Life Income Management™

Creating income for life.

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Financial Outlook

AUGUST 2026

Avoid These Investment Mistakes

When making decisions about your investment portfolio, avoid these common investment mistakes:

- **Chasing performance.** Investors often move out of sectors that are not performing well and invest that money in high-performing investments. But the market is cyclical and those high performers may be poised to underperform, while the sectors just sold may be ready to outperform. A classic example is technology stocks in early 2000. Many investors rushed to purchase technology stocks just as they reached their peak and were headed for a long downswing. Rather than trying to guess which sector is going to outperform, broadly diversify your portfolio across a range of investment sectors.
- **Looking for get-rich-quick investments.** When your expectations are too high, you have a tendency to chase high-risk investments. Your goal should be to earn reasonable returns over the long term and invest in high-quality investments.
- **Avoiding the sale of an investment with a loss.** When selling a stock with a loss, an investor has to admit that he/she made a mistake, something that is psychologically difficult to do. When evaluating your investments, objectively review the prospects of each one, making decisions to hold or sell on that basis rather than on whether the investment has a gain or loss.
- **Selecting investments that don't add diversification benefits to your portfolio.** Diversification helps reduce your portfolio's volatility, since various investments respond differently to economic events and market factors. Yet, it's common for investors to keep choosing investments that are similar in nature. This does not add much in the way of diversification and makes the portfolio more difficult to monitor.
- **Not checking your portfolio's performance periodically.** Everyone likes to think their portfolio is beating the market, but many investors simply don't know for sure. Analyze your portfolio's performance

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Interest Rates and Debt

In simple terms, an interest rate is the cost of borrowing money. Understanding interest rates and how they work is essential to making smart financial decisions.

Interest Rate Basics

An interest rate is the amount a borrower (or debtor) is charged by a lender (or creditor) to borrow money. It is usually expressed as a percentage of principal. By charging interest, a lender is compensated for lending you money. By paying a certain amount of interest every time you make a payment, you also help to lessen the financial blow to the lender if you default on (or fail to pay back) the loan.

How Interest Rates Are Determined

A variety of factors influence interest rates. Some are macroeconomic, or related to broad economic trends. In the U.S., the Federal Reserve (the country's central bank) sets what is called the Fed funds rate, which is the amount banks

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Investment Mistakes

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periodically. Compare your actual return to the return you targeted when setting up your investment program. If you aren't achieving your targeted return, you risk not achieving your financial goals. Honestly assess how well your portfolio is performing. Are major changes needed to get it back in shape?

❍ **Letting market predictions cause inaction.** No one has shown a consistent ability to predict where the market will be headed in the future. So don't pay attention to either gloomy or optimistic predictions. Instead, approach investing with a formal plan so you can make informed decisions with confidence.

❍ **Expecting the market to continue in its current direction.** Investors have a tendency to make investment decisions based on current market trends. Thus, if the stock market has been performing well for a period of time, investors tend to move more and more funds into that area. However, there is a tendency for markets, when they have an extended period of above- or below-average returns, to revert back to the average return. For instance, following an extended period of above-average returns in the 1990s, the stock market experienced a significant downturn, which helped to bring the averages back in line.

❍ **Not understanding that saving and investing are two different concepts.** Saving involves not spending current income, while investing requires you to take those savings and do something with them to earn a return. Separating saving from investing may make it easier to save. Find ways to make saving as automatic as possible, then take your time to research and select specific investments.

❍ **Considering only pretax returns.** One of the most significant expenses that can erode your portfolio's value is income taxes. Thus, don't just consider your pretax returns, but look at after-tax returns. If too much of your portfolio is going to pay taxes, look at strategies that can help reduce those taxes.

❍ **Not realizing that help is only a phone call away.** The investment world has become very complex, with a vast assortment of investment vehicles now available. If you need help with your investment decisions, please call. ❍❍❍

Use Conservative Estimates

How can you ensure you'll have sufficient funds to last your entire retirement? So many of the variables used to calculate this amount seem uncertain. If you're concerned about running out of money during retirement, you need to be very conservative with your assumptions. Some tips to consider include:

❍ **Assume your retirement income needs to be at least 100% of your current income.** Most rules of thumb indicate you'll need between 70% and 100%, but figure on at least 100% to be safe. Nowadays, retirees want to travel, pursue hobbies, and live an active lifestyle.

❍ **Add a few years to your life expectancy.** You should probably plan on living until at least age 85 or 90. If your family has a history of longevity, add a few more years to these figures. You don't want to reach age 75 or 80 and find out you've run out of money.

❍ **Reduce your estimates of Social Security benefits.** While Social Security is currently in sound financial condition, that is expected to change after all the baby boomers retire. To be safe, count on benefits that are somewhat less than the Social Security Administration is estimating.

❍ **Cut back on living expenses now.** This has a two-fold impact on your retirement. First, it frees up money to set aside for retirement. Second, you get used to a lower standard of living, which should also reduce your expected lifestyle for retirement.

❍ **Reach retirement with no debt.** Mortgage and consumer debt payments consume a significant portion of most people's income.

❍ **Forget about early retirement.** Saving enough to last from age 65 to age 85 or 90 is a difficult task. Trying to retire at age 55 or 60 is just not practical for most individuals, unless you're willing to significantly reduce your lifestyle. Working a few more years can go a long way in helping to fund your retirement. Those years are typically your highest earning years, so hopefully you'll save significant sums during that period. Also, every year you work is one year you don't have to support yourself with your retirement savings.

❍ **Consider working during retirement.** Especially during the early years of retirement, you should consider working at least on a part-time basis. Even modest earnings can help significantly with retirement expenses.

❍ **Plan on taking conservative withdrawals from your retirement assets.** Don't plan on taking out more than 3% to 4% of your balance annually. Your funds should last for decades with that level of withdrawal.

If you'd like to review your retirement plans in more detail, please call. ❍❍❍

Interest Rates

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charge each other for certain types of loans. The Fed funds rate, in turn, influences other interest rates, including the prime rate — the interest rate a bank charges its best (or least-risky) customers. The prime rate then influences other consumer interest rates, such as those for cars, credit cards, and mortgages. The Fed uses its ability to set interest rates to influence the broader economy, lowering interest rates to stimulate growth or raising them to combat inflation.

Of course, broad economic trends aren't the only factors that affect what interest rate you're charged. A lender will also look at your overall creditworthiness and then offer an interest rate based on how risky the lender believes it is to loan you money. If you have defaulted on debts in the past and have little income, a lender may only offer you a loan at a very high rate or even decline to loan you money at all, because it fears there's a good chance you won't pay the money back. On the other hand, if you've always paid your debts promptly and have a good income, you may get a lower rate.

Finally, the interest rate you're charged depends on the type of loan you want. One reason mortgage loans tend to have lower interest rates is because they are secured loans, meaning you promise an asset as collateral when you get the loan. If you fail to make payments, the lender has the right to claim that asset (in the case of a mortgage, the house). On the other hand, credit cards tend to have high interest rates because they are unsecured loans, meaning you offer nothing as collateral in exchange. If you fail to pay your debt, the lender has fewer options for recovering what you owe.

The Cost of Borrowing Money

Whether you're borrowing a lot or a little and whether you're rich or poor, the same basic principle applies: the higher the interest rate, the more it will cost you over the long term to borrow money.

For most people, the challenge with debt and interest rates is balancing their short-term financial situation with their long-term goals. In general, it is advantageous to pay off a loan as quickly as possible no matter what the interest rate, since you'll pay less interest overall. (Occasionally, there may be some exceptions to this rule, such as if you can claim the mortgage-interest deduction.) But if your budget is tight, the lower monthly payment that comes with taking a longer time to pay off the loan may be worth it, despite the higher overall interest costs.

If you are not cautious, however, high interest rates and low payments can send you into a debt spiral that it is difficult to escape from. Making low payments on a high-interest debt can leave you paying as much in interest as you originally owed and sometimes more. ❍❍❍

Why Budgets Are Important

For most of us, a budget is arduous and time consuming, but it is the first step in securing your financial future. Do you want to buy a home? Go on a fabulous vacation? Retire comfortably? Then planning is critical and you have to know how you are spending your money today. The merits of a budget include:

The Foundation for Establishing and Reaching Financial Goals

You have to understand your overall financial situation to be able to set financial goals. The first step is to understand your income and expenses. Review your bank, credit card, and income statements for the past six to 12 months. Once you know where your money is going and if you have a surplus or deficit, you can establish goals, such as paying off debt or saving for something you want.

Helping You Spend Based on Your Priorities

Now that you understand your complete financial picture and have established goals, you can begin to control your money instead of it controlling you. It will help you decide if you need or want to make sacrifices to meet specific goals. It will also help you determine how much debt you can afford if, for example, you are interested in a large purchase like buying a house.

Building Wealth and Saving for Retirement

You can also begin to focus on the long term as part of your budget. Identify how much you can put toward savings and investments so you can reach some of the goals you defined. You will be able to clearly see what spending you may have to reduce or cut in order to save. Retirement warrants special attention, so put away as much as possible. Even $100 a month can increase your savings by tens of thousands of dollars by the time you retire.

Reducing Stress

Feeling confident about your finances will significantly reduce stress and help you enjoy the benefits of your hard work. ❍❍❍

Financial Data

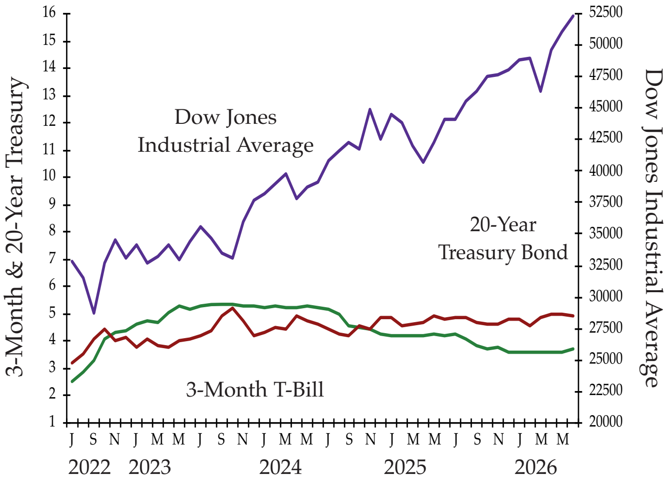
Indicator	Month-end Apr-26	May-26	Jun-26	Dec-25	Jun-25
Prime rate	6.75	6.75	6.75	6.75	7.50
Money market rate	0.42	0.43	0.51	0.41	0.44
3-month T-bill yield	3.59	3.60	3.74	3.57	4.20
10-year T-bond yield	4.40	4.45	4.44	4.18	4.24
20-year T-bond yield	4.97	4.98	4.93	4.79	4.79
Dow Jones Corp.	5.27	5.35	5.40	5.00	5.18
30-year fixed mortgage	6.39	6.62	6.49	6.27	6.79
GDP (adj. annual rate)#	+4.40	+0.50	+2.10	+0.50	-0.60

Indicator	Month-end Apr-26	May-26	Jun-26	% Change YTD	12-Mon.
Dow Jones Industrials	49652.14	51032.46	52319.20	8.9%	18.7%
Standard & Poor's 500	7209.01	7580.06	7499.36	9.6%	20.9%
Nasdaq Composite	24892.31	26972.62	26213.72	12.8%	28.7%
Gold	4641.00	4560.50	4029.00	-7.3%	22.8%
Consumer price index@	330.21	333.02	335.12	3.4%	4.2%
Unemployment rate@	4.30	4.30	4.30	-6.5%	2.4%

— 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 2022 to June 2026



Past performance is not a guarantee of future results.

News and Announcements

Credit Issues as You Age

While obtaining credit can be just as important for older individuals as it is for younger ones, older individuals often have unique credit issues.

To help ensure you don't have credit problems as you age, consider these tips:

❍ **Apply for major loans while you are still working.** If you are getting close to retirement and know you'll need a loan, perhaps for a retirement home or a new car, apply for credit a few years before retirement.

❍ **Make sure that credit cards are obtained as joint accounts.** If you have an individual account with your spouse listed as an authorized user, the lender can close the account if you die. However, if the account is a joint one, the creditor cannot automatically close the account or change its terms. The lender may require the surviving spouse to update the application if the lender suspects that he/she does not have adequate income for the credit limit.

❍ **Ensure both you and your spouse have a good credit history.** Review your credit reports, ensuring that all information is accurate and that you both have sufficient history. That way, either of you will be able to obtain credit if the other dies.

❍ **If you are denied credit, find out why.** It could have been an error, or you may convince the lender to consider other information. You may also be able to negotiate a compromise with the lender. For instance, if the lender is concerned about your age when considering a 30-year mortgage, perhaps a 15-year mortgage would be acceptable. ❍❍❍

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