

# Life Income Management™

*Creating income for life.*

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# FINANCIAL OUTLOOK

DECEMBER 2023

## FINANCIAL PLANNING FOR EVERY STAGE OF LIFE

**F**inancial planning is a lifelong process. And just as your life evolves, so should your financial plan. While everyone's financial plan needs to be customized to their personal situation, below are some

financial planning tips for some major life stages.

### RECENT COLLEGE GRADUATE

New college graduates aren't usually thinking much about financial planning. But that's exactly the

reason why young people need a financial roadmap. Once they score that first job, a financial plan can help make sure they're sticking to a budget, on track to pay off student loans, saving for big goals, and even setting aside enough for retirement. Setting aside even small amounts now will mean having to save a whole lot less down the line.

## USE CONSERVATIVE ASSUMPTIONS

**H**ow 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.

What is a reasonable rate of return for your investments over the long term? How long will you live, knowing life expectancies are increasing? How much can you count on from Social Security and pension plans?

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, which generally means you'll need the higher end of these estimates.

- **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. While you may find it hard to believe you'll live that long, you don't want to reach age 75 or 80 and find out you've run out of money. At that point, you might not be able to return to work.
- **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 Adminis-

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### JUST MARRIED

A wedding is a good reason to take stock of your financial situation as a married couple. A clear financial plan will help ensure you're on track for your biggest shared goals. It will also help you tie up any financial loose ends, like changing the beneficiary designations on retirement accounts and insurance policies. In fact, it may be a good idea to start your financial planning before the wedding. Sitting down to talk about your finances and your goals can help make sure you're on the same page and avoid surprises after you tie the knot.

### NEW PARENTS

If you've just welcomed a bundle of joy into your home, you have a lot on your plate. It's easy to let

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## FINANCIAL PLANNING

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financial planning fall by the wayside. But as your family composition changes, so should your financial plan. If you already have a plan in place, it may need a reset. And if you don't have one at all, you need to form one. Issues your plan needs to consider after you have children include making sure you have adequate life insurance coverage, getting started saving for college, and updating your estate plan to make sure that your child will be provided for should the worst happen.

### BIG PROMOTION

When you finally earn that big promotion, it will hopefully come with a corresponding bump in salary and other perks. You need a plan for what to do with that extra cash. If your promotion came with benefits like stock options or deferred compensation, you need a plan for dealing with those as well. A financial plan will help you avoid the problem of lifestyle creep and ensure the money you're earning is helping to pursue your financial goals.

### READY TO RETIRE

As your retirement date nears, you'll also need to do a financial check up. Even if you've been saving for years, a financial advisor can help you estimate how long your savings will last and what kind of income you can expect in retirement. Your retirement financial plan should also include suggestions about managing risk in your invest-



## A STRATEGY FOR COLLEGE COSTS

If you haven't looked at college costs recently, be prepared. For the 2022-23 school year, the average annual cost of a public university is \$23,250, while a private university costs \$53,430 (Source: *Trends in College Pricing*, 2022). To help ensure you'll be prepared to provide your children with a college education, start planning now. Consider the following tips to help with the process:

- **START INVESTING NOW.** Determine how much you need to save to reach your goals. Many people will have difficulty saving the amount needed to fully fund a college education. However, there are other sources to help fund those costs, such as loans or financial aid. Thus, your goal may be to accumulate 30%, 50%, or some other percentage of the total cost of college. The important thing is to start an investment program now and invest as much as you can.
- **DETERMINE IF YOU CAN PAY SOME COSTS FROM CURRENT INCOME.** Paying down your debts before your child enters college may free up current income for college costs. One strategy is to make extra principal payments with your mortgage payment, attempting to pay off your mort-

gage by the time your child enters college. Then, funds used for your mortgage payment will be available for college costs.

- **ENCOURAGE YOUR CHILD TO PARTICIPATE IN THE PROCESS.** Maintaining good grades and participating in extracurricular activities may make your child a more desirable candidate for college. He/she may then be eligible for a larger range of grants or scholarships. The most attractive loan programs are offered only to students. While you may not want to burden your child with large loans, it may make sense for your child to obtain the loan and you can then gift funds at a later date for him/her to repay the loan.
- **EXPECT YOUR CHILD TO WORK TO PAY PART OF THE COST.** Although a child will have difficulty saving all the costs for college, you may expect him/her to fund a certain percentage of those costs. You can make him/her responsible for tuition, out-of-pocket expenses, transportation costs, or room and board. This may also help ensure your child is committed to his/her education.

If you'd like help developing a strategy for financing your child's college education, please call. ○○○

ment portfolio as well as a plan for increasing your savings if necessary (such as working longer or delaying

Social Security benefits). Your retirement plan may also address issues such as where you'll live (you may downsize or move to a less expensive location to stretch your budget) as well as issues such as how you'll pay for healthcare or long-term care as you age.

The bottom line: As your life changes, so should your financial plan. If it's time to update your financial plan — or to get started with planning for the first time — please call. ○○○

## ASSUMPTIONS

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- tration is estimating, and don't plan on adjustments for inflation.
- **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. Pay off all those debts by retirement and you significantly reduce your cost of living.
  - **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, please call. ○○○

## 5 ESTATE-PLANNING TIPS FOR DEPENDENTS

**W**hen you have people who are dependent on you, like children or elderly parents, you want to ensure they will be well taken care of in the event you can no longer care for them. Here are five tips for creating a comprehensive estate plan:

**1. HIRE AN ESTATE PLANNER —** An estate planner will make sure you think of and lay out every aspect of your estate plan. Estate planners stay up-to-date on tax rules and regulations, so they can help you ensure your plan is legally and financially sound, leaving your dependents in the best situation possible.

**2. CHOOSE A GUARDIAN —** Choosing someone to take care of your children in the event that both you and the children's second parent are deceased is a huge decision to make and deserves great care and time. You want to choose a guardian who loves your children and has the capacity to take care of them into their adulthood. That means a guardian who has the financial capacity to care for your dependents, as well as the physical capacity to do so.

So even though grandparents may be able to love and care for your children just as you did, they may not be in good enough health to care for a child or children. On the other hand, your sister may be able to love your dependents just as much as you did and be in perfect health, but is unable to hold a steady job or stay in a committed relationship. The goal of choosing a guardian is to make sure your children are loved and taken care of adequately, they receive a good education, their lives remain as stable as possible, and they receive emotional support to cope with your loss. It's crucial to communicate with your chosen guardian. Ask early (and often) if they are com-

fortable being the guardian of your child or children.

**3. DEVELOP A TRUST —** A trust is often used when people have minor children or dependents that are incapable of taking care of themselves. You, the trustor, puts a trustee in charge of the beneficiary's property and/or assets until the beneficiary meets certain requirements such as reaching a specific age or milestone. Usually the named guardian is also the trustee, however every situation is different. Just like choosing a guardian, make sure you take time in choosing a trustee and pick someone who is trustworthy and capable.

**4. START AS SOON AS POSSIBLE —** As soon as you have a child or otherwise become responsible for a dependent, it is important to get an estate plan in place to protect them in case of emergency.

**5. REEVALUATE OFTEN —** As time goes on, your situation may change quite a bit from your original plan. For example, anytime you acquire a new asset or debt, it should be included in your estate plan. Also, you may realize the guardian you originally chose for your dependent is no longer the right choice — they might get sick or die, or move far away. You may have more children or unexpectedly start caring for an elderly family member. Any time major changes happen in your life that impact what you would leave behind and who you'd want to leave it to, you should revisit your estate plan.

We all want the people we leave behind to be cared for after our deaths as we cared for them in our lives. You may have no control over when or how you will die, but you do have control over what happens to your dependents. To get started with your estate plan, please call. ○○○



FINANCIAL DATA

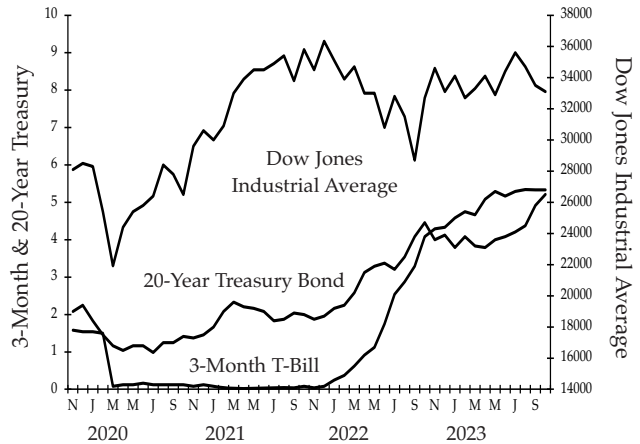
Indicator	Month-end				
	Aug-23	Sep-23	Oct-23	Dec-22	Oct-22
Prime rate	8.50	8.50	8.50	7.50	6.25
Money market rate	0.57	0.48	0.61	0.33	0.24
3-month T-bill yield	5.34	5.33	5.33	4.35	4.07
10-year T-bond yield	4.09	4.59	4.88	3.88	4.10
20-year T-bond yield	4.39	4.92	5.21	4.14	4.44
Dow Jones Corp.	5.78	6.08	6.34	5.54	5.93
30-year fixed mortgage	7.66	7.90	8.23	6.80	7.16
GDP (adj. annual rate)#	+2.20	+2.10	+4.90	+2.60	+3.20

Indicator	Month-end			% Change	
	Aug-23	Sep-23	Oct-23	YTD	12-Mon.
Dow Jones Industrials	34721.91	33507.50	33052.87	-0.3%	1.0%
Standard & Poor's 500	4507.66	4288.05	4193.80	9.2%	8.3%
Nasdaq Composite	14034.97	13219.32	12851.24	23.0%	17.0%
Gold	1942.30	1870.50	1996.90	10.2%	21.8%
Consumer price index@	305.69	307.03	307.79	3.4%	3.7%
Unemployment rate@	3.50	3.80	3.80	2.7%	8.6%

# — 1st, 2nd, 3rd quarter @ — Jul, Aug, Sep Sources: Barron's, Wall Street Journal

4-YEAR SUMMARY OF DOW JONES INDUSTRIAL AVERAGE, 3-MONTH T-BILL & 20-YEAR TREASURY BOND YIELD  
NOVEMBER 2019 TO OCTOBER 2023



Past performance is not a guarantee of future results.

NEWS AND ANNOUNCEMENTS

CHOOSING BENEFICIARIES FOR YOUR 401(K) PLAN

When you sign up for your 401(k) plan, you will typically be asked to fill out a beneficiary designation form, listing who should receive your 401(k) plan assets when you die. Make these selections carefully, since they typically override any provisions in your will.

If you are married, federal law dictates that your spouse is automatically your 401(k) plan's beneficiary. Even if you list another person as the primary beneficiary, your spouse will receive the proceeds unless he/she signs a written waiver. Thus, even if you are separated but not divorced from your spouse, he/she will be entitled to your 401(k) proceeds after your death.

Similarly, if you remarry and want to keep your children from a previous marriage as the beneficiaries, you must have your current spouse sign a waiver. You should not rely on a prenuptial agreement or other document.

When your beneficiaries are minor children, keep in mind that most 401(k) plans will not transfer money directly to minor children. Thus, you may want to set up a trust, so the trustee can take immediate control of the funds. Otherwise, a court-appointed trustee or guardian may need to be named before your children will have access to the funds.

If you are single and don't name a beneficiary, the proceeds will go to your estate and be distributed with the rest of your assets.

Periodically review your beneficiaries to determine if changes are needed. A divorce, remarriage, spouse's death, or child's birth are all events that may require changes to beneficiaries.

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