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Creating income for life.

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Financial Outlook

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Estate Planning Tips for Baby Boomers

Many boomers have put off estate planning, putting them and their families at risk. These tips can help this generation get back on track with estate planning.

1. Know what your kids expect — and what you plan to give them. Boomers' parents were conservative savers. They came of age in the Great Depression, and that often led them to be cautious with their money. Many of them accumulated far more than they ever spent, and they passed that wealth on to their boomer children. But many baby boomers aren't taking the same approach to money. For one, the world has changed. Even boomers who've saved a lot may end up spending much of what they've accumulated, since retirements are likely to be long and healthcare costs expensive. But there's also an attitude difference. Active boomers may be planning on spending much of their hard-earned money on themselves. They believe they've done a lot for their children already and don't feel the need to leave them substantial assets. That's fine — it's your money, after all — but if you plan on spending most of your assets, you may want to let your children know. It's one thing to not leave money to the next generation, but if they are blindsided by your decisions after your death, they may end up feeling resentful.

2. Have a plan for the end of your life. Many, if not most, boomers are still leading busy lifestyles, and they plan to keep doing so for some time. Boomers who value staying fit and healthy may not really be thinking about what will happen to them when the inevitabilities of aging finally do catch up. But while taking steps to live a healthy lifestyle is important to enjoying a great retirement, boomers shouldn't assume they'll be healthy forever. Sickness and disability can happen, and it will be easier for you and your family to deal with if you have a plan. Not only should you think about long-term care and how you'll pay for it, you should also make sure you have end-of-life planning documents in place, like a health care power of attorney and a living will.

3. Make sure your estate plan is up-to-date. Many boomers have estate plans that they created

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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, it doesn't mean you should ignore the opportunities that bonds present. Here are four reasons why you might want to have a portion of your portfolio in 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 different times, you may be able to create a portfolio that generates more stable returns by investing across asset classes. For example, stocks and

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Estate Planning

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decades ago. The primary goal of those estate plans may have been to ensure their children and surviving spouse were protected in the event of unexpected death. But as you get older, your estate planning needs change. If your kids are independent adults, providing for them is no longer as critical. Plus, if it's been two or three decades since you created your will, your life has likely changed in other ways too. You may have grandchildren who you want to receive part of your estate or new property that should be incorporated into your will. Or your family composition might have changed — you may have been divorced or widowed, for example. You may even have received a health diagnosis that is affecting your estate planning goals. For all these reasons and more, boomers need to sit down and review their estate plans to make sure that they properly convey all their wishes.

4. Decide if, and how, you want to leave a legacy. Boomers often want to find a way to leave a lasting impact on the world and to support the causes and organizations closest to their hearts. If you count yourself among those for whom leaving a legacy is important, now is the time to start thinking seriously about how you want to turn those legacy dreams into reality. If your goals are ambitious — like starting a foundation or a charity or endowing a scholarship — you should start planning now. The more lofty your goals, the more important it is that you take clear, concrete steps to turn your dreams into reality — like meeting with the leaders of the organization you support and finding out how you can best help them. After all, you won't be able to do this work after you are gone.

Not sure how to put these estate planning tips into action? Please call if you'd like to discuss this topic in more detail. ❍❍❍

Avoid These Withdrawal Mistakes

During your working years, your emphasis was to accumulate as much as possible for retirement. But as you near retirement age, you need to start thinking about how to withdraw those funds to maximize your income. To help accomplish that, avoid these mistakes:

- ❍ **Not understanding all available options.** Each retirement option, such as 401(k) plans, profit-sharing plans, and individual retirement accounts (IRAs), has different tax and plan rules regarding withdrawals. Review all your options to select the best choice for your circumstances. In many cases, your selection will be irrevocable.
- ❍ **Not using reasonable estimates to calculate your withdrawal amounts.** The amount you should withdraw annually can be calculated based on how much principal you want remaining at the end of your life, your life expectancy, your expected long-term rate of return, and your expected long-term inflation rate. If you don't use conservative estimates, you run the risk of depleting your assets.
- ❍ **Not withdrawing funds in a tax-efficient manner.** Before beginning withdrawals, review all your retirement assets, including pension plans, IRAs, and taxable investments, to determine the most tax-efficient strategy for withdrawals. This can add years to the life of your retirement funds.
- ❍ **Retiring early without considering the financial implications.** Retiring even a few years earlier than planned can significantly impact the amount needed for retirement. Make sure you'll have sufficient funds for your entire retirement before opting to retire early.
- ❍ **Taking a lump-sum distribution in your name.** When rolling over a lump-sum distribution from a 401(k) plan or other qualified plan, transfer the funds directly to your new account's trustee. Otherwise, your former employer will withhold 20% for taxes when the funds go directly to you. You will then have to replace the 20% from your own funds within 60 days or the 20% withholding will be considered a distribution, subject to income taxes and possibly the 10% federal penalty.
- ❍ **Not taking required minimum distributions.** Once you reach age 73, you must take required minimum distributions from traditional IRAs and other qualified plans or pay a 50% excise tax on the amount you should have withdrawn. If you are still working, you can delay withdrawals from qualified plans, but not from traditional IRAs, until you retire.
- ❍ **Not selecting proper beneficiaries.** The proper selection of beneficiaries can make a significant difference in the amount of taxes owed when you die.
- ❍ **Not seeking advice.** Determining how much to withdraw from your retirement investments and the best way to make those withdrawals can be complicated. Since the decisions are often irrevocable and can have a major impact on your retirement lifestyle, seek guidance first. Please call if you need help with these decisions. ❍❍❍

4 Reasons

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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 (such as when you near retirement), 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, plus you face what's known as inflation risk. Because bond payments are set in advance (that's why they're known as fixed-income investments), you lose purchasing power due to inflation.

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 that 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 that unlike some other investments, 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. That's why riskier bond issuers tend to offer investors higher coupon rates — their greater risk is compensated by greater total return. But in general, bonds are more predictable in how much money they generate for investors than stocks, which is one reason why they're so appealing to retirees.

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. ❍❍❍

Bond Investing Tips

Consider the following tips if bonds are part of your investment portfolio:

- **Determine your objectives before investing.** Decide how much of your portfolio you want invested in bonds.
- **Diversify your bond holdings among different bond types.** Consider government, corporate, and municipal bonds, as well as different industries, credit ratings, and maturities.
- **Understand the risks that affect bonds.** The most significant risk is interest rate risk. When interest rates rise, bond values fall, while values rise when interest rates decline. Other risks include default risk, or the possibility the issuer will redeem the bond before maturity; and inflation risk, or the possibility that inflation will outpace the bond's return.
- **Choose bond maturity dates carefully.** When you will need your principal is a major factor, but the current interest rate environment may also affect your decision. Rather than investing in one maturity, you may want to stagger or ladder the maturity dates in your portfolio.
- **Follow interest rate trends.** At a minimum, follow the prime rate, Treasury bill rates, and Treasury bond rates. Understand the significance of the yield curve and track its pattern over time.
- **Compare interest rates for specific bonds before investing.** Interest rates can vary substantially among different bond types and among bonds with different maturities or credit ratings.
- **Research a bond before purchase.** Review the credit quality, coupon rate, call provisions, and other significant factors. Determine whether the bond is appropriate for you in terms of risk, return, and maturity date.
- **Consider the tax aspects.** By comparing the after-tax rate of return for various types of bonds, you may be able to increase your return. Depending on the bond, the interest income may be fully taxable or exempt from federal and/or state income taxes.
- **Review your bond holdings periodically.** Evaluate the credit ratings of all your bonds at least annually to ensure the quality hasn't deteriorated. Also, ensure your holdings are still consistent with your overall investment objectives and asset allocation plan. ❍❍❍

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Financial Data

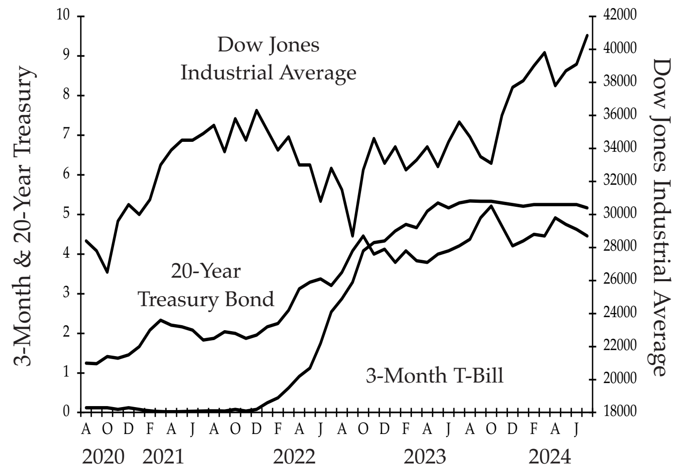
Indicator	May-24	Jun-24	Jul-24	Dec-23	Jul-23
	Month-end				
Prime rate	8.50	8.50	8.50	8.50	8.50
Money market rate	0.51	0.50	0.48	0.48	0.56
3-month T-bill yield	5.26	5.24	5.15	5.26	5.28
10-year T-bond yield	4.51	4.36	4.09	3.88	3.97
20-year T-bond yield	4.73	4.61	4.44	4.20	4.22
Dow Jones Corp.	5.65	5.51	5.43	5.17	5.54
30-year fixed mortgage	7.53	7.47	7.24	7.09	7.38
GDP (adj. annual rate)#	+3.40	+1.40	+2.80	+3.40	+2.10

Indicator	May-24	Jun-24	Jul-24	YTD	12-Mon.
	Month-end			% Change	
Dow Jones Industrials	38686.32	39118.86	40842.79	8.4%	14.9%
Standard & Poor's 500	5277.51	5460.48	5522.30	15.8%	20.3%
Nasdaq Composite	16735.02	17732.60	17599.40	17.2%	22.7%
Gold	2350.65	2330.90	2426.30	17.3%	23.1%
Consumer price index@	313.55	314.07	314.18	2.3%	3.0%
Unemployment rate@	3.90	4.00	4.10	10.8%	13.9%

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

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

August 2020 to July 2024



Past performance is not a guarantee of future results.

News and Announcements

Bonds and Interest Rate Changes

Interest rate changes can affect bond prices as follows:

- **Interest rates and bond prices move in opposite directions.** The price of a bond will decrease in value when interest rates rise and increase in value when interest rates fall. The price of an existing bond changes to provide the same return as an equivalent, newly-issued bond at prevailing interest rates. If interest rates are higher than the rate on an existing bond, the existing bond becomes less valuable because of the lower interest payments, causing the price to decrease.
- **Interest rate changes have a more dramatic affect on bonds with longer maturities.** Since long-term bonds have a longer stream of interest payments that don't match current interest rates, their price must change more to compensate for those interest rate changes.
- **Bond price changes are less significant for bonds with higher coupon rates.** Bonds with coupon interest rates near or above current interest rates will experience the least amount of price fluctuation.

By understanding the effects of interest rate changes on bond prices, you can make more informed decisions regarding your bond portfolio. Please call if you'd like help with your bond portfolio. ❍❍❍

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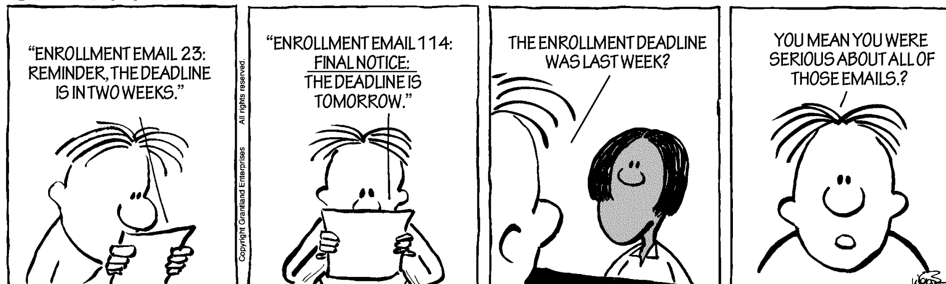

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Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices do not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.
The 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