THE LIGHT

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ESSENTIAL FACTORS FOR A RETIREMENT PLANNING CHECKLIST

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If there's one thing you want to do once, and only once, it would be retiring. Imagine having to go back to work after calling it quits. Not fun! Planning your retirement is not something you want to take lightly. While retirement can be an exciting time, it's also a time for big adjustments. Not only will you no longer be going to work every day, but it will also be a time for big changes in your finances. To best prepare for these changes, a basic retirement planning checklist should be considered. Read on for five key factors to consider.

1. Develop your retirement budget

Face it. "Guesstimating" is just setting you up for failure. You'll need to know the monthly expenses you'll need to live on. Look at what you currently spend as a non-retiree. Grab utility bills, bank statements, credit card statements, etc. Is the mortgage paid off? Do you have any significant credit card debt? How much are you spending on groceries, eating out, and vehicle expenses? At a minimum, review the last 3 to 6 months. (The longer the time period, the better.) Some expenses may change significantly in retirement, but knowing what monthly expenses look like prior to retirement is a good place to start. Make sure you also factor in inflation, which prior to this recent surge, had averaged around 2.5% the previous 20 years. Even with this recent surge, using 3% to 5% seems appropriate.

Don't forget to plan for healthcare needs. For those retiring at age 65 or older, you will be eligible for Medicare. Have an understanding of what Medicare covers. If you plan to retire prior to Medicate eligibility, you will need to factor the cost of healthcare into your retirement budget.

2. Create a retirement plan

Decide at what age you plan to retire and determine how much you will need to save to live comfortably once you do retire. This can seem like a daunting task, but your financial advisor is a great resource in getting started. Reevaluate your plan periodically as standards of living tend to change as we age, and you'll want to make sure you can continue living the same lifestyle upon retirement. Plan for the unexpected. Sudden medical bills or a drop in the market can significantly affect your retirement needs.

Consider sources of income you will have during retirement. This may include a pension, social security, and more. Review your options on when it may be best to start drawing social security benefits for you and your spouse. You can start claiming benefits as early as 62, but doing so reduces future monthly benefits. Full retirement age for those born in 1960 or later is 67, but benefits increase the longer you're able to delay, up until age 70.

3. Review your retirement accounts annually

Looking over the past year, have you saved enough? Are you on track to meet your retirement plan needs? It never hurts to overestimate. I've yet to have the conversation where an individual was "disappointed" because they had "over-saved." Start saving as early as possible with the idea of investing aggressively when you're young and then slowly dialing back to a more conservative mix as you approach retirement age. Early on, you have time for your money to weather market fluctuations and your nest egg should benefit greatly from the stock market's history of long-term growth. If you start saving late, make sure you're saving as much as possible to make up for lost time. Consider downsizing your home and watch overspending. Sacrificing a little now will be easier compared to when you're hoping to retire.

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4. Don't become complacent.
Continue to push towards the retirement goals in mind. Even if you decide you'd like to continue working, there's no harm in having the ability to retire earlier than expected. As income levels increase, so should your retirement savings. If at all possible, make sure you're making the maximum contributions to your retirement plan. Keep in mind most retirement options allow you to make "catch up" contributions once you reach age 50 or 55. Aim to pay down all debts and to be debt free by your retirement date, if possible. Getting out of debt early in life will make retirement planning a much smoother process.

5. Understand the distribution rules of your retirement accounts.
Retirement accounts are all different, and if you've saved into multiple accounts, it may be confusing on how retirement withdrawals work. Many accounts require you to reach a certain age prior to withdrawing funds. Some 401(k)s allow you to withdraw money early upon retirement, whereas IRAs require you to be over age 59 ½ to withdraw without paying penalties. If you're considering retiring with a 401(k) prior to age 59 ½, and your 401(k) qualifies for the early penalty-free withdrawals, it would be a costly mistake rolling over to an IRA.

Retirement can be an exciting time, with early planning often the key to retiring at your desired age with the means to continue living your preferred lifestyle. Remember that meeting your retirement goals takes routine maintenance just like service on your vehicle. Check in with yourself once or twice a year, using the above checklist as a guideline to ensure you are on track for meeting your retirement goals. Retire once and only once and live the life you planned.

THE PSYCHOLOGY OF MONEY AND INVESTING

TIM ROWSEY, CPA, FOUNDER & CEO
INVESTMENT ADVISOR REPRESENTATIVE

Through our entire life, we constantly make choices relating to money. One of the most basic revolves around the idea of time. Should I buy what I want today or delay to some future date? The delayed gratification of waiting comes easier to some than to others. We may even be born with a certain predisposition to save or spend.

In a famous experiment, researchers at Stanford University gave a child a choice between receiving an immediate reward such as a marshmallow; or if the child would wait an additional 15 minutes, then the child would receive a bigger reward such as an extra snack. In follow up studies, the children who were able to delay and receive a larger reward, tended to have more positive life outcomes later in their lives. This distinction shown in children between those who could delay the gratification of their desires also shows up for adults who often are divided into spenders and savers.

Another aspect of our money decision-making is our emotions. Emotions such as fear, pain, pleasure, and guilt can impact our money choices. Fear of missing out sometimes causes us to make decisions that are not really in our best interest, whether it is buying something that we really don't need, or spending more than we should on a new fad. Fear caused by temporary drops in markets can also cause us to overreact and make incorrect decisions relating to our investments. There can also be pain as we see values in retirement or investment accounts decline. This pain can cause us to want to avoid that experience in the future. On the flip side, most of us have experienced the pleasure of finding money in a purse or pocket that we didn't know was there, or the pleasure of seeing an investment unexpectedly grow a substantial amount in a short time.

MARKET UPDATE: 2Q 2023

GREG EMMONS, CFP ®
INVESTMENT ADVISOR REPRESENTATIVE

It's hard to believe we're at the halfway mark of 2023 already. To the surprise of most market pundits, we've had a very nice run thus far. Coming into the year, the sentiment was fairly negative with talks of a recession running rampant throughout the news cycles. That's not to say we aren't going to go through a recession, or that we're not in one right now, but the market apparently has other ideas. This is a good reminder that the economy and how it's performing is not the same thing as the stock market. Year to date the S&P 500 is up 16.1%, the NASDAQ is up 31.8%, and the DOW, being a bit of a laggard so far, is up just 3.9%.

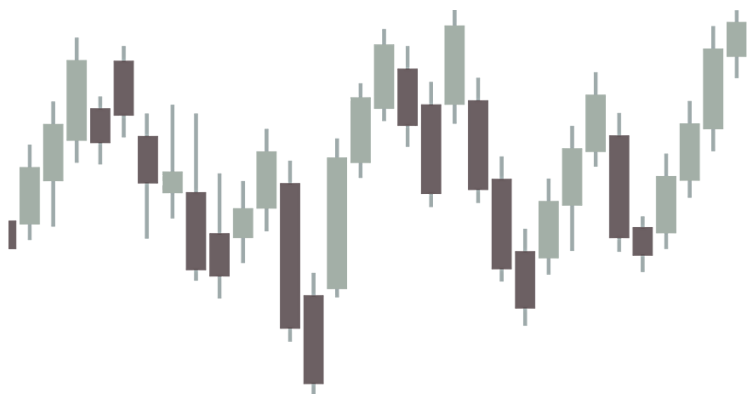
For fixed income, investors finally have some great risk-free options. Schwab's Money Market is currently paying a yield of 4.93% and three and six-month U.S. Treasuries are paying an annual yield of around 5.4%. The second half of this year will bring its own share of surprises as the market always does. Do your best to turn down the noise and stay disciplined on your long-term portfolio allocation.

MARKET RECAP

How the major indices performed in the 2nd Qtr. 2023:

DOW JONES INDUSTRIAL AVERAGE				
	2nd QTR. RETURN:	4.8%	YTD RETURN:	3.9%
S & P 500 COMPOSITE				
	2nd QTR. RETURN:	10.0%	YTD RETURN:	16.1%
RUSSELL 2000				
	2nd QTR. RETURN:	7.0%	YTD RETURN:	7.4%
BARCLAYS AGGREGATE BOND				
	2nd QTR. RETURN:	-1.1%	YTD RETURN:	1.1%
NASDAQ COMPOSITE				
	2nd QTR. RETURN:	14.8%	YTD RETURN:	31.8%

**All indices are reported Total Return which includes Dividends*



With the emotional and immediate gratification issues that can hinder good money choices, what are some things that we can do to overcome these issues that impact our decision-making relating to money? If you are naturally a spender, or if fear or guilt hinders good choices, what can you do? Here are some practical points that can help you make better choices no matter what your mental predisposition.

1. Small changes and time can make a big difference. Spending $5 less each day, if saved and invested, would grow to over $500,000 over 40 years at an 8% return! Conversely, spending an extra $10 per month, putting it on a credit card, and only paying minimum payments could easily cause a $15,000 or higher balance over 20 years. Small decisions now can have big rewards or consequences over time.

2. Make it automatic.
Payroll withholding for company 401(k) plans are a wonderful thing. Money that automatically comes out of your paycheck is normally not missed. If you start out having 5% withheld, increase it by 1% every year. Over time these consistent investments can help toward a better retirement. Automatic transfers to other savings or investment accounts also help take the emotions out of this important money decision.

3. Stop and ask yourself before every purchase, "Do I really need this?"
Many purchasing decisions are emotional ones made to hide or try to heal an issue that has nothing to do with the actual purchase. The term "retail therapy" describes this process very well.

4. Pay credit card balances in full and don't let interest on credit cards eat away at your financial wellbeing.
If you can't pay off the credit card when it comes due, stop using it until the balance is fully paid.

5. Keep your eye on your long-term goal.
For the children who couldn't wait 15 minutes to get two marshmallows instead of one, the consequences were minimal. For adults who don't keep some focus on their long-term financial needs, the potential future impact is much more significant.

While the mind and emotions can be a powerful influencer in money decisions, it is possible to organize your life and money decisions in a way that can minimize the impact of our natural fears and desires. If we can do this, we can join the children who chose to delay a little of today's pleasure for tomorrow's gain.

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