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Creating income for life.

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Financial Outlook

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Paying Off Debt Isn't Saving

Should you save your money or pay off debt? It probably comes as no surprise to hear that it depends. But one thing is certain: paying off debt is *not* the same as saving. Here's why.

The rational objective for all sound financial planning is to increase your net worth, which is the true measure of your financial health. Calculating your net worth is simple: total up the value of everything you own and subtract then all of your debt.

Net Worth = Assets – Debt

When you pay off debt, it feels good. And, in fact, it almost always improves one aspect of your financial wellbeing: it lowers your monthly bills, which means you can either spend or save more. But if you look carefully at the formula for net worth, it's clear that paying off debt doesn't immediately increase your net worth, because it reduces your assets by as much as it reduces your debt. So, by itself, paying off debt doesn't do anything to advance your goal of building your wealth. It only helps if you then save the amount you no longer have to send to your creditor.

Higher Priorities Should Come First

Paying off debt can also make your financial situation more precarious. For example, if you deplete your savings to pay off debt, you may be in a worse position to cover your expenses in the event of an emergency. In fact, it's one of the principles of good planning to maintain an emergency savings account equal in value to three to six months of your living expenses. So unless you already have enough tucked away in your emergency fund, you should consider if it makes sense to use any free cash to pay off a debt. And if you have a partner and dependent children, maintaining a life insurance policy sufficient to meet their needs should also be a higher priority than paying off debt.

But let's say you have both of these objectives covered. Does it make sense to be aggressive in

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Estate Planning for Blended Families

In a blended family, it can be difficult to determine what's "yours, mine, and ours," but it's an issue that needs to be addressed. While this may be an emotional and uncomfortable conversation at times, do your best to keep the emotion out of the mix as you work through this myriad of issues.

Discovery

The first step in developing an estate plan in a blended family is for you and your spouse to have a very open conversation to discover:

- **Plans that you may have from previous marriages** — To understand how previous arrangements might impact your new plan, you will need to review any plans you have in place from previous marriages. For example, your current spouse may not be entitled to a retirement account if it was part of a divorce settlement specifying that it goes to your previous spouse.
- **Goals and wishes** — Each of you needs to clearly define your goals for upholding previous obligations, how guardianship will be handled for both biological and stepchildren, and how you want your separate or combined assets

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Paying Off Debt

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paying off your debts? It can. It generally (but not always) comes down to comparing the potential return on your investing choices to the *effective* interest rates you're being charged on your loan.

Compare interest rates. If you're paying a higher rate of interest on a debt than you could earn on an investment, it makes sense to pay off that debt as quickly as you can. Such is typically the case with credit cards, where it's rare the interest rate is less than double digits. Making only the minimum required payment is generally a bad idea, because interest and fees can grow faster than you pay down the principal. At the very least, then, you should try to pay more than the minimum — even if you're not trying to be aggressive in paying down the balance.

If you have money left over at the end of the month, you should consider both trying to save and paying down your debt at the same time. This is especially true when it comes to tax-advantaged savings plans, like individual retirement accounts (IRAs) and 401(k) plans. Contributions to these are often made on a pre-tax basis, which adds to the effective total return you receive. If your employer matches your contributions, you should do all you can to contribute to the maximum match before taking an aggressive stance toward reducing your debt load.

Don't forget the power of compounding. The biggest reason to save *and* pay down debt at the same time is that saving, even relatively small amounts, puts time on your side by harnessing the power of compounding. When you reinvest your returns — whether it's interest, dividends, or capital gains — your money makes more money, and you can reach your long-term goals faster.

Be careful about paying off mortgages. Owning a home free of mortgage debt remains a fond dream that influences many Americans' decisions. It explains why 15-year mortgages seem more appealing to some than 30-year mortgages: not only are the interest rates for 15-year mortgages generally lower, but it takes less time to pay them off, and the accumulated interest you pay is much less.

But it's not necessarily a smart idea to take out a 15-year mortgage because the required monthly payments are generally 20% to 30% higher than the payment on the same principal amount for a 30-year loan. That means you have less free cash flow to devote to saving in a retirement plan, and if you lose your income for an extended period of time, it's harder to keep up with the payments.

On top of that, mortgage interest is generally tax deductible. Finally, the interest rates on mortgages are among the lowest consumers face. All of this means that paying off a mortgage more aggressively is one of the last things you should consider doing with your money.

In summary, paying off debt has its advantages, but whether it's the right thing for you depends on your broader financial picture, what kinds of debts you have, what interest rates they carry, and what your saving opportunities are. It can take some careful analysis to make the best decisions. Please call if you'd like to discuss this in more detail. ❍❍❍

Should You Serve as Guardian?

When asked to serve as the guardian of someone's minor children in the event of his/her death, it is usually meant as a compliment that the person trusts you to serve in this important role. While you may fear you'll hurt your relationship with that person by saying no, don't accept this role without giving it serious thought. Consider the following:

❍ **Are your lifestyles compatible?** Go over all details involved in raising the children. Will the children move in with you? If so, will that mean relocating them far from their current home? What are the parents' preferences regarding education, religion, lifestyle, and other factors? How well does your family get along with their children? Consider the impact on your family, including the fact that you will probably have less time available for your own children.

❍ **How much financial support will be available?** This involves more than making sure money is available for college and other expenses directly attributable to the children. Additional children in your house will increase many of your bills, including food, utilities, transportation costs, etc. Your house may now be too small, requiring an addition to your current home or moving to a larger home.

❍ **Are you comfortable taking on responsibility for the children's finances?** Just because you agree to take physical custody of the children does not mean you have to handle their finances.

❍ **Has a contingent guardian been named?** Find out if a contingent guardian has been named in case you cannot serve. However, don't use this as an excuse to say yes when you really want to decline. It is better to indicate that you do not want to take on this responsibility now, so another guardian can be chosen and has the opportunity to go over all these details. Also, if your situation changes in the future, inform the parents immediately. ❍❍❍

Estate Planning

Continued from page 1

distributed. This is extremely important, because how assets are owned is how they will be distributed in the future. Straightforward communication is the key to developing a blended estate plan.

❍ **Together or separate** — Commingling or keeping assets separate can depend on several factors that a couple needs to decide. If one party brought in significant assets, you may decide to keep those separate, while commingling assets you build together. Children also play a major role in this decision. Maybe you already have college accounts or trusts established for your children from a previous marriage and those assets should remain separate.

❍ **Review the marital property laws in your state** — Make sure you understand how your state laws govern the way you hold assets. For example, if you live in a community property state, any assets that aren't identified as separate will be considered equally owned as community property of the couple.

Documentation

While you may feel it's overkill, you need to document every detail of your estate plan to avoid potential issues down the line, especially if you have children and former spouses. Also, this legal documentation will help avoid the expensive, and potentially emotional, issues involved with probate court.

❍ **Wills** — You should create a will that provides clear instructions on how all your assets are to be distributed, guardianship for minor biological and stepchildren, health care directives, and any other wishes to be carried out should either of you become incapacitated or die.

❍ **Trusts** — Blended families should consider developing a trust, which holds the assets on behalf of the beneficiaries and defines how and when the assets pass to the beneficiaries. A trust can also last for years, through the lifetimes of the surviving spouse, children, and even future generations. For blended families, certain types of properly established trusts can provide financial support for your spouse and still make sure something is left for your children.

❍ **Account titles** — Even if you have a will or a trust, you will also want to make sure that accounts, such as a retirement account, have defined beneficiaries. Additionally, other accounts can be owned as joint tenants with right of survivorship or transfer on death, making the owner's intentions clear that in both cases the assets go directly to the party named on the account.

Please call if you'd like to discuss this in more detail. ❍❍❍

Teach Children to Handle Credit Cards

Credit cards can be a great convenience for both college students and their parents. They reduce the need to carry cash; enable students to purchase books, clothing, and other incidentals; and provide a ready source for emergency funds. There is another advantage — students who handle their credit cards responsibly have a head start on establishing a good credit history that can help them gain access to lower-interest credit after graduation.

However, young adults can't always be counted on to exercise caution when it comes to spending money.

So what's a parent to do? While you probably can't stop your college student from getting a credit card, you can help teach him/her to use that card responsibly. Consider the following tips to help your child manage credit responsibly:

❍ **Help your child select a credit card.** Try to convince your child to use a debit card instead of a credit card, so he/she won't get into debt. If your child insists on using a credit card, go through several offers with him/her, comparing interest rates, annual fees, grace periods, and penalties.

❍ **Explain the basics of credit card debt.** Make sure your child understands that not paying the balance in full every month can result in a significant amount of interest. Low minimum payments mean it may take years to pay off credit card balances. Try to instill the habit of paying credit card balances in full every month.

❍ **Urge your child to only use credit cards for necessities, not to fund luxuries.** Credit cards can be used for items like book purchases and car repairs, but they should be avoided for clothing, dining out, and entertainment, unless your child can pay the balance in full every month.

❍ **Go over your child's credit card statement every month.** Show your child how to compare receipts to credit card statements. Go over all purchases and explain how credit cards can increase impulse purchases. ❍❍❍

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Financial Data

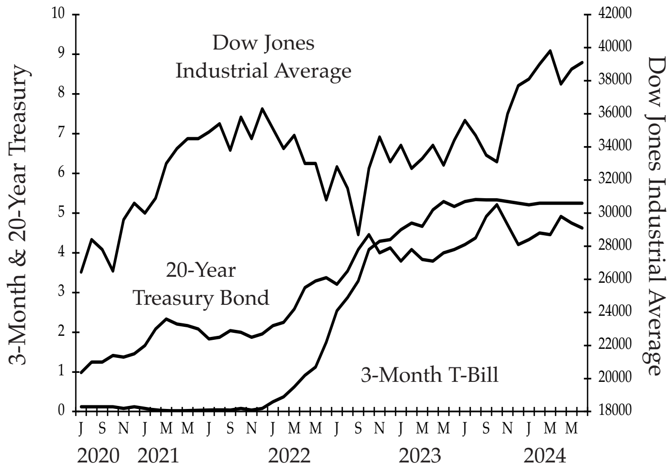
Indicator	Apr-24	May-24	Jun-24	Dec-23	Jun-23
	Month-end				
Prime rate	8.50	8.50	8.50	8.50	8.25
Money market rate	0.48	0.51	0.50	0.48	0.54
3-month T-bill yield	5.25	5.26	5.24	5.26	5.18
10-year T-bond yield	4.69	4.51	4.36	3.88	3.81
20-year T-bond yield	4.90	4.73	4.61	4.20	4.06
Dow Jones Corp.	5.84	5.65	5.51	5.17	5.54
30-year fixed mortgage	7.65	7.53	7.47	7.09	7.24
GDP (adj. annual rate)#	+4.90	+3.40	+1.30	+3.40	+2.20

Indicator	Apr-24	May-24	Jun-24	YTD	12-Mon.
	Month-end			% Change	
Dow Jones Industrials	37815.92	38686.32	39118.86	3.8%	13.7%
Standard & Poor's 500	5035.69	5277.51	5460.48	14.5%	22.7%
Nasdaq Composite	15657.82	16735.02	17732.60	18.1%	28.6%
Gold	2307.00	2350.65	2330.90	12.7%	21.9%
Consumer price index@	312.33	313.55	314.07	2.3%	3.3%
Unemployment rate@	3.80	3.90	4.00	8.1%	8.1%

— 3rd, 4th, 1st quarter @ — Mar, Apr, May Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

July 2020 to June 2024



Past performance is not a guarantee of future results.

News and Announcements

Handling the Financial Aspects of Death

The emotional trauma of dealing with a loved one's death can be devastating. If you also have to handle the financial aspects, it can seem overwhelming to deal with all the details. Following is a checklist of items to consider:

❍ Your most immediate concern will be to notify family and friends of the death and to make funeral arrangements. You'll probably need to contact a funeral home as well as your loved one's religious organization. An obituary will need to be prepared, a burial site may need to be purchased, and death certificates must be obtained.

❍ If a surviving spouse and/or minor children are involved, evaluate their means of support and determine whether care for the dependents needs to be obtained. In terms of the loved one's home, you may need to deal with security at the residence, provide for the care of pets, and send mail to another location.

❍ Locate any safe deposit boxes and follow necessary procedures to have them opened.

❍ If the deceased was employed, contact his/her employer to start the process of collecting any outstanding pay, life insurance proceeds, or other benefits. If the deceased was retired, notify Social Security and any pension plans.

❍ Locate important documents, including wills, trusts, deeds, investment records, insurance policies, business and partnership arrangements, and other evidence of assets and liabilities.

❍ Meet with an attorney to discuss the deceased's estate matters. You may need to retain an attorney, accountant, and/or financial advisor. These professionals have experience dealing with the financial matters of estates and can help significantly with the process. ❍❍❍

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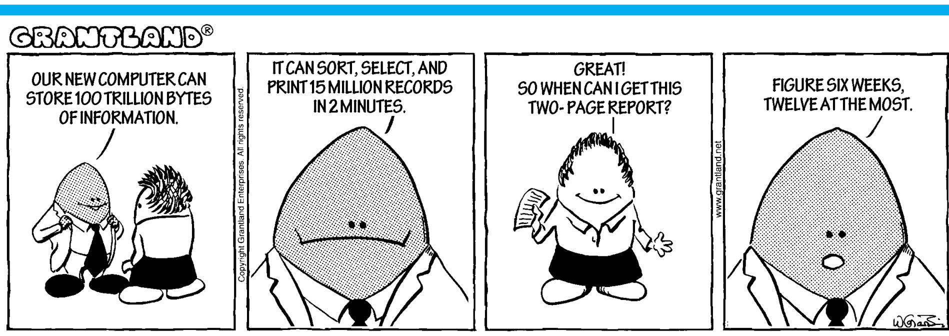

Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices do not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.
The Dow Jones Industrial Average (DJIA) is a price-weighted 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