

Life Income Management™

Creating income for life.

Melody A. Juge*
Founder
Investment Advisor, *registered*
Fiduciary
877-Mel-Juge
melody@lifeincomemanagement.com



*Melody is a Member of Ed Slott's Elite Advisor Group

Samuel S. Young, MBA
West Coast Regional Director
Investment Advisor, *registered*
Fiduciary
909-566-2111
sam@lifeincomemanagement.com

FINANCIAL OUTLOOK

FEBRUARY 2022

TIPS FOR GETTING YOUR FINANCES IN ORDER

If you're serious about pursuing your financial goals, you need to get your finances in order. Some tips to help in that process include:

○ **GET ORGANIZED.** It's difficult to assess how much progress you're making toward your goals if you

don't know basic facts like how much your net worth increased during the past year, how you are spending your income, or how well your investments have performed. Organizing your finances will assist in tracking this information.

○ **BUDGET YOUR EXPENDITURES.** While many people dread the process of analyzing and budgeting expenditures, inefficient and wasted expenditures are often major obstacles to saving for financial goals. Analyzing your expenses will help you find ways to reduce spending and increase your savings.

○ **DEVELOP EXPLICIT WRITTEN FINANCIAL GOALS.** Goals help set our financial priorities and provide motivation for reducing spending and saving for the future. Quantify your ultimate goal and interim goals so your progress can be tracked.

○ **PAY YOURSELF FIRST.** If you wait until the end of the month to see how much money is left over for saving, you'll probably find that the answer is nothing. It's often easier to pay yourself first, and then find ways to reduce spending to pay the rest of your bills.

○ **ESTABLISH AN EMERGENCY CASH RESERVE.** This will give you funds to deal with short-term emergencies, such as a temporary job loss, a short-term disability, a major home repair, or a large medical

THE PSYCHOLOGY OF SAVING

Saving money sounds simple. You 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 what you most want. But in reality, saving is a little more complicated. Sometimes, our own minds work against us when it comes to setting aside some of the money we earn. A basic understanding of the psychology of saving can help you overcome roadblocks and achieve your goals.

WHY IT'S HARD TO SAVE

What is one of the biggest obstacles most people face when saving? We tend to prefer the certainty and immediate gratification of short-term rewards over the potentially greater — yet perhaps more uncer-

tain — 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 with saving for long-term goals is that people may tend to 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

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TIPS FOR GETTING

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- bill. How much you need in the reserve will depend on your age, health, job outlook, and ability to borrow quickly.
- **GET YOUR DEBT UNDER CONTROL.** Take steps to reduce your consumer debt as much as possible — any interest payments are just reducing the amount available for saving. There are a variety of strategies you can use to either reduce your debt or lower the cost of that debt.
 - **INVEST AUTOMATICALLY.** One of the best ways to invest consistently is to make investing automatic. Make arrangements to have a specific amount deducted from your checking or saving account periodically and transferred to an investment account. *(Keep in mind that an automatic saving 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.)*
 - **DEVELOP AN INVESTMENT STRATEGY.** Your strategy will depend on a variety of factors unique to your situation, including your risk tolerance, return expectations, investment period, and investment preferences. Developing an investment strategy requires evaluating many factors, but it can give you a well-thought-out strategy to help pursue your long-term goals.
 - **ASSESS YOUR INSURANCE NEEDS, INCLUDING LIFE, HEALTH, DISABILITY, LONG-TERM CARE, HOMEOWNERS, AUTOMOBILE, AND PERSONAL LIABILITY.** Over time, your insurance needs are likely to change. Insurance companies offer innovations and riders that might be applicable to your situation. Reevaluating your insurance can lead to lower premiums with coverage better suited to your situation.
 - **TAKE ACTIVE STEPS TO REDUCE**

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 in order 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 to 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 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 that 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. And 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.

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

YOUR TAXES. There are a variety of strategies that can help you reduce your income taxes, thus freeing money for saving. The key is to review those strategies now, so you have plenty of time to implement them.

- **REVIEW YOUR ESTATE PLAN.** If it's been a few years since you've reviewed your estate plan, take time to go over your documents to make sure they still reflect your wishes for your estate's disposition. If you don't have an estate plan, get one in place.

While many of these tips may sound familiar, it is the rare individual who takes advantage of all of them. If you'd like help putting these tips into practice or would like

to discuss your finances in more detail, please call. ○○○



THE PSYCHOLOGY

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seeing pictures of their future selves encouraged people to save more.

In fact, there are number of studies that suggest 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 savings, 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 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

4 REASONS TO INVEST IN BONDS

Bonds have a reputation as safe, stable investments. But writing off bonds as boring investments that are best for the risk-averse could be a mistake. While it's true that investing in bonds tends to lack the dramatic highs (and the lows) that come with investing in stocks, that doesn't mean you should ignore the opportunities bonds present. Here are four reasons to consider bonds.

1. BONDS ARE A WAY TO DIVERSIFY YOUR PORTFOLIO. Many financial experts recommend diversifying your portfolio to include a variety of asset classes, including bonds. This is a concept known as asset class diversification. Because different asset classes tend to perform differently at various times, you may be able to create a portfolio that generates more stable returns by investing across asset classes. For example, stocks and bonds tend to historically move in opposite directions, which means that owning some of both can help smooth out the ups and downs in your portfolio.

2. BONDS ARE (USUALLY) LESS RISKY THAN EQUITIES. If you are looking to dial-down risk in your investment portfolio, increasing your allocation to bonds may be one way to do that. However, keep in mind that less risky doesn't mean risk free. Bond issuers can default. You also face inflation risk.

3. BONDS CAN PROVIDE A STEADY, PREDICTABLE SOURCE OF INCOME. Stocks and other investments are unpredictable — you don't know with any certainty how well a given stock might perform in a certain year or even how well certain types of stocks (like

small-cap stocks or international stocks) will do. Bonds are a bit different. They are debt investments, which means you are essentially agreeing to loan an entity, like the government or a corporation, money for a certain period of time. The entity you are lending money to agrees to pay you a certain amount of interest (known as the coupon) over the time they have your money, plus repay your initial investment when the bond reaches maturity. That means you have a pretty good idea of how much money you're going to see from your bond investments over the years. Of course, bonds aren't risk free. Bond issuers can default, and you could lose your money. But in general, bonds are more predictable in how much money they generate for investors.

4. BONDS CAN PROVIDE VALUABLE TAX SAVINGS. Depending on the types of bonds you own, you may be able to save on taxes. While you'll pay normal taxes on corporate bonds, income from Treasury bonds (which are issued by the U.S. federal government) is free of state and local tax. Then there are municipal bonds, or bonds issued by state and local governments. You won't pay federal tax on money you earn on these investments, and you may also be exempt from state and local tax. For anyone who is looking to minimize their tax burden, especially retirees, this can be an appealing proposition.

Questions about making bonds part of your investment strategy? Please call to discuss this topic in more detail. ○○○

their money for savings and investments, allocating 12% to charitable giving or gifts to others, and spending about 40% on life experiences they considered meaningful.

While our mental quirks might make saving difficult, being aware of the obstacles our mind creates can help us conquer them. ○○○

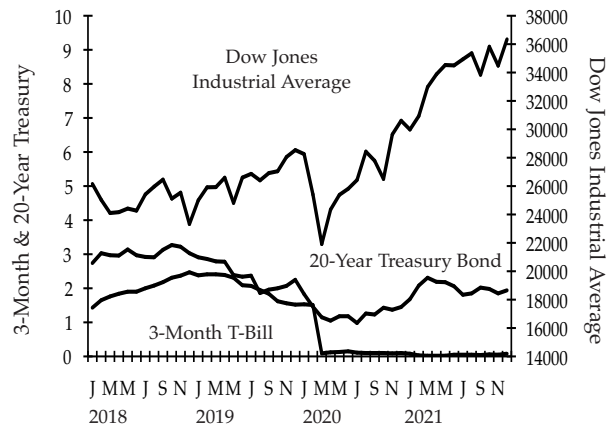
FINANCIAL DATA

Indicator	Month-end				
	Oct-21	Nov-21	Dec-21	Dec-20	Dec-19
Prime rate	3.25	3.25	3.25	3.25	4.75
Money market rate	0.07	0.07	0.07	0.20	0.58
3-month T-bill yield	0.06	0.05	0.08	0.10	1.52
10-year T-bond yield	1.55	1.43	1.52	0.93	1.92
20-year T-bond yield	1.98	1.85	1.94	1.45	2.25
Dow Jones Corp.	2.37	2.54	2.48	1.93	2.84
30-year fixed mortgage	2.60	2.64	2.63	1.91	3.31
GDP (adj. annual rate)#	+6.30	+6.70	+2.30	+4.30	+2.10
Indicator	Month-end			% Change	
Indicator	Oct-21	Nov-21	Dec-21	2021	2020
Dow Jones Industrials	35819.56	34483.72	36338.30	18.7%	7.2%
Standard & Poor's 500	4605.38	4567.00	4766.18	26.9%	16.3%
Nasdaq Composite	15498.39	15537.69	15644.97	21.4%	43.6%
Gold	1769.15	1804.40	1805.20	-4.4%	23.9%
Consumer price index@	274.31	276.59	277.95	6.8%	1.2%
Unemployment rate@	4.80	4.60	4.20	-37.3%	91.4%

— 1st, 2nd, 3rd quarter @ — Sep, Oct, Nov Sources: Barron's, Wall Street Journal

4-YEAR SUMMARY OF DOW JONES INDUSTRIAL AVERAGE, 3-MONTH T-BILL & 20-YEAR TREASURY BOND YIELD

JANUARY 2018 TO DECEMBER 2021



Past performance is not a guarantee of future results.

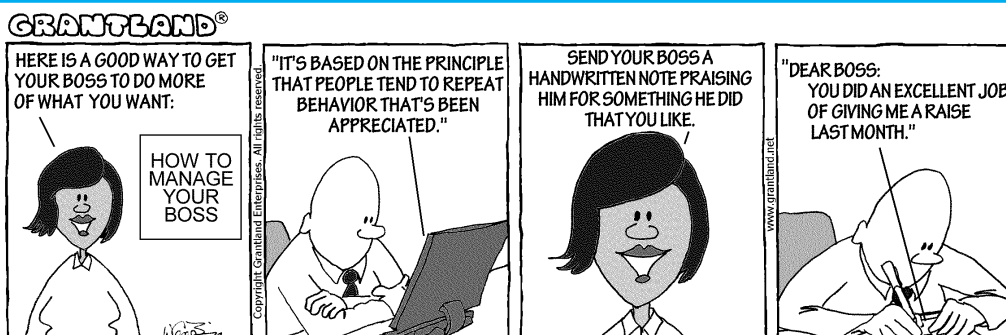
NEWS AND ANNOUNCEMENTS

STRAIGHTEN OUT YOUR FINANCIAL ACCOUNTS

It's not uncommon to accumulate things over the years when you don't take time to straighten them out periodically. This applies to our finances as well as our possessions. How many credit cards do you carry? How many stocks and bonds, brokerage accounts, and individual retirement accounts (IRAs) do you own? It's not just a matter of finding time to keep track of all these different financial assets. Often these assets are acquired without a clear-cut strategy, so you may own assets that have similar investment objectives or are not compatible with your financial goals. If you feel it's time to straighten out your finances, consider these steps:

- Make a list of all your assets and debts. List each one individually, so you have a sense of how many different accounts you're dealing with.

- Go through each one of your investments. Make sure you understand why you own each one. Are you really adding diversification to your portfolio, or do you have overlapping investments? Assess the prospects of each investment and decide whether you should continue to own it.
 - Look for ways to consolidate accounts. Try to get down to one bank account, one brokerage account, and one IRA. This can significantly reduce the time needed to review and reconcile accounts.
 - Assess your outstanding debts. Do you really need all those credit cards? Consider keeping only one or two cards, so it'll be easier to monitor balances. Look for ways to reduce the cost of your borrowing. Is it time to take another look at refinancing your mortgage?
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Neither Asset Allocation nor Diversification guarantee a profit or protect against a loss in a declining market. They are methods used to help manage investment risk.

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