Mission Financial Morning Bell

On Point Planning for Your Future

Mission Financial

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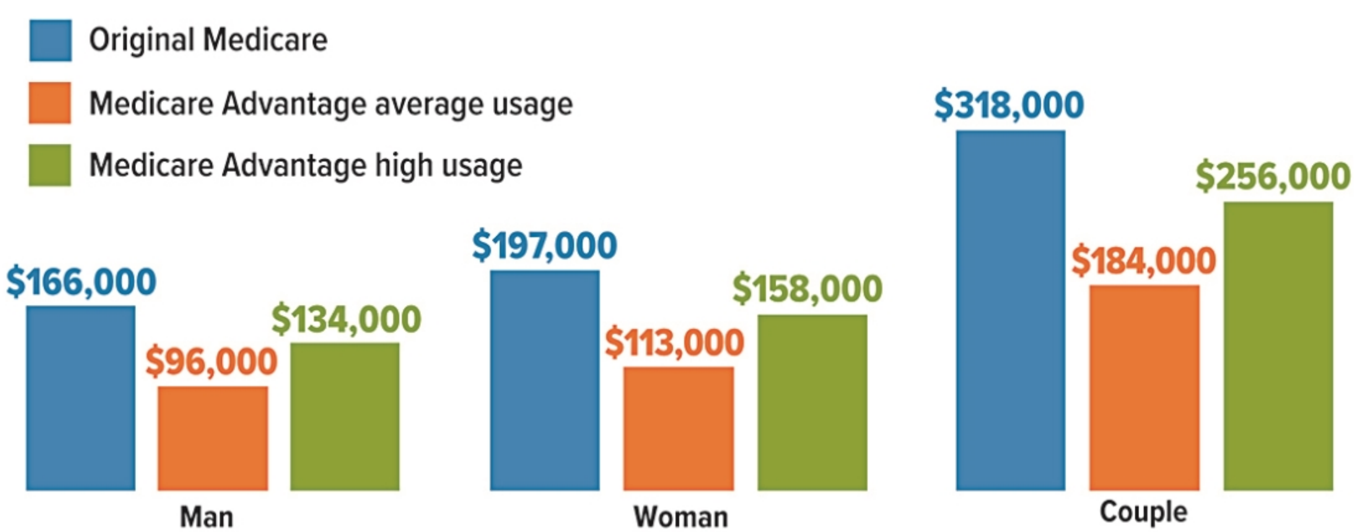
Welcome to the September edition of the Mission Financial Morning Bell! Fall has unofficially arrived, and we're preparing for bonfires, smore's, and football! Over the summer, Financial Advisors Janssen Longenecker & Josiah Longenecker let us know we should prepare for something else, too – a recession on the horizon. However, just like the seasons come and go, remember that economic cycles are normal. Historically, recessions are brief in comparison to economic expansions. We're here to help you build a financial blueprint that endures all economic seasons.

For more information on the current state of the economy, you can watch a recording of our Mid-Year Market & Economic Review on the blog page of our website. Additionally, there are some great planning insights in this newsletter. We hope you find this information valuable, and we hope to see you at our Fall Festival on September 26th to kick off the season together! Visit our website to RSVP.

Saving for Retirement Health-Care Costs

The chart below shows the savings that a man, a woman, and a couple who retired at age 65 in 2022 might need to meet retirement health-care expenses, assuming median prescription drug expenses. The Original Medicare estimate includes premiums for Medicare Parts B and D, the Part B deductible, out-of-pocket prescription drug spending, and premiums for Medigap Plan G, which would pay most other out-of-pocket costs.

Medicare Advantage Plans — offered by private companies under Medicare oversight — require the Medicare Part B premium and typically combine hospital, medical, and prescription drug coverage. They often have limited networks and may require approval to cover certain medications and services.



Source: Employee Benefit Research Institute, 2023. Projections are based on a 90% chance of meeting expenses and assume savings earn a return of 7.32% from age 65 until expenditures are made. Does not include vision, hearing, dental, or long-term care expenses. Some Medicare Advantage Plans require additional premiums, which are not included.

Put Your Money Where Your Values Are

Financial worries are often cited as a major source of stress. For example, a 2021 study found that even before the pandemic and subsequent economic downturn, a majority of Americans said they felt stressed or anxious about their finances.[1] Similarly, in 2022, research revealed that more than seven out of 10 financial planning clients experienced financial anxiety more than half the time.[2]

What causes financial stress? Lack of assets and/or income is certainly one reason. Another might be the flood of financial information Americans can access on a daily basis: reports about the markets, economy, and financial institutions, as well as conflicting advice about what people should and should not do with their money. One way to avoid becoming distracted and anxious amid scary headlines is by having a sturdy framework to help guide your spending, saving, and investment decisions.

The Why of It

In one of the most viewed TED Talks of all time, motivational speaker Simon Sinek identified what he calls "The Golden Circle," which is actually a series of three concentric circles. He labels the extreme outside circle "What," the middle circle "How," and the core "Why." He uses this image to illustrate how the most successful leaders and organizations are able to inspire so many people to support their causes or buy their products. Essentially, it's not what they do or how they do it; it's why they do it.

"By 'why' I don't mean to make a profit," Sinek explains. "That's a result ... By 'why,' I mean: What's your purpose? What's your cause? What's your belief? Why does your organization exist? Why do you get out of bed in the morning?"[3]

Certified financial planner, author, and creator of *The New York Times'* "The Sketch Guy" column, Carl Richards, says Sinek's principle can also apply to an individual's or family's financial plan. Having a clear vision of *why* you earn a paycheck, save, invest, and spend your money is critical to avoiding distractions and questionable or rash financial decisions.[4]

Taking Stock of What Matters

The key to identifying your *why* is taking inventory of your most important values, many of which may have little or nothing to do with money. To do this, set aside some time when you're feeling at ease and simply jot down what matters most to you. Some examples might include family, achievement, security, faith, knowledge, creativity, generosity, and independence. Try to narrow down your list to 10 or fewer.

Next, think about how your values relate to your financial situation. For example, if faith and generosity are high on your list, how might they influence your estate plan? Or if independence, creativity, and achievement make the final cut, how might those values affect your career choices? Perhaps family and knowledge are important — what might that indicate about your dreams for your children, from primary school to college and beyond?

Working with your financial professional, you can use this list of core values as a framework for your financial goals, strategies, and tactics. Whenever you're tempted to make a decision that could derail your overall strategy — such as chasing the latest hot investment tip or taking a loan from your 401(k) plan — your core values can serve as an important guidepost and prevent you from making a costly mistake.

Your list can also help you make spending decisions. For example, if adventure and education are among your key values, taking your family on a trip to explore a new culture can bring intangible returns in the form of a lifetime of tolerance for differences as well as happy memories.

Adapting as Your Life Changes

A values-oriented financial plan is as personal and unique as each individual or family. It's also flexible. As you progress through various stages of life, your hopes, desires, needs, and beliefs may change as well. Your financial professional can help you ensure your financial goals and strategies continue to reflect what matters most to you.

There is no guarantee that working with a financial professional will improve investment results.

This is just a selection from the "List of Values" by researcher and motivational speaker Brené Brown. For the full list, visit [brenébrown.com/.](brenébrown.com/)

1) FINRA Investor Education Foundation and Global Financial Literacy Excellence Center, 2021

2) Financial Planning Association, 2022

3) TED. (2009, September). *How great leaders inspire action* /Simon Sinek [Video]. YouTube. https://www.ted.com/talks/

4) Morningstar's The Long View podcast, "Carl Richards: It Should Be Ok to Relax Out Loud," July 27, 2021 https:/www.morningstar.com/podcasts/the-long-view

Four Key Objectives of a Sound Retirement Plan

A sound retirement plan should be based on your particular circumstances. No one strategy is suitable for everyone. Once you're retired, your income plan should strive to address four basic objectives: earn a reasonable rate of return, manage the risk of loss, maintain a source of sustainable and predictable income, and reduce the impact of taxes.

Earn a Reasonable Rate of Return

Your retirement savings portfolio will likely be used to provide at least a portion of your income throughout retirement. The overall goal is to maintain an amount that produces the necessary income each year. This requires accounting for the rising costs of goods and services (including health-care expenses); identifying your budgetary needs and wants; estimating how long you'll expect retirement to last; and factoring in Social Security and other income sources. It also requires estimating a rate of return you'll need to earn on your portfolio and then putting together an investment strategy to pursue that target rate.

If you have enough savings to meet your retirement needs, you'll want to maintain that level of savings throughout your retirement years. That's why it's important to strive for a realistic rate of return on those savings. Of course, determining a reasonable rate of return depends on your individual circumstances and goals.

Manage Risk of Loss

If you have sufficient savings to meet your retirement needs and goals, you'll want to protect those savings and reduce the risk of loss due to sudden market corrections and volatility. The goal is to reduce investment risk and preserve savings. A reduction in savings due to a market downturn could require you to sacrifice important retirement goals and reduce retirement income.

Prior to retirement, you have more time to recover from market losses. However, once retired, your time frame for recovery is much shorter. For example, if you had retirement savings of $500,000 and lost 25% due to market volatility, your savings would be reduced to $375,000. You would have to earn a rate of return of more than 33% in order to get back to $500,000. That could take plenty of time to achieve.

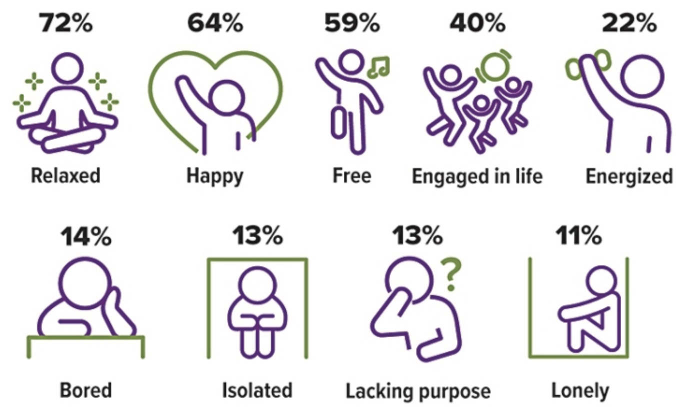
Maintain a Sustainable and Predictable Income

During our working years, most of us are used to receiving a steady income. However, once we retire, the income we got from work is no longer there, even though that's what we've been accustomed to. So it's important to create a sustainable, dependable, income stream in retirement to replace the income we received during our working years. While you may receive Social Security retirement benefits, it's unlikely that you can maintain your desired lifestyle in retirement on just Social Security. In addition, defined-benefit pension plans are not as prevalent or available as they once may have been. Most employers don't offer pension plans, placing the burden on us to find our own sources of retirement income.

Maintaining a sustainable income in retirement is important for many reasons. You'll want sufficient income to meet your retirement expenses. It is also important that your income is not negatively impacted by downturns in the market. And you'll want your income to last as long as you do.

A Few Words About Retirement

In a recent survey, retirees ages 40 to 74 were asked to choose from a list of words and short phrases to describe their feelings about retirement. The good news is that most had positive feelings.



Source: AARP, 2022 (multiple responses allowed)

Reduce the Impact of Taxes on Retirement Income

Taxes can cut into your retirement income if you don't plan properly. Many of us think our tax rate will be lower in retirement compared to our working years, but that is often not the case. For instance, we may no longer have all of the tax deductions in retirement that we had while working. In addition, taxes may increase in the future, potentially taking a bigger chunk out of your retirement income. So it's important to create a tax-efficient retirement.

Your retirement plan should be suited to your particular situation. However, these four objectives are often part of a sound retirement plan. A financial professional may be able to help you to earn a reasonable rate of return, manage risk of loss, create and maintain predictable retirement income, and reduce the impact of taxes on that income. There is no guarantee that working with a financial professional will improve investment results.

Time to Bulk Up Your Emergency Fund

A financial crisis — such as a job loss or medical emergency — can strike when you least expect it. It is important to be prepared by having a financial safety net in place — not having one could prove to be financially devastating. But bulking up your emergency fund isn't always easy, especially during times of economic uncertainty. According to a recent study, only 26% of people say they have more emergency savings than they did a year ago, and 39% say they have less.[1]

Generally, you'll want to have at least three to six months' worth of living expenses in a readily available emergency fund. Your living expenses include items such as your mortgage or rent, debt payments (e.g., credit card, car loan), groceries, and insurance costs. The actual amount, however, should be based on your particular circumstances. Consider factors like your job security, health, and income when deciding how much money you should save in your emergency fund.

When you reach your savings goal, try to keep adding to your emergency fund — the more money you have, the better off you'll be in an emergency. In addition, review your emergency fund from time to time — either annually or when your personal or financial situation changes. Major milestones like a new baby or homeownership will likely require some adjustments to your savings goal.

If you are looking for ways to bulk up your emergency fund, consider the following ideas.

- If possible, authorize your employer to directly deposit funds from each of your paychecks into an account specifically designated for emergency savings.
- Make increasing your emergency fund a habit by modifying your budget to include it as part of your regular household expenses.
- Put aside some of the money that you would normally spend on discretionary items like entertainment, vacations, and hobbies toward your emergency fund instead.
- Move funds from cash accounts or liquid assets (e.g., those that are convertible to cash within a year, such as a short-term certificate of deposit) into your emergency fund.
- Add earnings from other investments, including stocks, bonds, or mutual funds to your emergency fund.

The FDIC insures bank CDs, which generally provide a fixed rate of return, up to $250,000 per depositor, per insured institution.

1) Bankrate, Annual Emergency Savings Report, January 2023