2024 is well underway and we just wanted to connect with you on a few things.

It's always a good idea to touch base to discuss any changes, review the current market and your investments.

Plus, we always enjoy the company of our clients! Appointments can be made by calling our office at 703-368-7960 or online at www.bba-financial.com/schedule-an-appointment

Just a reminder of our new address - 50 Sullivan Street, Suite C., Warrenton, VA 20186. We would love to see you!

If you haven't already checked our facebook page hop on over to, "Beach, Blake & Associates Financial Services, LLC", and follow us for upcoming events and other exciting things happening. Just search "Beach, Blake & Associates Financial Services, LLC" and give us a like!

Beach, Blake & Associates

Financial Services, LLC

Interactive Financial Advisors

Winter 2024 NEWSLETTER

Top 10 Most Common Financial Mistakes

In October 2022, the Federal Reserve gathered a study to analyze the financial well-being of households. Results from the Survey of Household Economics and Decision-making report showed that the overall financial well-being of adults who were worse off financially from one year ago rose to 35%, the highest level in nearly a decade.

Whether by poor financial decisions or harsh macroeconomic conditions, it remains extremely important to remain financially diligent and make smart choices with your money.

Here we'll take a look at some of the most common financial mistakes that often lead people to major economic hardship. Even if you're already facing financial difficulties, steering clear of these mistakes could be the key to survival.

1. Excessive and Frivolous Spending

Great fortunes are often lost one dollar at a time. It may not seem like a big deal when you pick up that double-mocha cappuccino or have dinner out or order that pay-per-view movie, but every little item adds up.

Just $25 per week spent on dining out costs you $1,300 per year, which could go toward an extra credit card or auto payment or several extra payments. If you're enduring financial hardship, avoiding this mistake really matters—after all, if you're only a few dollars away from foreclosure or bankruptcy, every dollar will count more than ever.

2. Never-Ending Payments

Ask yourself if you really need items that keep you paying every month, year after year. Things like cable television, music services,

INTERACTIVE FINANCIAL ADVISORS IFA SOMEONE WHO CARES or high-end gym memberships can force you to pay unceasingly but leave you owning nothing. When money is tight, or you just want to save more, creating a

leaner lifestyle can go a long way to fattening your savings and cushioning yourself from financial hardship.

3. Living on Borrowed Money

Using credit cards to buy essentials has become somewhat commonplace. Even if an ever-increasing number of consumers are willing to pay double-digit interest rates on gasoline, groceries, and a host of other items that are gone long before the bill is paid in full, it's not wise financial advice to do so. Credit card interest rates make the price of the charged items a great deal more expensive. In some cases, using credit can also mean you'll spend more than you earn.

4. Buying a New Car

Millions of new cars are sold each year, although few buyers can afford to pay for them in cash. However, the inability to pay cash for a new car can also mean an inability to afford the car. After all, being able to afford the payment is not the same as being able to afford the car.

Furthermore, by borrowing money to buy a car, the consumer pays interest on a depreciating asset, which amplifies the difference between the value of the car and the price paid for it. Worse yet, many people trade in their cars every two or three years and lose money on every trade.

Sometimes a person has no choice but to take out a loan to buy a car, but how many consumers really need a large SUV? Such vehicles are expensive to buy, insure, and fuel. Unless you tow a boat or trailer or need an SUV to earn a living, it can be disadvantageous to purchase one.

If you need to buy a car and/or borrow money to do so, consider buying one that uses less gas and costs less to insure and maintain. Cars are expensive, and if you're buying more of a car than you need, you might be burning through money that could have been saved or used to pay off debt.

5. Spending Too Much on Your House

When it comes to buying a house, bigger is not necessarily better. Unless you have a large family, choosing a 6,000-square-foot home will only mean more expensive taxes, maintenance, and utilities. Before you buy a home, consider the carrying and operating costs beyond your monthly mortgage payment. Do you really want to put such a significant, long-term dent in your monthly budget?

As you consider your housing arrangement, think through what's important to you. For example, how passionate are you about having a large yard? If it's at the top of your list, that's fine - just be mindful that upkeep and maintenance may cost you in the form of hiring services, buying machinery, complying with HOA requirements, and mitigating unforeseen problems that arise.

6. Using Home Equity Like a Piggy Bank

Refinancing and taking cash out of your home means giving away ownership to someone else. In some cases, refinancing might make sense If you can lower your rate or if you can refinance and pay off higher-interest debt. However, the other alternative is to open a home equity line of credit (HELOC). This allows you to effectively use the equity in your home like a credit card. This could mean paying unnecessary interest for the sake of using your home equity line of credit.

7. Living Paycheck to Paycheck

In June 2021, the U.S. household personal savings rate was 9.4%. A little over two years later, the personal savings rate had dropped to just 3.8% in October 2023.

Many households may live paycheck to paycheck, and this continues to be a trend that appears to be worsening when strictly looking just at how much people save each paycheck.

The cumulative result of overspending puts people into a precarious position—one in which they need every dime they earn and one missed paycheck would be disastrous. This is not the position you want to find yourself in when an economic recession hits. If this happens, you'll have very few options.

Many financial planners will tell you to keep three months' worth of expenses in an account where you can access it quickly. Loss of employment or changes in the economy could drain your savings and place you in a cycle of debt paying for debt. A three-month buffer could be the difference between keeping or losing your house.

8. Not Investing in Retirement

If you do not get your money working for you in the markets or through other income-producing investments, you may never be able to stop working. Making monthly contributions to designated retirement accounts is essential for a comfortable retirement.

Take advantage of tax-deferred retirement accounts and/or your employer-sponsored plan. Understand the time your investments will have to grow and how much risk you can tolerate. Consult a qualified financial advisor to match this with your goals if possible.

9. Paying Off Debt With Savings

You may be thinking that if your debt is costing 19% and your retirement account is making 7%, swapping the retirement for the debt means you will be pocketing the difference. But it's not that simple.

In addition to losing the power of compounding, it's very hard to pay back those retirement funds, and you could be hit with hefty fees. With the right mindset, borrowing from your retirement account can be a viable option, but even the most disciplined planners have a tough time placing money aside to rebuild these accounts.

When the debt gets paid off, the urgency to pay it back usually goes away. It will be very tempting to continue spending at the same pace, which means you could go back into debt again. If you are going to pay off debt with savings, you have to live like you still have a debt to pay—to your retirement fund.

10. Not Having a Plan

Your financial future depends on what is going on right now. People spend countless hours watching TV or scrolling through their social media feeds, but setting aside two hours a week for their finances is out of the question. You need to know where you are going. Make spending some time planning your finances a priority.

Why More Retirees Might Come Out of Retirement

With ongoing inflation, high interest rates and volatility continuing to impact the market, it isn't hard to see why Americans are increasingly concerned about outliving their nest egg. As a result, many are rethinking their retirement.

According to a recent survey from F&G, half (50%) of pre-retired and retired Americans are considering delaying or coming out of retirement. Financial factors are certainly a reason, with 52% of pre-retirees worried they won't have enough money in retirement, and 42% of retirees worried about inflation. But money doesn't tell the whole story, as the report also revealed that many Americans are returning to work for non-financial reasons — something that I can relate to as well.

Retirement is more than financial independence

Conventional wisdom may say someone would never return to work after retiring unless they were financially forced to, but the reality is many Americans are considering going back to work simply because it makes them feel good. In fact, 50% of retirees are considering "unretiring" because they enjoy the intellectual challenge/stimulation from working, and 36% feel a lack of purpose in retirement.

These responses resonated with me. I was briefly retired, then made the decision to return to the workforce for non-monetary reasons, which is how I eventually took on a new challenge at F&G. The report shows more Americans are having the same feelings I had. Earlier in my career, when I thought of retirement, I saw it as synonymous with achieving financial freedom. That was more important to me than the general idea of "stopping work." I've always enjoyed working and being a part of a team, but with retirement I was excited about having more control over my life and spending more of my time on the things I wanted to pursue.

When I initially retired, I loved having freedom over my day, but this feeling was short-lived. After a while, I noticed myself missing the camaraderie of the workplace. Growing up, I played a lot of team sports, and I didn't appreciate how work had become my "adult team sport" later in life. Ultimately, that feeling of missing something persisted until I made the decision to "unretire" and get back to working again.

The new idea of retirement and how to get there
Just as hybrid work has emerged over the last few years, we're seeing "hybrid retirement" become more common. Many folks are realizing that the old vision of retirement as working one day, then being completely retired the next is no longer an attractive prospect. Generations are also now wired differently, and people are approaching retirement differently than their parents or grandparents. They want to learn, achieve goals and spend time with other people who share similar passions. So how can they ensure that happens?

Looking back, the best retirement planning advice I received was 1) plan for it in advance, envisioning what your daily life will look like, and 2) don't overcommit yourself in the first year of retirement.

It's important to financially plan for retirement, but people approaching retirement also need to plan for their life goals. It's critical to carefully think through what you'd like retirement to look like. Do you want to travel? Spend more time with family, such as your grandkids? Volunteer? For people in a relationship, especially, it's easy to make assumptions that can lead to disappointment, so aligning on a common vision is a critical first step. Once someone can identify what will inspire and bring them purpose in retirement, they can make a plan to ensure they are working to achieve it.

Experts can help
One of the best ways people can ensure they are well positioned to achieve the retirement they want, both financially and non-financially, is to speak with a financial adviser or similar professional.

Surprisingly, the survey found that half (50%) of pre-retirees and retirees don't currently work with a financial adviser. This is a huge missed opportunity for people to get input about their retirement plan and goals. Speaking with an adviser can alleviate concerns around inflation and outliving savings and ensure individuals have the right products to meet their needs. For example, retirees and pre-retirees may want to consider options such as annuities, which can provide peace of mind and guaranteed income for life regardless of what happens in financial markets. For financial advisers, it's also a chance to look beyond just the portfolio and lean into the role of "life coach" to help clients plan for overall happiness as well.

Ultimately, Americans' retirement views are changing and moving beyond just financial concerns. Everyone's life situation, goals and "dream retirement" are different, so there's no one formula based on age or when or how to retire. For example, for Baby Boomers considering pushing back their retirement, the top reason they are doing so is because they enjoy the intellectual challenge/stimulation from working (51%), whereas for Gen Xers the top reason is tied between being worried about inflation (45%) and wanting more financial options and a larger safety net (45%).

Spending time today reviewing your concerns, understanding your goals and building a plan to get there can pay off for years to come. Once people have that added direction, they won't have to worry about feeling like they are missing something in retirement. Instead, they'll enter that next chapter more financially secure and personally fulfilled.

FUN FACTS

Snowflakes Come in all Sizes. While the average snowflake is smaller than the size of a penny, they can actually grow much larger according to Mental Floss. In fact, in 1887, people claimed to see crystals as large as milk pans during a snow storm in Fort Keogh, Montana. That would make the snowflakes as large as 15 inches (38 centimeters) wide. While this may be a tall – or wide – tale, the sizes of snowflakes do vary.

Reindeers Can See in the Dark. A small area of tissue behind the animal's retina changes color from gold in the summer to blue in the winter and this allows them to detect ultraviolet light and to see in the dark.

Winter Newsletter Jokes

What kind of ball doesn't bounce?

A snowball.

What kind of cake does a snowman like?

Cake with lots of icing.

What do snowmen wear on their heads?

Ice caps.

What do snowmen eat for breakfast?

Frosted Flakes.

Quarterly Data

U.S. Markets

Stocks moved higher in the final three months of the year as bond yields trended lower in growing anticipation of a potential Fed easing.

For the three months ending on December 31, the Dow Jones Industrial Average gained 12.5 percent while the Standard & Poor's 500 Index picked up more than 11.24 percent. The Nasdaq Composite, which led throughout 2023, led again, tacking on nearly 14 percent.1

A Shaky Start

As satisfying as the fourth quarter's results were, the quarter began in an unpromising fashion.

Strong economic data released in October stoked investors' fears that the Fed would be unable to ease its tight monetary policies, sending bond yields to heights not seen in more than a decade. Concerns over Treasury funding and higher-than-expected consumer price inflation added to the gloom that gripped stocks during the first month of the fourth quarter.

November Turning Point

But markets turned in November, rallying on fresh data that showed renewed inflation progress and constructive comments from Fed Chair Jerome Powell. These positive developments sparked a retreat in bond yields and a celebration in the stock market.

In a month's time, pessimism over conditions potentially holding back the Fed from easing its restrictive policies faded, replaced by optimism that the rate hike cycle may be finished and interest rate cuts may be in the offing in 2024.

Encouraging Earnings

Throughout the first two months, companies were reporting their third-quarter earnings. Coming into the quarter, investors had hoped that good earnings reports might serve as a catalyst to lift stocks from the doldrums of the previous months. Corporate earnings, it turns out, were not spectacular, but they offered signs of encouragement to investors.

For the third quarter, earnings grew 2.7 percent year-over-year, which was the second straight quarter of earnings growth—a welcome development after suffering an "earnings recession" (i.e., two consecutive quarters of earnings declines) previous to this. Wall Street analysts are forecasting an 11.8 percent increase in corporate profits in 2024, despite concerns about a potential recession in 2024.

Powell's Pivot

The momentum continued to build in December when the Federal Open Market Committee (FOMC) announced that it was leaving interest rates unchanged, and a survey of its members indicated that up to three interest rate cuts would be possible sometime in 2024. The announcement, coupled with dovish post-meeting comments from Powell, helped drive bond yields sharply lower and stocks higher.

Q4 Sector Scorecard

For the quarter, all industry sectors except Energy (−7.25 percent) ended higher, including Communications Services (+10.81 percent), Consumer Discretionary (+11.08 percent), Consumer Staples (+4.68 percent), Financials (+13.36 percent), Healthcare (+5.93 percent), Industrials (+12.44 percent), Materials (+8.90 percent), Real Estate (+17.58 percent), Technology (+17.42 percent), and Utilities (+7.47 percent).3

What Investors May Be Talking About in January

One of the catalysts of last year's market rally was excitement about the rise of artificial intelligence and its possible image on corporate earnings.

Though tech companies may be the first to benefit from AI adoption, the broader promise lies in what it can do for workers and non-tech companies. Much like electricity and computers, AI is beneficial to more than just utility companies and computer manufacturers.

Investors may pay close attention to how non-technology companies invest in AI as 2024 progresses. Companies making commitments might signal to investors that they have potential productivity advances and future competitiveness. The risk for investors is that the hype races ahead of the reality, and the enthusiasm fades.

World Markets

The MSCI-EAFE gained 10.10 percent in the fourth quarter thanks to falling inflation, lower yields, and a weakening U.S. dollar.4

Sharp declines in European inflation fed optimism of rate cuts, sending European stocks higher for the quarter, with advances in France (+5.61 percent), Germany (+8.87 percent), Italy (+7.47 percent), and Spain (+7.15 percent). The U.K., which lagged for most of the year, gained 1.65 percent.5

Pacific Rim markets were mostly higher for Q4. Australia picked up 7.69 percent, while Japan added 5.04 percent. The Hang Seng Index trailed with a drop of 4.28 percent, owing to Moody's downgrade of China's debt and new government restrictions on gaming.6

Indicators

Gross Domestic Product: Q3 economic growth was revised lower, from a 5.2 percent annualized pace to 4.9 percent, primarily due to a downward revision of consumer spending.7

Employment: Employers added 199,000 jobs in November, which was lifted by the return of 30,000 striking auto workers. The number was slightly above the consensus estimate of 190,000. The unemployment rate dropped to 3.7%, while wage growth (+0.4 percent month-over-month) was in line with expectations.8

Retail Sales: Retail sales rose 0.3 percent in November, up from a revised −0.2 percent in October. Excluding auto and gasoline sales, retail sales climbed 0.6 percent.9

Industrial Production: Industrial production rose by 0.2 percent, aided by increased manufacturing. Year-over-year, industrial production was lower by 0.4 percent.10

Housing: Housing starts topped Wall Street expectations, as new housing construction rose 14.8 percent in November.11

Sales of existing homes rose 0.8 percent in November—the first increase since May. Year-over-year sales fell 7.3 percent, the smallest drop since April 2022.12

New home sales dropped 12.2 percent in November, though they were 1.4 percent above last November.13

Consumer Price Index: Consumer prices rose 0.1 percent in November and 3.1 percent from a year ago. Core inflation, which excludes energy and food, increased 0.3 percent month-over-month and 4.0 percent from last November. These numbers remained above the Fed's 2.0 percent target.14

Durable Goods Orders: Durable goods orders rose 5.2 percent in November, the largest gain since July 2020. This gain was more than double the consensus estimate of 2.0 percent.15

The Fed

The FOMC elected to leave interest rates unchanged at both its October/November and December meetings.

Following its December meeting, the Fed signaled that it may cut interest rates three times in 2024. While careful not to declare a victory in its inflation battle, the Fed acknowledged that inflationary pressures have eased.16

Citations

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