In This Issue...

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Financial Outlook

SPRING 2023

10 Ways to Boost Savings

Saving money doesn't have to be hard. By embracing some simple lifestyle changes or taking full advantage of tax perks and other savings incentives, you can boost the amount of cash you save. Here are some ideas to get you started.

❍ **Take advantage of savings perks:** If you contribute pre-tax earnings to a 401(k) plan or IRA, you're saving money beyond your contribution amounts. Say your monthly gross pay is $5,000 per month. You currently don't contribute to a 401(k) plan. You decide to start saving 3% each month (or $150) into your employer's 401(k) plan. This $150 comes out of your paycheck pretax, which means that even though you're saving $150, your paycheck only shrinks by $112 — in other words, you've saved $38 a month on taxes, or $456/year.

Another way to save? Make sure that you're contributing enough to get your employer match, since this is a great way to increase your savings without actually shrinking your take-home pay.

❍ **Get your benefits:** Your employer may offer benefits that could save you money. Flexible spending accounts are common benefits that allow you to set aside pretax income for out-of-pocket medical expenses. Also common are programs for commuters that let you pay for parking or public transit on a pretax basis. Some employers even offer discounts on gym memberships or other services. Take the money you save by participating in these programs and use it to boost your savings.

❍ **Cut recurring expenses:** Monthly subscription boxes, streaming entertainment services, gym memberships that you don't use — these regular costs can add up. While some may be worthwhile, trimming the fat in the area of recurring expenses can help you save more. Keep what you use and drop the ones you don't use.

❍ **Buy generic:** Do you always buy the name-brand version of the product? If so, you might be wasting money. In many cases, the generic version of a product is just as good — if not identical — as the pricey, branded version.

❍ **Make it automatic:** Not sure where your money goes each month? Automate your savings so that you don't have to think about setting aside extra cash.

❍ **Be generous:** If you itemize your

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Should You Retire Early?

Not so long ago, most working people wanted to retire early. But the prospect of depending on your investments for income for decades is suddenly a scarier thought. Should you even think about retiring early?

Much will depend on your definition of early retirement. If your definition means to quit working completely so you can travel extensively and pursue expensive hobbies, then you might want to postpone those plans for a while. However, if your definition means to change careers to work part-time at a less stressful job, cut back on your living expenses, and only take minimal amounts from your retirement savings until Social Security and pension benefits kick in, then your early retirement plans might still be feasible. If you want to seriously consider early retirement, review these tips:

❍ **Make sure you know what you're going to do with your time.** When you're working full-time, it seems like you could fill all your waking hours with the

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10 Ways

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taxes, make sure you're keeping track of all your charitable donations — from checks you write to the value of goods donated.

❍ **Cut one habit**: Do you indulge in daily soda or an expensive coffee drink? Cut the habit (or, if that's too hard, limit it to two or three times a week). Set aside the money you would have spent.

❍ **Repair, don't replace:** It's easy to toss a slightly worn or damaged item and buy a new one to replace it. But many of the items we throw out can actually be repaired. By purchasing quality items and taking good care of them, you'll likely save yourself money in the end.

❍ **Use coupons:** Clipping coupons may seem distinctly old school. Fortunately, you can now take advantage of coupon savings without having to spend an entire Sunday morning sorting through newspaper inserts. When shopping online, always do a quick search for online promo codes. Or sign up for your favorite grocery store's rewards program.

❍ **Review your insurance premiums:** Raising deductibles or bundling policies could save you a bundle. Also, make sure you actually need the insurance you have — cell phone insurance and warranties are often a waste of money. Finally, make sure you're getting all the discounts you qualify for, like car insurance premium reductions for being a safe driver or homeowners insurance discounts for having an alarm system.

Please call for help analyzing your budget and identifying ways to cut your expenses and save more of what you earn. ❍❍❍

An Investment Plan for College

To meet your goal for funding a child's college education, you typically need to develop an investment plan. One of the more important factors is your child's age:

❍ **Children aged 10 or younger** — With eight or more years until college, you should be able to fund your child's education by setting aside reasonable sums.

❍ **Children aged 11 to 14** — With four to seven years until college, you may find the needed amounts quite large. However, start saving so you'll have some funds accumulated.

❍ **Children aged 15 to 18** — If you are just starting to plan for college now, it may be very difficult to save the large sums needed in such a short time. Investigate the financial aid process and research your borrowing options.

Other items to keep in mind when developing an investment strategy include:

❍ **Start investing as soon as possible.** This can have a huge impact on the amount you need to save on an annual basis. For instance, assume you intend to send your newborn to a public college that currently costs $27,000 per year, the average cost of a public university (Source: *Trends in College Pricing and Student Aid*, 2021), with expected increases of 3% per year. After 18 years, you would need $184,000 to pay for four years at a public university. If you start saving now, you'll need to save $4,913 per year to reach that goal in 18 years. Waiting until your child is age five increases your annual savings amount to $8,560 for 13 years. Start saving when your child is 10 and you'll need to save $17,299 a year for eight years, while the amount grows to $56,678 a year for three years if you wait until your child is age 15. *(These figures assume an after-tax rate of return of 8%. This example is for illustrative purposes only and is not intended to project the performance of any specific investment.)*

❍ **Look for tax-advantaged ways to invest.** If your earnings are tax deferred or tax free, you could end up with a much larger balance than if you had to pay taxes on earnings over the years. Take a look at section 529 plans and Coverdell education savings accounts, both of which allow tax-free distributions as long as the proceeds are used for qualified education expenses.

❍ **Select investments that allow periodic contributions.** You may want to make contributions on a weekly or monthly basis, so select investments that allow small contributions.

❍ **Adjust your investment mix over time.** As your child gets closer to college age, start moving investments from more aggressive ones with higher return potential to more conservative ones that will help protect your principal. This can help protect your investments from a major downturn that may occur right before your child enters college.

❍ **Review your progress annually.** You may decide to change investments or increase the amount you are saving on an annual basis. ❍❍❍

Should You?

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things you don't have time to do. But if you're used to a fast-paced life, can you really expect to spend the next 20 to 40 years of your life just puttering around the house and golfing? Make sure you have concrete plans to fill your days, so you don't get bored early in retirement. If possible, ask your employer to give you a short sabbatical. That way, you can see how well you'll adjust to retired life. If you like it, you can go ahead and retire. If you find yourself quickly bored, you haven't given up your job.

- **Calculate your numbers carefully.** You want to be sure your retirement savings and other income sources, such as Social Security and pension benefits, will support you for what could be a very lengthy retirement. When calculating how much you need for retirement, be very conservative. Bump up your expected expenses by 5% to 10%, add a few years to your life expectancy, reduce your expected return by a couple of percent, and increase your inflation expectations. Don't expect to draw more than 3% to 4% annually from your retirement investments. Now, can you really afford to retire early?
- **Cut back on your standard of living.** Unless you're very wealthy, you probably won't be able to retire early and afford fancy cars, expensive homes, and other luxuries. Cutting back your expenses now will serve two purposes. It will provide more money to save for retirement and it will reduce your living expenses now and during retirement. Don't just look at obvious ways to cut back, such as reducing how often you dine out or taking your lunch to work. Look at more drastic measures, such as moving from your current home to a smaller one or comparison shopping for items like auto and home insurance.
- **Work at least part-time during retirement.** Even a small amount of income after retirement can go a long way in helping to fund your retirement expenses. Consider working at a less stressful job, starting your own business, or turning hobbies into a paying job. This can give you time to pursue travel, hobbies, and other interests, while helping to fund a long retirement.
- **Move to a less expensive city.** The cost of living in different cities across the country and in different countries can be vastly different. If you live in a city with a high cost of living, moving to a different location can dramatically lower your living expenses. However, this is not just a financial decision. You need to consider whether you'll be happy living somewhere else, away from family, friends, and other ties.

While retiring early certainly seems more challenging than it did even a few years ago, that doesn't mean it can't be done. But you do need to make sure your plans are realistic before retiring. Please call if you'd like help developing a plan for early retirement. ❍❍❍

4 Reasons for Your Child to Work Part-Time

Don't feel guilty about your children working while attending college or feel that a part-time job will only interfere with their college experience. Working as little as a few hours a week can be remarkably beneficial.

It Boosts Accountability— Encouraging your children to work part-time as soon as possible and setting a portion of their earnings away for college can give them a much better appreciation for their college education. Nonworking students can struggle to understand just how expensive their tuition and living expenses are and the sacrifices involved in paying those costs.

It Can Cut Down on Costs — Even the smallest contributions can quickly accumulate, decreasing the balance of their tuition bill, paying for the new laptop they need, or cutting down on the monthly student loan payments they'll owe after graduation. Whether they contribute $50 or $500 a month, it's either money they won't owe after graduation or money saved that you can put toward your retirement or investments.

It Teaches Life Skills — Whether they're answering phones or delivering pizzas, part-time jobs provide teenagers and young adults with a different set of skills than what they'll derive in class. Because they're interacting more with adults in a real-world setting, they'll develop the vital communication and problem-solving skills that they'll need in their post-college career much sooner, which could lead to greater opportunities earlier on. Moreover, regardless of whether they're in high school or college, working even a few hours a week while attending school allows them to master work-life balance, so they're better equipped for the realities of adulthood.

It Encourages Networking — There's a well-known saying that success is closely linked with who you know. Sure, they'll make friends in the dorm, but a part-time job encourages them to connect with peers on a different level that could lead to valuable opportunities in the future. A job allows them to further develop their individual talents and strengths. ❍❍❍

Financial Data

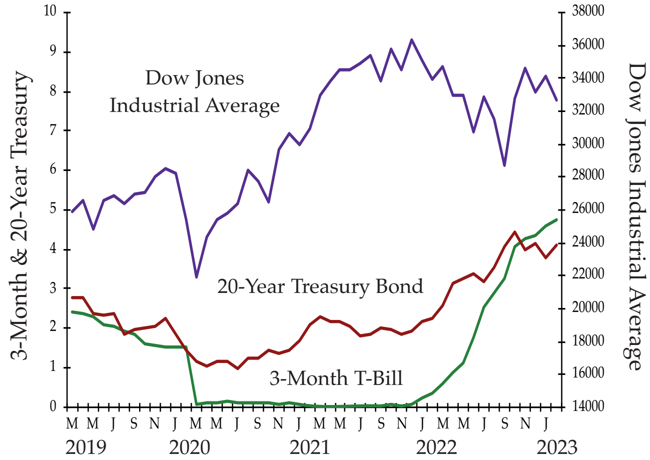
Indicator	Month-end Dec-22	Jan-23	Feb-23	Dec-22	Feb-22
Prime rate	7.50	7.50	7.75	7.50	3.25
Money market rate	0.33	0.35	0.47	0.33	0.07
3-month T-bill yield	4.35	4.60	4.75	4.35	0.36
10-year T-bond yield	3.88	3.52	3.92	3.88	1.83
20-year T-bond yield	4.14	3.78	4.10	4.14	2.25
Dow Jones Corp.	5.54	5.09	5.65	5.54	3.31
30-year fixed mortgage	6.80	6.51	7.07	6.80	3.51
GDP (adj. annual rate)#	-0.60	+3.20	+2.70	+2.70	+6.90

Indicator	Month-end Dec-22	Jan-23	Feb-23	% Change YTD	12-Mon.
Dow Jones Industrials	33147.25	34086.04	32656.70	-1.5%	-3.6%
Standard & Poor's 500	3839.50	4076.60	3970.15	3.4%	-9.2%
Nasdaq Composite	10466.48	11584.55	11455.54	9.7%	-16.7%
Gold	1812.35	1923.90	1824.60	0.7%	-4.5%
Consumer price index@	297.71	296.80	299.17	0.5%	6.4%
Unemployment rate@	3.60	3.50	3.40	-8.1%	-15.0%

— 2nd, 3rd, 4th quarter @ — Nov, Dec, Jan Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

March 2019 to February 2023



Past performance is not a guarantee of future results.

Get Your 401(k) Plan on Track

To make sure you have sufficient funds for retirement, it is imperative to get your 401(k) plan on track. To do so, consider these tips:

- **Increase your contribution rate.** Strive for total contributions from you and your employer of approximately 10% to 15% of your salary. If you're not able to save that much right away, save what you can now and increase your contribution rate every six months until you reach that level. At a minimum, make sure you're contributing enough to take advantage of all employer-matching contributions.
- **Rebalance your investments.** Don't select your investments once and then ignore your plan. Review your allocation annually to make sure it is close to your original allocation. If not, adjust your holdings to get your allocation back in line. Selling investments within your 401(k) plan does not generate tax liabilities, so you can make these changes without tax ramifications.
- **Don't raid your 401(k) balance.** Your 401(k) plan should only be used for your retirement. Don't even think about borrowing from the plan for any other purpose. Sure, that money might come in handy to use as a down payment on a home or to pay off some debts. But you don't want to get in the habit of using those funds for anything other than retirement. Similarly, if you change jobs, don't withdraw money from your 401(k) plan. Keep the money with your old employer or roll it over to your new 401(k) plan or an individual retirement account.
- **Seek guidance.** It is important to manage your 401(k) plan carefully to help maximize your future retirement income. If you're concerned about the long-term future, call for a review of your 401(k) plan. ❍❍❍

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