Interactive Financial Advisors

Spring 2024 NEWSLETTER

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How to avoid the top scam of 2023: The internet has 'really supercharged' it, expert says.

Consumers lost a record $10 billion to fraud in 2023, and imposter scams were the most prevalent swindle, according to the Federal Trade Commission.

Nearly 854,000 people filed complaints to the FTC about imposter scams in 2023. This represents 33% of the total consumer fraud reports filed to the agency.

Consumers lost $2.7 billion to such scams in 2023, according to FTC data. The average loss was $800.

Imposter scams come in many forms, but share a basic premise: Criminals pretend to be someone you trust to persuade you to send them money, or to get information that can later be leveraged for money, experts said.

People may falsely claim to be a romantic interest, the government, a relative in distress, a well-known business or a technical support expert, the FTC said in a recent report.

Fraudsters, often part of sophisticated organized crime networks, may contact potential victims via channels such as e-mail, phone call, text, mobile apps, social media or traditional snail mail.

The internet has 'really supercharged' imposter scams

Government impersonators, for example, might suggest they work for the Social Security Administration, IRS, Medicare or even the FTC. Others may say they're from a company such as Amazon or Apple and claim there's something wrong with your account, or from your utility company threatening to turn off service. Others may say they're a close friend or family member and need money for an emergency.

Nascent and improving technology, such as artificial intelligence and voice cloning, has made these frauds more convincing, experts said.

“These scams have been around forever, really, but the internet has really supercharged them,” said John Breyault, vice president of public policy, telecommunications and fraud at the National Consumers League. “The scammers seem to be getting better at what they’re doing.”

Additionally, imposter scams have a low barrier to entry for criminals, another likely reason they’ve proliferated, said Hardeep Rai, product director at Feedzai, a fraud detection service used by financial institutions.

“You get [hold of] a bunch of phone numbers and call,” Rai said. “It’s an infinitely scalable fraud in that sense.”

Older adults tend to lose more money

Older victims were less likely than younger ones to report losing money to all types of fraud, but their typical loss was higher. For example, victims age 80 and older had a median loss of $1,450; by comparison, the typical loss didn’t exceed $500 for those younger than 70.

The FBI reported last year that a subset of imposter scam — a type of tech-support fraud known as a “phantom hacker” scam — was on the rise nationally, “significantly impacting” older Americans.

Such cybercrimes are multilayered: Initially, fraudsters generally pose as computer technicians from well-known companies and persuade victims they have a serious computer issue such as a virus, and that their financial accounts may also be at risk from foreign hackers.

15 Great Ways To Make Your Money Last In Retirement

One of the most common questions I get asked by people looking to retire is, "How do I ensure I won't run out of money in retirement?" If you've asked this question, you have reasons to be concerned: Healthcare is costly, most people are living longer and inflation has been eroding purchasing power. The list goes on and on.

Proper retirement planning can't and won't eliminate the risk of running out of money in retirement, but it sure can make it much less likely. More importantly, it can allow you the financial freedom to get more joy during your retirement versus spending the next 30 years stressing out that you may or may not go broke as you age.

Many people worry about running out of money in retirement. That's understandable as we don't know how long we'll live, our future costs, and what kind of returns we can expect on our investment and savings. We don't even know what tax rates will be in 10 or 20 years.

There are several ways, however, to boost the odds that your money will last as long as you do in retirement. Here are my 15 favorite ways to help your money last forever in retirement.

1. Keep Your Fixed Expenses In Check

We can debate what is necessary to survive and what is nice in retirement. Keeping the essential must-have expenses to a minimum will make it much easier for your money last in retirement. I am not saying you have to cut everything else out. But there is a big difference between planning to spend a ton of money traveling in style for months on end compared to buying 37 timeshares and committing yourself to spending a ton each year.

Minimizing your fixed expenses gives you the most flexibility when it comes to spending, which helps your money last longer. You can spend more when times are good. Consider spending less on nice-to-have items when your home's roof eventually needs to be replaced. If you live there long enough, every roof likely must be replaced.

2. Take Steps To Maximize Your Social Security Benefits

If you are retiring early, claiming Social Security may make sense for your retirement plan. If you are still working, you may find a good amount of your Social Security benefits clawed back, assuming you earn too much money. For most retirees, the longer you can wait to claim Social Security, the more helpful it will be toward avoid running out of money in retirement.

I get it; beginning your Social Security benefits at age 62 is just too appealing to many future retirees. A check every month from the government for doing nothing? Can I get it now? Sign me up.

Claiming Social Security on the early side has some significant downsides. It will significantly reduce the income you get now and the money you receive in the future. It also means smaller cost-of-living adjustments later in life when you may desperately need them. Do you think you will need those extra pennies more at age 62 or 102?

Increasing your longevity and health span is excellent for your retirement happiness. However, the longer you expect to live, the greater the odds you will run out of money in retirement. The money has to last longer. My great-grandfather lived to age 99, and I plan on a decades-long retirement. Don't worry. My retirement is also decades in the future.

Think of your Social Security benefits as longevity insurance. That money is in an income stream you can't outlive. The government even increases your benefits (via cost-of-living adjustments over time).

3. Consider Some Guaranteed Income

Retirement planning was super easy when everyone had a pension and Social Security. If you were wealthy, you had other assets to subsidize your fixed income. Few people have pensions these days, and Social Security was not meant to replace your total preretirement income.

Having some guaranteed income on top of Social Security can help bring peace of mind during retirement. Ideally, you would have enough fixed income to cover your necessities, like housing and food.

Talk with a fee-only financial planner about setting up a guaranteed income stream with part of your retirement savings.

Be cautious about being sold some big annuity with sky-high fees that you can't get out of for years. This should be a small portion of your overall net worth, giving you a little extra peace of mind from some guarantees on your income stream in retirement.

4. Have A Spending Plan For Retirement

I am not talking about budgeting here. A spending plan is a way to ensure you have money for the things most important to you.

This is where we set aside money for exciting stuff like extended travel, luxury shopping, or going out with friends. Meanwhile, budgeting is where some financial know-it-all tells you that you will die poor after buying one cup of coffee at Starbucks.

A robust spending plan will help you establish what you want to be able to afford in retirement. From there, a fabulous financial planner can help you determine what type of nest egg will be needed to support your dream retirement.

Not having a spending plan for your retirement income at the beginning of your retirement can greatly increase the risk of running out of money as you age. Your overspending may be hidden behind a run-up in the stock market. While I'm optimistic, it is unrealistic to expect 20%-plus returns, as we saw in 2023, every year of your retirement.

5. Strategically Minimize Taxes On Retirement Income

Remember, it's not how much retirement income you have but how much of it you get to keep. Proactive tax planning doesn't end when you retire. In many cases, tax planning in retirement may get even more important and complicated. If nothing else, do tax planning to avoid increases in your Medicare premiums and to avoid the Medicare surtax on investment income.

How to manage your required minimum distributions? What is you strategy to avoid healthcare expenses from devouring your retirement income. What will Medicare premiums cost? How much Social Security taxation will you get hit with? Even planning on where to draw your retirement income first, should you use the Roth IRA first or last? These are retirement planning that a proactive CPA or certified financial planner can help with. Answering them will help you keep more of your hard-earned money.

6. Don’t Ignore inflation

Have you ever spoken with someone who told you how cheap something used to be way back when? The increase in prices is called inflation. If you are retired for 30 years, inflation will significantly reduce your buying power over time.

Many things you purchase will get more expensive as you age. Inflation will erode your buying power and put pressure on your spending. A plan for inflation will help you avoid running out of money in retirement.

7. Make Healthier Choices Now

Being healthy isn't cheap. However, being sick is even more expensive. Making healthier choices today can reduce your out-of-pocket healthcare costs in retirement. They can hopefully also help you increase your health span as you age.

As a fiduciary financial planner, I must point out the obvious downside to healthier choices today regarding running out of money. Being healthier will likely increase longevity. Increasing your longevity, aka living longer, technically increases your chances of running out of money in retirement.

8. Have Tax Diversification On Your Retirement Assets

If all your retirement income is derived from a pension or 401(k), your options to minimize taxes are minimal. Ideally, you would have some tax-free income, such as distributions from a Roth IRA. Investing in a nonretirement account is also beneficial when you have budget-busting expenses like that bucket list trip, new roof, or grandchild's wedding.

9. Work Just A Little Bit Longer Before Retiring

A few good things happen when you work longer. First, you have more time to save a bit more money for retirement. Secondly, your existing retirement assets have more time to grow. Thirdly, the later you retire, the fewer years you need to fund your standard of living from your retirement accounts. Lastly, working longer will increase the amount you get from Social Security.

I'm also a big fan of slowly transitioning out of the workforce. If you can take a new role with less responsibility or more vacation time, you may find a work/retirement combo quite appealing.

10. Face Your Fear Of Smart Investing

Fear of investing will almost invariably bring about the result you are most worried about. That is running out of money in retirement. While interest rates on high-yield savings accounts have increased quite a bit recently, they are still well below the historical average of the S&P 500.

While you may feel that investing in the stock market is risky, an intelligent investing plan will reduce your chances of running out of money as you age.

11. Have A Plan For Long-Term Care

Have a plan to pay for long-term care, and then hope you don't need it. Also, see tip No. 7 – make healthier choices now. Either way, statistically, the odds are enormous that at least one-half of a married couple will need long-term care in retirement. Often, one spouse will require care first, which puts a significant strain on the family's finances, if not depleting them completely. Then, the widow (or widower) is left living off any guaranteed income they might have and Social Security.

Long-term care is expensive. A private room in a nursing home can efficiently run $110,000 per year or more in Los Angeles. Some parts of the country are cheaper; others are more expensive. Even cheaper locales will break most budgets.

12. Look For Ways To Save Money Without Cutting Back

Scrimping and saving is no fun. Look for ways to do so without having to cut back. I negotiate all my recurring bills yearly, which usually saves me around $300 monthly. It takes time and energy, but the savings can be huge. How much would you have to work to net $3,600 after taxes?

For this conversation, that may be the difference between having enough money in retirement or running out of funds.

13. Maximize Credit Card Points And Miles

Please tell me if this sounds amazing: A 70-plus- year-old I work with (plus his husband and two kids) just took an amazing African safari. Sounds fabulous, right? It got even better when I heard they used points and miles to all fly first class. That resulted in them saving more than $50,000 on flights, unforgettable memories with the family, and a happy financial planner. This couple also used a spending plan (tip No. 4) to ensure they had money to pay for the rest of the trip without ruining their retirement income plan. Hotels, food, and tours add up when traveling. I'm a big fan of spending fabulously on things that bring you joy and cutting wisely in places that don't.

All the money they saved with miles and points was money they didn't need to withdraw from their retirement account, and the benefits were tax-free.

14. Buy Your Home Early

If you want to be a homeowner, the benefits are bigger the early you begin owning real estate. If nothing else, the longer you've owned a home, the easier it is to pay off your mortgage.

I'm not a huge fan of rushing to pay off your mortgage. I plan to have one, at least through my working career. I purchased my current home in my 20s. That being said, owning a home is a hedge against the inflation of housing costs and an extra layer of protection against running out of money in retirement.

If you enter retirement and can live off your assets while owning a home, you can think of your home as a bit of longevity insurance. For example, I created a financial plan for a 70-year-old widow, expecting her assets to run out at around 100 years old. Even the possibility of ever running out of money freaked her out. Then, I gently reminded her that her home in Palm Springs would be paid off in about four years. The current value is a few million dollars, and it's safe to assume it will be worth much more in 30+ years when she hits 100. We weren't even using this large asset as part of her retirement income plan.

15. Right-Size Your Home Expenses

Right-sizing your home is a wise way to cut back on fixed expenses. This might even mean staying in your (bigger) house and living like the Golden Girls in retirement. This will help save on utilities and hopefully bring some fun and friendship into your daily life.

This will also give you the most flexibility if you get hit with financial adversity, such as major medical expenses, home repairs, or even a recession.

Whether you are concerned about running out of money in retirement or think you are set, develop a retirement plan to ensure you and your loved one are financially set for the rest of your lives. We've shared 15 tips to help your money last the rest of your life; act today to put one of these (or all) into place. When you are still kicking and enjoying life at 120 years old, you will be happy you did.

FUN FACTS

Spring fever is a real syndrome. When the temperature rises during the warm spell after a long winter, there is a dilation of the blood vessels so blood can be carried to the body surface where heat can be lost quickly. People experience an energetic feeling when this happens.

Baby birds learn to sing during spring. Although they are born with the ability to sing, they must learn the specific songs of their species. They often learn their songs within two months of being born.

For the Japanese, the opening of the cherry blossom, Japan's national flower, in March or April signals the start of spring.

Spring Newsletter Jokes

Why couldn't the little flower ride a bike?

It didn't have any petals.

How do bees brush their hair?

With honeycombs.

Why did the baby chick cross the road?

To meet up with her Peeps.

How can you tell spring flowers are friendly?

They always have new buds.

Quarterly Data

U.S. Markets

Stocks notched solid gains in the first quarter as enthusiasm about artificial intelligence, signs of a soft landing, and dovish talk from the Fed buoyed investor confidence.

For the quarter, the Dow Jones Industrial Average rose 5.62 percent, the Standard & Poor's 500 Index gained 10.16 percent, and the Nasdaq Composite picked up 9.11 percent.1

Rocky Start in Q1

Stocks saw modest gains in January as positive economic data (retail sales, gross domestic product [GDP] report) and upbeat Q4 corporate reports helped offset a mixed inflation update. As expected, the Fed kept rates unchanged at its January meeting. The more neutral language used by the Fed led some to believe the Fed was concerned about inflation and might be slow to adjust rates. That news took the wind out of stocks' sails, curtailing gains for the month.2

Building Momentum

In February, stocks regained some momentum as investor enthusiasm surrounding artificial intelligence overshadowed the Fed's next move with interest rates. By mid-month, investors' attention shifted to any company offering an artificial intelligence update in its quarterly report.

Marching Onward

Mostly positive economic news in March—including strong but moderating GDP growth, steady unemployment, and decelerating inflation—propelled stocks. All three averages set record highs during the month.3

At its March meeting, the Fed left rates unchanged and signaled its inclination to cut interest rates three times this year—each time by a quarter of a percentage point. Markets rallied to new highs following the news, which led to the S&P having its best first-quarter performance in five years.4

Sector Scorecard

The Q1 rally was generally broad-based, with all but one major sector of the S&P 500 Index posting gains for the quarter. Energy (+12.57 percent) topped the pack of double-digit leaders that included the tech-heavy Communications Services sector (+12.37 percent), Financials (+12.02 percent), and Industrials (+10.50 percent)—all of which outperformed the overall index.

Materials (+8.59 percent), Health Care (+8.32 percent), Technology (+8.20 percent), Consumer Staples (+6.01 percent), Consumer Discretionary (+2.56 percent), and Utilities (+3.66 percent) also notched solid positive returns, further demonstrating how market leadership broadened beyond tech-related names over the quarter. Real Estate (-1.32 percent) was the sole sector to finish in the red.5

In January, more than two-thirds of the CPI's 3.1 percent was driven by the category called shelter, which includes rent prices. Shelter was sticky again in February and has been one of the most stubborn areas for some time.7 watching shelter and other key categories to see what's driving inflation as it evaluates whether to adjust short-term rates at some point this year.

What Investors May Be Talking About in April

The Fed opens its two-day meeting on April 30, and investors can expect the Fed to look closely at the drivers of inflation. The Fed will examine each component of the Consumer Price Index, which measures the prices of consumer goods and services across more than 200 categories.6

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World Markets

The MSCI EAFE Index rose 5.06 percent during the first quarter on signs that the European Central Bank and others were considering cutting short-term rates. In fact, Switzerland's Swiss National Bank cut its main policy rate in late March.8

In Europe, Spain (+9.63 percent), Italy (+14.49 percent), Germany (+10.39 percent), the United Kingdom (+2.83 percent), and France (+8.78 percent) all posted gains for the quarter.9

Pacific Rim markets also trended higher, with Japan (+20.63 percent) and Korea (+3.44 percent) leading.10

Indicators

Gross Domestic Product (GDP)

Led by consumer and government spending, the U.S. economy grew at a 3.4 percent annualized rate in the fourth quarter, revised up from the initial estimate. The GDP was higher than expectations but slower than the 4.9 percent expansion in the third quarter.11

Employment

Employers created 275,000 jobs in February, besting expectations. The unemployment rate increased to 3.9 percent while average hourly earnings increased slightly less than expected.12

Retail Sales

Retail sales rose 0.6 percent in February, just short of expectations.13

Industrial Production

Industrial output edged up 0.1 percent in February following a 0.5 percent drop in January, as manufacturing appeared to recover from unseasonably cold winter weather.14

Housing

Single-family housing starts rebounded in February thanks to milder weather, climbing 11.6 percent. That compared with a drop in January.15

Sales of existing homes increased 9.5 percent in February to a seasonally adjusted annualized rate of 4.38 million units, the largest monthly gain in a year. Higher demand boosted the median sales price by 5.7 percent to $384,500, the eighth straight month of year-over-year increases.16

New home sales in February slipped 0.3 percent over the prior month but increased by 5.9 percent over February last year.17

Consumer Price Index (CPI)

Consumer prices rose 0.4 percent in February and were up 3.2 percent from a year ago—a bit hotter than economists expected but cooler than investors feared. Energy and shelter accounted for more than 60 percent of February's gain, while two-thirds of January's gain came from shelter.18

Durable Goods Orders

Orders of manufactured goods designed to last three years or longer rebounded 1.4 percent in February, beating expectations.19

The Fed

The Fed left rates unchanged in the first quarter. After its January 31 meeting, the Federal Open Market Committee used more neutral language in its policy document and indicated a subtle shift from considering rate cuts to proposing they could be possible unless inflation became a concern. However, they cautioned that cuts weren't automatic and would only consider them if inflation dangers had abated.20

At the March meeting, the Committee also left rates unchanged but signaled its inclination to cut interest rates three times this year. That was a positive surprise for some investors who worried about the Fed's commitment to adjusting rates.21

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