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FINANCIAL OUTLOOK

4TH QUARTER 2021

Funding Your Retirement

Depending on your age and circumstances, retirement can feel far away and mysterious or achingly close and excitement (or panic) inducing. When you're young, the idea of retirement is shrouded in the mists of future wealth and idle thoughts of what you'll do when you don't have to work anymore. But while those fast approaching retirement may have a clearer view of what is to come, in some ways, they are just as unaware of what is really in store for them over the next few decades. Most of us don't know how long we're going to live, so making sure we have sufficient funds for our entire retirement is incredibly important.

How Much to Save?

While it's thought you could only need as low as 70% of your current income per year in retirement, it is wise to assume that you will need closer to 100%. Think of all the things you enjoy doing now: traveling, hobbies, attending cultural events and sports games. All of these could be a vital part of an active and interesting retirement, but they also cost money. Make sure you have saved enough to be active and that your withdrawal rate is not so high that your resources could deplete early. While it's always customizable, a good starting point is to withdraw 4% in the first year of your retirement, and continue to adjust for inflation down the road.

Cutting down on living expenses now will free yourself up for more contributions to your retirement and will give you an idea of how little you can live comfortably on. This will give you a better idea of how much you will really need in retirement. The most important expense to get rid of is payments on any debt before you enter retirement. Your cost of living will be significantly reduced if you have paid off your mortgage and any outstanding consumer debt.

When forming a plan or determining if you are ready to retire now, err on the side of longevity when it comes to your lifespan. Add a few years to what is generally expected — plan on living until 85 or 90. It is a far better situation to have saved more than necessary than to run out of funds so late in life. In the vein of further caution, it is a good idea to have an emergency

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Signals to Buy and Sell Stocks

Knowing when to buy and sell stocks can be confusing, even anxiety-inducing, especially for new investors. And while the process gets easier with time and experience, even seasoned investors do a lot of research when trying to determine the best timing for their own buying and selling circumstances… and even with that effort, the answers aren't always as clear as we might prefer. Fortunately, there are a few signs that point to stocks worth buying right away or selling while you have the chance.

When to Buy:

Increasing market share. Making smart investments is all about the ability to spot leaders in different sectors. You don't want to wait too long and end up buying too high, but it is also difficult to know the real longevity of the current market leaders. At the very least, market leaders can make a profit in the short term if you buy at the right time.

Trailblazing companies. When a company like Facebook comes along, it changes the world for

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Funding

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fund outside of your retirement plan. A general rule is to have at least six months of living expenses tucked away just in case.

What about Housing?

In general, housing should take up about 25% of your gross pay or 35% of your take-home pay. If you own your own home and have paid off your mortgage, this shouldn't be a difficult guideline — but remember that with a house comes additional, and often expensive, repair and maintenance costs. If you plan on staying in your home throughout your retirement, make sure the big stuff is in good working order or replaced while you are still drawing income. This includes the roof, the foundation, siding, HVAC, sewer lines, and septic system, as well as an emergency fund in case of fire or water damage.

Your house will also need to be adapted for your needs as you age. You may need to consider selling a home that requires a lot of upkeep and downsizing to something more manageable. No one wants to face the reality of physical deterioration, but most people face mobility issues as they age and a one-story home is safer and easier to navigate.

Continuing Income Options

It may be tempting, but resist the urge to take early retirement. It is difficult enough to save enough money to live on in retirement if you are only retired for 20-25 years. Imagine if you retire at 55 years old and live for another 35 years. You will need enough funds to support yourself in retirement for longer than you were in the workforce. Every extra year you work is a year you don't have to support yourself using your retirement savings.

Once you've retired, it can be helpful for your savings and your wellbeing to work a casual, light job. Many retirees find themselves missing the comradery of the workplace and the continued income will allow for more spending money, vacations, and greater security in your savings.

Last but not least, consider longevity insurance. This is a type of deferred annuity that will continue to provide income well into your twilight years. People usually purchase it at around 65 years old, and the payout begins at 80 years.

Please call if you'd like to discuss this in more detail. ❍❍❍

How to Be Financially Responsible

Being financially responsible is all about living within your means and spending less than what you make. To determine if you are financially responsible, take a serious look at your finances and your spending habits. The following can help you with establishing financial responsibility.

Budget — Financial responsibility starts with a budget. Understand where your money is going and determine how much you need to cover necessities. Your budget should also include how much money you need to pay down debt, as well as how much will go toward savings.

Credit Cards — Probably the biggest culprit of not being financially responsible is credit cards. Many people use them for convenience and to rack up rewards, but if you can't pay your balance off each month, you could be headed for debt overload, which will ultimately hurt your credit. Credit cards should not be used to make ends meet, but rather for convenience. If you have credit card balances, you should rethink your spending habits and make paying off those balances a priority.

Other Debt —For most people, borrowing is necessary to purchase a home and a car, but there are ways to do it in a financially responsible manner. It comes down to knowing the difference between wants and needs. You don't need to live in a mansion or drive the best luxury car if your budget doesn't support it. Think about how much you are going to pay in interest when purchasing a home or car to help guide you in making the best choices.

Saving — If you are spending your entire paycheck and not saving, you need to take a serious look at your finances, because long-term saving needs to be high on your list of financial priorities. The best way to start saving is to have it automatically withdrawn from your paycheck and deposited into a savings or retirement account.

Emergencies — Financially responsible people are always prepared for the unexpected. You should save approximately three to six months of income to cover emergencies, such as a job loss or medical bills. ❍❍❍

Signals to Buy

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its customers…and definitely for its investors. Investors who can spot groundbreaking technology and manage to get in on the ground floor can experience a huge payoff, but also take a big risk on the company's staying power.

Past earnings and track record. As an investor, it can be very exciting to try to look for the winning companies of the future. But even though it may not come with the same thrill, investing in companies with a proven record of stability can help stabilize your portfolio's returns. It's crucial to do your research on any company before you invest, but some signals are clearer than others. For example, if the company keeps churning through CEOs, you might want to stay away, but long-term, stable leadership could indicate a safe and good investment.

When to Sell:

Delayed earnings report. When a company is publicly traded, it is required to submit earnings reports on time. If a company delays their filings or earnings reports, it is considered a red flag and investors may respond with panic. Even if you are willing to stick with the stock, be aware that others may not and there could be a pull-back.

Fierce competition. Competition on its own drives innovation and goes in hand with a healthy market. But if you own stock in a company that has yet to deal with real competition and now faces it, you will need to watch its progress carefully. A competing company could cause a shift in the market that devalues your stock, and you might want to consider selling.

Weak economic forecasts. All industries and sectors are subject to economic forecasts in some way. Even sectors that typically perform well, even for multiple years, can be negatively affected by economic pressure. When an investor has had positive experiences in a specific sector, it can be hard for them to move on, even when the economic forecast spells bad news for stockholders. Therefore, it's a good idea to keep from getting too attached to your comfort zone and diversify by buying and selling in multiple sectors.

Please call if you'd like to discuss this topic in more detail. ❍❍❍

Are All Triple-A Bonds Alike?

Unlike stock investors, those who invest in bonds usually have a way to gauge how risky an investment might be. It's the rating assigned to the bond by a credit rating agency, with triple-A being the agency's best rating.

However, not every triple-A rating means precisely the same thing. In fact, two bonds with that same rating can present different possibilities regarding timely repayment of principal. Here's why:

1. The ratings are relative to the sector. A fundamental fact bond investors must remember is that the three major bond sectors each present different levels of risk, completely apart from the ratings each bond carries. In general, from the safest to the riskiest, the bond sectors are Treasuries, municipals, and corporates. Ratings agencies like Moody's and Standard & Poor's, two of the largest companies in the bond rating business, use the same scale for every bond sector. Each sector has a list of triple-A rated bonds, but that doesn't mean a triple-A rated Treasury poses the same level of risk as a triple-A muni or corporate does. The same goes for each rating and category.

2. Ratings are opinions. Financial ratings are opinions and, as such, are as much art as science. Ratings are based on a careful review of the numbers, and each rating agency has its own general guidelines for which numbers go with which rating. Opinions can vary not only between credit agencies, but even between different analysts within the same agency. And after all, no one is perfect when it comes to predicting the future, and that's what ratings are supposed to do.

3. The issuers pay for ratings. The rating agencies make their money from the fees they charge bond issuers. Ostensibly, the agencies are able to command the respect of the marketplace by remaining objective, despite the potential for this arrangement to affect their judgment. Nevertheless, the outcry over toxic mortgage-backed securities, many of which were rated triple-A, has cast a shadow of doubt over just how objective the rating agencies may or may not always be.

4. Things change. In all fairness to the rating agencies, our global economic and financial systems are incredibly fast-changing. Knowing that, the agencies try to keep up, and often come out with new ratings as issuers' circumstances change, either for the worse or the better. Credit downgrades and upgrades are quite common, but with tens of thousands of bond issuers, the agencies can't keep up with changes in every issuer's circumstances.

5. Bond insurance can mask problems. It's not uncommon for issuers of municipal bonds to secure bond insurance. In that case, the bonds assume the credit rating of the bond insurance company, regardless of the state of the issuer's finances. If times got tough for state and city governments and a large number of them were to get financially weaker, it may be beyond the wherewithal of the municipal bond insurance industry to make every bond investor whole, in spite of its high rating. ❍❍❍

FINANCIAL DATA

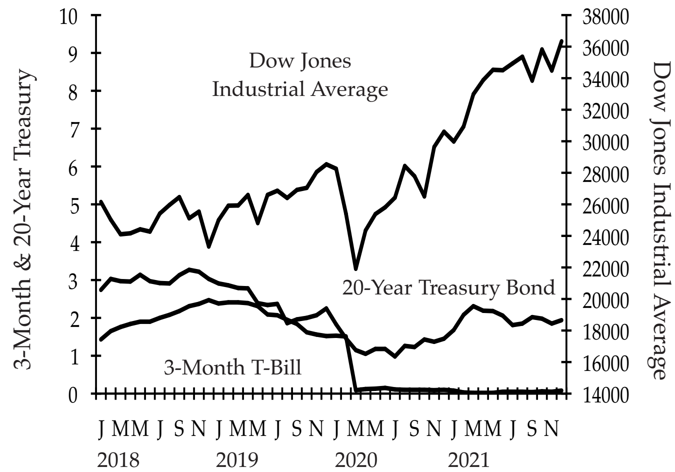
Indicator	Month-end Oct-21	Nov-21	Dec-21	Dec-20	Dec-19
Prime rate	3.25	3.25	3.25	3.25	4.75
Money market rate	0.07	0.07	0.07	0.20	0.58
3-month T-bill yield	0.06	0.05	0.08	0.10	1.52
10-year T-bond yield	1.55	1.43	1.52	0.93	1.92
20-year T-bond yield	1.98	1.85	1.94	1.45	2.25
Dow Jones Corp.	2.37	2.54	2.48	1.93	2.84
30-year fixed mortgage	2.60	2.64	2.63	1.91	3.31
GDP (adj. annual rate)#	+6.30	+6.70	+2.30	+4.30	+2.10

Indicator	Month-end Oct-21	Nov-21	Dec-21	% Change 2021	2020
Dow Jones Industrials	35819.56	34483.72	36338.30	18.7%	7.2%
Standard & Poor's 500	4605.38	4567.00	4766.18	26.9%	16.3%
Nasdaq Composite	15498.39	15537.69	15644.97	21.4%	43.6%
Gold	1769.15	1804.40	1805.20	-4.4%	23.9%
Consumer price index@	274.31	276.59	277.95	6.8%	1.2%
Unemployment rate@	4.80	4.60	4.20	-37.3%	91.4%

— 1st, 2nd, 3rd quarter @ — Sep, Oct, Nov Sources: *Barron's, Wall Street Journal*

4-YEAR SUMMARY OF DOW JONES INDUSTRIAL AVERAGE, 3-MONTH T-BILL & 20-YEAR TREASURY BOND YIELD

JANUARY 2018 TO DECEMBER 2021



Past performance is not a guarantee of future results.

NEWS AND ANNOUNCEMENTS

BONDS AND INTEREST RATE CHANGES

Basically, interest rate changes 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. Since you receive the full principal value at maturity, holding a bond until maturity eliminates the impact of interest rate changes.

❍ **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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