Life Income Management™

Creating income for life.

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FINANCIAL OUTLOOK

MARCH 2025

Bonds: Not Just for Retirement

Bonds can be a good investment option at all stages of your life, not just when you retire.

During Childhood

Savings bonds can be a model way to teach the children in your life the importance of savings and growth. Though these bonds might not have the initial thrill of toys or cash, they can provide a unique opportunity to instill in young people the basics of saving and investing and even increase the probability that you'll raise financially savvy adults. The gift that keeps on giving, savings bonds will not only provide children with intermittent interest payments that they can either invest, save, or spend, but also a sizeable return once their bonds mature during their college years and beyond. A Treasury Direct Series EE bond, for example, is minimally guaranteed to double in value in 20 years and pays monthly interest payments for up to 30 years.

In Your 20s

Once you enter your 20s, bonds may no longer hold the appeal they might have afforded you as a child, but they're still useful in a more grown-up way: retirement. Though most of your growth-centered retirement account will likely be in stocks, you might also consider a small allocation of bonds as an anchor that can provide some stability to your investments. After beginning your retirement contribution plan, focus on paying off student loans and building a savings account for emergencies. If you still have extra money to work with and you have a specific goal down the road, such as graduate school or saving for a down payment on a home, annual payments from a fixed-income investment such as bonds can help you reach your goals with minimal risk. Depending on the type of bond you purchase, bonds don't come with early withdrawal penalties should you run into an emergency.

In Your 30s and 40s

Though it may seem like a lifetime away, you're now a decade or two closer to retirement, so it's time to rethink your asset allocation. Even though you're more likely to be serious about investing and retirement — perhaps opening an IRA or increasing your 401(k) contributions with raises or bonuses — you may want to rethink your risk tolerance, even if you're just getting started in the investment arena. Should the market happen to take a

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8 Questions Financial Plans Should Answer

You may have a financial plan, but is it really working for you? To make sure your financial plan is going to help you achieve your goals, make sure it answers these eight questions.

How much do I have and how much do I owe? Before you complete any other financial planning tasks, you need to take stock of where you currently stand. That means taking a complete inventory of your assets as well as assessing how much you owe. Subtracting the second from the first will tell you your net worth.

What do I want to achieve with my money? We all have personal and financial goals. Perhaps you want to buy a bigger house in a nicer neighborhood. Maybe you want to be able to send your kids to college debt-free. You might be dreaming of owning a second home someday, retiring at 55, or starting

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Bonds

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downturn and you're still entirely invested in stocks, you no longer have as much time to recover, particularly if you plan on retiring younger. Bonds can lend more security to your portfolio, allowing you to still work toward financial goals but in a less risky way.

By now, you may have also inherited money from a grandparent, great uncle, or even parent. If you'd like to invest this money for a specific goal down the road, such as your child's college education or a kitchen remodeling, individual bonds can provide you with semiannual interest payments, and depending on the bond type and grade, a guaranteed total return.

Approaching Retirement

Now that you're inching closer to retirement, it may be time to take a more conservative approach with your investments rather than exposing them to the volatility of the stock market. Whereas before you might have been more aggressive with your portfolio growth, you may want to consider protecting what you've worked so hard to establish by transitioning a larger portion of your portfolio to bonds.

Beyond retirement planning, bonds can now help you reach specific goals, such as funding a new grandchild's college education down the road or achieving your dream of a vacation home in the tropics. Because bonds come with a variety of maturity dates, whether your goals are approaching in 20, 10, or even 5 years, bonds can help achieve them, with less risk than stocks but most likely a better return than the savings account at your credit union.

Your Golden Years

Collecting your Social Security benefits is one thing, but you may not be as thrilled about taking any kind of distribution that might dip into your retirement principal. This can be an ideal time to begin focusing predominately on bonds, which can offer numerous advantages throughout your retirement years. At this point in your life, the goal is to retain your principal as long as possible, since it's impossible to predict how long you'll live. Additionally, the more you can preserve in the long run, the more you can leave to loved ones when you die. You'll need an investment plan that maximizes your retirement accounts by affording you with enough interest to live comfortably without liquidating your principal. Because your income is likely entirely dependent on Social Security benefits and investments, it may not be prudent to expose your retirement funds to the volatility of the stock market. A bond fund can provide enough interest to subsidize your income while preserving enough of your principal to outperform inflation. Furthermore, tax-exempt municipal bonds can help shelter you from a higher tax bracket.

The best financial strategy at any age is an asset allocation tailored specifically to your personal goals and risk tolerance. Please call to discuss this in more detail. ❍❍❍

How to Raise Financially Responsible Children

Although you'll have to wait a good while before they'll thank you for it, teaching your children to be financially responsible is one of the best gifts you can give. Most of the lessons can begin while they are still very young.

Lesson #1: Appreciation for the value of money — Prices are just abstract numbers until time and effort has been spent to generate those coins and bills. An allowance-for-chores policy will teach your children about money management early on. You pay for the basics, but if they want the extras, they will have to save up and use their own money.

Lesson #2: Saving the money they earn — Teach them to save a portion of what they earn. This habit will make it much easier for them to not spend their entire paycheck as well as leave their savings intact when they are on their own. You may need to encourage them firmly at first, with a fixed percentage or minimum amount.

Lesson #3: Setting goals and staying on track — Helping your children set short- and long-term goals is a key part of getting them to stick to a savings strategy. Most children are not that excited by slowly rising dollar amounts, but when a certain dollar amount represents a desperately desired new toy, their focus sharpens considerably. Make a chart to show them how much they would need to save over a specific amount of time to have enough for their goals.

Lesson #4: The nitty-gritty of a balanced budget — Show your children the day-to-day workings of adult finances. Go through the line items on your budget and reveal your own percentage of savings for short- and long-term goals. You can explain the benefits of auto-pay, managing a bank account online, minimum balances and fees, and even how to fill out a check.

Lesson #5: Understanding debt and loans — When young adults are first exposed to credit cards, they may not understand that purchasing things on credit or taking out a loan ends up costing more money. Explaining how interest can work for you (in a savings account) and against you (in a loan or on credit) can keep them from making bad decisions. Above all, modeling financial responsibility in your own life can help them form the basis for a lifetime of good money habits. ❍❍❍

8 Questions

Continued from page 1

your own business. Your financial plan should specifically identify your financial goals and outline steps you need to take to turn those dreams into reality.

Are my investments appropriate for my goals? You know what your goals are, but is your money invested in a way that will help you get there? Your financial plan should point you toward investments that are appropriate for both your goals and your risk tolerance. That means carefully balancing the risk you need to take to achieve acceptable investment returns with the amount of risk you're comfortable taking based on your personality (some of us are natural risk takers, while some are more risk averse).

Am I protected in case of a disaster or emergency? One of the main reasons to have a financial plan is to protect yourself and your family in the event that the unexpected happens. Part of being prepared is having an emergency fund, and your financial plan will tell you how much savings you should have. But that's just the beginning. You'll also want to protect your income with disability insurance and have proper insurance to safeguard your assets.

Am I paying the right amount in taxes? Thinking about taxes is no fun, but what's a real drag is realizing you've been paying the government more than you needed to. A comprehensive financial plan will include an evaluation of your tax situation. If necessary, your advisor will make suggestions for steps you can take to better manage your tax burden and keep more of the money you earn.

What's my plan for retirement? Whether you're a few years or a few decades away from retirement, your financial plan should include a plan for what will happen after you stop working full time. Your financial plan should address how much you need to be saving for retirement and how to invest that money.

What will happen to my money when I die? Your financial plan and your estate plan go hand in hand. Part of comprehensive financial planning involves checking to make sure the beneficiaries on your retirement accounts and insurance policies match with your overall estate planning goals. A financial planner can also work with your estate planning attorney to make sure your assets aren't lost to unnecessary taxes and address other issues related to how your wealth is distributed after your death.

Who is in charge of helping me achieve my money goals? Finally, your financial plan should clearly identify who is in charge of helping you achieve your most important money goals. Your financial advisor is a critical partner in your financial life, guiding you to make smart decisions that will put you on the path to achieving your goals.

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

Growth vs. Value Investing

One major question that investors who are looking to diversify their portfolios tend to have is whether to focus on growth or value investing. What many people overlook is that both have their pros and cons. The two approaches complement each other quite well and can be used in tandem. To gain a better understanding of growth and value investing, let's take a moment to discuss the differences between the two.

Growth Investing

Growth stocks are those that have seen impressive gains in recent years and have been proven to be leaders in their sectors. Mutual fund managers often choose growth stocks for their clients because they're considered to be safe bets for continuing to deliver high levels of profit growth, although it's important to realize that there are no guarantees. Growth stocks tend to be higher priced, more volatile, and characteristic of higher earnings than the rest of the market.

Value Investing

Value investing involves looking for companies whose stock prices may not necessarily reflect their value. The idea is that by getting in on the ground floor or after a good company has experienced a serious setback, investors have a good chance of seeing an impressive return with value stocks.

Which Approach to Take?

Because growth and value investing are so different from one another, there doesn't tend to be a whole lot of overlap. This is actually good for the investor, however, as it allows for both approaches to be utilized at the same time. Making use of growth investing *and* value investing is an effective way to diversify your portfolio and increase the chances that you might see a strong return over time. If you feel more pulled towards growth investing, then by all means allocate the majority of your portfolio to growth stocks.

When it comes to making the right decisions about value and growth stocks, it helps to work with a professional who has a deep understanding of how these two techniques can assist each other. Please call if you'd like to discuss growth and value investing in more detail. ❍❍❍

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FINANCIAL DATA

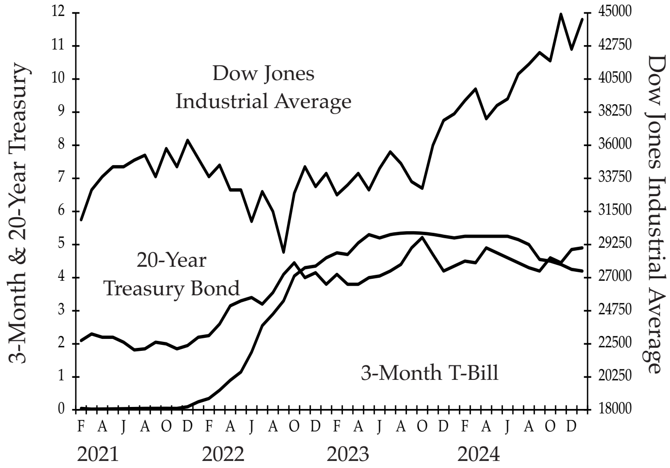
	Month-end				
Indicator	**Nov-24**	**Dec-24**	**Jan-25**	**Dec-23**	**Jan-24**
Prime rate	7.75	7.50	7.50	8.50	8.50
Money market rate	0.43	0.42	0.40	0.48	0.50
3-month T-bill yield	4.42	4.23	4.20	5.26	5.21
10-year T-bond yield	4.18	4.58	4.58	3.88	3.99
20-year T-bond yield	4.45	4.86	4.88	4.20	4.34
Dow Jones Corp.	5.23	5.45	5.37	5.17	5.31
30-year fixed mortgage	7.24	7.33	7.29	7.09	7.14
GDP (adj. annual rate)#	+3.00	+3.10	+2.30	+3.40	+2.60

	Month-end			% Change	
Indicator	**Nov-24**	**Dec-24**	**Jan-25**	**YTD**	**12-Mon.**
Dow Jones Industrials	44910.65	42544.22	44544.66	4.7%	16.8%
Standard & Poor's 500	6032.38	5881.63	6040.53	2.7%	24.7%
Nasdaq Composite	19218.17	19310.79	19627.44	1.6%	29.4%
Gold	2640.85	2616.45	2812.05	7.5%	37.0%
Consumer price index@	315.66	315.49	315.61	0.0%	2.9%
Unemployment rate@	4.10	4.20	4.10	-2.4%	10.8%

— 2nd, 3rd, 4th quarter @ — Oct, Nov, Dec Sources: *Barron's, Wall Street Journal*

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

FEBRUARY 2021 TO JANUARY 2025



Past performance is not a guarantee of future results.

NEWS AND ANNOUNCEMENTS

PROTECT YOUR FAMILY'S SECURITY

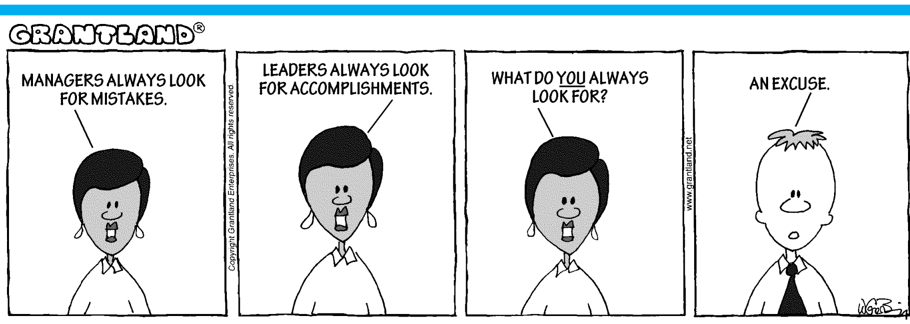
One of your first financial goals should be to protect your family's financial security from major catastrophes. To do so, consider these four items:

❍ **A CASH RESERVE FOR SHORT-TERM EMERGENCIES, SUCH AS A TEMPORARY JOB LOSS, MAJOR HOME REPAIR, OR LARGE MEDICAL BILL.** A common rule of thumb states that your cash reserve should equal two to six months of living expenses. However, how much you'll need depends on your age, health, job outlook, and borrowing capacity.

❍ **ADEQUATE INSURANCE IN ALL MAJOR AREAS.** Your insurance needs will change over the years, so you may find yourself with too much or too little coverage. Thus, periodically review your life, disability, medical, and homeowner's insurance. Don't overlook disability income insurance.

❍ **UMBRELLA LIABILITY INSURANCE TO PROTECT AGAINST MAJOR LAWSUITS.** Umbrella policies are purchased in $1 million increments and kick in once limits of your homeowner's and automobile policies are exceeded. In addition to the items covered by those policies, an umbrella policy typically covers damages from use of non-owned property in your possession and from lawsuits for libel, slander, defamation of character, and invasion of privacy.

❍ **A POWER OF ATTORNEY.** A power of attorney gives an individual you designate the power to act on your behalf when you are incapacitated, allowing him/her to take over your finances and make investment decisions. ❍❍❍ FR2024-1018-0176



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