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Creating income for life.

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FINANCIAL OUTLOOK

SEPTEMBER 2022

EVALUATING STOCK INVESTMENTS

You should thoroughly analyze a stock before purchase. But pick up a company's annual report and you can quickly become overwhelmed by all the numbers. What figures should you concentrate on when evaluating a stock? At a minimum, look for answers to these questions:

○ **WHAT ARE THE COMPANY'S EARNINGS?** Earnings per share (EPS) is the company's net income after taxes and preferred stock dividends divided by the average number of shares outstanding. Look for steadily increasing EPS, which shows a pattern of consis-

tent growth.

○ **HOW DOES THE COMPANY'S PRICE RELATE TO EARNINGS?** The price/earnings (P/E) ratio is calculated by dividing the company's stock price by EPS. It basically indicates how much investors are willing to pay for a dollar of the company's earnings. P/E ratios can be calculated using different earnings numbers. Trailing P/E ratios use earnings per share for the most recent four quarters, while forward P/E ratios use forecasts of future earnings per share. To get a feel for the reasonableness of a

company's P/E ratio, review its historical P/E ratio, the P/E ratio of other companies in similar industries, and the P/E ratio of the market as a whole. Typically, companies with higher growth rates have higher P/E ratios.

○ **HOW DOES THE COMPANY'S BOOK VALUE RELATE TO ITS PRICE?** A company's book value equals its assets less its liabilities, commonly referred to as stockholders' equity. Dividing the stock's price by its book value per share will give you the price-to-book value. Companies with low price-to-book values are often considered value stocks.

○ **WHAT IS THE COMPANY'S RETURN ON EQUITY?** Return on equity (ROE) is calculated by dividing the company's income by its shareholders' equity. It is used to measure how well capital retained in the company is utilized, although it is a statistic that should be reviewed over a number of years to detect trends.

○ **WHAT IS THE STOCK'S TOTAL RETURN?** Total return equals dividends plus or minus changes in stock price divided by your

5 FACTS ABOUT ESTATE PLANNING

When it comes to the future, most Americans have a blind spot: estate planning. Maybe it's because of an unwillingness to think about mortality or a sense that wills and trusts are only for the wealthy that people put off this important financial planning task. Whatever the reason, there are a lot of estate planning slackers out there. Here are five facts everyone should know about estate planning.

1. EVERYONE NEEDS AN ESTATE PLAN. Yes, estate planning is ab-

solutely necessary for the wealthy. But pretty much everyone needs an estate plan, regardless of how old they are or how much money they have. You can benefit from putting documents in place that clarify who should receive your property after you die, what kind of healthcare you'd like to receive if you were incapacitated, how surviving family members will be provided for, and more. Estate planning is especially important for those who have

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STOCK INVESTMENTS

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purchase price. This is the overall measure of the stock's performance and is useful when comparing one investment with other investments.

- **WHAT IS THE COMPANY'S DEBT LEVEL?** The debt ratio is the company's outstanding debt divided by shareholders' equity, which measures how leveraged a company is. High levels of debt can make a company more vulnerable during economic downturns. Also take a look at the current ratio, which is calculated by dividing current assets by current liabilities. It is a measure of a company's ability to pay its current obligations, with higher ratios indicating a stronger ability to make payments.
- **WHAT IS THE COMPANY'S GROWTH RATE?** A company's growth prospects can be evaluated using the price/earnings growth, or PEG, ratio, which is calculated by dividing the P/E ratio by the company's projected earnings growth rate. A PEG ratio of one is considered standard, meaning the growth rate is incorporated in the stock's price. A PEG ratio higher than one means the stock is trading at a premium to its growth rate, while a ratio of less than one may mean the stock is undervalued.
- **HOW VOLATILE IS THE STOCK?** Beta is a statistical measure of how stock market movements have historically impacted a stock's price. By comparing the movements of the Standard & Poor's 500 (S&P 500) to the movements



5 REASONS TO START SAVING

If you're interested in getting started with savings, or if you want to save more, here are five reasons to stay motivated.

1. YOU'LL BE PREPARED FOR EMERGENCIES. Here's an alarming fact: most Americans don't have enough money saved to cover even relatively small unexpected expenses, such as emergency room co-pays, minor car repairs, or a broken furnace. Without cash on hand to cover these irregular but inevitable costs, you're more likely to turn to credit cards or loans when the need arises. The result? A downward financial spiral that can be difficult to pull yourself out of.

2. YOU'LL BE MORE INDEPENDENT. Having savings gives you more flexibility and independence. With a healthy amount of savings, you can feel more free to take risks, like starting your own business, heading back to school to train for a new career, purchasing a home of your own, or moving to a new city. Plus, without savings, you're living on the financial edge, and you're more likely to find yourself stuck in situations that you may not be satisfied with. Committing to savings today, even if it's just a small amount, will start to give you the freedom to make different choices.

3. YOU'LL BE ABLE TO REACH

of a particular stock, a pattern develops that gauges the stock's exposure to stock market risk. The S&P 500 is an unmanaged index generally considered representative of the U.S. stock market and has a beta of one. A stock with a beta of one means that on average it moves parallel with the S&P 500. A beta greater than one means the stock should rise or fall to a greater extent than movements in the S&P 500, while a beta less than one means it should rise or fall to a lesser extent than the

YOUR GOALS. We all have goals. Whatever your dreams, they likely have one thing in common — you're probably going to need some money if you want them to become a reality. Few of those dreams are achievable if you don't save for them.

4. YOU'LL BE ABLE TO EARN MORE MONEY. Saving isn't just about setting aside what you've already earned. It's also about putting your money to work for you. Depending on where you save and invest your money, you can earn more just by being diligent about saving, rather than spending. And because of the power of compounding earnings, even relatively small amounts can grow significantly, provided you don't touch your principal.

5. YOU'LL BE HAPPIER. No one wants to suggest money is the only thing that can make us happy. But there's also evidence that *saving* money, even in small amounts, can make you happier. In contrast, having debt (often a consequence of a lack of savings) tends to lead to more unhappiness.

Convinced that saving for the future is the right thing to do? Please call to discuss how you can make regular saving part of your financial plan. ○○○

S&P 500. Since beta measures movements on average, you cannot expect an exact correlation with each market movement.

The decision to purchase a stock can't be made solely from a review of financial ratios. You'll also need to evaluate subjective factors, such as the quality of management, prospects for the company's industry, and where the company stands in relation to its competitors. If you'd like help reviewing the financial ratios of a stock that interests you, please call. ○○○

5 FACTS

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children, complicated family situations, special needs family members, or own certain types of assets (like art, intellectual property, or a small business).

2. A WILL IS NOT ENOUGH. Wills are an important part of estate planning, but they are just one piece of a larger puzzle. Wills clarify who should receive your assets after you die. But you may also need other documents, like a living will, which explains what kind of medical treatment you'd like to receive if you can't make decisions on your own, a healthcare proxy (a person who will make healthcare decisions on your behalf), and a power of attorney (a person who is authorized to make legal decisions on your behalf when you're not able to). In some cases, you may want to set up trusts to provide for your heirs or charities. An estate planning attorney can help you understand which estate planning documents are necessary in your situation.

3. YOUR BENEFICIARY DESIGNATIONS SUPERSEDE YOUR WILL. Many people assume the instructions in your will take precedence over any other directions regarding their estate. That's not always the case. Beneficiary designations on retirement accounts, life insurance policies, and bank accounts aren't superseded by your will. So, even if your will leaves your entire estate to your surviving child, a retirement account that names your brother as the primary beneficiary will still go to your sibling. That's why it's important you review your beneficiary designations regularly and update them when your life changes (birth of a child, divorce, etc.).

4. YOU CAN LEAVE MORE TO YOUR HEIRS IF YOU STRUCTURE YOUR ESTATE PROPERLY. If you have a sizable estate — one that exceeds the \$12.06 million federal estate tax exemption in 2022 — you may want to look into strategies that will allow

YOUR PARENTS' ESTATE PLANNING

Estate planning can be a difficult subject to discuss with your parents. You don't want to seem concerned about how much money they may eventually leave you, while they may fear you are interfering with their finances. But to help ensure their estate is settled quickly according to their wishes, family members should have some basic information. You don't need to know the specifics about who will receive what, but you should find out:

- **WHERE IMPORTANT ESTATE PLANNING DOCUMENTS ARE LOCATED.** Don't ask for specifics, just make sure documents are in place so their wishes will be carried out. Find out if they have a durable power of attorney and a healthcare proxy. With a durable power of attorney, they designate someone to control their financial affairs if they become incapacitated. A healthcare proxy delegates healthcare decisions to a third person when your parent is unable to make them. Usually, this document also outlines procedures to be

used to prolong life.

- **HOW TO CONTACT THEIR ADVISORS.** Ask for a list of names, addresses, and phone numbers of lawyers, accountants, and financial advisors.
- **THEIR RATIONALE FOR DISTRIBUTING THEIR ESTATE.** Often, when heirs understand why an estate is being distributed in a particular manner, it can prevent problems among those heirs. If your parents are reluctant to discuss this now, suggest they leave a personal letter with their estate planning documents explaining their rationale for distributions.
- **PREFERENCES FOR THE FUTURE.** Find out where your parents would like to live if they're not physically able to live in their current home. Do they want to move in with relatives or live in an assisted-living facility? Discuss in detail what procedures they want performed to prolong life in the event of a terminal illness. Determine their preferences for funeral arrangements. ○○○

you to pass that money to your heirs in a way that avoids estate taxes. There are numerous legal techniques you can employ to do this, such as transferring assets and property to a trust, making gifts during your lifetime, setting up family foundations, or leaving money to charity. Even those with smaller estates should keep taxes in mind. Did you know, for example, that life insurance proceeds pass tax-free to beneficiaries? That's important to keep in mind when you're considering how to make sure your spouse and children will be provided for if you die unexpectedly.

5. IT'S IMPORTANT TO TALK TO YOUR FAMILY ABOUT YOUR ESTATE PLANNING DECISIONS. Disagreements among family members about how to distribute an estate are far from

uncommon. Often, those squabbles break out over unexpected or unclear provisions in the deceased's estate plan. If one member of your family feels that they aren't getting their due, it can make the process difficult for everyone. Drawn out legal battles that eat away at the wealth you've accumulated — and wanted to leave to your heirs — may result. Even if you think your family can handle your estate civilly, it may still be a good idea to sit down as a group or with individual family members to discuss your wishes and explain your estate planning choices. If you plan to leave more of your wealth to one child than the other, make sure your children know about that so they don't end up feeling blindsided and betrayed after your death. ○○○

FINANCIAL DATA

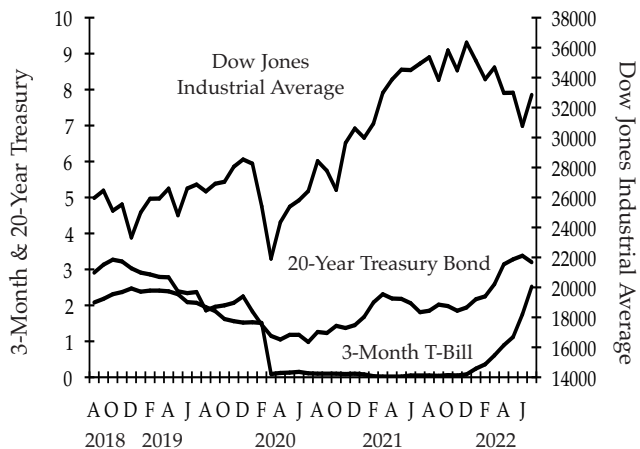
Indicator	Month-end				
	May-22	Jun-22	Jul-22	Dec-21	Jul-21
Prime rate	4.00	4.75	5.50	3.25	3.25
Money market rate	0.08	0.10	0.13	0.07	0.08
3-month T-bill yield	1.12	1.75	2.52	0.08	0.05
10-year T-bond yield	2.85	2.98	2.67	1.52	1.24
20-year T-bond yield	3.28	3.38	3.20	1.94	1.81
Dow Jones Corp.	4.27	4.80	4.51	2.48	2.14
30-year fixed mortgage	5.30	5.98	5.43	2.63	2.25
GDP (adj. annual rate)#	+6.90	-1.60	-0.90	+6.90	+6.70

Indicator	Month-end			% Change	
	May-22	Jun-22	Jul-22	YTD	12 Mon
Dow Jones Industrials	32990.12	30775.43	32845.13	-9.6%	-6.0%
Standard & Poor's 500	4132.15	3785.38	4130.29	-13.3%	-6.0%
Nasdaq Composite	12081.39	11028.74	12390.69	-20.8%	-15.6%
Gold	1838.70	1817.00	1753.40	-2.9%	-4.0%
Consumer price index@	289.11	292.30	296.31	6.6%	9.1%
Unemployment rate@	3.60	3.60	3.60	-14.3%	-39.0%

— 4th, 1st, 2nd quarter @ — Apr, May, Jun Sources: Barron's, Wall Street Journal

Past performance is not a guarantee of future results.

4-YEAR SUMMARY OF DOW JONES INDUSTRIAL AVERAGE, 3-MONTH T-BILL & 20-YEAR TREASURY BOND YIELD AUGUST 2018 TO JULY 2022



SHARING AN INHERITANCE

Married individuals who receive a large inheritance face a tough decision — should you share the inheritance with your spouse or hold the assets separately? Legally, you aren't required to share the inheritance, even in community property states where almost all other income must be split equally. Even if all other marital assets are owned jointly, you might want to consider keeping an inheritance separate for a couple of reasons:

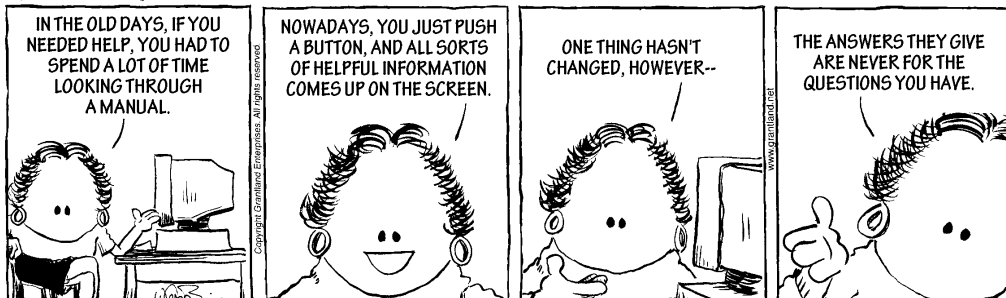
- Should you get divorced, you probably wouldn't have to split a separately-held inheritance with your spouse.
- When you die, you control who receives the inheritance. If the inheritance is owned jointly, it goes to

your spouse. If your spouse remarries, there is a chance the inheritance will ultimately go to a second spouse or children from a second marriage. You can get around that result through the use of a trust, but it may be simpler to just keep the assets separate.

While there may be sound financial reasons for keeping the inheritance separate, those reasons may be difficult to explain to a spouse. Rather than remaining evasive, discuss your concerns openly with your spouse. Even if you decide to keep the inheritance separate, that doesn't mean you can't share some of the assets for common goals. ○○○

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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