Life Income Management™

Creating income for life.

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FINANCIAL OUTLOOK

NOVEMBER 2021

STOCK INVESTING MISTAKES TO AVOID

Following are some common investing mistakes to learn about now, so that you don't have to learn the hard way:

NOT HAVING A PLAN

Every investor needs a well-established plan. Your investment plan should include:

- **GOALS AND OBJECTIVES** — You want to be as specific as possible with your goals so that you will be able to measure if you are on track to meet them. Saving for retirement or an education are goals that are too vague.
- **RISK TOLERANCE** — If you are an investor who can't stomach the ups and downs of the market, you will probably be better off investing in blue chip stocks. Also, think about other risks that will impact your portfolio. If you are 25 years old, you have a lot more time to take on riskier investments.
- **BENCHMARKS** — Determine what benchmarks you will use to measure the success of your portfolio on its path to meeting your goals.
- **ASSET ALLOCATION** — Decide how you will allocate your stock investments across various industries, company sizes, etc.
- **DIVERSIFICATION** — Allocating your assets among asset classes is the first step of diversification. You will also want to determine how you will diversify within each asset class.

NOT DOING YOUR HOMEWORK

When you are planning to invest in a company, you'll want to have a thorough understanding of the company and its products. Read the company's annual report to review its performance and its business plans. While not an exciting read, a prospectus of the investment offering will provide valuable information. Also, spend time on the company's website, read press releases, and look for articles on the company.

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OVERCOMING THE FEAR OF INVESTING

Unless you were lucky enough to be born wealthy or have an extremely minimal lifestyle, not investing isn't an option in today's complex financial world. Investing is a way to make your money work for you, rather than always having to work for your money. Put some of your money in stocks, bonds, and other investments that generate returns, and you'll put yourself in a position where you may be able to increase your wealth substantially.

Given that investing is one of the best ways for the average person to become wealthy these days, why don't more people do it? Fear may be the major reason. Many Americans are nervous about investing. While investing does come with risks that you need to be aware of, that's no reason to avoid it entirely. If worry about losing all your money is keeping you out of the market, here are three steps you can take to overcome that fear.

START FROM A POSITION OF STRENGTH

If you have a mountain of credit card debt and no emergency savings, investing any of your money is likely to be a bit nerve-wracking. After all, you're already in a precarious financial position, and if your investments decline substantially,

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Stock Investing

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A Time Frame That Is Too Short

If you begin investing for specific goals with a short time frame, then your asset allocation will need to reflect that. If you begin saving for your daughter's education when she's in the sixth grade, you'll only have about six years to fund her education, and your investments will need to align with that time frame. The bottom line is that you need to begin investing as soon as possible so that you have reasonable time frames to meet your goals.

Too Much Noise

There is no shortage of financial news shows, pundits, and information, and it is wise to be well-informed. But don't let it take you off track from your investment plan. Use the information to learn about investing, various strategies, and companies that you are interested in investing in, but don't let it turn your plan upside down.

Not Rebalancing* Your Portfolio

Rebalancing is the process of realigning the weighting of your portfolio to the original asset allocation that you defined in your plan. Rebalancing is not easy to do because it may force you to sell investments that are performing well and buy more investments that are not performing as well. If you allow your portfolio to coast along with market returns, you will at some point be overweighted at market peaks and underweighted during market lows. Rebalancing will help you reap the long-term gains you are looking for.

**Rebalancing/Reallocating can entail transaction costs and tax consequences that should be considered when determining a rebalancing/reallocation strategy.*

Investing Isn't Gambling

While some people may feel that way because there is no guarantee on return, investing is a discipline. If you are jumping on hot stock tips or just picking stocks without truly understanding the company, you are not investing, you are gambling. Investing is about making decisions based on an investment plan that addresses all of the important factors and sticking to it, then reviewing it appropriately on a regular basis.

Chasing Performance

There are investors who chase the next best thing, which can lead to bad investment decisions and sizable losses. Again, it is best to have an investment plan that you stick to and rebalance it when necessary.

Watch Out for Bargain Buys

Have you ever bought a piece of furniture or an article of clothing because it was a real bargain, only to have it fall apart a short time later? The same thing applies to stocks. Don't buy a stock just because it's cheap, because cheap doesn't necessarily mean it's a good investment. The key is finding good value. You want to purchase the best possible stock at the best possible price. A high-priced stock could provide more value than a low-priced stock in terms of the return it will bring in the long run.

Not Considering Taxes

You'll want to think about the tax consequences of your investments before investing. Take the time to figure out what your return will be after adjusting it for taxes. You should consider investing a portion of your investments in tax-advantaged or tax-deferred instruments to help offset taxes on your taxable investments.

Please call if you'd like to discuss your investment portfolio in more detail. ❍❍❍

Stock Market Ups and Downs

Are you constantly checking the market to see if it is rising or falling? Do you panic when you see it drop a few hundred points? All investors know that the market goes through cycles, but for some, it's not enough to calm their fears.

Here are some tips on helping you deal with the ups and downs of the market:

Know the time targets for your goals — It's best to think of market movements in terms of your goals. If you are 30 years away from retirement, you have plenty of time for your portfolio to reach its goals. What is important is that you understand how much tolerance you have for risk and the amount of time you have in meeting your goals.

Have an investment plan — Having a plan based on your objectives and risk tolerance with an asset allocation and diversification that is aligned to your financial situation can help you deal with volatility. Additionally, you will want to stress test your plan to understand how poor market conditions can affect it. Performance modeling can bring you peace of mind knowing that you will be able to ride out a major shift or lead you to make adjustments to your plan to better meet your needs.

Keep things in perspective — Remember that the market goes in cycles. You'll have down years, flat years, fair years, and good years. If you stress-tested your plan, it should give you peace of mind that you can make it through the hard times.

Shut down the noise — The media is looking for your attention, but if it increases your anxiety, turn it off.

The key is not to let your emotions deter you from a solid investment plan. While there will still be times that you feel anxious, an investment plan can help you ride out the ups and downs of the stock market. Don't spend your time saying what if, because you can't change the past. Just look forward to what your investment plan can deliver. ❍❍❍

Overcoming

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you'll be in an even worse spot. Before dipping a toe into serious investing, work on paying down high-interest credit card debt and establishing an emergency fund with at least six months' living expenses. That way, you won't be worried that a poor investment or stock market dip will send you to the poorhouse.

The exception to the above suggestion? Investing in your retirement plan at work. If you get a company match, you may want to invest just enough in your 401(k) plan to get that money while also taking aggressive steps to pay down debt and establish emergency savings.

Get Educated

Anxiety about the unknown and worries about being taken advantage of are behind many people's fear of investing. But investing isn't really as complicated as it initially seems. Familiarizing yourself with how markets work and with the basic principles of sound investing will help you understand that though investing comes with risk, it's hardly the same as playing the lottery. There may be no sure things when investing, but if you proceed with a smart strategy and stick with it over time, there's a good chance you'll come out ahead.

Set a Goal

Simply taking a pile of cash and purchasing a random assortment of stocks and bonds isn't likely to end well. For one, you're not making an informed decision about how to invest. Second, you're not investing with a goal in mind. By knowing what you want to achieve before you make any specific decisions about where to put your money, you'll be more likely to invest in a way that will get you to where you want to be. If your goal is to buy a house in five years, that means that investing in potentially high-return yet also high risk stocks is not so smart — the risk that you could lose your down payment savings is simply too great. Stashing that cash in a certificate of deposit probably makes more sense. But if you're investing for retirement that's three decades away, you can afford to take on more risk with your investments, since you have more time to make up any losses, and you'll benefit from the potentially greater returns of high-risk investments. In that case, higher-risk stock investments make a lot sense. The key is to keep your goal in mind and let that drive your decisions about how to invest.

Being a little nervous about investing is normal, but you shouldn't let it keep you from achieving your financial goals. Please call if you'd like to discuss this in more detail. ❍❍❍

Enjoy Life and Still Save

Some people worry that when saving for retirement, they have to give up everything they enjoy. While there needs to be a balance between spending and saving, it doesn't mean you can't enjoy life.

You should start by reviewing how you live and how you save. Make a list of questions about your lifestyle to assess what is most important to you: Am I happy with my lifestyle? Are there things I want to pursue? Do I have enough money to support my lifestyle and the things I want to pursue?

Prioritize your responses by order of importance, so that you can budget for the things you really want to do. Next, you will want to make a list of how you are managing your finances and savings: Am I able to cover my bills? How much am I saving for retirement? Am I saving enough? How much disposable income do I have?

Once you have answered these questions, it is time to look at your responses to figure out how you can accomplish both. You'll want to develop or revise both lifestyle and retirement goals, being as realistic as possible with your current financial situation. Also make sure your goals are specific, so you can assign dollar figures to them.

Now that you have established your goals, you need to figure out if you can make it all work. As part of your budget, add both your lifestyle goals and your retirement goals with specific dollar amounts for each.

If you can't meet all of your goals within your budget, you will have to make decisions about what is most important. You should not put your retirement goals in jeopardy, nor should you give up on your lifestyle goals. You either need to look for other things you can cut from your budget or find ways to earn more income.

Also assess your job. Are you making enough money for the type of job you have? Are you happy with your job? Is it worth trying to find another job that pays more money? Changing a job takes time and energy, but you need to decide if it is an option if you need more disposable income.

You will want to review your goals and budget on a regular basis to determine if you need to make adjustments, especially if you are having trouble accomplishing your goals within your budget. Also, as time goes by, you will find that your goals will change and you need to adjust your plan as well. ❍❍❍

Financial Data

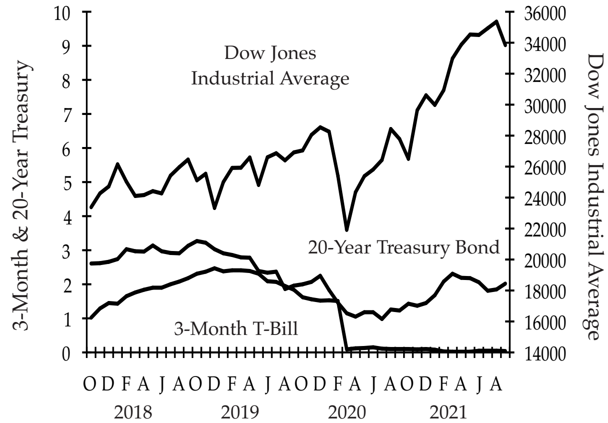
Indicator	Jul-21	Aug-21	Sep-21	Dec-20	Sep-20
	Month-end				
Prime rate	3.25	3.25	3.25	3.25	3.25
Money market rate	0.08	0.08	0.07	0.20	0.22
3-month T-bill yield	0.05	0.05	0.04	0.10	0.10
20-year T-bond yield	1.81	1.85	2.02	1.45	1.23
Dow Jones Corp.	2.14	2.25	2.24	1.93	2.17
30-year fixed mortgage	2.25	2.39	2.50	1.91	1.96
GDP (adj. annual rate)#	+4.30	+6.30	+6.60	+4.30	-31.20

Indicator	Month-end Jul-21	Month-end Aug-21	Month-end Sep-21	% Change YTD	% Change 12 Mon.
Dow Jones Industrials	34935.47	35360.73	33843.92	10.6%	21.8%
Standard & Poor's 500	4395.26	4522.68	4307.54	14.7%	28.1%
Nasdaq Composite	14672.68	15259.24	14448.58	12.1%	29.4%
Gold	1825.75	1814.85	1742.80	-7.7%	-7.6%
Consumer price index@	271.70	273.00	273.57	5.1%	5.3%
Unemployment rate@	5.90	5.40	5.20	-22.4%	-38.1%

— 4th, 1st, 2nd quarter @ — Jun, Jul, Aug Sources: *Barron's, Wall Street Journal*

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

October 2017 to September 2021



Past performance is not a guarantee of future results.

News and Announcements

Half Still Equals the Whole

A stock split is basically an accounting transaction intended to make the nominal quoted market value of shares more affordable. For example, with a 2-for-1 split, an $80 per share price becomes $40 per share. Your holdings are exactly the same as they were prior to the split and the company is still worth the same amount of money. The 2-for-1 split appears to be the most common, but there are many other combinations, such as 3-for-1 and 3-for-2.

Why Do Companies Do This?

Companies that grow in value become concerned that if their share price becomes too high, investors will not be able to afford the stock. The split brings the price down to a more affordable level. It's also thought that stock splits may help a company with liquidity, because increasing the number of outstanding shares may increase the trading volume.

Some investors think a stock split is a buy signal, because the company is doing well. A stock split often results in renewed interest by investors, which can positively impact the stock price. While this price increase may only be temporary, it is still a great opportunity for the average investor to accrue an increasing number of shares in high performing companies. However, as with any investment decision, you should make sure you look at the whole picture before making a decision to purchase the stock.

The other type of stock split is the reverse split. This is when a company reduces the number of outstanding shares and the price per share increases. Companies that do this are typically performing poorly, and they are attempting to bolster the price so that is does not fall below the minimum required by the stock exchange where it is listed. ❍❍❍

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