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FINANCIAL OUTLOOK

SPRING 2024

FOCUS ON THE BASICS

It's easy to become overwhelmed when faced with all the decisions that need to be made to ensure you select appropriate investments to help pursue your long-term investment goals. How do you choose the right combination of investments to help you work toward a goal that may be decades away? The answer is to focus on the basics. Make sure you are getting these fundamentals right:

- **DON'T WAIT — INVEST NOW.** To put the power of compounding to work for you, start investing now. It's easy to put off investing, thinking you'll have more money or more time at some point in the future. Typically, however, you'll be better off saving less now than waiting and saving more later. Consider the savings habits of a 20-year-old couple. The wife starts contributing $2,000 per year to a tax-deferred investment, such as a 401(k) plan, when she is 20. After 10 years, she decides to stop investing and let her money grow until retirement. She has invested a total of $20,000. Her husband starts investing when she stops, investing $2,000 per year from the time he is 30 until he retires at age 65. Thus, he saves every year for 35 years, making a total contribution of $70,000 — $50,000 more than his wife. If they both earn 8% compounded annually, who will have the larger potential balance at age 65? Time and compounding of earnings favor the wife. Before paying any taxes, her balance would equal $462,649,

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OVERCOMING YOUR FEAR OF INVESTING

Unless you were lucky enough to be born wealthy or have an extremely minimal lifestyle, not investing isn't an option in today's complex financial world. Investing is a way to make your money work for you, rather than always having to work for your money.

Given that investing is one of the best ways for the average person to grow their wealth these days, why don't more people do it? Fear may be the major reason. Many Americans are nervous about investing. While investing does come with risks you need to be aware of, that's no reason to avoid it entirely. Here are three steps you can take to overcome that fear.

START FROM A POSITION OF STRENGTH

If you have a mountain of credit card debt and no emergency savings, investing any of your money is likely to be a bit nerve-racking. After all, you're already in a precarious financial position, and if your investments decline substantially, you'll be in an even worse spot. Before dipping a toe into serious investing, work on paying down high interest credit card debt and establishing an emergency fund with at least six months living expenses. That way, you won't be worried that a poor investment or stock market dip will send you to the poorhouse.

The exception to the above suggestion? Investing in your retirement plan at work. If you get a company match, you may want to invest just enough in your 401(k) plan to get that money while also taking aggressive steps to pay down debt and establish emergency savings.

GET EDUCATED

Anxiety about the unknown and

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Focus on the Basics

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while her husband's balance would be $372,204. *(This example is provided for illustrative purposes only and is not intended to project the performance of a specific investment.)*

- **Live below your means so you can invest more.** The amount of money you have left over for investing is a direct result of your lifestyle. Don't have any money left over for investing? Ruthlessly cut your living expenses — dine out less often, stay home rather than going away for vacation, rent a movie rather than going to the theater, cut out morning stops for coffee. Redirect all those reductions to investments. This should help significantly with your retirement. First, you'll be saving much more for that goal. Second, you'll be living on less than you're earning, so you'll need less for retirement.
- **Maintain reasonable return expectations.** When developing your financial goals, you'll typically decide how much you need, when you'll need the money, and how much you'll earn on those savings. Those factors will determine how much you need to save on an annual basis to reach your goals. The higher your expected return on your investments, the less you need to save every year. However, if your assumed rate of return is significantly higher than your actual rate of return, you won't reach your goals. Thus, it's important to come up with reasonable return expectations. While past returns aren't a guarantee of future returns, you'll want to start by reviewing historical rates of return for investments you're interested in. You can then adjust those returns based on your expectations for the future. Assessing your progress every year will allow you to make adjustments along the way.
- **Understand that risk can't be totally avoided.** All investments are subject to different types of risk, which can affect the investment's return. Cash is primarily affected by purchasing-power risk, or the risk its purchasing power will decrease due to inflation. Bonds are subject to interest-rate risk, or the risk interest rates will rise and cause the bond's value to decrease, and default risk, or the risk the issuer will not repay the bond. 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 a stock will be affected by overall stock market movements. These risks make some investments more suitable for longer investment periods and others more suitable for shorter investment periods.
- **Diversify your portfolio.** By definition, allocating anything other than all of your portfolio to the best-performing asset lowers your return. Typically, you do not know which asset class will perform best on a year-to-year basis. Diversification is a defensive strategy — it helps protect your portfolio during market downturns and helps reduce your portfolio's volatility. Diversify your investment portfolio among a variety of investment categories, and also diversify within investment categories.
- **Only invest in the stock market for the long term.** Stocks should only be considered by investors with an investment timeframe of at least five years. Remaining in the market over the long term reduces the risk of receiving a lower return than you expected.
- **Don't try to time the market.** Timing the market is a difficult strategy to accomplish successfully. Significant market gains can occur in a matter of days, making it risky to be out of the market for any length of time. Instead of timing the market, concentrate on setting an investment program that works in all market environments.
- **Pay attention to taxes.** Taxes are probably your portfolio's largest expense. Using strategies that defer income for as long as possible can make a substantial difference in the ultimate size of your portfolio. Some strategies to consider include utilizing tax-deferred investment vehicles, minimizing portfolio turnover, selling investments with losses to offset gains, and placing assets generating ordinary income or that you want to trade frequently in your tax-deferred accounts.

Focusing on the fundamentals can help ensure you work toward your financial goals. If you need help with investing, please call. ❍❍❍

Overcoming

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worries about being taken advantage of are behind many people's fear of investing. But investing isn't really as complicated as it initially seems. Familiarizing yourself with how markets work and with the basic principles of sound investing will help you understand that though investing comes with risk, it's hardly the same as playing the lottery. There may be no sure things when investing, but if you proceed with a smart strategy and stick with it over time, there's a good chance you'll come out ahead.

Set a Goal

Simply taking a pile of cash and purchasing a random assortment of stocks and bonds isn't likely to end well. For one, you're not making an informed decision about how to invest. Second, you're not investing with a goal in mind. By knowing what you want to achieve before you make any specific decisions about where to put your money, you'll be more likely to invest in a way that will get you to where you want to be. If your goal is to buy a house in five years, that means investing in potentially high-return yet also high-risk stocks is not so smart — the risk you could lose your down payment savings is simply too great. Stashing that cash in a certificate of deposit probably makes more sense. But if you're investing for retirement that's three decades away, you can afford to take on more risk with your investments, since you have more time to make up any losses, and you'll benefit from the potentially greater returns of higher-risk investments. The key is to keep your goal in mind and let that drive your decisions about how to invest.

Being a little nervous about investing is normal, but you shouldn't let it keep you from achieving your financial goals. Please call if you'd like to discuss this in more detail. ❍❍❍

Why Teach Your Child about Investing?

It's never too early to begin teaching your children about money. Children as young as three can begin grasping basic financial concepts, while older kids can handle more advanced concepts than adults may give them credit for. Yet too many parents neglect to educate their children about how money works, which does them a serious disservice. When you teach lessons about money, you give your children a valuable gift that will serve them well throughout their lives and help to put them on the path to financial independence. Here are four good reasons to teach your children about investing.

Because Someday They'll Need to Do It on Their Own

You teach your children to ride a bike, swim, or safely cross the street because you want to be confident they'll eventually be able to do those things without you holding their hand. The same goes for investing. Once your children are on their own and have jobs, they'll have to make decisions about investing for retirement and other goals. If they come armed with good lessons from childhood, they're more likely to make smart decisions.

Because Good Money Habits Start Early

Children's core money habits may be ingrained as early as seven years old. While it may not be reasonable to expect a second grader to understand the intricacies of derivatives and hedge funds, you can start to teach children about concepts related to investing, like the idea that wealth builds over time. One way to do this is by having children open a savings account that earns interest, or you could reward their saving on your own, perhaps by matching a certain percent of their savings, just like your employer matches your 401(k) contributions.

So They Can Make Mistakes

Making mistakes is a part of the learning process. Most people have to make their investing mistakes as adults, when losing money often hurts a bit more. But by exposing your children to investing at a young age — and by letting them make their own decisions when it's appropriate — they'll learn valuable lessons now, when losing money hurts less. So let your child invest a small amount in that questionable stock. When it tanks as you expect it will, he/she will have learned a valuable investing truth.

So They Can Start Building Wealth Early

Consistent, focused investing is one of the best ways for most people to build wealth. If your children start young, you'll be giving them an important leg up for their financial future. Even if you aren't prepared to give children the reins yet when it comes to managing their money, you can show them how you're giving them a solid foundation by putting their birthday cash and other gifts in an investment account like a Roth IRA. As long as a child has earned income from a job, he/she can put money in a traditional or Roth IRA. Even if it's just a few hundred dollars, by starting early, their money will have decades to grow. If they continue those good habits as adults, by the time they reach retirement, your child could accumulate a significant sum.

If you're ready to teach your children about investing but aren't sure where to start, please call. ❍❍❍

FINANCIAL DATA

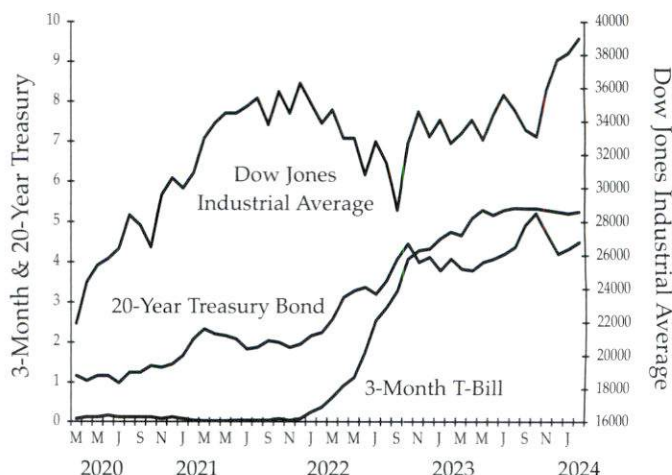
Indicator	Month-end Dec-23	Jan-24	Feb-24	Dec-23	Feb-23
Prime rate	8.50	8.50	8.50	8.50	7.75
Money market rate	0.48	0.50	0.51	0.48	0.47
3-month T-bill yield	5.26	5.21	5.26	5.26	4.75
10-year T-bond yield	3.88	3.99	4.25	3.88	3.92
20-year T-bond yield	4.20	4.34	4.51	4.20	4.10
Dow Jones Corp.	5.17	5.31	5.49	5.17	5.65
30-year fixed mortgage	7.09	7.14	7.47	7.09	7.07
GDP (adj. annual rate)#	+2.10	+4.90	+3.30	+3.30	+2.60

Indicator	Month-end Dec-23	Jan-24	Feb-24	% Change YTD	12-Mon.
Dow Jones Industrials	37689.54	38150.30	38996.39	3.5%	19.4%
Standard & Poor's 500	4769.83	4845.65	5096.27	6.8%	28.4%
Nasdaq Composite	15011.35	15164.01	16091.92	7.2%	40.5%
Gold	2068.67	2053.25	2048.05	-1.0%	12.2%
Consumer price index@	307.05	306.75	308.42	0.4%	3.1%
Unemployment rate@	3.70	3.70	3.70	0.0%	8.8%

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

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

MARCH 2020 TO FEBRUARY 2024



It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

FROM THE DESK OF: TOBIN HOM

HOW TO AVOID CREDIT CARD DEPENDENCE

If you are concerned you are too dependent on your credit cards, there are steps you can take to become credit card independent.

❍ Put your credit cards somewhere for safe-keeping to reduce the temptation to use them as your regular form of payment.

❍ Become more disciplined with spending by enacting a cash-only policy. While many people use debit cards as a convenient way to pay cash; be careful, because many financial institutions will allow you to overdraft your account when you use a debit card and may charge a large fee for this overdraft privilege.

❍ Consolidate your balances to fewer cards that have the lowest interest rates and close the rest of your credit card accounts to reduce the amount of available credit and, thus, the potential amount of debt you could incur. While closing credit cards can have a negative impact on your credit score, it's still better to have a temporary credit score setback than to go deeper into debt if you can't control your spending. To reduce the impact to your score, you should also consider keeping your oldest credit card in addition to a lower interest-rate card.

❍ Shock yourself into reality by looking at a few important things on your credit card statement including: How much are you paying in interest on an annual basis? How long will it take you to pay off the balance and how much will you pay in interest if you are only making the minimum monthly payment? This information can be a real eye-opener. ❍❍❍

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