



Start Longevity Planning Now

Just because we are living longer doesn't mean we're going to remain healthy throughout our longer lives. In the past, seniors who lived long lives tended to be healthier in their senior years, which meant they had lower medical bills. But while some credit goes to more active, health-conscious, smoke-free lifestyles, it's safe to say that today's seniors owe more to prescription drugs and medical advances for lengthening their life-span.

And as we all know, health care costs money — lots of it. With a longer life comes the greater likelihood of needing assisted living or long-term care.

Plan Now for a Long Life

Some things you can do to plan for a long life come down to repositioning your assets, as well as your approach towards life.

For example, lifestyle factors can contribute significantly to both how long you live and the quality of life you lead. Areas where most of us could easily pay more attention include having a lower caloric intake, eating more vegetables and fruits, eating foods with higher fiber, lowering our body fat, and exercising regularly.

Furthermore, research has

revealed that as you age, learning new skills can help protect the brain against age-related memory decline and dementia. This is particularly important during retirement when you no longer have the work-related cognitive challenges that kept your mind active. Effective brain-stimulating activities include doing crossword puzzles, playing video games, learning a new skill such as cooking or ballroom dancing, or learning a foreign language.

Studies have also found that

people who feel the most socially connected are four times less likely to develop serious illnesses.

Finances

Now is a good time to think about your priorities and align your assets to support your personal goals (not just your financial aspirations). In fact, you may need to reposition your assets to accommodate a longer life with fewer assets than you previously thought.

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Benefits of Low-Correlated Assets

Correlation is a statistical measure of how one asset class performs in relation to another asset class. Correlations can range from +1 to -1. A correlation of +1 means the two assets move very closely together. Combining assets with a high positive correlation will not provide much risk reduction. A correlation of -1 indicates the assets move in opposite directions, a rare event in the investment world. A correlation close to 0 means no relationship exists. While correlations change over time, general observations include:

- ✓ Stocks tend to have a low positive correlation with corporate and government bonds.
- ✓ Short-term bonds tend to have a low correlation with long-term bonds.
- ✓ Stock markets around the world are all positively correlated to some degree. Correlations between developed countries tend to be higher than correlations between developed and emerging countries.
- ✓ Real estate tends to have a low correlation with stocks and bonds.

Start Longevity

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When thinking about reevaluating and establishing financial goals, it shouldn't just be about seeking a 10% average annual return on your investments over the next five years. You should consider what you actually want to do with your money. What is the purpose of it — to live out your life comfortably and secure, or to live in luxury, entertain, and travel extensively? The latter lifestyle may no longer be your priority, so before you determine what changes to make in your finances, it's important to establish what you want from your life.

Even in retirement, your portfolio may need to be positioned for both growth and security. Growth to meet the challenges of a long life and the impact of long-term inflation and health care, but also sources of secure income to ensure your daily essential living expenses will be met.

Insurance

During this continuing era of slow economic growth, remember that one of the key components to managing wealth is managing risk. In addition to the traditional sources of retirement and estate planning, consider today's popular insurance options, such as annuities, long-term care, and life insurance policies.

A Lifelong Plan

Life is long, and it's getting longer with each generation. They say that life gets in the way of even the best-laid plans, and it's true. Every plan, even a financial plan, requires tweaking and adjusting periodically to account for current events. However, your personal goals may well remain the same for the rest of your life. So if you establish the purpose of your money — what it is you want out of life — then you can reposition your assets to help you reach those goals.

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Hidden Gems in Your 401(k) Plan

Tax-deferred contributions and employer matches make 401(k) plans a valuable retirement planning tool, but many people are unaware of other factors that can make them even more valuable. Check with your 401(k) plan administrator to see what other gems may be hiding in your plan.

Investment Advice — Most people would readily admit they don't have the knowledge or skills to manage their own investments, but they do not take advantage of the various advice options that may be available through their 401(k) plan. Almost 40% of plans offer online advice for investment recommendations, but only 6% of plan participants utilize these online advice tools. And while about 25% of plans offer managed account advice and 68% offer professional financial planner services, only about 10% of participants use either of these services. While the financial planning service may require a fee, much of this valuable investment advice is available for free.

Investment Customization — A wide range of investment options are available to provide participants with choices based on their investment tolerance. On average, 401(k) plans offered 18 different funds in 2016, yet half of plan participants contribute to only one fund. Investment diversification is important in your 401(k) plan because it helps during volatile periods in the market. Consider taking advantage of the plan's investment advice tools to determine your investment risk tolerance and closely review the fund recommendations so you have an investment portfolio that is customized to meet your goals.

Changing Investments — While investment selections can be changed in your 401(k) at any

time, only 9% of plan participants actually traded within their plan in 2015. This is an important feature of your plan because your situation may change. On a quarterly basis, you should review the investments in your 401(k) to determine how they are performing in meeting your investment objectives. Again, use some of the investment-planning tools to help you determine when it's time to change your investment selections.

Roth 401(k) Plans — The benefit of investing after-tax contributions in a Roth 401(k) is that contributions may be drawn tax-free in retirement. While there are rules around how much you can invest in a Roth 401(k) plan, tax-free income in retirement is a great way to reduce your tax liability. You will most likely have multiple sources of income in retirement, such as Social Security, 401(k) plan withdrawals, and other investment income, all of which can put you in a higher tax bracket. When you take money in retirement, you will have more control over how much of that money will be taxed. Additionally, the Roth 401(k) plan does not have required minimum distributions at 73, giving you more flexibility in managing your disbursements.

Catch-Up — About 97% of 401(k) plans offer the option to make catch-up contributions to those 50 and older, but only 16% of eligible participants take advantage of this option. The maximum contribution to a 401(k) in 2026 is \$24,500, but the catch-up feature allows a participant to contribute an additional \$8,000. If you haven't been making the maximum contribution and you're over 50, this is your opportunity to make the most out of your 401(k) with the time you have left to make contributions. ○○○

The Psychology of Saving

Saving money sounds simple, and in many ways, it is. You simply set aside a portion of what you earn on a regular basis and watch your money grow. As a result, you're more prepared for emergencies, feel more financially stable, and are better able to achieve the things you most want. But in reality, saving is a little more complicated. Sometimes, our own minds seem to work against us when it comes to setting aside some of the money we earn. That's why a basic understanding of the psychology of saving can help you overcome roadblocks and get you closer to your goals.

Why It's Hard to Save

What is one of the biggest obstacles most people face when it comes to saving? We tend to prefer the certainty and immediate gratification of short-term rewards over the potentially greater — yet perhaps more uncertain — benefits of longer-term rewards. One study found that most adults would prefer to have \$50 today rather than \$100 two years from now, for example.

Part of the difficulty people face with saving for long-term goals is that they may think of their future selves as different or separate from their current selves. That disconnect can make it hard to prioritize saving for the future. Researchers studying this issue looked at whether encouraging people to think of saving for retirement in terms of a social responsibility to their future self, rather than in terms of their basic self-interest, would lead them to save more. The study found that the former appeal led to higher savings rates. In a related vein, another group of researchers found that seeing pictures of their future selves encouraged people to save more.

In fact, there are a number of studies suggesting that changing our mentality — either about the future or about saving in general — might allow us to set aside more money.

One study found that people who adopted a cyclical mindset to saving, where they focused on making saving routine in the short term, saved more than people who set more ambitious longer-term goals. Those with a traditional linear mindset saved about \$140 over two weeks, while those with a cyclical mindset saved \$223 over the same time period. Overall, the evidence seems to suggest that if we can change the way we think about the future — and our future selves — we may be able to boost our savings rates.

The Psychological Advantage of Saving

Once you commit to saving, there's a good chance you'll see a psychological boost from doing so. A survey by Ally Bank found that 38% of people with a savings account reported being extremely happy, compared to only 29% of people who didn't have a savings account.

That same survey found that 82% of people reported that saving made them feel independent. Those feelings of success, well-being, and

independence may in turn lead to even more saving. In fact, feeling powerful and having high self-esteem can lead people to save more, perhaps because increasing their net worth and financial stability helps people maintain their powerful feelings.

There might even be a formula for spending and saving that could lead to more happiness. Ryan Howell, a professor of psychology at San Francisco State University, found that happy people tended to demonstrate a particular pattern of spending and saving, earmarking 25% of their money for savings and investments, allocating 12% to charitable giving or gifts to others, and spending about 40% on life experiences that they considered meaningful.

While our mental quirks might sometimes make saving difficult, being aware of the obstacles our mind throws in our way can help us find our way around them. And that, in turn, may lead to greater savings and increased happiness overall. Please call if you'd like to discuss this topic in more detail. ○○○



Pay Yourself First

The advice sounds simple enough — to force yourself to save regularly, treat those savings as a bill to yourself and pay that bill first every month. But when you're faced with a stack of bills that includes your mortgage payment, car lease, and groceries to feed the kids, you're likely to skip paying yourself for at least another month. Unfortunately, those months can add up with little in the way of savings. If you're looking for ways to start paying yourself first, consider the following:

✓ Reduce spending, diverting those reductions to savings.

One way to accomplish this is to cut back on your spending, perhaps reducing your expenditures for dining out, traveling, clothing, or entertainment. But for many people, this feels too much like sacrifice, making it difficult to stick with this strategy. Another alternative is to find ways to spend less for the same items. For instance, get quotes for your car and home insurance from several companies, placing any premium reductions in savings. Or find ways to reduce your borrowing costs. Just make sure any reductions in your costs go directly to your savings.

✓ Save all unexpected income.

Immediately save any money from tax refunds, bonuses, cash gifts, and inheritances. Before you get used to any salary increases, put that raise into savings, possibly in your 401(k) plan.

✓ Make saving automatic.

Resolve to immediately set up an investment account that automatically deducts money from your bank account every month. Start out with small amounts that aren't even noticeable. As you get used to saving on a regular basis, increase the amount periodically. Another good alternative is to sign up for your company's 401(k) plan. Not only will the amount be automatically withdrawn from your paycheck, but you won't pay current income taxes on those contributions. *(Keep in mind that any automatic investing plan, such as dollar cost averaging, does not assure a profit or protect against loss in declining markets. Because such a strategy involves periodic investment, consider your financial ability and willingness to continue purchases through periods of low price levels.)*

Please call to discuss additional ways to help pay yourself first.

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Good Investing Habits

✓ Write everything down in a diary. This will force you to develop objective reasons before making trades. The diary will also be useful when evaluating your investment strategies.

✓ Keep track of your portfolio's performance. Monthly, quarterly, or even annual reviews are adequate. The point is to assess how your investments have performed compared to a relevant benchmark.

✓ Monitor the market and your investments. While you don't have to read everything in print about your investments, make sure to set aside enough time to review quarterly and annual reports and other major news.

✓ Evaluate your strategies.

Once a year, thoroughly review your investment strategies and make sure you are on track in pursuing your financial goals. The other habits will assist in this review. Pull out your diary and the analysis of your portfolio's performance so you can review all your trades and investments in detail. Look for trends and analyze what you did right and wrong during the year. If you'd like help with this overall analysis, please call. ○○○

Financial Thoughts

Overall, the job market for new grads isn't great...except in a few key areas. Healthcare, hospitality, and education — all dominated by women — were the few fields that showed job growth recently. Meanwhile, male-dominated industries like business and tech have had mass layoffs and hiring freezes. Young men with a college degree are now slightly more likely to be unemployed than those without one. Even though young women

might have work in more stable industries, those fields typically pay less. The median entry-level salary for a nurse in 2023 was \$65,000, for example, while the same for a computer scientist was \$80,000, per New York Fed data.

Three in four workers (75%) plan to work for pay in retirement, compared with just 29% of retirees who report they have actually worked for pay. Retirees working for pay in retirement

often cite a positive reason, such as they want to stay active (89%), they enjoy working (88%), or a job opportunity. Financial reasons also play a role, such as wanting money to buy extras (73%), to avoid reducing their savings (54%), needing money to make ends meet (40%), a decrease in the value of their savings or investments (26%), or keeping health insurance or other benefits (16%). ○○○