REACH for RETIREMENT

YOUR RETIREMENT PLANNING NEWSLETTER

Money Mantras

Do market swings cause you some anxiety? These four money mantras can help you overcome it.

Whether it's the continuing presence of the COVID-19 pandemic, a sudden boost in prices related to gas, food, housing and other essentials, supply chain hiccups, an uncertain labor market (or any number of other things), the stock market has certainly seen its share of ups and downs over the past six months. As always, it's impossible to predict what the market will do on any given day. But at the start of a new year, it's always a good idea to take some deep, measured breaths and focus on some basic money mantras. Doing so will help you push through any anxiety you may be feeling regarding your retirement account (no yoga pose required).

Mantra #1: I Am Investing for the Long Term

An old saying goes, "saving for retirement is a journey, not a sprint." A volatile market can push the most experienced investors into making emotional decisions. However, it's never a good idea to change your investments simply because of day-to-day volatility. Set a strategy that's right for you and stick with it. Having a diversified portfolio can help you build confidence in your long-term plan—so don't just throw it out the window during big market swings!

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Money Mantras

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Historically, equity markets have trended upward over the long term. However, past performance is not a guarantee of future results. Investing involves risk, so you may want to consider working with a financial professional who can help you review your current tolerance for risk, keeping in mind your other financial goals.

Mantra #2: I Will Diversify My Portfolio

Putting your money into a number of investment options that include different types of asset classes can help reduce risk. Generally speaking, if your dollars are invested in materially different types of investments (stocks, bonds and cash), and market conditions cause one of your investments to decline, all of your money shouldn't be affected.

A simpler way to understand diversification is to look at the food you put on your plate. The more food groups and colors on your plate, the more nutrients your body consumes and the healthier you are. If, however, you only ate pizza every day, your body would suffer from a lack of key nutrients. The same is true for an investment portfolio's diversification. Investors who put their money in only one type of asset (such as stocks) are at an increased risk for loss of principal due to a lack of variety in their portfolio.

Mantra #3: I Will Rebalance My Portfolio on a Regular Basis

Over time, market changes can lead to shifts in your portfolio's asset allocation. For example, you may have started with a 75/25 stock fund-to-bond fund split, but changes in the market caused stocks to now account for 85% of your portfolio's value. That's why it's important to periodically check your asset allocation to see if it aligns with your current strategy and risk tolerance. Keep in mind, you may also want to rebalance to a more aggressive or conservative allocation should your tolerance for risk change due to where you are in life or how close you are to retirement.

Mantra #4: I Will Seek Professional Help If I Need It

Many people consult with an investment advisor for guidance regarding their retirement plan investments. An advisor can help you determine an appropriate investment strategy to achieve your financial goals that is based on your risk tolerance and time frame.

Eliminate the Guesswork

Creating an estate plan is a key component of achieving financial wellness.

Most people don't spend too much time thinking about end-of-life planning on a daily basis. But you may have loved ones who will soon face these issues. While it's not pleasant to think about, you may be the one who ends up having to sort out their affairs. In addition, there will come a time when you need to think about yourself and your own family.

In a nutshell, estate planning is writing down what you want to happen after you die. This is commonly accomplished using wills, trusts, advance directives and beneficiary designations on accounts. If you don't have an estate plan when you pass away, you force people to guess what you wanted. Guessing can place a lot of pain and stress on your family. Creating an estate plan is actually one of the most generous things you can do for them. Here are four key reasons to create an estate plan.

Choose How to Distribute Your Assets

An estate plan allows you to allocate your assets according to your wishes. If you don't have an estate plan, your money and property may not get to the correct person. In addition, some people who get an inheritance in one big sum may have the potential to spend it all pretty quickly. Creating an estate plan identifies specific inheritances for certain beneficiaries, especially those who might be young, immature or irresponsible.

In addition, if there is not a will when you die, it is called dying intestate. Each state has a succession formula for who receives money and property left behind. In most cases, if the state can't find anyone, it goes to the state where you passed away.

Set Up Care for Dependent Children

Families with dependent children should make a plan for childcare if both parents pass away. Many young couples don't think about it, but in the event of both of their untimely deaths, they need to appoint someone to be the guardian of their children. Make sure that if you have minor children, that you have named someone to be the proper caretaker. Although it can be uncomfortable having the conversation on who will be the caretaker (your parents or your spouse or partner's parents, for example), setting up an estate plan can prevent arguing and fighting among family members.

Avoid Probate

If you die without a will, your estate will go through probate. The probate process in most states takes a minimum of seven months to allow creditors to put through claims. In addition, it's a public hearing, which allows people to know your personal business. The probate process can also be expensive, and legal costs will reduce the amount your loved ones inherit. Essentially, probate process gets in the way of a smooth transition of your assets to your loved ones.

Minimize Taxes

Some advance planning can save your heirs from getting a big tax bill. For example, depending on whether or not your heir is a spouse or non-spouse (and subject to certain rules), they may need to pay income tax on money they inherit and withdraw from a traditional IRA. However, if they inherit a Roth IRA that was funded for 5 years or more prior to your death, distributions can be taken tax-free. In addition, if you plan to leave behind an estate in excess of $12.06 million (based on 2022 IRS figures), you need to make a plan for estate taxes, or the so-called "death tax." Some states also have an estate or inheritance tax with a different threshold. You can reduce these estate taxes with an estate plan.

Heart of the Matter

Managing your blood pressure is a key component of a healthy heart

In 2021, the Centers for Disease Control and Prevention reported that nearly half of adults in the United States (47%) have hypertension, defined as a systolic blood pressure greater than 130 millimeter of mercury (mmHg) or a diastolic blood pressure greater than 80 mmHg (or are taking medication for hypertension). Having hypertension puts you at risk for heart disease and stroke, which are leading causes of death in the United States. Here are some best practices for managing your blood pressure and staying heart-healthy.

Step 1: Understand Your Readings

The first step to managing blood pressure is to understand what the levels mean and what is considered normal, elevated and high blood pressure (hypertension). Blood pressure is typically recorded as two numbers: 117/76. These numbers are read as "117 over 76 millimeters of mercury" and represent two factors:

Systolic: The top number, the higher of the two numbers, measures the pressure in the arteries when the heart beats (when the heart muscle contracts).

Diastolic: The bottom number, the lower of the two numbers, measures the pressure in the arteries when the heart is resting between heart beats.

Step 2: Be Aware of the Blood Pressure Categories[1]

Blood pressure readings fall into four categories:

Normal: systolic less than 120 mmHg and diastolic less than 80 mmHg

Elevated Blood Pressure: diastolic 120 to 129 mmHg and diastolic less than 80 mmHg.

High Blood Pressure (Hypertension) Stage 1: systolic 130 to 139 mmHg or diastolic 80 to 89 mmHg.

High Blood Pressure (Hypertension) Stage 2: systolic 140 or higher mmHg or diastolic 90 or higher mmHg.

Health care providers can take your blood pressure readings and provide recommendations. In addition, there are several at-home blood pressure monitors available that you can use to track your blood pressure on a consistent basis.

Step 3: Do Your Part to Stay Heart-Healthy

Eat Smart: Eat a healthy diet of vegetables, fruits, whole grains, beans, legumes, nuts, plant-based proteins, lean animal proteins and fish. Limit sodium, saturated fats and added sugars. Limit sugary foods and drinks, fatty or processed meats, salty foods, refined carbohydrates and highly processed foods.

Move More: Physical activity helps control blood pressure, weight and stress levels.

Manage Weight: If you're overweight, even a slight weight loss can reduce high blood pressure.

Don't Smoke: Every time you smoke, vape or use tobacco, the nicotine can cause a temporary increase in blood pressure.

Sleep Well: Short sleep (less than 6 hours) and poor-quality sleep are associated with high blood pressure.

1 Guidelines first published in 2017 by the American College of Cardiology and the American Heart Association.

Sources: American Heart Association; Centers for Disease Control and Prevention (CDC).

The Planning Zone

INFORMATION AND TOOLS TO HELP YOU BUILD YOUR FINANCIAL FUTURE

In the Know

Many people use the 4% rule to guide their retirement withdrawals once they stop working. The rule proposes that withdrawing 4% from a retirement fund in the first year, followed by inflation-adjusted withdrawals every year after, should ensure money is available to last for a 30-year retirement. For example, a retiree with a $1 million nest egg would withdraw $40,000 the first year. The next year, they would adjust that $40,000 to reflect the rate of inflation and take out that amount. When your retirement comes, consider talking to a financial advisor about a withdrawal rate that is right for you, and customized to your age and life expectancy.

Inquiring Minds

Q: ***How often should I check my retirement plan balance?***

A: For most long-term investors, once or twice a year is generally adequate. The closer you get to using the money (within two to three years of retirement, for example), the more you should check — just to make sure you remain on track to reach your savings goal.

To-Do List

It's that time again – time to change the password to access your retirement plan account (as well as any other accounts you have). Some generally accepted rules of thumb are to change your passwords every 90 days, use different passwords for different accounts, never write them down, and never type passwords on devices or networks that you do not control. To make creating and managing passwords easier, many people subscribe to password manager services. Check out Consumer Reports for ratings on various service providers, as well as more password tips: https://tinyurl.com/5hdhmrcu.

Financial Fitness

Looking for some hot summer savings ideas? Check out these tips to help you save money and improve your cash flow!

- Wash your car at home versus taking it to your local carwash.
- Use your heat-generating appliances such as the dryer or dishwasher at night.

- Consider using cold water to wash your clothing.
- Hang your laundry outside to dry.
- Check out yard and garage sales first for things you need (or have one yourself).
- Avoid using your oven and stove by grilling outside as much as you can.

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