Life Income Management™

Creating income for life.

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FINANCIAL OUTLOOK

JULY 2022

How to Catch Up on Retirement Savings

Are you on the other side of 40 without substantial savings for retirement? It's time to stop worrying and get down to the business of doing something about it. It's not too late, but it will take a lot of concentrated effort to get on the right track to a comfortable retirement.

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 its expected value 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 time frame. 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 $20,500 in 2022. This is one of the best ways to save for retirement because it automatically comes out of your paycheck. A traditional 401(k) plan will reduce your taxable income, which will help alleviate

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6 Questions to Ask before Investing

An educated investor is an empowered investor. You should approach every investment opportunity with an open mind as well as some healthy skepticism, whether you've been investing for decades or are dipping a toe in the stock market for the first time, . Gathering as much information as you can before you choose an investment will protect you and your money. To help you do that, here are six questions that everyone should ask before they invest.

1. Do I understand this investment? Never invest in something you don't understand. Before deciding to invest, make sure you're clear on what you're investing in, how it makes money, and how easy it is to sell. This is one reason why it's good to work with a financial advisor, since he/she will be able to explain more complicated investment opportunities.

2. What's the potential reward, and am I prepared to accept

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How to Catch Up

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pressure. For example, if you are in a 35% tax bracket, your contributions will only cost 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 $6,500 in 2022 for a total contribution of $27,000. And you should always contribute enough to get the 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 $6,000 in 2022 and $7,000 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, which may require some sacrifices.

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'll save 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 versus a new car or only going on one vacation a year versus 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 these savings into your retirement plan.

The Fundamental Investing Principle

The whole point of an investment program is to accumulate sufficient funds to meet your financial goals. So what is the most fundamental investment principle — selecting the proper investments, accumulating the correct combination of assets, timing the market to avoid corrections? Actually, the principle may not even sound like an investment principle at all. To help ensure you meet your financial goals, you must save significant sums of money on a consistent basis. That one habit will do more to help you reach your financial goals than anything else. The sooner you start this habit, the less you need to save. Consider the following example.

Fresh out of college and 25 years old, you decide you'll need $1,000,000 when you retire at age 65. You can save on a tax-deferred basis through your employer's 401(k) plan and expect to earn 8% compounded annually. If you start at age 25, you'll need to invest $3,860 a year for 40 years to reach your goal. However, you decide to wait 10 years. At age 35, you now need to invest $8,827 per year for 30 years. Still seems like too much? Consider that at age 45, you need to invest $21,852 annually. The really bad news is that someone waiting until age 55 will need to invest $69,029 annually to reach that goal. By postponing investing, you lose time and, with it, the ability for compounding returns on your contributions to perform much of the working of attaining your goals.*

Let time work for you instead of against you. Please call to review your investment program. ❍❍❍

** This example is for illustrative purposes only and is not intended to project the performance of a specific investment. It does not consider the payment of income taxes. Keep in mind that a plan of regular investing does not assure a profit or protect against loss in declining markets.*

Take a Second Job or Work Longer

If you have a serious gap in your retirement savings, you may need to consider taking a second job so you can invest the earnings. Get creative about ways 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 time frame 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 benefits, you could significantly increase your monthly benefit.

Pay Off Your Debt

It's not only about saving; it's 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 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 the money is going directly to your retirement savings.

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

6 Questions

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the risk involved to get it? All investing involves both risk and reward, and smart investors know how to balance the two to best achieve their goals. Usually, an investment that comes with a big potential reward also comes with a big risk. That doesn't necessarily mean it's a bad choice, but it does mean you should go into it fully informed.

3. What's the cost of this investment? The cost of an investment isn't just the upfront purchase price. You should also find out if there are fees and expenses associated with the investment. Also important are the taxes you'll have to pay when you sell as well as any potential penalties. For example, do you have to hold the investment for a certain amount of time or pay a penalty?

4. Does this investment fit with my goals? Investing will be easier if you go into it with specific goals in mind. Shorter-term goals, like saving for a down payment on a house or accumulating funds for a child's college education, require a different investment strategy than if you're investing for a retirement that may be 20 or 30 years away. Lower-risk investments are usually more appropriate for shorter-term goals, while riskier investments can be fine for longer-term goals. A financial advisor can help you determine which investments fit with your particular goals.

5. How easily can I get out of this investment? Money that you've invested isn't liquid. In the case of stocks, you can always sell without too much difficulty, but you may take a loss. But with other investments, like real estate and certain types of life insurance, it's harder to get your money out. If you think you're going to need to access your investment in the near future, make sure you know how easy it is to access those funds.

6. What is this investment's history? Some investments have a long history that you can look to when making a decision about whether to get involved. The U.S. has never defaulted on its debt, for example, and there's little chance that it will in the future, and that long history allows you to make certain informed predictions about the future performance of this investment. Likewise, certain companies have a solid history of strong performance. While past performance is no guarantee of future results, it is useful information to consider. Newer companies and investments obviously don't have that clear history for investors to study. That doesn't mean they're always bad investments, but it does mean you should be skeptical of any claims of out-size returns.

If you're considering an investment and aren't sure how to answer any of these questions, please call. ❍❍❍

Tax-Efficient Investment Strategies

Taxes can significantly reduce your portfolio's value. Dividends and interest income from taxable portfolios and distributions from 401(k) plans or individual retirement accounts are taxed in the year received, at ordinary income tax rates of up to 37%. Taxes are not paid on unrealized capital gains in taxable accounts. When the asset is sold from a taxable account, however, you must pay taxes on those capital gains, at a maximum capital gains tax rate of 15% to 20% (0% for individuals under certain income limits) for investments held over one year. Capital gains on investments held for one year or less are short-term capital gains and are taxed at ordinary income tax rates.

Using strategies that defer the payment of taxes for as long as possible can make a substantial difference in your portfolio's ultimate size. Consider the following tax-efficient strategies:

❍ **Minimize portfolio turnover.** Carefully evaluate your investment choices, selecting those you'll be comfortable owning for a long time. That way, you can let any capital gains grow for many years.

❍ **Place investments that generate ordinary income or that you want to trade frequently in your tax-deferred accounts.** Since income and realized capital gains inside tax-deferred accounts aren't taxed until withdrawn, you defer paying taxes on that income. Keep in mind that withdrawals may be subject to a 10% federal penalty if made prior to age 59 1/2.

❍ **Analyze the tax consequences before rebalancing your portfolio.** Portfolio rebalancing is a taxable event that may result in a taxable gain or loss. You should generally avoid selling investments for reasons other than poor performance. You can bring your asset allocation back in line through other means. For instance, when choosing investments, only purchase those that are underweighted in your portfolio. Reinvest interest, dividends, and capital gains in investments that are underweighted.

❍ **Utilize losses to offset capital gains.** Selling investments at a loss can offset capital gains for that year, reducing your total tax liability. Excess losses may be used to offset up to $3,000 of ordinary income and the unused portion may be carried forward indefinitely. If you still want to own that investment, you can purchase it 30 days before or after selling it. That way, you will not be subject to the wash sale rules, so your loss will be tax deductible. ❍❍❍

Financial Data

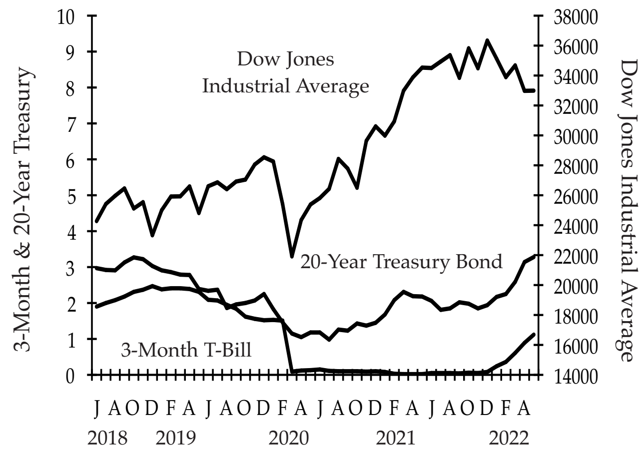
Indicator	Mar-22	Apr-22	May-22	Dec-21	May-21
	Month-end				
Prime rate	3.50	3.50	4.00	3.25	3.25
Money market rate	0.07	0.08	0.08	0.07	0.08
3-month T-bill yield	0.61	0.89	1.12	0.08	0.02
10-year T-bond yield	2.32	2.89	2.85	1.52	1.58
20-year T-bond yield	2.59	3.14	3.28	1.94	2.18
Dow Jones Corp.	3.72	4.33	4.27	2.48	2.33
30-year fixed mortgage	4.06	4.67	5.30	2.63	2.41
GDP (adj. annual rate)#	+2.30	+6.90	-1.50	+6.90	+6.30

Indicator	Mar-22	Apr-22	May-22	YTD	12 Mon
	Month-end			% Change	
Dow Jones Industrials	34678.35	32977.21	32990.12	-9.2%	-4.5%
Standard & Poor's 500	4530.41	4131.93	4132.15	-13.3%	-1.7%
Nasdaq Composite	14220.52	12334.64	12081.39	-22.8%	-12.1%
Gold	1942.15	1911.30	1838.70	1.9%	-3.2%
Consumer price index@	283.72	287.50	289.11	4.0%	8.3%
Unemployment rate@	3.80	3.60	3.60	-14.3%	-41.0%

— 3rd, 4th, 1st quarter @ — Feb, Mar, Apr Sources: *Barron's, Wall Street Journal*

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

June 2018 to May 2022



Past performance is not a guarantee of future results.

Tax Planning Tips to Make Life Easier

Plan Ahead. Strategic tax planning should really commence at the beginning of each year — not at the beginning of tax season. That is the best time to save for goals that can benefit you during tax season and beyond, such as extra mortgage payments, college savings plans, charitable giving, or a boost in contributions to your qualified retirement plan.

Make a List. To serve as an ongoing reminder, make a list of applicable tax deductions and consider keeping it in plain sight on your refrigerator or office bulletin board. Continued awareness of these deductions will not only motivate you but also keep you on track for the entire year and help minimize what you owe come tax time.

Stay Organized. Two of the biggest stressors of tax planning are remembering what you spent throughout the year that may qualify as a deduction and locating the receipt. Keep track of deductible expenses, donations, and cash gifts in a designated tax deduction basket, file folder, or online storage system.

Do a Mid-Year Financial Review. Change is inevitable, though unfortunately, it's not always easy to anticipate while you're trying to plan ahead for tax season. For this reason, incorporate tax planning as part of your mid-year financial review; accounting for income changes, unanticipated quarterly bonuses, investment gains and losses, or changes in family status can substantially modify your owed taxes or refund.

Don't Go It Alone. Go to a professional who knows all the complex technicalities of tax planning; they can spot oversights, helping to maximize your refund and reduce your risk of audit. ❍❍❍

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