HOW RISING RATES IMPACT YOUR RETIREMENT

On June 14th, the Federal Reserve ("Fed") raised short-term interest rates by a quarter point. This marks the third rate hike since December 2016, which sends a clear message that the central bank believes the U.S. economy is on solid ground. The Fed also upgraded its forecast for U.S. economic growth and unemployment.

Rising interest rates will affect millions of Americans from home buyers to borrowers. Those in or nearing retirement have historically felt the impact of rate changes most acutely. That's because most retirees depend on their cash holdings to fund the portion of daily living expenses not covered by their Social Security and/or pension benefits in retirement. Over the past decade, retirees seeking relatively safe, fixed returns from certificates of deposit (CDs), money market funds and savings accounts have earned less on their savings than at any other time in recent history.[1]

While rising rates generally have a positive effect on retirement income, it's important to understand how rate increases can have an adverse impact on cash flow. Below are several ways rising interest rates may impact your income in retirement:

Rising interest rates can help…

- CD, money market, and savings account holders earn more on cash investments, helping to offset the impact of inflation.
- Investors seeking higher-yields on certain bond investments.
- Long-term care insurance policyholders who may see market-driven premium hikes stop or slow.[2]

Rising interest rates can adversely impact…

- Borrowers with revolving credit card debt, home equity and other variable rate loans who may be subject to higher monthly payments as interest rates increase.
- Anyone seeking to finance a car, boat or other large expense.
- Those seeking to obtain or refinance a mortgage will eventually see rates rise, although mortgage interest rates are not expected to rise immediately.[3]
- The value of existing bond holdings as yields rise and prices fall.

While the Fed's key interest rate will now hover in a range between 1% and 1.25%, rates will remain relatively low compared to prior decades.[3] Nonetheless, for most retirees, even a small rise in rates is welcome. If you have questions about how interest rates may impact your investment portfolio or your income in retirement, please contact the office.

[1]http://www.bankrate.com/finance/federal-reserve/federal-reserve-policy-hurts-retirees-1.aspx
[2]https://www.thestreet.com/story/13280606/2/how-will-rising-interest-rates-affect-my-retirement.html
[3] http://money.cnn.com/2017/06/14/news/economy/federal-reserve-june-meeting/index.html

STAYING CONNECTED HAS ITS BENEFITS

You may be surprised to learn who's been driving U.S. social media growth and adoption for the past few years. Here's a hint: it's not middle-schoolers, Millennials, or even Baby Boomers. It's seniors age 65 and older—and they've got good reason to Tweet, friend, like and video chat.[1] According to a study carried out in the UK and Italy, social media use among seniors improves cognitive capacity, increases a sense of self-reliance and could have a beneficial overall impact on mental health and physical well-being.[2]

As more seniors opt to stay in their own homes as long as possible, social media is playing an increasingly critical role in helping them achieve that goal. ASPA, the public administration advocacy association, cited recent studies that show social media is helping to reduce issues such as loneliness and depression among seniors, which contribute to a faster decline in health and a greater risk of mortality.[3] Social media not only enables older adults to maintain and form new social connections but can also serve as an education portal, helping users to learn about community services and government programs available to them.

Other important benefits retirees derive from staying connected include:

- Keeping up with family, friends and former colleagues through messaging, photo and video sharing apps and platforms.
- Bridging the gap when families are separated by long distances and/or travel is difficult.
- Finding common ground between generations.
- Fostering a sense of community awareness and engagement, especially for those with difficulty getting out on a regular basis.
- Remaining mentally challenged and engaged.
- Making new friends, because we're never too old to develop and enjoy new relationships.

Staying connected with your financial advisor is the best way to remain up-to-date on the financial strategies and services that can help you make the most of every stage of your life. Give the office a call if you have questions about planning for your retirement.

[1] http://www.smartinsights.com/social-media-marketing/social-media-strategy/new-global-social-media-research/
[2] https://www.theguardian.com/media/2014/dec/12/study-finds-social-media-skype-facebook-use-beneficial-overall-health-elderly
[3] http://patimes.org/newfound-benefits-social-media-seniors/