

Financial Strategies

News You Can Use!!

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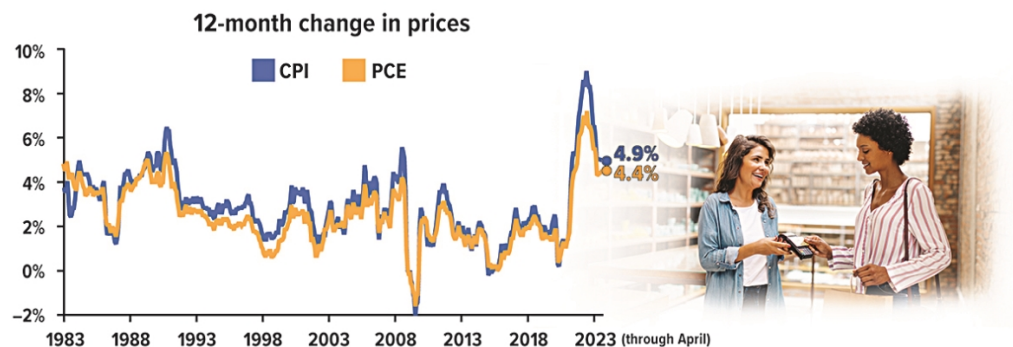
4.6%

Annual rate of "supercore" inflation in April 2023. Supercore is a metric that excludes goods, food, energy, and shelter, which are all categories that have been especially volatile over the last year. By contrast, the Consumer Price Index for all items increased 4.9%.

Source: Bloomberg, May 26, 2023

Inflation Gauges Don't Always Paint the Same Picture

Economists and investors rely on the Consumer Price Index (CPI) and the Personal Consumption Expenditures (PCE) Price Index to track the path of inflation over time. The two indexes use different formulas and data sources — CPI gets data from consumers and PCE data comes from businesses. PCE is broader in scope and some expenditure categories are weighted very differently. In late 2022, the difference between annual inflation as measured by CPI and PCE was the widest it has been since the 1980s.



Sources: U.S. Bureau of Labor Statistics, 2023; U.S. Bureau of Economic Analysis, 2023 (data through April 2023)

Mutual Funds: What's in Your Portfolio?

Mutual funds pool investment dollars from many individual investors to purchase a group of selected securities aimed at meeting a particular objective. This offers a convenient way to invest across a wide range of market activity that would be difficult for most investors to do by purchasing individual securities. More than 52% of U.S. households owned mutual funds in 2022.¹

Here are some basic types of funds in order of typical risk, from lowest to highest. This is just an overview — with over 7,000 funds to choose from, you should be able to find appropriate investments to pursue your financial goals.²

Money market funds invest in short-term debt such as commercial paper and certificates of deposit (which generally provide a fixed rate of return). They are typically used as a cash alternative and/or as a fund for settling brokerage transactions.

Municipal bond funds generally offer income that is free of federal income tax and may be free of state income tax if the bonds in the fund were issued from your state. Although interest income from municipal bond funds may be tax exempt, any capital gains are subject to tax. Income for some investors may be subject to state and local taxes and the federal alternative minimum tax.

Income funds concentrate on bonds, Treasury securities, and other income-oriented securities, and may also include stocks that have a history of paying high dividends.

Balanced funds, hybrid funds, and growth and income funds seek the middle ground between growth funds and income funds. They include a mix of stocks and bonds aimed at combining moderate growth potential with modest income.

Value funds invest in stocks of companies that appear to be undervalued by the market. They are more volatile than balanced funds, but typically offer dividend income and may have solid growth potential if the market recognizes the underlying value.

Growth funds invest in the stock of companies with a high potential for appreciation but low emphasis on income. They are more volatile than many types of funds.

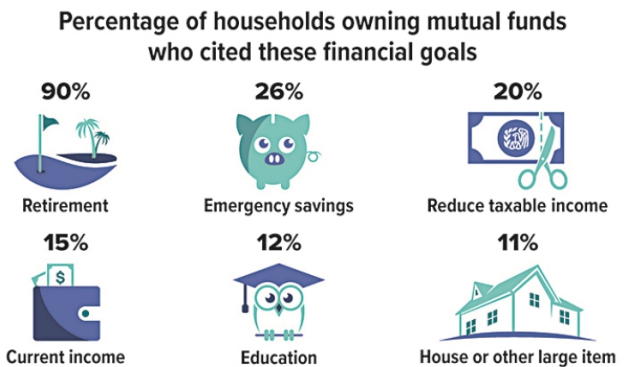
Global funds invest in a combination of domestic and foreign securities. **International funds** invest primarily in foreign stock and bond markets, sometimes in specific regions or countries. There are increased risks associated with international investing, including differences in financial reporting, currency exchange risk, economic and political risk unique to a specific country, and greater share price volatility.

Sector funds invest almost exclusively in a particular industry or sector of the economy. Although they offer greater appreciation potential, the volatility and risk level are also higher because they are less diversified.

Aggressive growth funds aim for maximum growth. They typically distribute little income, have very high growth potential, tend to be more volatile, and are considered to be very high risk.

Reasons to Invest

Four out of five households who own mutual funds cited retirement as their *primary* reason for investing. However, many investors own funds to pursue multiple financial goals.



Source: Investment Company Institute, 2022 (multiple responses allowed)

Bond funds (including funds that contain both stocks and bonds) are subject to the interest-rate, inflation, and credit risks associated with the underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. Dividends are typically not guaranteed.

Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss. Mutual fund shares, when sold, may be worth more or less than their original cost. Investments seeking to achieve higher returns also carry an increased level of risk.

Money market funds are neither insured nor guaranteed by the FDIC or any other government agency. Although a money market fund attempts to maintain a stable \$1 share price, you can lose money by investing in such a fund.

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.

1–2) Investment Company Institute, 2022–2023

Give Your Money a Midyear Checkup

If 2023 has been financially challenging, why not take a moment to reflect on the progress you've made and the setbacks you've faced? Getting into the habit of reviewing your finances midyear may help you keep your financial plan on track while there's still plenty of time left in the year to make adjustments.

Goal Overhaul

Rising prices put a dent in your budget. You put off a major purchase you had planned for, such as a home or new vehicle, hoping that inventory would increase and interest rates would decrease. A major life event is coming up, such as a family wedding, college, or a job transition.

Both economic and personal events can affect your financial goals. Are your priorities still the same as they were at the beginning of the year? Have you been able to save as much as you had planned? Are your income and expenses higher or lower than you expected? You may need to make changes to prevent your budget or savings from getting too far off course this year.

Post-Tax Season Estimate

Completing a midyear estimate of your tax liability may reveal planning opportunities. You can use last year's tax return as a basis, then factor in any anticipated adjustments to your income and deductions for this year.

Check your withholding, especially if you owed taxes or received a large refund. Doing that now, rather than waiting until the end of the year, may help you avoid a big tax bill or having too much of your money tied up with Uncle Sam.

You can check your withholding by using the IRS Tax Withholding Estimator at irs.gov. If necessary, adjust the amount of federal income tax withheld from your paycheck by filing a new Form W-4 with your employer.

Investment Assessment

Review your portfolio to make sure your asset allocation is still in line with your financial goals, time horizon, and tolerance for risk. How have your investments performed against appropriate benchmarks, and in relationship to your expectations and needs? Looking for new opportunities or rebalancing may be appropriate, but be cautious about making significant changes while the market is volatile.

Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. All investing involves risk, including the possible loss of principal and there is no guarantee that any investment strategy will be successful.

More to Consider

Here are five questions to consider as part of your midyear financial review.



Do you have an emergency fund?



Can you put more in your health savings account?



Have you checked your credit score recently?



What are the interest rates on your credit cards?



How much is left in your flexible spending account?

Retirement Savings Reality Check

If the value of your retirement portfolio has dipped, you may be concerned that you won't have what you need in retirement. If retirement is years away, you have time to ride out (or even take advantage of) market ups and downs. If you're still saving for retirement, look for opportunities to increase retirement plan contributions. For example, if you receive a pay increase this year, you could contribute a higher percentage of your salary to your employer-sponsored retirement plan, such as a 401(k), 403(b), or 457(b) plan. If you're age 50 or older, consider making catch-up contributions to your employer plan. For 2023, the contribution limit is \$22,500, or \$30,000 if you're eligible to make catch-up contributions.

If you are close to retirement or already retired, take another look at your retirement income needs and whether your current investment and distribution strategy will provide enough income. You can't control challenging economic cycles, but you can take steps to help minimize the impact on your retirement.

Protecting Your Business Against the Loss of a Key Person

Have you thought about how your business would be impacted by the death or disability of you (the owner) or another key employee? It's important that you create a plan to protect your business from such a loss.

Explore Life Insurance Strategies

Have you calculated the financial impact to your business upon the loss of a key employee? Your business may need funds to replace lost profits, hire and train a replacement, provide benefits to the deceased employee's family, and fund the purchase of your interest in the business. One option is to buy employer-owned life insurance on the key employee, naming the business as the policy's beneficiary.

Consider a Disability Policy

If a key employee became disabled, how would the business continue to pay the employee during the period of disability? How would the cash flow of the business be affected? How would overhead expenses of the business be paid?

Disability insurance can provide income to a key employee during a period of disability. Business overhead expense insurance, usually owned by the business, typically provides monthly payments for a specified period of time so that your business can meet its routine expenses and remain open while the key employee is disabled.

Pay Off Business Loans

If you die unexpectedly, how will business loans be repaid? Often, small business owners have to personally guarantee business loans, which could put your personal assets in jeopardy if you die while the loan is outstanding. A business loan insurance plan could help address this issue. At the owner's death, the insurance policy proceeds are used to repay the outstanding debt, including accrued interest. Any proceeds not used for loan repayment can be used by the policy beneficiary to satisfy other financial needs that may arise from the owner's death.

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Any guarantees are subject to the financial strength and claims-paying ability of the insurance issuer.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the disability income insurance policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

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