Life Income Management™

Creating income for life.

Melody A. Juge*
Founder
Investment Advisor, *registered*
Fiduciary
877-Mel-Juge
melody@lifeincomemanagement.com

Samuel S. Young, MBA
West Coast Regional Director
Investment Advisor, *registered*
Fiduciary
909-566-2111
sam@lifeincomemanagement.com

**Melody is a Member of Ed Slott's Elite Advisor Group*

FINANCIAL OUTLOOK

MARCH 2023

How Flexible Is Your Financial Plan?

Flexibility in a financial plan is a delicate balancing act: it is important to maintain enough flexibility that your financial plan can accommodate unexpected events that are out of your control while being firmly grounded by factors you can control.

Be Flexible: There Are Assumptions You'll Have to Make about Factors You Can't Control

When you develop a financial plan, you have to make certain assumptions, many of which are out of your control:

Taxes — The notoriously complicated U.S. tax code will affect your financial plan in a number of ways. For one, your effective tax rate will change as your income changes. Also, changes to the tax code itself can affect your financial plan. Changes are not typically made every year and, because Congress sets tax policy, most changes in the tax code are announced well in advance of taking effect.

Income — We all hope that our income will rise as we move forward in our careers. Typically, those kinds of income changes are predictable. More dramatic yet still predictable income changes can happen when one spouse voluntarily stops or starts working. The loss of a job or dramatic decrease in work hours can cause unexpected changes.

Health — Your health and your spouse's health is a significant factor in your financial plan for two reasons: first, because health is a big determinant of one's ability to earn income; second, because health care costs are often a large expense, especially for older people. As you age, it's important to think about changing your assumptions about your health. Maybe you reduce the income you expect because you won't be able to work such long hours anymore. Or you increase the healthcare-related expenses you plan for. You can also take steps to mitigate the impact of health changes by saving for medical expenses in a tax-favored health plan like a health savings account (HSA) or flexible spending arrangement (FSA) and by buying disability and long-term care insurance.

Life — Beyond job losses and health events that can impact your financial plan, other major life events can have a big impact as well. Whether it's good or bad, expected or unexpected, events like the birth of a child, marriage or divorce, a spouse's death, or a relocation will impact your financial plan. Some

Continued on page 2

Finding a Balance with Risk and Return

One of the most basic investment principles is that returns reward you for the risks that you take. While investors are often uncomfortable with the concept of risk, it is this uncertainty that makes higher rates of return possible. Some investment principles related to risk and return include:

- Returns on specific investments are not known in advance. Investors can review historical rates of return, but there is no guarantee that past returns will be indicative of future returns.
- There is usually the possibility that an investment will not meet your return expectations.
- The uncertainty regarding your actual return creates risk. Greater uncertainties typically lead to greater risk.

Continued on page 3

Copyright © Integrated Concepts 2023. Some articles in this newsletter were prepared by Integrated Concepts, a separate, nonaffiliated business entity. This newsletter intends to offer factual and up-to-date information on the subjects discussed, but should not be regarded as a complete analysis of these subjects. The appropriate professional advisers should be consulted before implementing any options presented. No party assumes liability for any loss or damage resulting from errors or omissions or reliance on or use of this material.

FR2022-1014-0200

How Flexible?

Continued from page 1

you can plan for, some you can't; the point is to be aware that these kinds of events typically require a review of your financial plan.

Economy — For most of us, our financial plans are based on the assumption that our investments will earn a certain average return in the market. Those assumptions affect decisions we make about our plans; for example, the amount you need to save every month to retire at age 70 is larger or smaller the higher or lower your assumption about investment returns. The best way to make these assumptions is to base them on long-term historical returns in the relevant market indices.

That is not to say, of course, that these assumptions will always be correct; anyone with money invested in the stock market in the fall of 2008 understands that those assumptions can be turned on their heads in a single day. But given that we have to make assumptions, using historical returns is the best way to do it.

Be Grounded: Factors You Can Control to Keep Your Financial Plan on Track

Because there are so many factors affecting your financial plan that you can't control, it's critical to know the factors you can control and to stay on track in those areas.

Live within your means — When you keep your expenses (including savings and investments) less than your income, you give yourself more flexibility to accommodate unexpected changes that you can't control. If you have some breathing space in your budget every month, you can more easily accommodate a higher tax rate or an economic downturn without having to alter your financial plan.

Have a rainy day fund — Have at least three to six months worth of living expenses in an easily accessible, liquid fund that you can draw upon in the event of an emergency or unexpected situation. This fund should be set aside from all other savings and investments and only used for true emergency expenses — like in the case of a job loss or illness. With an adequate rainy day fund, you can handle unexpected events without having to dilute or erode your financial plan.

Revisit your plan regularly — The number one key to achieving your financial goals is to review and, if necessary, revise your financial plan regularly — at least once a year. That way you can make adjustments for all the factors out of your control that have changed, for better or worse. If you haven't revisited your financial plan in the last year, or if you need to develop one, please call. ❍❍❍

Tips for the Sandwich Generation

If you are caring for young children and aging parents, you are part of the sandwich generation. This can be a very stressful situation. Developing a financial plan for your parents, your children, and yourself will help you navigate the challenges you face.

A Retirement Income Plan for Your Parents — If you haven't already, it's time to have a serious money talk with your parents. In addition to understanding their wishes for medical treatment and long-term care, you should also understand if they have adequate retirement income. Helping your parents develop a retirement income plan will help ensure that they can cover their expenses in retirement.

Research Long-Term Care Options — You should research ways to pay for long-term care if your parents need it. If your parents are in good health and still relatively young, they may want to consider purchasing a policy before it becomes cost-prohibitive.

Prepare an Estate Plan — If your parents do not have an estate plan, it's time to create one so that their wishes are met. Help them through this process, including establishing a will, trust, advanced health care directives, and medical and durable powers of attorney.

Inventory Assets — Help get your parents' financial assets in order by locating all important documents, including financial accounts, retirement accounts, wills, trusts, medical directives, powers of attorney, and digital assets.

Develop a College Savings Plan — As you switch the financial focus from your parents to your children, start by planning for their largest expense: their college educations. You should help your children plan for their life after high school. Engage your children in this process by having them research scholarships, grants, and work-study programs.

Your Turn — Because you are sandwiched between your parents and children, you may not have developed your own financial plan. It is important that you take the time to get your own financial house in order. Creating a financial plan with long- and short-term goals will give you peace of mind that your own financial life is on track. Please call if you'd like to discuss this in more detail. ❍❍❍

Finding a Balance

Continued from page 1

- Investments are subject to many different types of risk. Cash is primarily subject to purchasing power risk, or the risk that its purchasing power will decrease due to inflation. In addition to purchasing power risk, bonds are subject to interest rate risk, or the risk that interest rates will increase and cause the bond's value to decrease, and default risk, or the risk that the issuer will not repay the principal or interest on the bonds. Stocks are primarily subject to nonmarket risk, or the risk that events specific to a company or its industry will adversely affect a stock's price; and market risk, or the risk that a particular stock will be affected by overall stock market movements.
- There is generally a tradeoff between risk and return. Low levels of risk are the most desirable and typically have lower return potential, while higher levels of risk are typically undesirable and must offer higher return potential to encourage investors to invest. Be cautious of claims of high returns with low risk.

There are strategies that can be used to reduce the total risk in your investment portfolio:

- **Diversify your portfolio.** You should diversify among several different investment categories, including cash, bonds, and stocks, as well as within investment categories, such as owning several types of stocks. A properly diversified portfolio should contain a mix of asset types whose values have historically moved in different directions or in the same direction with different magnitudes. By owning several investments rather than just one investment, a downturn in any one should not have a significant impact on your total return. Of course, the opposite is also true — if you have one investment with exceptional returns, your total return will be lower than if that were your only investment.
- **Stay in the market through different market cycles.** Remaining in the market over the long term helps to reduce the risk of receiving a lower return than expected, especially for more volatile investments like stocks.
- **Use dollar cost averaging[1] to invest.** Rather than accumulating cash so you have a large sum to invest, invest small amounts regularly. Dollar-cost averaging involves investing a certain sum of money in set amounts at regular intervals. This spreads your purchases over a period of time, preventing you from making one major purchase at high prices. Since you are investing a set amount, you purchase more shares when prices are lower and fewer shares when prices are higher. While a valuable investment strategy, dollar-cost averaging does not ensure a profit or protect against losses in declining markets. Before starting a program, consider your ability to continue purchases during periods of low price levels. This strategy requires the discipline to invest consistently, regardless of market prices, and can help develop a habit of regular investing.

If you'd like to discuss how to balance risk and return in your portfolio, please call. ❍❍❍

[1] Dollar cost averaging may help reduce per share cost through continuous investment in securities regardless of fluctuating prices and does not guarantee profitability nor can it protect from loss in a declining market. The investor should consider his/her ability to continue investing through periods of low price levels.

Do You Really Need 70%?

A general retirement planning rule of thumb indicates that you'll need 70% to 80% of your preretirement income. But when you realize how much you need to save, it's tempting to question whether you really need even 70% of your preretirement income.

First, you should prepare a detailed analysis of your expected expenses after retirement. How can you help ensure that your expenses will be lower? Consider these tips:

- **Pay off your mortgage.** Quite often, mvortgage payments consume 30% or more of an individual's gross income. Eliminating this expense can drastically reduce income needed for retirement. If you can't pay off your mortgage, consider selling your home and purchasing a smaller one for cash.
- **Get rid of other debts.** It's not unusual for consumer debt payments to equal 10% to 20% of an individual's take home pay. Try to enter retirement debt free.
- **Keep your automobile.** Instead of purchasing a new car every couple of years, keep your current car for as long as it's in good working order. That will eliminate car payments from your retirement budget.
- **Look for ways to reduce travel and leisure expenses.** Look for and use senior discounts. Plan activities for non-peak times, when rates may be lower.
- **Consider relocating.** The cost of living varies significantly from city to city and state to state. You may be able to reduce your living expenses substantially by moving to another locale. However, this is more than a financial decision. You also need to decide whether you want to move away from family, friends, and familiar surroundings.
- **Work at least part-time.** If you still don't have sufficient funds to support yourself during retirement, consider working at least part-time. Even a small amount of annual earnings can help significantly in funding your retirement. ❍❍❍

FINANCIAL DATA

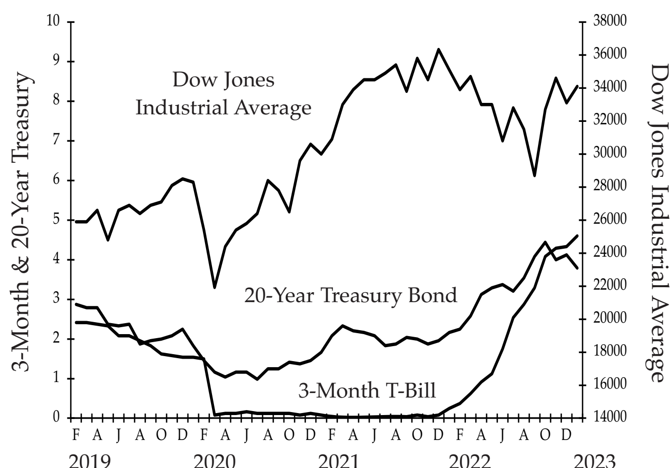
Indicator	Month-end Nov-22	Dec-22	Jan-23	Dec-22	Jan-22
Prime rate	7.00	7.50	7.50	7.50	3.25
Money market rate	0.31	0.33	0.35	0.33	0.07
3-month T-bill yield	4.29	4.35	4.60	4.35	0.24
10-year T-bond yield	3.68	3.88	3.52	3.88	1.79
20-year T-bond yield	4.00	4.14	3.78	4.14	2.17
Dow Jones Corp.	5.46	5.54	5.09	5.54	2.85
30-year fixed mortgage	6.84	6.80	6.51	6.80	3.16
GDP (adj. annual rate)#	-0.60	+3.20	+2.90	+2.90	+6.90

Indicator	Month-end Nov-22	Dec-22	Jan-23	% Change YTD	12-Mon.
Dow Jones Industrials	34589.77	33147.25	34086.04	2.8%	-3.0%
Standard & Poor's 500	4080.11	3839.50	4076.60	6.2%	-9.7%
Nasdaq Composite	11468.00	10466.48	11584.55	10.9%	-18.6%
Gold	1753.50	1812.35	1923.90	6.2%	7.2%
Consumer price index@	298.01	297.71	296.80	-0.3%	6.5%
Unemployment rate@	3.70	3.60	3.50	-5.4%	-10.3%

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

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

FEBRUARY 2019 TO JANUARY 2023



Past performance is not a guarantee of future results.

NEWS AND ANNOUNCEMENTS

CREDIT ISSUES AS YOU AGE

While obtaining credit can be just as important for older individuals as it is for younger ones, older individuals often have unique credit issues. For instance, waiting until after retirement to apply for a loan can result in the loan being rejected because your income is much lower. Or, if one spouse dies, the surviving spouse may find that lenders want to close accounts or the spouse may not have a sufficient credit history to apply for credit on his/her own. To help ensure that you don't have credit problems as you age, consider these tips:

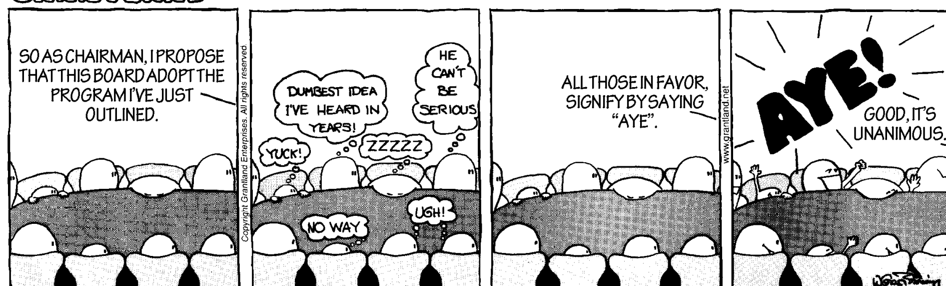
❍ **APPLY FOR MAJOR LOANS WHILE YOU ARE STILL WORKING.** If you are getting close to retirement and know you'll need a loan, perhaps for a retirement home or new car, apply for credit a few years before retirement.

❍ **MAKE SURE THAT CREDIT CARDS ARE OBTAINED AS JOINT ACCOUNTS.** If you have an individual account with your spouse listed as an authorized user, the lender can close the account if you die. However, if the account is a joint one, the creditor cannot automatically close the account or change its terms. The lender may require your spouse to update the application if the lender suspects that he/she does not have adequate income for the credit limit.

❍ **ENSURE THAT BOTH YOU AND YOUR SPOUSE HAVE A GOOD CREDIT HISTORY.** Review your credit reports, ensuring that all information is accurate and that you both have sufficient history. That way, either of you will be able to obtain credit on your own if needed.

❍ **IF YOU ARE DENIED CREDIT, FIND OUT WHY.** It could have been an error, or you may convince the lender to consider other information. You may also be able to negotiate a compromise with the lender. For instance, if the lender is concerned about your age when considering a 30-year mortgage, perhaps a 15-year mortgage would be acceptable. ❍❍❍

FR2022-1014-0200



Investment Advisory Services offered through Brokers International Financial Services, LLC, Member SIPC.
Life Income Management and Brokers International Financial Services, LLC are separate, distinct and not affiliated companies.
Life Income Management does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.
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