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RETIREMENT INSIGHTS

FALL 2023

Rules for Retirement Investing

When you start planning for retirement, you will need to determine the lifestyle you want to live and the income you will need. That way, you can define specific goals of how you are going to get there. You can increase your chances of living the retirement you want by being informed and engaged in your retirement planning process. Following are some basic rules that can help you prepare for retirement planning.

Investment Options

The first step is to understand your investment options. When building a retirement portfolio, you should take advantage of plans offered by your employer as well as individual investments. You will want to make sure you understand both the risks and the rewards of various types of investments and how they fit in your portfolio. Here are the retirement vehicles to consider:

- ✔ **401(k) plans and Roth 401(k) plans** are employer-sponsored plans that offer tax advantages, and in many cases, matching contributions from your employer.
- ✔ **A traditional IRA** is a retirement savings account that allows you to invest with pretax income and grows tax deferred until you take distributions.
- ✔ **A Roth IRA** is also a retirement savings account allowing you to invest with after-tax money, and then qualified distributions can be withdrawn tax free.
- ✔ **A SEP** is a plan for self-employed people where investments are immediately 100% vested.
- ✔ **A SIMPLE IRA** is a retirement plan for small businesses with fewer than 100 employees.

Start Investing Early

The sooner you start investing for your retirement, the greater chance you have of building a significant portfolio. Time is your friend when it comes to investing because you have many years to invest, you have time to rebound from losses, and most importantly, you have the power of compounding.

For example, let's say you are 20 years old and make a $10,000 investment that grows at 5% per year until you retire at 65 years of age. If you reinvest your gains, your investment will be worth almost $90,000. If you invested the same amount of money at age 40 assuming the same growth rate, your investment would be worth about $21,000. This is a simple example, but it illustrates that the longer you have to invest, the more money you could have at

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> "If you do not start saving until age 45, you will need to save three times as much as if you start at age 25."
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> Source: *financiallysimple.com, 2022*

Reevaluate Your Portfolio

Periodically, you should thoroughly review your portfolio to ensure it is still helping you work toward your investment goals. Follow these steps during that review:

Review your current portfolio mix. List the current value of all your investments. Determine what percentage of your portfolio is held in stocks, bonds, cash, and other investments, but don't stop

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Reevaluate Your Portfolio

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there. Take a closer look at where the stock portion of your portfolio is invested.

Analyze each investment. Determine whether it still makes sense to own each investment. Review why you purchased each investment and whether those reasons are still valid. Instead of worrying about what you paid for the investment, decide if you would buy it today at its current price.

Determine if changes are needed to your current allocation. If we've learned anything over the past few years, it's that your portfolio should not be highly concentrated in one area or sector. Instead, look to broadly diversify your portfolio. Some points to consider include:

- ✔ **Decide how much to allocate to stocks and bonds.** Your stock and bond mix is a major factor in determining your expected portfolio return and how much your portfolio will fluctuate with market movements. However, be careful not to let recent events cause you to allocate too much to bonds just to avoid stock market fluctuations. Make this decision based on your financial goals, risk tolerance, and time horizon for investing.
- ✔ **Reassess your stock allocation.** The stock market moves in cycles, with different sectors outperforming other sectors at different times. Since no one can predict when one sector will outperform, it is typically best to broadly diversify your stocks over all areas.
- ✔ **Move your allocation closer to your desired allocation.** When making changes, first consider the tax ramifications of the transactions. If you can make changes without incurring tax liabilities, you may want to make the changes immediately. If substantial tax liabilities will be incurred, look for other ways to get your portfolio closer to your desired allocation. For instance, any new investments should be made in underweighted areas of your portfolio. Or you may be able to reallocate in your tax-deferred accounts, where you typically won't incur tax liabilities. However, if you can't get your allocation in line within a year using these approaches, you might want to sell some of the poor performers and reinvest the proceeds.

If you'd like help reevaluating your portfolio, please call.

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Paying Yourself First

THE ADVICE SOUNDS simple enough — to force yourself to save regularly, treat those savings as a bill to yourself and pay that bill first every month. But when you're faced with a stack of bills, you're likely to skip paying yourself for at least another month. If you're looking for ways to start paying yourself first, consider the following:

- ✔ **Reduce spending, diverting those reductions to savings.** One way to accomplish this is to cut back on your spending, perhaps reducing your expenditures for dining out, traveling, clothing, or entertainment. But for many people, this feels too much like sacrifice, making it difficult to stick with this strategy. Another alternative is to find ways to spend less for the same items. For instance, get quotes for your car and home insurance from several companies, placing any premium reductions in savings. Or find ways to reduce your borrowing costs. Just make sure any reductions go directly to your savings.
- ✔ **Save all unexpected income.** Immediately save any money from tax refunds, bonuses, cash gifts, and inheritances. Before you get used to any salary increases, put that raise into savings, possibly in your 401(k) plan.
- ✔ **Make saving automatic.** Resolve to immediately set up an investment account that automatically deducts money from your bank account every month. Start out with small amounts that aren't even noticeable. As you get used to saving on a regular basis, increase the amount periodically. Another good alternative is to sign up for your company's 401(k) plan. Not only will the amount be automatically withdrawn from your paycheck, but you won't pay current income taxes on those contributions. *(Keep in mind that any automatic investing 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.)*

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Watching Your Stocks

No matter how often you prefer to monitor your stocks' performances, there are certain items you should consider. Here are five things to review as you monitor your stocks' performances:

- ✔ **Earnings** — Pay attention to the company's quarterly and annual earnings statements, which include comparisons with the recent past and often reviews of what management expects for the next quarter and year. Review the stock's earnings trend and how the company performs compared to analysts' estimates. Watch out for earnings surprises, which can cause rapid price changes up or down, and may indicate the start of a new stock price trend.
- ✔ **Price and dividends** — Follow the stock's price compared to its 52-week highs and lows. Examine its trailing total returns year-to-date and over the last one-, three-, five-, and 10-year periods. Look for changes in the absolute dollar amount of dividends and the current yield (the annual dividend divided by the current price).
- ✔ **P/E and PEG ratios** — Price to earnings (P/E) and price/earnings growth (PEG) ratios are often better indicators than the stock price as to how relatively expensive or cheap a stock is. The P/E ratio is useful for comparing the stock to other stocks and to the market in general, while the PEG ratio is a strong indicator of whether the stock is overpriced or underpriced compared to its projected earnings growth rate over the next five years.
- ✔ **Insider transactions and stock buybacks** — A company buying back its own stock or whose senior executives and directors are accumulating more shares is a bullish sign. On the other hand, when insiders are selling off major holdings of their own stock, it's quite often an indication that the stock price has peaked.
- ✔ **Sudden and large price changes on high volume** — When a stock makes a sudden, high-volume move — particularly when it opens much higher or lower than the previous day's high or low — it can be the start of a new, long-term trend.

For help monitoring your stocks' performances, or if you need to make a change to your investment portfolio, please call. ✔✔✔

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retirement.

If you are younger, you should consider higher-risk investments, such as stocks, because of the potential for higher returns. You will also have a longer period of time to recover from any losses.

Know Your Numbers

To make good financial decisions, you need to know where you stand financially, and also where you need to be by retirement. You should regularly calculate your net worth, which is the difference between your assets and your liabilities. Your assets should include cash, investments, property and personal property, such as jewelry, art, cars, etc. Liabilities include the debt you owe, such as mortgages, auto loans, credit cards, student loans, and medical bills. Once you understand your financial position, it will help you determine what you will need to do to reach your retirement goals.

Set Goals

When setting goals for your retirement, you'll want to be as specific as possible, so that you can measure your progress. You should review your goals on a regular basis, because they may change over time as your life takes twists and turns and your financial situation changes.

Don't Let Emotions Rule

Emotions are probably the biggest nemesis to investing. When your investments are doing well, you may become greedy and underestimate risks. When your investments perform poorly, fear may cause you to pull out of the market so you can't take advantage of any recovery.

It is important to keep your emotions under control during periods of volatility so that you can make good decisions and rebound from losses. Try to maintain a balanced portfolio that will better weather both the ups and downs of the market.

Read the Fine Print

Make sure that you understand the fees associated with your investment and retirement accounts, including transaction fees, expense ratios, administrative fees, and loads. Your account statements will show the fees you are paying and the prospectus for the funds you own will show information on expense ratios. While a prospectus is not necessarily a fun read, you should take the time to review it carefully because it provides a lot of important information about your investments.

Admit When You Need Help

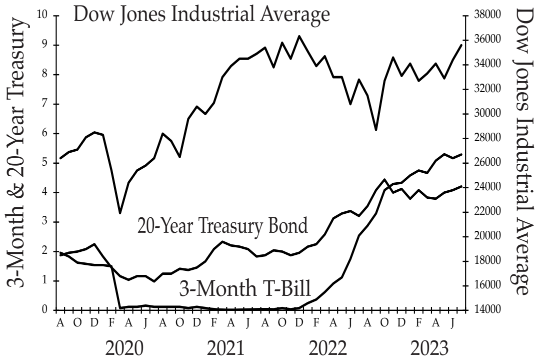
Investing is not easy. Don't take risks with your retirement by not seeking help when you need it. Please call if you'd like to discuss this in more detail. ✔✔✔

Market Data

	Month End			% Change	
	Jul 23	Jun 23	May 23	YTD	12-Mon.
Dow Jones Ind.	35559.53	34407.60	32908.27	7.3%	8.3%
S&P 500	4588.96	4450.38	4179.83	19.5	11.1
Nasdaq Composite	14346.02	13787.92	12935.29	37.1	15.8
Total Stock Market	45969.67	44411.47	41617.30	19.3	10.8
Gold	1970.65	1912.25	1964.40	8.7	12.4
Silver	24.81	22.76	23.56	4.5	22.5
				Dec 22	Jul 22
Prime rate	8.50	8.25	8.25	7.50	5.50
Money market rate	0.56	0.54	0.53	0.33	0.13
3-month T-bill rate	5.28	5.18	5.30	4.35	2.52
20-yr. T-bond rate	4.22	4.06	4.01	4.14	3.20
Dow Jones Corp.	5.54	5.54	5.60	5.54	4.51
Bond Buyer Muni	4.37	4.43	4.63	4.64	4.32

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 August 2019 to July 2023



Sources: *Barron's, Wall Street Journal*

Growing Your 401(k) Plan

Your 401(k) plan's ultimate size is primarily a function of two factors — how much you contribute and how much you earn on those contributions. Consider these tips:

- ✔ **Take advantage of employer matching contributions.** Contribute at least enough to take full advantage of any matching contributions. If your employer matches contributions, have the money taken out of your pay uniformly throughout the year, as you could forego some matching if you reach the limit before year-end.
- ✔ **Select your investment alternatives carefully.** Since you are responsible for investment decisions, understand all alternatives and review all information before making choices. Keep in mind the long-term nature of your retirement goal and select investments for that time period.
- ✔ **Rebalance periodically.** By rebalancing, you are following a fundamental investment principle — you are buying low and selling high. Since your 401(k) plan is tax deferred, there are no tax ramifications to buying and selling within the account.
- ✔ **Limit the amount of company stock owned.** It is generally recommended that any one stock not comprise more than 5% to 10% of your portfolio's value.
- ✔ **Don't borrow from your 401(k) plan.** When you borrow, some of your investments are sold and you miss out on any capital gains or other income those investments would have earned. Interest rates are typically very reasonable with 401(k) loans, often prime rate or a couple of points over prime. That makes it easier to pay back the funds, but could mean your 401(k) account is earning lower returns than if it was invested in other alternatives. Also, if you leave the company while a loan is outstanding, you must repay the entire balance within a short period of time or the loan will be considered a distribution, subject to income taxes and the 10% early withdrawal penalty if you are under age 59½ (55 if you are retiring). ✔✔✔

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