charge something. If you're uncomfortable taking money from your child, put the rent money aside in a separate account and use it to help your child when he/she moves out. Also decide which chores your child is expected to perform.
- ✔ **Put your agreement in writing.** While putting everything in writing may seem too businesslike, it gives you an opportunity to clearly spell out your expectations and the rules of the house. This can prevent future misunderstandings. ✔✔✔

To Sell or Not to Sell?

KNOWING WHEN TO buy and sell securities is very difficult for individual investors. Fortunately, there are some rough guidelines you can use to make your buying and selling decisions.

When to Sell

You made a mistake in buying the stock. If you did your research, chose your stock, and then realized there was some error in your analysis, it might be right to sell.

When a stock no longer fits in your portfolio. Your portfolio will evolve as your needs and investing goals change. As this happens, a certain stock may no longer be a good fit. You might want to sell some of your holdings to get your portfolio back on track.

When the business has changed fundamentally. If you bought stock in a company that did one thing and now it suddenly does something completely different, that *might* be a good reason to sell. Ditto if something else has changed dramatically (the company's core product turns out to be dangerous, for example, or the entire industry is facing big challenges). Basically, if the fundamental reasons you bought the stock no longer apply, it may be time to rethink your investment.

When a stock is overvalued. This one is tricky, and you may need the help of a trained investment professional to help you figure it out. But when a stock price goes up and up and up, it's not always a good thing. It might be because investors have overvalued the stock. If that's the case, a dramatic fall could be coming.

When Not to Sell

Because everyone else is. Investors tend to move in packs. When everyone else is dumping the stock of a certain company, you may take that as a signal to get out too. But the actions of the many don't necessarily mean that you should behave the same way. Always make your investment decisions based on a careful analysis of both larger economic issues and your own personal situation, not what everyone else is doing.

Because the price has changed. Shifts in the price of a stock might be a reason to consider selling shares, but they shouldn't be your sole motivating factor. Stock prices move up and down on a regular basis — that's the nature of the stock market. If you panic and want to sell every time the price dips, or get greedy and want to sell when the price skyrockets, you could end up costing yourself big in terms of both extra transaction costs and lost potential gains.

When owning the stock is not part of your overall financial plan. You'll probably have the most success with investing if your decisions are guided by a solid financial plan. Your plan will tell you when it's a good time to buy or sell an investment. If you're tempted to make a big move, but it doesn't fit with your overall plan, you should probably hold off, or at least discuss your feelings with a financial advisor before making a dramatic move.

Do you have questions about whether or not now is a good time to buy or sell a stock? Please call if you'd like to discuss this in more detail. ✔✔✔

Enjoy Life and Save for Retirement

Continued from page 1

your lifestyle goals. You either need to look for other things you can cut from your budget or find ways to earn more income.

If golfing once a week is really important to you, what can you give up to make that happen? If you pack a lunch instead of eating out, will that be enough money to cover your weekly golf game? It all comes down to what is most important without putting off saving for retirement.

Also assess your job. Are you making enough money for the type of job you have? Are you happy with your job? Is it worth trying to find another job that pays more money? Changing a job takes time and energy, but you need to decide if it is an option so you can have more disposable income.

Review and Reassess

You will want to review your goals and budget on a regular basis to determine if you need to make adjustments, especially if you are having trouble accomplishing your goals within your budget. Also, as time goes by, you may find that your goals change and you need to adjust your plan as well.

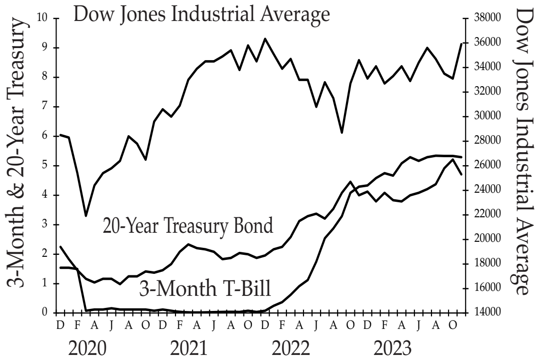
Please call if you'd like to discuss this in more detail. ✔✔✔

Market Data

	Month End			% Change	
	Nov 23	Oct 23	Sep 23	YTD	12-Mon.
Dow Jones Ind.	35950.89	33052.87	33507.50	8.5%	3.9%
S&P 500	4567.80	4193.80	4288.05	19.0	12.0
Nasdaq Composite	14226.22	12851.24	13219.32	35.9	24.1
Total Stock Market	45414.79	41597.35	42788.69	17.9	10.8
Gold	2035.45	1996.90	1870.50	12.3	16.1
Silver	25.26	23.13	22.35	6.4	16.6
				Dec 22	Nov 22
Prime rate	8.50	8.50	8.50	7.50	7.00
Money market rate	0.47	0.61	0.48	0.33	0.31
3-month T-bill rate	5.28	5.33	5.33	4.35	4.29
20-yr. T-bond rate	4.72	5.21	4.92	4.14	4.00
Dow Jones Corp.	5.83	6.34	6.08	5.54	5.46
Bond Buyer Muni	4.94	5.29	4.96	4.64	4.82

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 December 2019 to November 2023



Sources: *Barron's, Wall Street Journal*

Nurture Your IRA

IT'S TEMPTING TO pay little attention to an individual retirement account (IRA). After all, with a maximum contribution of $7,000 in 2024 ($8,000 if you are over age 50), how much can an IRA contribute to the vast sums you'll need for retirement? The answer is plenty, especially if you follow these tips:

✔ **Start contributing as soon as possible.** Consider the following example. Four individuals, ages 20, 30, 40, and 50, each contribute $5,000 to an IRA this year. What will that amount grow to when each person reaches age 65, assuming an 8% annual rate of return? The 50 year old will potentially have $15,861, the 40 year old will have $34,242, the 30 year old will have $73,927, and the 20 year old will have $159,602.*

✔ **Contribute every year until you reach retirement.** Assume that at age 30 you start contributing $5,000 per year to an IRA, earning 8% compounded annually. After one year, you'll have only $5,400. But that will grow to $29,333 after five years, $72,433 after 10 years, $228,810 after 20 years, and $861,581 after 35 years, when you turn age 65.* (Keep in mind that an automatic investing program, such as dollar-cost averaging, does not assure a profit or protect against loss in declining markets. Because such a strategy involves periodic investments, consider your financial ability and willingness to continue purchases through periods of low price levels.)

✔ **Fund your IRA at the beginning of the year, rather than at the end of the year.** This allows your contributions and earnings to compound for a longer period. For example, assume you are 30 years old and make a $5,000 IRA contribution at year-end for 35 years. If you earn 8% compounded annually, your IRA balance would equal $861,584 at age 65. Make the contribution at the beginning of the year instead, and your balance would equal $930,511, a difference of $68,927.* ✔✔✔

* These examples are provided for illustrative purposes only and are not intended to project the performance of a specific investment. They do not take into account the effects of commissions or any taxes that may be due.

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.

FR2023-0717-0062

Hadel Financial Advisors, Inc.
11900 College Blvd., Suite 315
Overland Park, KS 66210