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RETIREMENT INSIGHTS

SUMMER 2023

Pump Up Your Retirement Savings

DON'T GIVE UP on your retirement goals if you find you've entered middle age with little to no retirement savings. Sure, it may be harder to reach your retirement goals than if you had started in your 20s or 30s, but here are some strategies to consider:

- ✔ **Reanalyze your retirement goals.** First, thoroughly analyze your situation. Calculate how much you need for retirement, what income sources will be available, how much you have saved, and how much you need to save annually to reach your goals. If you can't save that amount, it may be time to change your goals. Consider postponing retirement for a few years so you have more time to accumulate savings as well as delay withdrawals from those savings. Think about working after retirement on at least a part-time basis. Even a modest amount of income after retirement can substantially reduce the amount you need to save. Look into lowering your expectations, possibly traveling less, or moving to a less expensive city or smaller home.
- ✔ **Contribute the maximum to your 401(k) plan.** Your contributions, up to a maximum of $22,500 in 2023, are deducted from your current-year gross income. If you are age 50 or older, your plan may allow an additional $7,500 catch-up contribution, bringing your maximum contribution to $30,000. Find out if your employer offers a Roth 401(k) option. Even though you won't get a current-year tax deduction for your contributions, qualified withdrawals can be taken free of income taxes. If your employer matches contributions, you are essentially losing money when you don't contribute enough to receive the

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> "Widowed women outnumber widowed men 3 to 1 and have an average age of only 59 years old."
>
> Source: *Social Security Administration,* 2022

Take Time to Reassess

PERIODICALLY, YOU SHOULD reassess your portfolio, finding ways to increase your comfort level with your stock investments. Consider the following tips:

- ✔ **Develop a stock investment philosophy.** Approach investing with a formal plan so that you can make informed decisions with confidence.
- ✔ **Remind yourself of why you are investing in stocks.** Write down your reasons for investing in each individual stock, indicating the long-term returns and short-term losses you expect. When market volatility makes you nervous, review your written reasons for investing as you did.
- ✔ **Monitor your stock investments so you understand the fundamentals of those stocks.** If you believe you have invested in a good company with good long-term prospects, you are more likely to hold the stock during volatile periods.
- ✔ **Review your current asset allocation.** Revisit your asset allocation strategy, comparing your current allocation to your desired allocation. Now may be a good time to rebalance your portfolio, reallocating some of those stock

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Take Time to Reassess

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investments to other alternatives.

- ✔ **Determine how risky your stocks are compared to the overall market.** You can do this by reviewing betas for your individual stocks and calculating a beta for your entire stock portfolio. Beta, which can be found in a number of published services, is a statistical measure of how stock market movements have historically impacted a stock's price. By comparing the movements of the Standard & Poor's 500 (S&P 500) to the movements of a particular stock, a pattern develops that gauges the stock's exposure to stock market risk. Calculating a beta for your entire portfolio will give you a rough idea of how your stocks are likely to perform in a market decline or rally.
- ✔ **Keep in mind the tax aspects of selling.** While you may be tempted to lock in some of your gains, you may have to pay taxes on those gains if the stocks aren't held in tax-advantaged accounts. You'll have to pay at least 15% capital gains taxes (0% if you are in the 10% or 12% tax bracket) on any stocks held over one year. If your gains are substantial, it may take longer to overcome the tax bill than to overcome a downturn in the market.
- ✔ **Consider selling stocks if you have short-term cash needs.** If you are counting on your stock investments for short-term cash needs, look for an appropriate time to sell some stock. With short-term needs, you may not have time to wait for your stocks to rebound from a market decline.
- ✔ **Don't time the market.** During periods of market volatility, investors can get nervous and consider timing the market, which typically translates into exiting the market in fear of losses. Remember that most people, including professionals, have difficulty timing the market with any degree of accuracy. Significant market gains can occur in a matter of days, making it risky to be out of the market for any length of time.
- ✔ **Remember that you are investing for the long term.** Even though short-term setbacks can give even the most experienced investors anxiety, remember that staying in the market for the long term, through different market cycles, can help manage the effects of market fluctuations.

Please call if you'd like help implementing strategies that may make you more comfortable with your stock holdings. ✔✔✔

Giving Back

Leaving behind a legacy is important to many people. There are many ways to build charitable giving into your estate plan. Here are a few points to consider:

- ✔ **Lifetime Giving**: In addition to the rewarding experience of donating, you'll enjoy the benefit of tax deductions as well. If you're concerned with exceeding state or federal estate tax exemptions, lifetime giving is an advantageous option, since you reduce your taxable estate while also receiving a current income tax deduction.
- ✔ **Charitable Trust:** There are several types of charitable trusts that are mutually beneficial for your selected charities as well as you and your family. Estate tax savings, income tax deductions, and even income payments are all possibilities while benefitting your favorite causes. For example, a charitable remainder trust (CRT) is a private fund you can establish to provide yourself or selected beneficiaries with taxable income over a designated number of years. After your death, the remainder is passed to your chosen charities tax-free. Your contributions are tax-deductible based on the projected remainder value allocated for charity.
- ✔ **Private Foundation:** This is an entity run in your name and funded throughout your lifetime, enabling you to endow others while deducting these contributions on your federal tax return. This can be an especially attractive option for people with a high net-worth or highly appreciated assets.

If you have many current and upcoming expenses, such as paying off debt, saving for your children's college education, or saving for retirement, beginning a charitable giving strategy now may not be feasible. There are still ways to donate after your death:

- ✔ **A Gift in Your Will:** Simply request that your last will be drafted or revised to include your chosen organizations. This not only benefits the causes near and dear to you, but also helps reduce or eliminate estate taxes.
- ✔ **Retirement Accounts:** Because retirement accounts are among the highest-taxed assets in your estate, listing your favorite charities as the beneficiary could be a good estate tax savings route (although you may need your spouse's written consent). The charities are not subject to income or estate taxes, enabling them to put your entire gift to good use. ✔✔✔

Encourage Estate Planning

Parenting is a never-ending job. Even when your children are grown, there will probably be lessons you'll want to teach them, such as the need for estate planning. Some items to include in that lesson are:

✔ **Explain why estate planning is important.** Your role is not to dictate what they should do with their estate, just to emphasize the need for estate planning. When your children encounter major life events, such as marriage, divorce, or a child's birth, remind them to review their estate plans.

✔ **Make sure all important estate-planning documents are in place.** At a minimum, every adult should have a will, a durable power of attorney, and a health care proxy. A durable power of attorney designates an individual to control their financial affairs if they become incapacitated, while a health care proxy delegates health care decisions to a third person when they are unable to make those decisions.

✔ **Coordinate estate planning across generations.** If you have a substantial estate, you may want to coordinate your estate planning efforts with those of your children. A coordinated effort can help minimize estate taxes. ✔✔✔

Pump Up Your Retirement Savings

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maximum match. Matching contributions can help significantly with your retirement savings. For example, assume your employer matches 50 cents on every dollar you contribute, up to a maximum of 6% of your pay. If you earn $75,000 and contribute 6% of your pay, you would contribute $4,500 and your employer would put in an additional $2,250.

✔ **Look into individual retirement accounts (IRAs).** In 2023, you can contribute a maximum of $6,500 to an IRA, plus an additional $1,000 catch-up contribution if you are age 50 or older. Even if you participate in a company-sponsored retirement plan, you can make contributions to an IRA, provided your adjusted gross income does not exceed certain limits.

✔ **Reduce your preretirement expenses.** Typically, you'll want a retirement lifestyle similar to your lifestyle before retirement. Become a big saver now and you enjoy two advantages. First, you save significant sums for your retirement. Second, you're living on much less than you're earning, so you'll need less for retirement. For instance, if you live on 100% of your income, you'll have nothing left to save toward retirement. At retirement, you'll probably need close to 100% of your income to continue your current lifestyle. With savings of 10% of your income, you're living on 90% of your income. At retirement, you'll probably be able to maintain your standard of living with 90% of your current income.

✔ **Move to a smaller home.** As part of your efforts to reduce your preretirement lifestyle, consider selling your home and moving to a smaller one, especially if you have significant equity in your home. If you've lived in your home for at least two of the previous five years, you can exclude $250,000 of gain if you are a single taxpayer and $500,000 of gain if you are married filing jointly. At a minimum, this strategy will reduce your living expenses so you can save more. If you have significant equity in your home, you may be able to use some of the proceeds for savings.

✔ **Substantially increase your savings as you approach retirement.** Typically, your last years of employment are your peak earning years. Instead of increasing your lifestyle as your pay increases, save all pay raises. Anytime you pay off a major bill, such as an auto loan or your child's college tuition, take the money that was going toward that bill and put it in your retirement savings.

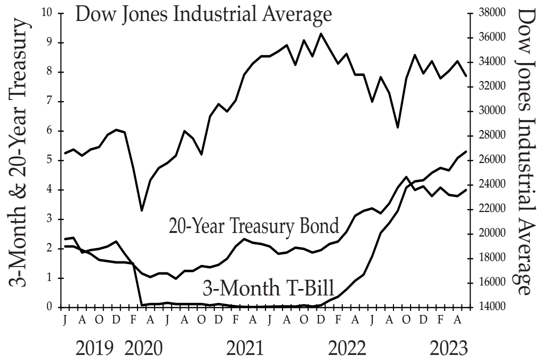
✔ **Restructure your debt.** Check whether refinancing will reduce your monthly mortgage payment. Find less costly options for consumer debts, including credit cards with high interest rates. Systematically pay down your debts. And most important — don't incur any new debt. If you can't pay cash for something, don't buy it.

✔ **Stay committed to your goals.** At this age, it's imperative to maintain your commitment to saving. Please call if you'd like help reviewing your retirement savings program. ✔✔✔

Market Data	Month End			% Change	
	May 23	Apr 23	Mar 23	YTD	12-Mon.
Dow Jones Ind.	32908.27	34098.16	33274.15	-0.7%	-0.2%
S&P 500	4179.83	4169.48	4109.31	8.9	1.2
Nasdaq Composite	12935.29	12226.58	12221.91	23.6	7.1
Total Stock Market	41617.30	41511.46	41136.55	8.0	0.2
Gold	1964.40	1982.55	1979.70	8.4	6.8
Silver	23.56	25.07	24.16	-0.8	8.2
				Dec 22	May 22
Prime rate	8.25	8.00	8.00	7.50	4.00
Money market rate	0.53	0.51	0.48	0.33	0.08
3-month T-bill rate	5.30	5.07	4.68	4.35	1.12
20-yr. T-bond rate	4.01	3.80	3.81	4.14	3.28
Dow Jones Corp.	5.60	5.26	5.36	5.54	4.27
Bond Buyer Muni	4.63	4.43	4.42	4.64	4.42

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 June 2019 to May 2023



Sources: *Barron's, Wall Street Journal*

Risk Tolerance and Retirement

Risk is always going to be a factor in the stock market. As we age, however, risk becomes an even more important factor that no responsible investor can afford to overlook. It's important to learn about risk tolerance and what it means for you as an investor.

Risk tolerance essentially refers to an investor's ability — both emotionally and financially — to deal with major upswings and downswings in the market. If a person is said to have high risk tolerance, he or she likely tends not to worry so much about the potential risk of certain stocks. Those with low risk tolerance are on the other end of the spectrum, often too cautious to deal with volatile stocks or the market in general.

While plenty of factors must be taken into consideration when considering your own risk tolerance, age is one that can be seen as an important anchor to help risk-takers avoid getting in over their heads. The important thing to recognize here is that risk tolerance *must* shift with age to avoid making costly mistakes at a time when it may be potentially too late to recover.

It may seem as if adjusting risk tolerance is challenging, and for some people it certainly can be. That being said, often it simply means taking a realistic approach to your investments. If you're nearing 60, for example, it's generally considered unwise for your portfolio to be comprised of 70% stocks — the number should be closer to 40%. Many successful investors find that moving away from stocks towards bonds is an effective later-in-life strategy, which again will require you to adjust your risk tolerance.

Once you have a general percentage figured out, take a moment to determine how many stocks will actually make up that portion of your portfolio. This can vary significantly in terms of personal preference, but often 10 stocks are mentioned as a reasonable number to hold in your portfolio.The best way to get a better sense of what is a realistic risk tolerance for you to have at this point in life is to work closely with your financial planner. Please call if you'd like to discuss this in more detail. ✔✔✔

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