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

FINANCIAL OUTLOOK

NOVEMBER 2024

REVIEW YOUR PORTFOLIO'S PERFORMANCE

At least annually, you should review your portfolio's performance, comparing it to relevant benchmarks and determining whether you are making progress toward accomplishing your financial goals. Consider these steps in the process:

1. MEASURE THE PERFORMANCE OF EACH INVESTMENT IN YOUR PORTFOLIO. Many investments and investment managers will provide you with periodic performance information. When reviewing this information, keep in mind the following points:

- Often, an investment's return is reported on a time-weighted basis, which does not consider when you invested.
- Information that reports your portfolio's return is generally expressed on a dollar-weighted basis, which measures the investment return based on when cash inflows and outflows occurred. While this is a more relevant measure when evaluating your portfolio, time-weighted returns can make it easier to compare the returns of different investments.
- Investments often report cumulative annualized returns over a period of time, representing the average annual performance over that time. Since returns can fluctuate significantly on a year-to-year basis, this annualized return can help you evaluate the long-term performance of an investment.

If you invest in individual stocks and bonds, you may need to calculate those returns yourself. Conceptually, your total return on an investment equals the change in market value plus any dividends, interest, or capital gains, divided by the beginning market value. Total return can be difficult to calculate, especially if you make additional investments or withdrawals during the year. You may need the help of a computer program to calculate your total return precisely.

2. FIND AN APPROPRIATE BENCH-

CONTINUED ON PAGE 2

RETIREMENT PLANNING ASSUMPTIONS

To enjoy your retirement without financial worries, make sure you have enough money saved when you retire. However, calculating how much you need can be a daunting task, since a variety of factors affect your answer and inaccurate estimates for any factor can leave you with way too little in savings. Some of the more significant factors include:

WHAT PERCENTAGE OF YOUR PRERETIREMENT INCOME WILL YOU NEED? You can find various rules of thumb indicating you need anywhere from 70% to over 100% of your preretirement income. On the surface, it seems like you should need less than 100% of your income. After all, you won't have any work-related expenses, such as clothing, lunch, or commuting costs. But look carefully at your current expenses and how you plan to spend your retirement before deciding how much you'll need. If you pay off your mortgage, stay in good health, live in a city with a low cost of living, and engage in inexpensive hobbies, then you might need less than 100% of your income. However, if you travel extensively, pay for health insurance, and maintain significant debt levels, even 100% of your income may not be enough. Take a close look at your expenses and planned retirement activities to

CONTINUED ON PAGE 3

Copyright © Integrated Concepts 2024. 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.

FR2024-0611-0002

Review

Continued from page 1

mark to compare to each component of your portfolio. A wide variety of market indexes now exist, covering different segments of the market. Find ones that track investments similar to each component of your portfolio. Making comparisons to a benchmark should help you identify portions of your portfolio that may need to be changed or that you should start monitoring more closely.

3. **Calculate your overall rate of return, comparing it to your estimated return.** When designing your investment program, you probably assumed a certain rate of return, which determined how much you need to invest to reach your financial goals. Calculating your actual return will determine if you are on track. If your actual return is below the return you estimated, you may need to increase the amount you are saving, invest in alternatives with higher return potential, or settle for less money in the future. Performing this analysis annually should allow you to make these changes gradually.

4. **Review your overall investment allocation to determine if changes should be made.** This annual review is a good time to compare your actual allocation to your desired allocation. You may find you need to make changes for a variety of reasons. If certain portions of your portfolio have performed well, you may find they make up a larger percentage of your portfolio than originally planned. You may find you need to sell certain investments that are not performing well. You may also need to refine your asset allocation percentages, since your strategy will change over time.

You should review your portfolio's performance annually to ensure your investment strategy is on track. Please call if you'd like help with this analysis. ❍❍❍

Financial Advice for Your Children

It's a common enough goal — to live a better life than your parents. While you may be able to say you accomplished that goal, how likely is it that your children will be able to say the same thing? To help them with that pursuit, make sure to teach them these important financial lessons:

- **Graduate from college.** Even if your children are interested in pursuing careers that don't require a college education, encourage them to obtain a college degree first. It is much easier to go to college straight out of high school, before getting married or taking on other responsibilities. And financially, college graduates have higher earnings on average than nongraduates.
- **Develop written financial goals.** Developing financial goals will help your children think about their future and how to pursue their goals. Get them into the habit of saving first, then worry about how to spend the rest of their money. Encourage them to set up a system to automatically divert some of their income to savings. As part of the process, encourage them to get a money management system in place to track expenditures and organize information about assets and investments.
- **Live well within their means.** As your children start lives of their own, help them make some fundamental decisions about how to live. Make sure they understand the difference between needs and wants, with saving for retirement high on the list of needs. They should realize that the only way to save for future goals is not to spend all their current income. So, before your children decide where to live or what kind of car to drive, help them prepare a budget to see how much they can really afford for those items and still have money left over for saving.
- **Utilize all retirement vehicles available.** As soon as they become eligible, your children should start contributing to a 401(k) plan at work. If their employer doesn't offer a 401(k) plan, teach your children the benefits of individual retirement accounts (IRAs), both traditional deductible and Roth. The importance of saving for retirement at a young age can't be stressed enough. If you're having difficulty accumulating funds for retirement, imagine how much more difficult it will be for your children, with the prospect of even longer life expectancies and less help from employers and the government.
- **Use debt sparingly.** If your children take on too much debt early in life, they can spend the rest of their lives struggling to get out of debt. Large payments for principal and interest can seriously reduce the funds available to save for other financial goals. Stress to your children that it is best to use credit cards only if they can pay the balance in full every month. Other debt, like car loans and mortgages, should only be taken on after a careful analysis of whether your child can afford the payments and whether the purchase fits in with their financial goals.

Please call if you'd like help imparting these financial tips to your children. ❍❍❍

Retirement

Continued from page 1

come up with a reasonable estimate.

When will you retire? Your retirement date determines how long you have to save and how long investment returns can compound. You want to make 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. Even extending your retirement age by a couple of years can significantly effect the ultimate amount you need.

How long will you live? Today, the average life expectancy of a 65-year-old man is 81 and of a 65-year-old woman is 84 (Source: Social Security Administration). Most people look at average life expectancies when estimating this, but average life expectancy means you have a 50% chance of living beyond that age and a 50% chance of dying before that age. Since you can't be sure which will apply to you, it's typically better to assume you'll live at least a few years past that age. When deciding how many years to add, consider your health as well as how long other family members have lived.

What long-term rate of return do you expect to earn on investments? A few years ago, many retirement plans were calculated using fairly high rates of return. Those high returns don't look so assured now. At a minimum, make sure your expectations are based on average returns over a very long period. You might even want to be more conservative, assuming a rate of return lower than long-term averages suggest. Even a small difference in your estimated and actual rate of return can make a big difference in your ultimate savings.

Have you considered inflation? Even modest levels of inflation can significantly impact the purchasing power of your money over long time periods. For instance, after 30 years of just 2% inflation, your portfolio's purchasing power will decline by 45%. When estimating an inflation figure, don't just look at the historically low inflation rates of the recent past. Also consider long-term inflation rates, since your retirement could last for decades.

What tax rate do you expect to pay during retirement? Especially if you save significant amounts in tax-deferred investments that will be taxable when withdrawn, your tax rate can significantly affect the amount you'll have available for spending. You may find your tax rate is the same or higher after retirement.

Once you've estimated these factors, you can calculate how much you'll need for retirement. Please call if you'd like help with this calculation. ❍❍❍

Small Things for a Big Savings Impact

If you are having trouble saving, try some of these small things that can have a big impact on your savings.

Save a Little More — Obviously, it would be great to be able to save a lot, but if you can't, try saving a little more than you currently are. Put an extra $25 in your savings account or contribute an additional 1% in your 401(k) plan. If you take a serious look at your budget, you will most likely find there are small items you can cut and put that money toward your savings. Even a small amount of money can have a big impact over time.

Make an Extra Payment — If you make one extra mortgage payment a year that is applied to the principal balance, you could pay off your mortgage years in advance. You can also make an extra payment on your car or round your payments up to the nearest hundred dollars each month to pay your car off months in advance. Make sure you check with your lender to ensure that extra payments are put toward the principal balance.

Understand Your Tax Bracket — Get familiar with tax brackets so you can use them to your advantage. When you look at tax brackets, you can see that as income increases, the tax rate also increases. By contributing more to your 401(k) plan, you could reduce your taxable income, which allows you to save for the future while paying fewer taxes.

Know Where You are Going — It's difficult to save for something like retirement if you don't know what it's going to take to get you there. If you've never run a financial projection to see how your savings will grow over time, call so we can use a retirement calculator to run various scenarios. This valuable information will help you understand where you are going and how you're going to get there.

Organize Your Finances — If your financial information is a mess, chances are it's hard to save and pay off debt at the same time. Force yourself to organize all of your financial information, including both your assets and debt. Once it's organized, you will be able to see more clearly the steps you need to take to save more and pay off debt.

Cancel Things You Don't Use — Many people pay recurring expenses automatically from their checking account or credit card and then forget about them. Maybe it's a magazine subscription or a membership renewal that you are not using. Scour your statements to identify these expenses and get rid of them. While you're at it, check for things that you can live without, so that you can put more money toward your savings goals. ❍❍❍

FINANCIAL DATA

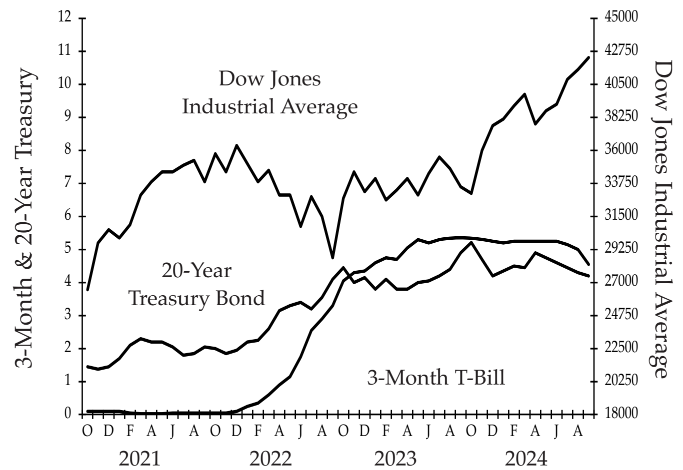
Indicator	Jul-24	Aug-24	Sep-24	Dec-23	Sep-23
	Month-end				
Prime rate	8.50	8.50	8.00	8.50	8.50
Money market rate	0.48	0.47	0.42	0.48	0.48
3-month T-bill yield	5.15	4.98	4.54	5.26	5.33
10-year T-bond yield	4.09	3.91	3.81	3.88	4.59
20-year T-bond yield	4.44	4.28	4.19	4.20	4.92
Dow Jones Corp.	5.43	5.06	4.87	5.17	6.08
30-year fixed mortgage	7.24	6.98	6.83	7.09	7.90
GDP (adj. annual rate)#	+3.40	+1.60	+3.00	+3.40	+2.10

Indicator	Jul-24	Aug-24	Sep-24	YTD	12-Mon.
	Month-end			% Change	
Dow Jones Industrials	40842.79	41563.08	42330.15	12.3%	26.3%
Standard & Poor's 500	5522.30	5648.40	5762.48	20.8%	34.4%
Nasdaq Composite	17599.40	17713.62	18189.17	21.2%	37.6%
Gold	2426.30	2513.35	2629.95	27.1%	40.6%
Consumer price index@	314.18	314.54	314.80	2.5%	2.5%
Unemployment rate@	4.10	4.30	4.20	13.5%	10.5%

— 4th, 1st, 2nd 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

OCTOBER 2020 TO SEPTEMBER 2024



Past performance is not a guarantee of future results.

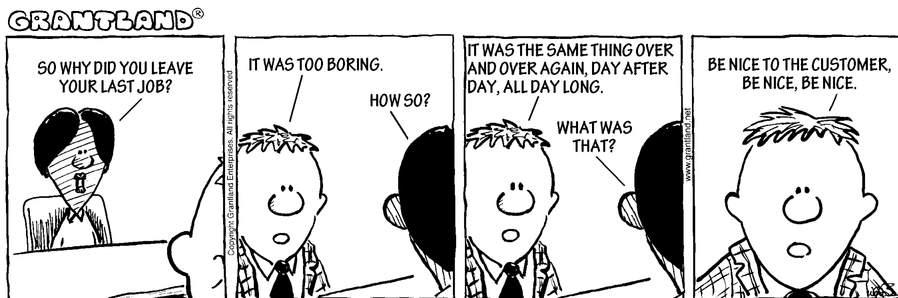
NEWS AND ANNOUNCEMENTS

VESTING AND WHAT IT MEANS

It is important to understand the vesting schedule defined by your employer because it determines when you have full ownership of your retirement funds. If you leave your employer before you are fully vested, you could give up some portion of the funds your employer has contributed to the account.

Vesting is not applicable to the money you contribute to your retirement fund, that money is always yours, even if you leave the company. There are three types of vesting schedules that employers use:

- **IMMEDIATE:** With an immediate vesting schedule, you own the employer's contributions as soon as the money is put into your account.
- **CLIFF:** This vesting schedule transfers the ownership of your employer's contributions all at one time after a certain period of time, such as one year. Prior to that period, you will forfeit their matching contributions if you leave the company. With cliff vesting, federal law requires companies' vesting schedules not to exceed three years in qualified retirement plans, such as a 401(k) or 403(b).
- **GRADED:** With this vesting schedule, employees gradually obtain ownership of the matching contributions based on their length of service. If you leave the company before you are fully vested, you will get to keep the vested percentage of the employer's contributions. Federal law has set a six-year maximum for employers on graded vesting schedules. ❍❍❍ FR2024-0611-0002



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