What Should?

Continued from page 1

that you can eliminate, so that you can put more money toward your goals.

Emergency Fund

Setting up an emergency fund is often ignored so that money can go toward other goals. But this step is imperative, because you never know when you are going to be hit with unexpected expenses. You should set up an account that is earmarked for emergencies only. Most experts agree that you should have three to six months of income in your emergency fund to cover the unexpected.

Tackling Debt

You can only cut your budget so far to free up money for your goals, so you will need to pay off debt to really make progress toward saving. You can apply the money you were directing to your emergency fund to reducing your debt.

Tackle one debt at a time. You may want to start with the debt that has the highest interest rate and then move on to the next debt. Each time you pay off a debt is a victory, because you can then apply that payment toward reaching your goals.

Saving for Retirement

For the majority of people, this is their most significant goal. This is one goal you should start saving for as soon as possible. As you pay off your debt and get pay increases, you can then start putting more money toward your retirement savings. Start by trying to contribute 10% of your annual salary and then increase that percentage as more cash becomes available. Hopefully, your employer offers a retirement savings plan such as a 401(k) plan, but if not, you should set up your own traditional IRA or a Roth IRA.

Other Goals

Chances are you have other goals to save for in addition to retirement. Regardless of what they are, you will want to prioritize your other goals in order of importance, so as other funds become available, you can apply them to what matters most.

You should consider setting up automatic deductions from your paycheck or checking account directly to your savings accounts. Doing this will help you save for your other goals and it will be less tempting to spend the money elsewhere.

Insurance

Most people cannot save enough money for all the things that can go wrong, so insurance needs to be a fundamental part of your financial plan. You will most likely need life insurance, health insurance, auto insurance, and homeowner's insurance.

Insurance is designed to protect your assets. If your home is damaged from a fire or a storm, your insurance will cover the repairs, and you won't have to use your financial resources. Likewise, auto insurance will pay repair claims that you would otherwise have to find the funds for, and life insurance is an important way to protect your family if something were to happen to you.

Estate-Planning Documents

Many prefer not to think about this, but you will want to protect your family upon your death. If you fail to develop proper estate-planning documents, your family will end up in probate court trying to figure out how to distribute your assets, which could also end up eating away at your assets.

By developing a will or other estate-planning documents, you will be giving your final direction as to how you want your assets to be handled after you pass away. You may want to consult with an estate-planning attorney to help you set up these documents. Even though this is something you may not relish doing, you will most likely feel great comfort in knowing that your loved ones will be taken care of after your death.

Please call if you'd like to discuss your financial plan in more detail. ❍❍❍

To Buy or Not?

Continued from page 1

— and the stocks you choose — depends on your objectives. If capital preservation is your goal, for example, a lower-risk stock is probably your best bet. On the other hand, if you're young and growth is your target, a higher-risk, higher potential return stock may be the right one for you. Whatever your objective, defining that goal is the first step to selecting stocks for your portfolio.

2. Is my portfolio diversified? When considering which stock to purchase, determine whether you need to target your investment in certain areas to balance out your diversification.

Diversification is the single most important factor in managing the risks of a stock portfolio. You should be sure that your portfolio isn't concentrated in just one industry, but spread out over at least four or five. And there are other dimensions to consider as well: cap weighting (large-, mid-, and small-cap), style (value or growth), and geography (U.S.-based, developed foreign markets, and emerging markets).

The benefit of diversification is that the up and down movements of different asset subclasses are not completely correlated, so that over time losses in one industry or subclass may be offset by gains (or lesser losses) in another.

3. What's my expected holding period? If you're looking to speculate or trade for fast gains, your expected holding period is short. In that case, you need to be sure you are timing your purchase so you're getting in near the beginning of an upswing, not the end of one.

If you are buying for the long term, on the other hand, the price you pay is less critical, as long as you don't purchase a stock in the early stages of a steep decline in value.

4. What's the prevailing market trend? Recently, the market was so strong that almost any stock you bought was likely to go up in value. But in a trendless or bear (declining) market, it's a lot harder to find a winner, at least in the short and intermediate terms. That's because the majority of stocks move in the same direction as the market, no matter how fundamentally strong a stock may be.

5. At the current price, would I be paying too much? To answer this question, you'll have to consider some basic fundamentals.

First, look at the stock's price/earnings (P/E) ratio, which is its price per share divided by earnings per share. How does it compare to the stock's normal range, and how does it compare to its direct competitors? If the P/E ratio is high, maybe the stock is overpriced. On the other hand, if it's low, it could either be a bargain or an indication of a fundamental weakness.

In addition to the P/E ratio, you should examine the stock's past and future earnings growth rate. Then look at its price/earnings growth ratio (PEG ratio). The PEG ratio compares the stock's P/E ratio to its five-year projected earnings growth rate. A PEG ratio of 1 to 1.5 is typically considered normal. A PEG of 2.0 or higher is often a sign that a stock is overpriced, while a PEG below 1.0 may be an indication that the stock is a good bargain.

Even the most seasoned investor, one who's comfortable with the five factors to consider when evaluating a stock, can benefit from the objective advice of a professional. As hard as we try, it's difficult to avoid getting emotionally tied up in our investments. Please call if you'd like help reviewing your stock investments. ❍❍❍

Dealing with Stocks with Losses

Typically, investors find it easier to sell a stock with a gain than with a loss. When selling a stock with a loss, we must admit we made a mistake, which is difficult to do psychologically. Thus, we have a tendency to hold on to a losing stock, hoping it will eventually get back to at least a breakeven point.

However, this might not be the best strategy for your investment portfolio. While you are waiting for the stock to get back to breakeven, you could have reinvested elsewhere that might earn a higher rate of return.

When evaluating your investments, objectively review the future prospects of each stock, making decisions to hold or sell on that basis rather than on whether the stock has a gain or loss. You can't change your past investment decisions, but you can come to grips with them so you can move forward and make appropriate investment decisions for the future. Please call if you'd like help reevaluating your stock investments. ❍❍❍

Financial Data

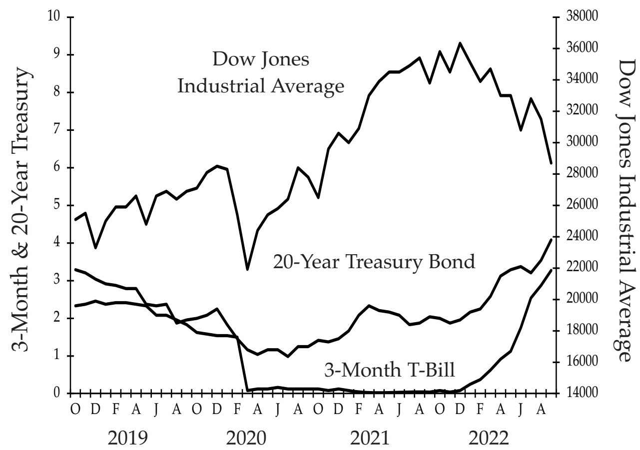
Indicator	Jul-22	Aug-22	Sep-22	Dec-21	Sep-21
	Month-end				
Prime rate	5.50	5.50	6.25	3.25	3.25
Money market rate	0.13	0.15	0.20	0.07	0.07
3-month T-bill yield	2.52	2.88	3.27	0.08	0.04
10-year T-bond yield	2.67	3.15	3.83	1.52	1.52
20-year T-bond yield	3.20	3.53	4.08	1.94	2.02
Dow Jones Corp.	4.51	4.76	5.76	2.48	2.24
30-year fixed mortgage	5.43	6.03	6.92	2.63	2.50
GDP (adj. annual rate)#	+6.90	-1.60	-0.60	+6.90	+6.70

	Month-end			% Change	
Indicator	Jul-22	Aug-22	Sep-22	YTD	12 Mon
Dow Jones Industrials	32845.13	31510.43	28725.51	-20.9%	-15.1%
Standard & Poor's 500	4130.29	3955.00	3585.62	-24.85	-16.8%
Nasdaq Composite	12390.69	11816.20	10575.62	-32.4%	-26.8%
Gold	1753.40	1715.90	1671.75	-7.4%	-4.1%
Consumer price index@	296.31	296.28	296.17	6.6%	8.3%
Unemployment rate@	3.60	3.50	3.70	-11.9%	-28.8%

\# — 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 2018 to September 2022



Past performance is not a guarantee of future results.

Fun Ways to Save for the Entire Family

Most people don't think saving money is fun, but there are ways to make it fun for the entire family. Check out these ideas for fun ways to save:

Make It a Competition — You and your spouse or two of your teenagers can challenge each other to a "save-off." Set a time frame and a savings metric to determine the winner. It could be who can save the most money in six months, or who can save the highest percentage of their income in a year. Most people love a good challenge, and this is a great way to jump start your savings. Make sure the prize doesn't claim everything you've saved. Think of something that doesn't cost a lot of money.

Create a Savings Thermometer — This is a great way to save when you have younger children. Let the kids create a large thermometer out of poster board, then write a saving goal at the top and hang it somewhere in the house where everyone can see it. Each week, let your children color the thermometer based on how much was saved. The top of the thermometer could represent a prize that everyone in the family wants, such as a pizza party, a trip to the zoo, or an excursion to the beach.

Have a Family Garage Sale — A great way to clean out your house is for everyone to find clothes, toys, and other household items they no longer use or need. Let your children help coordinate the garage sale, develop the advertising for the sale, and be part of the sales team.

Find Inexpensive Family Fun — Not every outing with your kids has to include spending money, especially with younger children. Go to a local park, plant a garden together, or play a family game of baseball or volleyball. The point is to spend time as a family, not to spend money. ❍❍❍

FR2022-0621-0055