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Financial Solutions for the Life You Are Living and the One You Want to Live

financial $UCCESS

FALL 2022

25 Years of Bulls and Bears (1997 – 2022)

Time flies when you are having fun. It is hard to believe that I have been working in the financial services industry and for the same company for over 25 years now. In June of 1997, Lou Nebel recruited me from Navy Federal Credit Union. That was an important year, as I got married two months after I started working for Nebel Financial Services. I did some looking back. Inflation has reared its head over the past twenty five years. In 1997, the cost of a house was $146,000. A new car was $17,000. A gallon of gas was $1.23. The Dow Jones was in the range of 7,500. Today, in the middle of a not so fun bear market we are in the range of 29,000. The stock market still trumps inflation over the long term, but we do have to suffer through years like this in the meantime. Another thing I remember from 1997 was reviewing quarterly and annual paper statements. This was the norm, now portfolios get checked multiple times per day on different electronic devices. It is interesting that we are in a long term business, but by the nature of it we are sometimes forced to react in the day to day. This is what we sometimes refer to as the headline risk.

Besides the varying changes over the past twenty five years, I have watched generations grow up. I had young children, where the parents and grandparents saved for them, and now, the young children have turned into young adults and are sometimes married and opening up accounts for their own children. It is a fascinating cycle to watch. People generally want it better for the next generation than what they had. There are some that chart a similar path as their parents and there are some that chart their own course. This is what is fun about it from my standpoint. Everyone and every family is different and everyone has different goals.

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Encourage Estate Planning

Parenting is a never-ending job. Even when your children are grown, there will probably be lessons you'll want to teach them, such as the need for estate planning. Some items to include in that lesson are:

✔ **Explain why estate planning is important.** Your role is not to dictate what they should do with their estate, just to emphasize the need for estate planning. When your children encounter major life events, such as marriage, divorce, or a child's birth, remind them to review their estate plans.

✔ **Make sure all important estate-planning documents are in place.** At a minimum, every adult should have a will, a durable power of attorney, and a healthcare proxy. A durable power of attorney designates an individual to control financial affairs if one becomes incapacitated, while a healthcare proxy delegates healthcare decisions to a third person when one is unable to make those decisions.

✔ **Coordinate estate planning across generations.** If you have a substantial estate, you may want to coordinate your estate planning efforts with those of your children. A coordinated effort can help minimize estate taxes. ❍❍❍

25 Years

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We need to slowly put down the current headlines and look forward to what the next eight year period will look like (by year 2030). Eight years is often a holding period for stocks held within mutual funds. It has already started, but healthcare has and is changing at a rapid pace. The amount of remote patient monitoring devices is souring to keep a pulse on cancer, diabetes, weight management, to name a few. Cancer cures are getting close. Genetic testing, early diagnosis, and huge leaps in the pharmaceutical world will be instrumental in curbing cancer as a terminal illness. Cash is slowly becoming the past. The 'b' billion electronic transactions that occur daily is amazing. We are very slow compared to the Asia-Pacific. Like it or not semi-Conductors are everywhere and tracking our moves in our cars, phones, communications, and many other devices. This tracking will help efficiency and also help in the healthcare arena. Digital Entertainment is still growing by leaps and bounds. This is a worldwide phenomenon that doesn't appear to let up. Live shows for sports/broadway are brief and very expensive whereas the streaming/videos etc. can be much more economical with unlimited playing time. Autonomous vehicles are not just coming but are on the way to mainstream. Electric Vehicles (EVs) sales are exploding. This movement started before a gallon of gas hit $5.00 this summer. ESGs (Environmental, Social, and Corporate Governance) have officially moved the needle. Meaning, some green companies are actually turning green! Yes, many are now profitable and they are growing. We can debate the reason why but according to WTOP.com on 10/5/2022, the Ozone around Washington D.C. has improved remarkably in tracking three year periods since 1997. The ESG movement is here and good things are happening.

What does all of this mean? Companies evolve regardless of current market conditions. We have to be ready and invested in companies that will not only be making the change, but companies that will have good earnings and grow over time. This is again, why we need to always have a long term perspective. There are tremendous opportunities out there, we just have to be patient during a 2022 type year. Looking back at the previous six bear markets (from 1997 – 2022), they look like blips on a chart. No, none of them were fun, but they were just a blip, once we get passed the here and now.

One of my peers said at a recent 401(k) meeting, Bear Markets are temporary, but we can make them permanent if we want to. I thought that was a good analogy. As soon as COVID took over the headlines in 2020, I wrote about the famous line from Sir John Templeton, the phrase 'This Time Feels Different'. This was written in 1933. Each time is different, but markets behave the same. They go up and down. Being down won't last just as being up doesn't last. We have many more up days/years than down days. Time heals all wounds; we just need to wait this one out too.

Sincerely,

Andrew D. Wade, CFP®

President

Avoid This Mistake

Finding a way to live decades in retirement without worrying about running out of money can seem like an overwhelming task. That goal depends on many variables and assumptions. If you're wrong on even one of those variables, funding your retirement could be in danger.

With all the potential for missteps, what is the one mistake you want to avoid at all costs? Dipping into your retirement savings. Unfortunately, since the funds in your 401(k) plan or individual retirement account (IRA) belong to you, they often seem like a tempting place to get funds needed for other purposes. Tax laws don't help, since they often provide tax-advantaged ways for you to access those funds.

Saving for retirement is a difficult task for most people, without making it more difficult by using retirement funds for other purposes. Even if the amount seems small, don't withdraw funds from your retirement account. It can grow to significant sums over the long term. For instance, assume you have $10,000 in your 401(k) plan. If you withdraw the funds and are in the 22% tax bracket, you'll have $6,800 left after paying income taxes and the 10% federal tax penalty. Keep the funds invested earning 8% annually on a tax-deferred basis and your funds could grow to $68,426 after 30 years, before paying any income taxes. *(This example is provided for illustrative purposes only and is not intended to project the performance of a specific investment.)* ❍❍❍

Reassess Your Retirement Plans

Approximately five years before you plan to retire, thoroughly reassess your retirement plans and ensure that all significant financial pieces are in place. Once you retire, you probably won't have the option of going back to your former job. So, first, consider these points:

✔ **Take a serious look at your retirement plans.** You're close enough to retirement that you should have a good feel for your expenses and expected income. While you may be anxious to retire, remain flexible about your retirement date. Working an additional year or two can add substantially to your savings and may boost your retirement benefits.

✔ **Get a fix on your Social Security and pension benefits.** Make sure you know exactly how much you can expect from Social Security and defined-benefit plans. How much will your benefits increase if you delay retirement by one year, five years, etc.? If you retire before full retirement age for Social Security purposes, do you plan on working? Be aware that for those under full retirement age for Social Security purposes, earnings over $19,560 in 2022 will cause you to lose $1 of benefits for every $2 of earnings over this threshold. Make sure you understand your distribution options for any defined-benefit plans. In most cases, those decisions are irrevocable, so you'll want to take some time to assess those options.

✔ **Determine how much income your retirement investments will generate.** As a general rule of thumb, you can multiply your retirement investments by 4% to get an idea of how much you can withdraw annually. You can go through a more detailed analysis, reviewing a wide range of variables, for a more precise answer. However, the younger you retire, the more conservative your withdrawals should be, since your funds will have to last for a longer time period.

✔ **Investigate work options.** If you plan to work at least part-time during retirement, have you decided what you'll do and how much it'll pay? Make sure you investigate your options, including asking your current employer about part-time opportunities after retirement.

✔ **Finalize living arrangements.** Determine whether you want to stay in your current home or move to another one, either in the same city or a different location. At this point, you should be able to determine whether you'll have a mortgage and how much equity you'll have in your home. While most retirees continue to live in their current home, explore whether it makes sense to downsize, freeing up home equity for investments or retirement income.

✔ **Deal with health insurance and long-term-care costs.** Two of the most significant costs in retirement are medical care and long-term care. Make sure you have plans to deal with both. If you are retiring at age 65 or later, you'll be eligible for Medicare, although a spouse under age 65 will not be eligible. You will probably need supplemental coverage with Medicare. If you are retiring before age 65, make sure you know exactly how much coverage will cost you, especially if it is not provided by your employer. Now is also a good time to take a look at long-term-care insurance, since premiums get significantly more expensive as you age.

✔ **Live with your retirement budget for a couple of years.** Want to really make sure your retirement budget is reasonable? Try living with your retirement budget for a couple of years before retirement. If you can do so without increasing your debt, you can be reasonably confident that your budget will work during retirement.

Please call if you'd like help assessing your retirement plans before you actually retire. ❍❍❍

Don't Forget Digital Assets

When preparing an estate plan, people often forget about their digital assets. But with so many managing their lives online, digital assets are an integral part of your estate plan.

Types of Digital Assets

There are a myriad of digital assets to think about as part of your plan, including:

✔ Computers, external hard drives, smart phones, cameras, flash drives, and other electronic devices.

✔ Online accounts such as bank accounts, investment accounts, utilities, mileage and reward accounts, and social media accounts.

✔ Any important documents that you have stored in electronic files, such as tax returns, insurance documents, wills, and trusts.

Take Stock of Your Digital Assets

The first step is to conduct a thorough inventory of all of your digital assets. Make a list that includes the type of asset, the location of each asset, website addresses where applicable, usernames, and passwords. You should provide the written list to the person you are entrusting to take care of these assets or keep a copy with your will and clearly identify the person in charge of managing them.

Other options to consider for storage of these assets is an online vault and a password manager. The online vault allows you to store all of your important documents in one secure online account. The password manager stores all of your usernames and passwords for all of your online accounts. The person who is responsible for your digital assets only needs access to one password that will give him/her the information for all of your other accounts.

Define the Plan

In your estate plan, you will want to provide clear instructions as to who is responsible for your digital assets and how you want them handled. You will want to select someone you trust, because you may have details that you want kept private. Make sure you indicate if you want accounts closed, documents deleted, and any accounts or documents to go to a certain person, especially if there is any associated monetary value.
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Sharing an Inheritance

Married individuals who receive a large inheritance face a tough decision — should you share the inheritance with your spouse or hold the assets separately? Legally, you aren't required to share the inheritance. Even if all other marital assets are owned jointly, you might want to consider keeping an inheritance separate for a couple of reasons:

✔ Should you get divorced, you probably wouldn't have to split a separately-held inheritance with your spouse.

✔ When you die, you control who receives the inheritance. If the inheritance is owned jointly, it goes to your spouse. If your spouse remarries, there is a chance the inheritance will ultimately go to a second spouse or children from a second marriage. You can get around that result through the use of a trust, but it may be simpler to just keep the assets separate.

While there may be sound financial reasons for keeping the inheritance separate, those reasons may be difficult to explain. Rather than remaining evasive, discuss your concerns openly. Even if you keep the inheritance separate, that doesn't mean you can't share some of the assets for common goals.
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"No one should retire from life at any age."

~ Anonymous