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EMOTIONAL VS. STRATEGIC DECISIONS

Information vs. instinct. When it comes to investing, many people believe they have a "knack" for choosing good investments. But what exactly is that "knack" based on? The fact is, the choices we make with our assets can be strongly influenced by factors, many of them emotional, that we may not even be aware of.

Investing involves risks. Remember that Investment decisions should be based on your own goals, time horizon, and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

Deal du jour. You've heard the whispers, the "next greatest thing" is out there, and you can get on board, but only if you hurry. Sound familiar? The prospect of being on the ground floor of the next big thing can be thrilling. But while there really are great new opportunities out there once in a while, those "hot new investments" can often go south quickly. Jumping on board without all the information can be a mistake. A disciplined investor may turn away from spur-of-the-moment trends and seek out solid, proven investments with consistent returns.

Risky business. Many people claim not to be risk-takers, but that isn't always the case. Most disciplined investors aren't reluctant to take a risk. But they will attempt to manage losses. By keeping your final goals in mind as you weigh both the potential gain and potential loss, you may be able to better assess what risks you are prepared to take.

You can't always know what's coming. Some investors attempt to predict the future based on the past. As we all know, just because a stock rose yesterday, that doesn't mean it will rise again today. In fact, performance does not guarantee future results.

The gut-driven investor. Some investors tend to pull out of investments the moment they lose money, then invest again once they feel "driven" to do so. While they may do some research, they are ultimately acting on impulse. This method of investing may result in losses.

Eliminating emotion. Many investors "stir up" their investments when major events happen, including births, marriages, or deaths. They seem to get a renewed interest in their stocks and/or begin to second-guess the effectiveness of their long-term strategies. A financial professional can help you focus on your long-term objectives and may help you manage being influenced by short-term whims.

RETURNS (AS OF 12/31/21)

ASSET CLASS	INDEX	4 WEEK	YTD	1 YEAR	3 YEAR
US Large Cap	S&P 500 TR	4.36%	26.89%	26.89%	23.88%
US Large Cap	Dow Jones TR	5.38%	18.73%	18.73%	15.92%
US Small Cap	Russell 2000 TR	2.11%	13.70%	13.70%	18.52%
International	MSCI EAFE NR USD	5.05%	8.78%	8.78%	10.75%
Taxable Bonds	Barclays US Agg Bond TR	-0.26%	-1.54%	-1.54%	4.79%

ESTATE MANAGEMENT CHECKLIST

Do you have a will?

A will enables you to specify who you want to inherit your property and other assets. A will also enables you to name a guardian for your minor children.

Do you have healthcare documents in place?

Healthcare documents spell out your wishes for health care if you become unable to make medical decisions for yourself. They also authorize a person to make decisions on your behalf if that should prove necessary. These documents may include a living will, a power of attorney agreement, and a durable power of attorney agreement for healthcare.

Do you have financial documents in place?

Certain financial documents can outline your financial wishes. If you become unable to make decisions for yourself, these financial documents can be structured to empower a person to make decisions on your behalf. These documents may include joint ownership, durable power of attorney, and living trusts.

Have you filed beneficiary forms?

In some cases, naming a beneficiary for bank accounts and retirement plans makes these accounts "payable on death" to your beneficiaries. In other cases, you will need to fill out a "Payable on Death" form.

Do you have the right amount and type of life insurance?

When was the last time you assessed your life insurance coverage? Have you compared the life insurance benefit with your financial obligations? Keep in mind that several factors will affect the cost and availability of life insurance, including age, health and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Have you taken steps to manage your federal estate tax?

If you and your spouse have more than $23.4 million in assets (for 2021), you may want to consider taking steps to manage federal estate taxes, which will be due at the second spouse's death.[1]

Have you taken steps to protect your business?

Do you have a succession plan? If you own a business with others, you may also want to consider a buyout agreement.

Have you created a letter of instruction?

A letter of instruction is a non-legal document that outlines your wishes. A strong, well-written letter may save your heirs time, effort, and expense as they administer your estate.

Will your heirs be able to locate your critical documents?

Your heirs may need access to the specific documents you have created to manage your estate. These documents may include:

- Your will
- Trust documents
- Life insurance policies
- Deeds to any real estate, and certificates for stocks, bonds, annuities
- Information on your financial accounts and safe deposit boxes
- Information on your retirement plans
- Information on any debts you have: credit cards, mortgages and loans.

Note: Power of attorney laws can vary from state to state. An estate strategy that includes trusts may involve a complex web of tax rules and regulations. Consider working with a knowledgeable estate management professional before implementing such strategies.

Citations

1. Investopedia.com, 2021

HOW WILL WORKING AFFECT SOCIAL SECURITY BENEFITS?

In a recent survey, 68% of current workers stated they plan to work for pay after retiring.[1]

And that possibility raises an interesting question: how will working affect Social Security benefits?

The answer to that question requires an understanding of three key concepts: full retirement age, the earnings test, and taxable benefits.

Full Retirement Age

Most workers don't face an "official" retirement date, according to the Social Security Administration. The Social Security program allows workers to start receiving benefits as soon as they reach age 62 – or to put off receiving benefits up until age 70.

"Full retirement age" is the age at which individuals become eligible to receive 100% of their Social Security benefits. For example, individuals born in 1956 can receive 100% of their benefits at age 66 years and 4 months.[2]

Earnings Test

Starting Social Security benefits before reaching full retirement age brings into play the earnings test.

If a working individual starts receiving Social Security payments before full retirement age, the Social Security Administration will deduct $1 in benefits for each $2 that person earns above an annual limit. In 2021, the income limit is $18,960.[3]

During the year in which a worker reaches full retirement age, Social Security benefit reduction falls to $1 in benefits for every $3 in earnings. For 2021, the limit is $50,520 before the month the worker reaches full retirement age.[3]

For example, let's assume a worker begins receiving Social Security benefits during the year he or she reaches full retirement age. In that year, before the month the worker reaches full retirement age, the worker earns $65,000. The Social Security benefit would be reduced as follows:

Earnings above annual limit **$65,000 – $50,520 = 14,480**

One-third excess **$14,480 ÷ 3 = $4,827**

In this case, the worker's annual Social Security benefit would have been reduced by $4,827 because they are continuing to work.

Taxable Benefits

Once you reach full retirement age, Social Security benefits will not be reduced no matter how much you earn. However, Social Security benefits are taxable.

For example, say you file a joint return, and you and your spouse are past the full retirement age. In the joint return, you report a combined income of between $32,000 and $44,000. You may have to pay income tax on as much as 50% of your benefits. If your combined income is more than $44,000, as much as 85% of your benefits may be subject to income taxes.[4]

There are many factors to consider when evaluating Social Security benefits. Understanding how working may affect total benefits can help you put together a program that allows you to make the most of all your retirement income sources – including Social Security.

Year of Birth	Full Retirement Age
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Source: Social Security Administration, 2021

Citations

1. EBRI.org, 2021
2. SSA.gov, 2021
3. SSA.gov, 2021
4. SSA.gov, 2021