

Life Income Management™

Creating income for life.

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FINANCIAL OUTLOOK

DECEMBER 2024

NEED TO CATCH UP ON RETIREMENT SAVINGS?

Are you on the other side of 40 without substantial savings for retirement? If so, it's time to do something about it. It's not too late, but it will take a lot of concentrated effort to get on the right track. Here are some strategies you can put in place to boost your retirement savings:

ESTIMATE HOW MUCH MONEY YOU'LL NEED IN RETIREMENT

The first step is knowing how much you will need to live on in retirement. Most experts agree that you will need at least 70% of your pre-retirement income to fund your

retirement. Make sure to do a detailed analysis of your likely retirement expenses.

DETERMINE YOUR INCOME SOURCES

Once you have a good idea of how much money you will need for retirement, you then need to determine the income sources you'll have. Look at what your Social Security benefit will be at various ages. Do you have a pension from a previous or current employer? If you have a 401(k) plan, you need to understand what the expected value of the plan will be at retirement age.

SET GOALS AND DEVELOP A PLAN

If you have a gap between your income sources and the amount of money you'll need to retire, you have to put strategies in place to close the gap. Set a goal of how much you'll need to save and in what timeframe. Because you're playing catch-up, you can't afford to be too conservative with your investment selections, but you can develop a well-balanced plan that will help you meet your goals with a risk tolerance that is comfortable for you.

MAX OUT EMPLOYER-SPONSORED PLANS

Hopefully, you have access to a 401(k) plan or some other type of retirement account. It may be difficult, but you should try to make the annual maximum contribution, which is \$23,000 in 2024. This is one of the best ways to save for retirement, because it automatically comes out of your paycheck. With a traditional 401(k) plan, it will reduce your taxable income, which will help reduce the pressure on your income. For example, if you are in a 35% tax bracket, your contributions will only cost

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:

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

out your stock investments by market capitalization (small-, mid-, and large-cap), by style (growth and value), by area (domestic and international), and by sector (technology, financial, utilities, energy, etc.).

ANALYZE EACH INVESTMENT. Determine whether it still makes sense to own each investment. Don't let emotions get in the way. Review why you purchased each investment and whether those reasons are still

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NEED TO CATCH UP?

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you 65 cents for every dollar you contribute to the account.

If you are aged 50 or older, you can also make catch-up contributions of \$7,500 in 2024 for a total contribution of \$30,500. And, you should always contribute enough to get the full employer match if your employer has a matching program.

If you don't have an employer plan (or even if you do), you should start investing in a traditional or Roth IRA. You should set up an automatic transfer from your checking account to your retirement account. You can make contributions up to \$7,000 in 2024 and \$8,000 if you are aged 50 or over.

DOWNSIZE YOUR LIFE

By the time you retire, you will want a stream of predictable income to cover your expenses with a mixture of Social Security, a pension, and withdrawals from your retirement savings plan. If you won't be able to cover your expenses with these income sources, it may mean you need to downsize your life.

If you're an empty nester and still living in a big house, it has probably appreciated in value, and you may want to consider selling it and moving to a smaller home. In addition to saving on your mortgage payment, you will be saving more on utilities, insurance, maintenance, and property taxes.

You may also need to think of other ways to cut expenses, such as driving a used car as opposed to a new car or only going on one vacation a year instead of two or more.

You don't want to wait until retirement to make these changes, since downsizing while you are still working will allow you to put all that you are saving into your retirement plan.

TAKE A SECOND JOB OR WORK LONGER

If you have a serious gap in your retirement savings, you may need to

DO YOU HAVE TOO MUCH DEBT?

Various rules of thumb exist to help determine when debt levels are excessive. For instance, one rule of thumb states your total debt payments, including your mortgage and credit card bills, should not exceed 36% of your gross monthly income. The problem with rules of thumb, however, is they don't take into account your unique circumstances. Look for these signs that your debt level may be getting too high:

- **YOU HAVE NO MONEY LEFT OVER AT THE END OF THE MONTH.** If you have nothing left to save after paying your bills every month, your debt may be too high. Be especially concerned if you have to dip into savings to pay bills.
- **YOU'VE REACHED YOUR MAXIMUM CREDIT LIMIT.** If you've maxed out your credit card limits or are considering obtaining new cards for additional credit, your debt may be getting out of hand. Credit cards should be used as a

convenience, not to finance an unaffordable lifestyle.

- **YOU'RE ONLY MAKING MINIMUM PAYMENTS.** Required minimum payments on credit card debt are so low that it can take decades to pay off the debt. It will be difficult to get your debt under control if you are only making minimum payments.
- **YOU DON'T HAVE AN EMERGENCY FUND.** Ideally, you should set aside three to six months of living expenses in case of emergencies, such as a job loss or major home or car repair. If you can't maintain that due to debt payments, your debt level is probably too high.
- **YOU'RE NOT COMFORTABLE.** The ultimate test of whether your debt level is too high is your comfort with that debt and the payments that must be made.

If your debt level is too high, please call to discuss this in more detail. ○○○

consider taking a second job so that you can invest the earnings. Get creative about things you can do to make more money. Do you have the writing skills to be a freelance writer? Maybe you're a great seamstress? A graphic designer or perhaps a programmer? Even a job as a pet sitter or dog walker may give you the extra income you need for savings.

You may also need to consider extending the timeframe you are planning to work and retire later. For example, if you're 55 and want to retire at 62, contributing 20% of your income until retirement still won't be as impactful as working three more years until you are age 65.

If you wait to retire at age 70, you'll have even more time to rack up your retirement savings, and you will have fewer retirement years to cover. Additionally, if you wait until age 70 to take Social Security bene-

fits, you could significantly increase your monthly benefit.

PAY OFF YOUR DEBT

It's not only about saving; it's also about eliminating debt. If you have thousands of dollars in credit card balances, your retirement savings is most likely going to your credit card company in interest payments. Make a concerted effort to pay off your credit card balances and then continue to pay them in full every month.

With every dollar you find to put toward your retirement savings, set up an automatic transfer from your checking account or a direct contribution from your paycheck. This will help to ensure that the money is going directly to your retirement savings.

Please call to discuss your retirement savings plans in more detail. ○○○

REEVALUATE

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valid. Emotionally, it is difficult to sell an investment at a loss, but holding on until you get back to break even may not be the best strategy. The investment may never get back to that price or may take an excessively long time to do so. You may want to sell the investment and reinvest in another with better prospects. Instead of worrying about what you paid for the investment, decide whether 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. If you are investing for the long term, say 10 years or more, you probably still want a major portion of your investments allocated to stocks.
- **REASSESS YOUR STOCK ALLOCATION.** Is your stock portfolio too heavily weighted in technology stocks or blue chip stocks? Have



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IS OUT-OF-STATE TUITION WORTH IT?

Students and their parents have a lot to do and think about as they prepare for college. And one of the most important decisions is where to go to college. This includes both in-state and out-of-state colleges, but they come with different price tags.

Out-of-state colleges are significantly more expensive than going to a school in your home state. The reason is that state schools are partly funded by the tax dollars of the residents of that state, so students attending an out-of-state college will not be eligible for the same tuition rates as a student that lives in-state. Tuition at private colleges is typically the same for students from in-state and out-of-state.

IS AN OUT-OF-STATE COLLEGE RIGHT FOR YOU?

There are a few factors to consider in making this decision:

The first factor is cost. You need to determine how important the cost of college tuition is to your family since out-of-state tuition will be substantially higher. According to the College Board, the average cost of tuition for the 2023-

2024 school year is \$11,260 for state residents at a public university and \$29,150 for out-of-state residents at a public university (Source: *Trends in College Pricing 2023*).

The second factor is comfort. For most students, college is their first experience away from home, but how far away is the question. The transition from high school to college is a big one and being in a completely new state without a support system can be a daunting change. As a family, you should discuss how your student reacted to other changes in their life, such as switching to a new school or moving to a new town. Some will easily do well, while others will not. It is important to be honest with yourself as to what your real comfort level will be.

The third factor is your area of study. The expense may be worth it if you have a specialized area of study that is only available at an out-of-state school, or if a specific university's program is exceptional.

Please call if you'd like to discuss this in more detail. ○○○

you selected only growth stocks, ignoring value stocks? Do you prefer large-cap stocks, ignoring smaller stocks? 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 immedi-

ately. 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 in your portfolio. Or you may be able to reallocate in your tax-deferred accounts, such as individual retirement accounts and 401(k) plans, 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. ○○○

FINANCIAL DATA

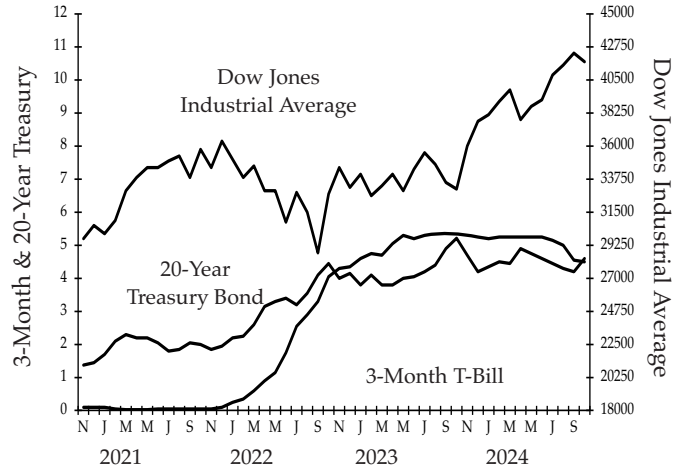
Indicator	Month-end				
	Aug-24	Sep-24	Oct-24	Dec-23	Oct-23
Prime rate	8.50	8.00	8.00	8.50	8.50
Money market rate	0.47	0.42	0.43	0.48	0.61
3-month T-bill yield	4.98	4.54	4.49	5.26	5.33
10-year T-bond yield	3.91	3.81	4.28	3.88	4.88
20-year T-bond yield	4.28	4.19	4.58	4.20	5.21
Dow Jones Corp.	5.06	4.87	5.22	5.17	6.34
30-year fixed mortgage	6.98	6.83	7.32	7.09	8.23
GDP (adj. annual rate)#	+1.60	+3.00	+2.80	+3.40	+4.90

Indicator	Month-end			% Change	
	Aug-24	Sep-24	Oct-24	YTD	12-Mon.
Dow Jones Industrials	41563.08	42330.15	41763.46	10.8%	26.4%
Standard & Poor's 500	5648.40	5762.48	5705.45	19.6%	36.0%
Nasdaq Composite	17713.62	18189.17	18095.15	20.5%	40.8%
Gold	2513.35	2629.95	2734.15	32.2%	36.9%
Consumer price index@	314.54	314.80	315.30	2.7%	2.4%
Unemployment rate@	4.30	4.20	4.10	10.8%	7.9%

— 1st, 2nd, 3rd quarter @ — Jun, Jul, Aug Sources: *Barron's*, *Wall Street Journal*

4-YEAR SUMMARY OF DOW JONES INDUSTRIAL AVERAGE, 3-MONTH T-BILL & 20-YEAR TREASURY BOND YIELD

NOVEMBER 2020 TO OCTOBER 2024



Past performance is not a guarantee of future results.

NEWS AND ANNOUNCEMENTS

BORROW WISELY

- Use debt only for items that have the potential to increase in value, such as a home, college education, or home remodeling. Avoid incurring debt on items like clothing, vacations, or other luxuries.
- Consider a shorter term when applying for loans. Even though your monthly payment will be higher, you will incur much less interest over the life of the loan.
- Make as large a down payment as you can afford. If you can make prepayments without incurring a penalty, this can also significantly reduce the interest paid.
- Consolidate high interest-rate debts with lower-rate options. It is typically fairly easy to transfer balances from higher-rate to lower-rate credit cards. Another option is to obtain a home-equity loan to pay off your consumer

- debt. In many cases, home-equity loan interest rates are lower than other forms of personal loans; and as long as the loan is used to buy, build, or substantially improve your home, interest payments are tax deductible.
- Compare loan terms with several lenders, since interest rates can vary significantly. Negotiate with the lender. Although most lenders have official rates for each type of loan, you can often convince them to give you a lower rate if you are a current customer or have outstanding credit. Review all your debt periodically, including mortgage, home equity, auto, and credit card debt, to see if less expensive options are available.
- Review your credit report before applying for a loan. You then have an opportunity to correct any errors that might be on the report. ○○○

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Neither Asset Allocation nor Diversification guarantee a profit or protect against a loss in a declining market. They are methods used to help manage investment risk.

Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices do not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.

The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 actively traded "blue chip" stocks, primarily industrials, but includes financials and other service-oriented companies. The components, which change from time to time, represent between 15% and 20% of the market value of NYSE stocks. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.

The Nasdaq Composite Index is a market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks. The index includes all Nasdaq listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures.

The Consumer Price Index (CPI) is a measure of inflation compiled by the US Bureau of Labor Studies