The SWA Team
Strategic Wealth Advisors
9375 E Shea Blvd, Ste 100
Scottsdale, AZ 85260
480-998-1798
fax: 480.522.1798
info@xpertadvice.com
www.Xpertadvice.com

What are some possible clues that your identity is stolen? You get billed for medical services you didn't receive. Your health insurance carrier rejects a claim stating your limit has already been reached. You are turned down for health insurance after medical records show a condition you don't have. The IRS notifies you that your tax return was already filed.

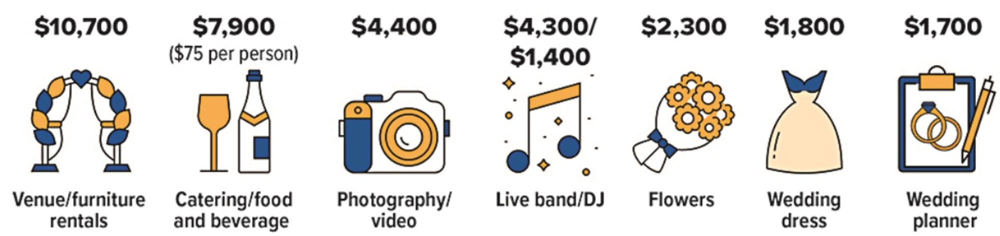
Other ways to detect stolen identity problems include reviewing bank account and credit card activity for unexplained withdrawals and charges. Make sure your bills and other mail arrive as expected and check your credit report for unfamiliar accounts.

Until Next Time…

The SWA Team

Wedding Bonanza: How Much Will the Party Cost?

In 2021, the national average cost of a wedding was about $28,000, a figure that includes the rehearsal dinner, ceremony, and a reception with 105 guests — but not the engagement ring (which averaged $6,000) or the honeymoon. Of course, the average price tag varied greatly by location, from $16,000 in Oklahoma to $47,000 in New Jersey. With inflation soaring, many couples are facing significantly higher costs, and greater competition for in-demand vendors, in 2022.



Source: The Knot, 2022

Debt Optimization Strategies

To help improve your financial situation, you might consider reducing your debt. Before starting any debt payoff strategy (or combination of strategies), be sure you understand the terms of your debts, including interest rates, payment requirements, and any prepayment or other penalties.

Start with Understanding Minimum Payments

You are generally required to make minimum payments on your debt, based on factors set by the lender. Failure to make the minimum payments can result in penalties, higher interest rates, and default. If you make only the minimum payments, it may take a long time to pay off the debt, and you will have to pay more interest over the life of the loan. This is especially true of credit-card debt.

Your credit-card statement will indicate your current monthly minimum payment. To find the factors used in calculating the minimum payment amount each month, you can review terms in your credit-card contract, which can change over time.

The minimum payment for credit cards is usually equal to the greater of a minimum percentage multiplied by the card's balance (plus interest on the balance, in some cases) or a base minimum amount (such as $15). For example, assume you have a credit card with a current balance of $2,000, an interest rate of 18%, a minimum percentage of 2% plus interest, and a base minimum amount of $15. The initial minimum payment required would be $70 [greater of ($2,000 x 2%) + ($2,000 x (18% ÷ 12)) or $15]. If you made only the minimum payments (as recalculated each month), it would take 114 months (almost 10 years) to pay off the debt, and you would pay total interest of $1,314. For consumer loans, the minimum payment is generally the same as the regular monthly payment.

Make Additional Payments

Making payments in addition to your regular or minimum payments can reduce the time it takes to pay off your debt and the total interest paid. Additional payments could be made periodically, such as monthly, quarterly, or annually.

Using the previous example ($70 initial minimum payment), if you made monthly payments of $100 on the credit card debt, it would take only 24 months to pay off the debt, and total interest would be just $396.

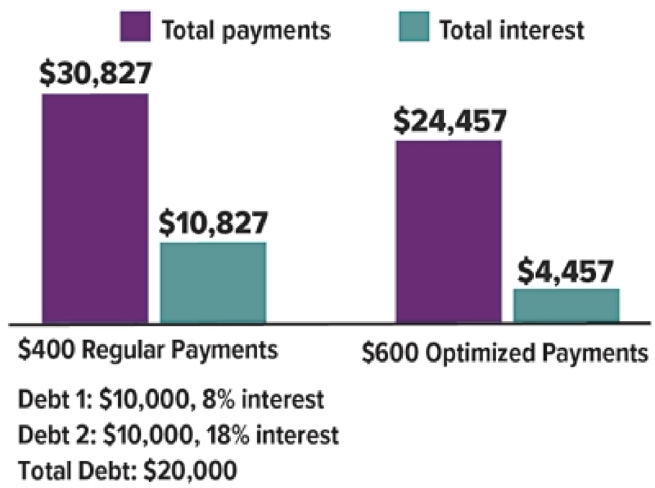
Here's another example. Assume you have a current mortgage balance of $300,000. The interest rate is 5%, the monthly payment is $2,372, and the remaining term is 15 years. If you make regular payments, you will pay total interest of $127,029. However, if you pay an additional $400 each month, it will take only 12 years and one month to pay off the mortgage, and you will pay total interest of just $99,675.

Pay Off Highest Interest-Rate Debt First

One way to potentially optimize payment of your debt is to first make the minimum payments required for each debt and then allocate any remaining dollars to debt with the highest interest rates.

For example, assume you have two debts, you owe $10,000 on each, and each has a monthly payment of $200. The interest rate for one debt is 8%; the interest rate for the other is 18%. If you make regular payments of $400, it will take 94 months until both debts are paid off, and you will pay total interest of $10,827. However, if you make monthly payments of $600, with the extra $200 paying off the debt with an 18% interest rate first, it will take only 41 months to pay off the debts, and total interest will be just $4,457.

Pay Off Highest Interest-Rate Debt First



Use a Debt-Consolidation Loan

If you have multiple debts with high interest rates, it may be possible to pay them off with a debt-consolidation loan. Typically, this will be a home-equity loan with a lower interest rate than the rates on the debts being consolidated. (Note that a federal income tax deduction is not currently allowed for interest on home-equity indebtedness unless it is used to substantially improve your home.) Keep in mind that a home equity-loan potentially puts your home at risk because it serves as collateral, and the lender could foreclose if you fail to repay. There also may be closing costs and other charges associated with the loan.

All examples are hypothetical and used for illustrative purposes only and do not represent any specific investments or products. Fixed interest rates and payment terms are shown, but actual interest rates and payment terms may change over time. Actual results will vary.

Passive, Active, or Both?

Index funds, which try to match the performance of a particular market index, have drawn increasing interest from investors, but traditional actively managed funds still hold more assets (see chart). There is ongoing discussion in the financial media about which approach is most effective, but there may be good reasons to hold both in a well-diversified portfolio. Here are some pros and cons to consider.

A Simple Approach

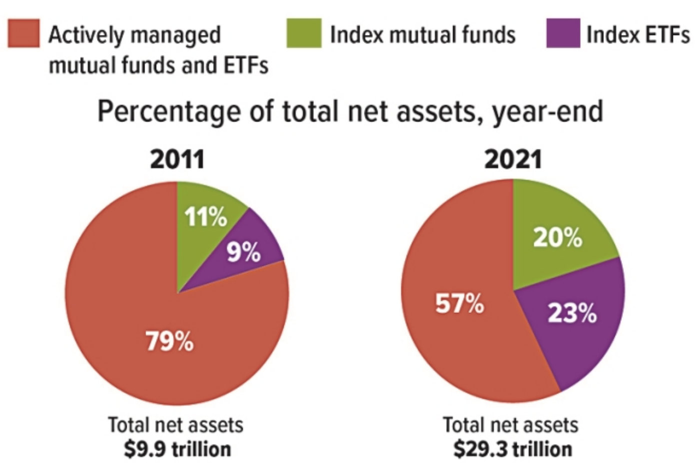
Index funds typically hold the same securities in the same proportions as the index the fund is tracking (or in some cases a representative selection of securities). After assembling the fund, the fund manager generally makes adjustments only as necessary to track the index, so these funds are called *passively managed.*

The primary appeal is cost-efficient simplicity. Because index funds have less managerial involvement, fees are often lower than they are for actively managed funds. Index funds may also buy and sell assets less frequently, and lower turnover can help reduce capital gains distributions, which could be important when funds are held in taxable accounts.

However, this simplicity can also be a negative. Many well-known indexes commonly tracked by index funds are broad based and weighted by market capitalization, a company's value based on the number of outstanding shares multiplied by share prices. Some are price-weighted, meaning the price per share determines the weighting of the security. In either case, index investing may place heavy emphasis on a relatively small number of large companies in the index. And an index fund holds securities in the index regardless of the potential performance of an individual company.

A Decade of Growth

Index funds more than doubled their share of the fund market from 2011 to 2021.



Source: Investment Company Institute, 2022 (totals may not equal 100% due to rounding)

Hands-On Strategies

Active fund managers strive to outperform benchmarks by hand-picking securities based on research and a defined investment strategy. Thus, actively managed funds offer the potential to outperform the broader market, although historically most of them have not.

According to investment analyst Morningstar, 45% of active funds outperformed the average comparable index fund in 2021, a slight drop from 49% in 2020. Both of these years were relatively successful for active funds, possibly because active managers were able to respond to rapidly changing market conditions during and after the pandemic. Over the 10-year period ending in December 2021, only 26% of active funds outperformed the average of their passive counterparts. However, performance varied widely for different underlying investments.[1]

An actively managed fund may be more diversified than an index fund holding stocks in the same asset category, because the manager can choose to weight the securities to meet the fund's objective rather than following the market-capitalization or price-weighted structure of an index. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

Active managers also have more flexibility and may use a variety of trading strategies to help manage risks. For these reasons, some actively managed funds might offer defensive benefits when markets are falling, and they may be able to take advantage of specific market movements that might not be captured in an index fund.

Passive and active funds each have potential strengths and weaknesses, and there is no guarantee that any investing strategy will be successful. But holding both types of funds in your portfolio may provide a helpful balance.

The return and principal value of mutual funds and exchange-traded funds (ETFs) fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. The performance of an unmanaged index is not indicative of the performance of any specific security. Individuals cannot invest directly in an index. Past performance does not guarantee future results. Actual results will vary.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) Morningstar, February 2022

Building Financial Resilience

Inflation, roller-coaster markets, global events, and life circumstances can test anyone's fortitude. You may not feel ready to handle these pressure-filled times and might worry about the potential effects on your financial well-being. Fortunately, you can take steps to build the resilience you need to help handle the turbulence and hopefully emerge even stronger.

Focus on the Foundation

Developing a new budget or reviewing an existing one may help reduce stress by reminding you that you still have control over many aspects of your personal finances. A budget outlines your income and expenses and shows how much money is coming in compared to how much money is going out. If you find that you are spending more than you realized, you can make adjustments.

An important companion to a budget is an emergency fund. When an unexpected expense comes up, you can use your emergency reserves to cover it, instead of dipping into long-term savings or racking up costly credit-card debt that could throw your budget off track at a time you can least afford it. Consider starting an emergency fund and build it up over time.

Stress-Test Your Portfolio

When you're investing for retirement or another financial goal, assessing the potential impact of various scenarios may help you prepare for unexpected events. This may be done using computer simulations to analyze how your portfolio might perform. Doing this at regular intervals may help take some of the emotion out of decision-making during stressful times, helping you address gaps and opportunities.

There is no assurance that a simulation will be accurate. Because of the many variables involved, you should not rely on simulations without realizing their limitations. All investing involves risk, and there is no assurance that any financial strategy will be successful.

It's better to look ahead and prepare, than to look back and regret.

Jackie Joyner-Kersee

Source: BrainyQuote.com

Prepare for the Future

Of course, you're never going to be prepared for every financial scenario. But developing a written financial strategy and reviewing it periodically may help you thoughtfully navigate life's twists and turns. It documents and organizes the pieces of your financial picture, helping you stay focused on the future as you weather the current storms.

Building financial resilience is an ongoing process, and it's never too late to start. Becoming better positioned for downturns can help you feel more confident that you can handle whatever challenges come your way.

IMPORTANT DISCLOSURES

The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.