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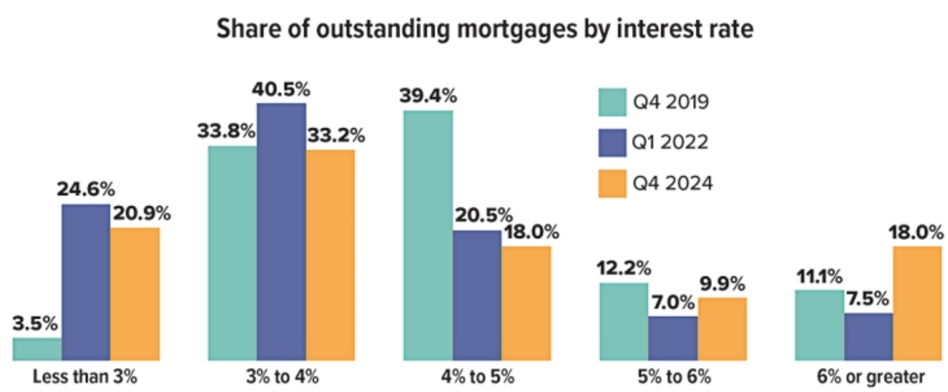
Median age of first-time homebuyers in 2024, a swift increase from age 35 in 2023, and an all-time high. To put this in perspective, the typical buyer has been an adult for about 20 years and is just 24 years away from being eligible to claim early Social Security benefits (at age 62).

Source: National Association of Realtors, 2024

The Lock-in Effect Is Easing, But Oh So Slowly

The *lock-in effect* is a term that economists use to explain why the existing-home market has suffered from a severe lack of inventory in recent years. Homeowners have been discouraged from selling because they would have to finance their next homes at much higher rates than they pay on their current mortgages.

Nearly two-thirds of outstanding mortgages had rates below 4% in the first quarter of 2022, after many homeowners grabbed the chance to refinance at historically low rates during the pandemic. The share of mortgages with very low rates has ticked down since then, because some households want or need to sell regardless of interest rates, but it's still much higher than before the pandemic. Although it's possible that the lock-in effect may linger for years to come, it could loosen its grip on the housing market more quickly if mortgage rates drop.



Source: Federal Housing Finance Agency, 2025

Have You Set a Retirement Savings Goal?

It's difficult to reach a destination unless you know where you're heading. Yet only 54% of workers or their spouses have tried to estimate the savings they would need to live comfortably in retirement.[1]

To get a start on establishing a retirement savings goal, use the simple worksheet on this page to compare the income you think you will need (or want) with the sources of income you expect. Keep in mind that estimates are in today's dollars, so your desired income should account for the rising cost of living between now and the time you plan to retire.

How much will you need?

Everyone's situation is different, but one common guideline is that you will need at least 70% to 80% of your pre-retirement income to meet your retirement expenses. This assumes that you will have paid off your mortgage, will have lower transportation and clothing expenses when you stop working, and will no longer be contributing to a retirement savings plan.

Although some expenses may be lower, others might increase, depending on your retirement lifestyle. For example, you may want to travel more or engage in new activities.

Unfortunately, medical expenses will likely be higher as you age. A recent study suggests that a man, woman, or couple who retired in 2024 at age 65 — with median prescription drug expenses and average Medigap premiums — might need $191,000, $226,000, or $366,000 in savings, respectively, to cover retirement health-care expenses (not including dental, vision, or long-term care).[2] Future retirees may need even higher levels of savings.

Estimate income sources

You can estimate your monthly Social Security benefit at different retirement ages by establishing a my Social Security account at ssa.gov/myaccount. The closer you are to retirement, the more accurate this estimate will be. If retirement is many years away, your benefit could be affected by changes to the Social Security system, but it might also rise as your salary increases and the Social Security Administration makes cost-of-living adjustments.

If you expect a pension from current or previous employment, you should be able to obtain an estimate from the employer.

Add other sources of income, such as from consulting or a part-time job, if that is in your plans. Be realistic. Consulting can be lucrative, but part-time work often pays low wages, and working in retirement is less likely than you might expect. In 2025, 75% of workers expected to work for pay after retirement, but only 29% of retirees said they had actually done so.[3]

Get Started

This worksheet might give you a general idea of the savings needed to generate your desired retirement income.

	Example	You
1. Annual retirement income desired	$80,000	
2. Expected income from sources such as Social Security or a pension	$30,000	
3. Income you need to generate from savings and investments (line 1 – line 2)	$50,000	
4. Savings needed to provide desired income for 25 years, assuming 5% annual return (line 3 x 14.1 income generation factor)*	$705,000	
5. Savings needed to provide desired income indefinitely, assuming 5% annual return (line 3 ÷ .05)	$1,000,000	

*Use a factor of 12.5 for 20 years or 15.4 for 30 years; factors are rounded.

This hypothetical example does not account for taxes or inflation and is used for illustrative purposes only. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

The income from your savings may depend on unpredictable market returns and the length of time you need your savings to last. Higher returns could enable your nest egg to grow faster, but it would be more prudent to use a modest rate of return in your calculations. Remember that all investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Investments seeking higher rates of return also involve a higher degree of risk.

A more detailed projection

A rough estimate of your retirement savings goal is a good beginning, and a professional assessment may be the next step. Although there is no assurance that working with a financial professional will improve investment results, a professional can evaluate your objectives and resources and help you consider appropriate long-term financial strategies.

1–3) Employee Benefit Research Institute, 2025 (Health-care expenses include Medigap premiums, Medicare Part B premiums and deductibles, Medicare Part D premiums, and out-of-pocket prescription drug expenses; projection is based on a 90% chance of meeting expenses and assumes a 7.32% return on savings from age 65 until expenditures are made.)

Convertible Bonds Straddle the Line Between Fixed Income and Potential Growth

A convertible bond is a regular corporate bond that comes with a special added feature: the investor has the right to convert it into shares of that company's common stock.

U.S. convertible bond issuance reached $96.0 billion in 2024, far surpassing the $61.5 billion issued in 2023.[1] The strong upward trend that began in 2023 picked up steam in 2024, driven by the resilience of the U.S. economy and interest rates that remained elevated longer than expected.[2]

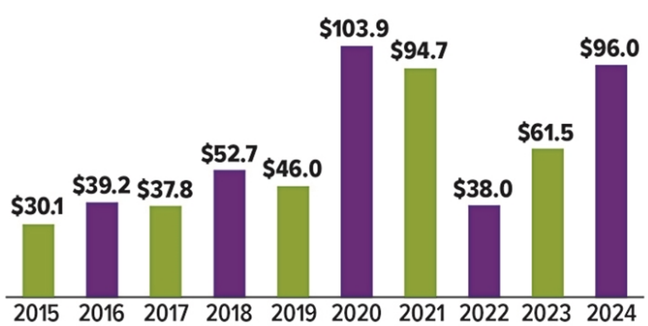
Why companies choose convertibles

Convertible bonds tend to offer lower interest rates than ordinary bonds issued by the same company. They also provide a way for companies to raise capital while avoiding the immediate dilution of share values that occurs when new stock is sold.

Convertible bonds have long been utilized by corporations with less than stellar credit ratings, including younger companies and those with weak balance sheets. But with interest rates sitting at high levels, more established, investment-grade companies have also been relying on convertible debt to help lower their borrowing costs.

In addition, a "maturity wall" of more than $1.2 trillion in investment-grade corporate debt is coming due in the next couple of years. Many of these companies could try to save money by refinancing their debt with convertible bonds.[3]

U.S. convertible bond new issuance, proceeds in billions



Source: SIFMA, 2025

What's under the hood for investors

Bond holders will receive income and principal unless the bond issuer defaults. Convertible bonds combine the income and relative price stability of bonds with the opportunity to participate in stock market returns. Thus, their value on the open market is affected not only by interest rates, as all bonds are, but also by changes in the company's stock price.

The bond agreement spells out either how many shares of stock the bond can be converted into (the conversion ratio), or the stock price at which the conversion can be made (the conversion price). For example, a bond that can be converted into 45 shares of stock would have a conversion ratio of 45:1. A $1,000 bond that has a conversion price of $50 a share would convert to 20 shares of stock.

If the stock's price rises, the convertible's price also rises, though convertibles usually are not as volatile as the stock itself. If the stock's price falls, the convertible's value on the open market could be less than its face value if sold before it matures, though the fixed interest it pays could help cushion the impact.

Challenges to consider

Most convertibles are callable, usually within five years after they're issued. If the stock price doesn't rise before the bond is called, the advantage of being able to convert the bond disappears.

Convertibles can also be relatively illiquid. As a result, individual investors may have difficulty finding buyers and sellers for small lots and end up paying higher prices than institutional investors.

In fact, liquidity is one of several reasons an investor might prefer to access convertibles through a mutual fund or exchange-traded fund (ETF) instead of purchasing individual bonds: the use of funds makes it easier to compare investment performance, and it can also help increase portfolio diversification.

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. The return and principal value of bonds, stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Bond funds are subject to the same inflation, interest-rate, and credit risks associated with their underlying bonds. Supply and demand may cause ETF shares to trade at a premium or discount relative to the value of the underlying shares. Investments seeking to achieve higher yields also involve a higher degree of risk.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) SIFMA, 2025

2) London Stock Exchange Group, 2024

3) *The Financial Times,* January 2, 2024

Tips to Help Preserve Your Inheritance

According to the Federal Reserve's Survey of Consumer Finances, taken every three years, slightly more than one in five U.S. households had received an inheritance as of 2022.[1] If you expect to receive an inheritance one day, these tips may help you better manage your financial windfall.

Wait a while before you act. Emotions run high after the death of a loved one. You might regret quitting your job, buying a sports car, or making other costly decisions before you have thought them through. Consider how the funds might be used to strengthen your financial position now and over the long term. You may also want to be discreet. Telling people that you have inherited a substantial amount of money may lead to unwanted advice, business or investment solicitations, and requests for financial support.

Boost (don't blow up) your lifestyle. If you have a large balance on a high-interest credit card or vehicle loan, consider paying it off and using the increased cash flow to save more toward your retirement or other long-term goals. Whether it would be wise to pay off your mortgage depends on your individual circumstances and goals. Investing represents an opportunity to grow an inheritance and potentially make it last longer. You could use any income generated by your portfolio to supplement your paycheck, which might allow you to live better now while preserving the bulk of the money for future needs, such as a child's education or your retirement.

Take advantage of tax deferral. If you inherit tax-deferred assets, such as those in a traditional 401(k) or IRA, keep in mind that withdrawals are taxed as ordinary income. You could choose to cash out and pay the taxes all at once, or you might consider transferring the inherited funds to a properly titled beneficiary IRA. Inherited retirement funds can be withdrawn over a period of up to 10 years, although some beneficiaries may have to take yearly required minimum distributions (if the original owner had started taking them). Spouses and other eligible designated beneficiaries receive preferential treatment. The rules and deadlines for handling inherited retirement account assets and taking distributions are complex. Because each choice could have far-reaching implications, be sure to seek tax guidance.

Consider meeting with a financial professional. Discussing your situation with someone outside of your family may help you gain perspective, clarify your goals, and make sound decisions. Although there is no assurance that working with a financial professional will improve investment results, he or she can consider your objectives and available resources and help you evaluate appropriate financial strategies.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

1) *The Washington Post,* November 10, 2023