OAKCREST INSIGHT

OakCrest CAPITAL, LLC

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PAY YOURSELF FIRST

Each month, you settle down to pay bills. You pay your mortgage lender. You pay the electric company. You pay the trash collector. But do you pay yourself? One of the most basic tenets of sound investing involves the simple habit of "paying yourself first" – in other words, making your first payment of each month a deposit into your savings account.

The saving patterns of Americans vary widely. And too often, short-term economic trends can interrupt long-term savings programs. For example, the U.S. Personal Savings Rate jumped from 2.9% in April 2008 to 7.3% in May 2008 during the housing and banking crisis. It then rose and fell sporadically as the economic environment appeared to stabilize. As of 2023, the average rate has fallen significantly from COVID-era highs of 33.8% in April 2020 to 4.3% as of June 2023.[1]

The Genius of Pay Yourself First

Anyone who's ever managed their own finances knows that saving can be a challenge. There seems to be an endless stream of expenses that demand a piece of each month's paycheck. Herein lies the genius of paying yourself first: you get the cream at the top of the bucket, and not the leftovers at the bottom.

The trick is to prioritize. Make it a point to put your future first. At first, saving may mean a small lifestyle change. But most individuals want to see their net worth increase steadily. For them, finding ways to save becomes more of a long-term commitment than a short-term challenge.

Putting Your Money to Work

What will you do with the money you save?

If retirement is your priority, consider taking advantage of tax-advantaged investments. Employer-sponsored retirement plans, such as 401(k)s, can be a great way to save because the money comes out of your paycheck before you even see it. Also, as an added incentive, some employers offer to match a percentage of your contributions.[2]

For money you may want to access before retirement, consider placing the funds in a separate account. When the balance hits your target, you may want to move the money into investments that offer the potential for higher returns. Of course, this may mean exposing your money to more volatility, so you'll want to choose vehicles that fit your risk tolerance, time horizon, and long-term goals.

In the pursuit of growing wealth, sound habits can be your most valuable asset. Develop the habit of "paying yourself first" today. The sooner you begin, the more potential your savings may have to grow.

Citations

1. Fred.StLouisFed.org, 2023
2. In most circumstances, you must begin taking required minimum distributions from your 401(k) or other defined contribution plan in the year you turn 73. Withdrawals from your 401(k) or other defined contribution plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty.

HOW THE FEDERAL RESERVE WORKS

Have you ever taken a close look at paper money? Each U.S. bill has the words "Federal Reserve Note" imprinted across the top.

But many individuals may not know why the bill is issued by the Federal Reserve and what role the Federal Reserve plays in the economy. Here's an inside look.

The Federal Reserve, often referred to as "the Fed," is the country's central bank. It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system. Prior to its creation, the U.S. economy was plagued by frequent episodes of panic, bank failures, and limited credit.[1]

The Fed has four main roles in the U.S. economy.

Economy Watch

In addition to its other duties, the Fed has been given three mandates with the economy: maintaining maximum employment, maintaining stable price levels, and maintaining moderate, long-term interest rates.[1]

It's important to remember that the Fed cannot directly control employment, inflation, or long-term interest rates. Rather, it uses a number of tools at its disposal to influence the availability and cost of money and credit. This, in turn, influences the willingness of consumers and businesses to spend money on goods and services.

For example, if the Fed maneuvers short-term interest rates lower, borrowing money becomes less expensive, and people may be motivated to spend. Consumer spending may stimulate economic growth, which may cause companies to produce more products and potentially increase employment. When short-term rates are low, the Fed closely monitors economic activity to watch for signs of rising prices.

On the other hand, if the Fed pushes short-term rates higher, borrowing money becomes more expensive, and people may be less motivated to spend. This may, in turn, slow economic growth and cause companies to decrease employment. When short-term rates are high, the Fed must watch for signs of a decline in overall price levels.

Supervise and Regulate

The Fed establishes and enforces the regulations that banks, savings and loans, and credit unions must follow. It works with other federal and state agencies to ensure these financial institutions are financially sound and consumers are

RETURNS (AS OF 11/30/23)

ASSET CLASS	INDEX	4 WEEK	YTD	1 YEAR	3 YEAR
US Large Cap	S&P 500 TR	8.92%	18.97%	11.95%	8.04%
US Large Cap	Dow Jones TR	8.77%	8.46%	3.94%	6.65%
US Small Cap	Russell 2000 TR	8.83%	2.71%	-4.11%	-0.20%
International	MSCI EAFE NR USD	9.09%	9.31%	9.30%	1.14%
Taxable Bonds	Barclays US Agg Bond TR	4.59%	1.89%	1.00%	-4.49%

receiving fair and equitable treatment. When an organization is found to have problems, the Fed uses its authority to have the organization correct the problems.

Financial System

The Fed maintains the stability of the financial system by providing payment services. In times of financial strain, the Fed is authorized to step in as a lender of last resort, providing liquidity to an individual bank or the entire banking system. For example, the Fed may step in and offer to buy the government bonds owned by a particular bank. By doing so, the Fed provides the bank with money that it can use for its own purposes.

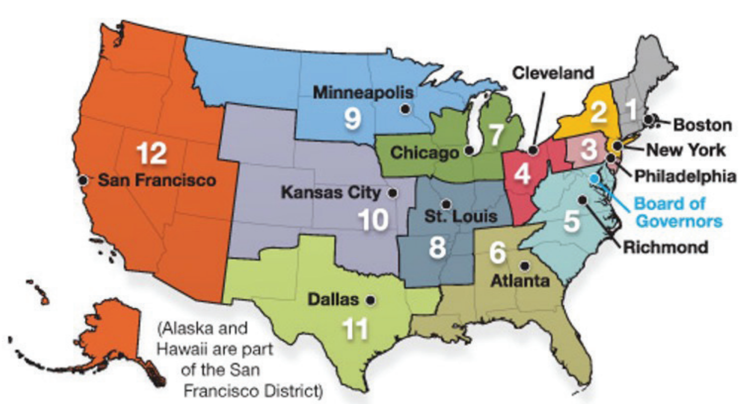
Banker for Banks, U.S. Government

The Fed provides financial services to banks and other depository institutions as well as to the U.S. government directly. For banks, savings and loans, and credit unions, it maintains accounts and provides various payment services, including collecting checks, electronically transferring funds, distributing new money, and receiving and destroying old, worn-out money. For the federal government, the Fed pays Treasury checks, processes electronic payments, and issues, transfers, and redeems U.S. government securities.

Each day, the Fed is behind the scenes supporting the economy and providing services to the U.S. financial system. And while the Fed's duties are many and varied, its focus is to maintain confidence in banking institutions.

A Decentralized Central Bank

The Federal Reserve System consists of 12 independent banks that operate under the supervision of a federally appointed Board of Governors in Washington, D.C. Each of these banks works within a specific district, as shown.



Citations

Source: FederalReserve.gov, 2023

1. FederalReserve.gov, 2023

MANAGING THE RISK OF OUTLIVING YOUR MONEY

"What is your greatest retirement fear?" If you ask some pre-retirees this question, "outliving my money" may be one of the top answers. In fact, 45% of workers say they fear outliving their savings and investments.[1]

Retirees face greater "longevity risk" today. The Census Bureau says that Americans typically retire around age 62 for women and 65 for men. Social Security projects that today's 63-year-olds will live into their mid-eighties, on average. This is a mean life expectancy, so while some of these seniors may pass away earlier, others may live past 90 or 100.[2,3]

If your retirement lasts 20, 30, or even 40 years, how well do you think your retirement savings will hold up? What financial steps could you take in your retirement to try and prevent those savings from eroding? As you think ahead, consider the following possibilities and realities.

How will Social Security work in the future? For decades, Social Security took in more dollars per year than it paid out. That ongoing surplus – also known as the Social Security Trust Fund – may face funding challenges as early as 2034. Congress may act to address this financing issue before then, but the worry is that future retirees could get slightly less back from Social Security than they put in. It's critical that pre-retirees estimate the amount of Social Security benefits they are expected to generate in the future.[4]

Preparing for out-of-pocket health care costs. You can enroll in Medicare at age 65, but how do you handle the premiums for private health insurance if you retire before then? Striving to work until you are eligible for Medicare makes economic sense and so does setting aside money to pay for health care costs. A healthy couple retiring at age 65 can expect to pay nearly $315,000 to cover health care expenses in retirement.[5]

Luck is not a plan, and hope is not a strategy. Those who are retiring unaware of these factors may risk outliving their money. Creating a strategy may help you better prepare for retirement.

Citations

1. TransamericaCenter.org, 2023
2. Forbes.com, October 13, 2022
3. SSA.gov, 2023
4. AARP.org, March 31, 2023
5. Fidelity.com, 2023

THE FINANCIAL LITERACY CRISIS

Imagine driving a car without a basic understanding of the rules of the road or even how to operate it. Scary thought.

Here's another scary circumstance – one that is all too real. Many Americans are making financial decisions with minimal financial knowledge of investing, budgeting, and credit. The TIAA Institute conducted a survey on U.S. financial literacy, asking 28 basic questions about retirement savings, debt management, budgeting, and other financial matters. The average respondent answered only about half of the questions correctly.[1]

Another recent survey conducted by the Census Bureau found that almost 40% of Americans say that it has been somewhat or very difficult to pay for usual household expenses in the last seven days.[2]

It has been said that knowledge is power, and if that's true, then too many Americans lack the power to control their financial futures. Financial success rarely happens by accident; it is typically the outcome of a journey that starts with education.

One of the obstacles to greater financial literacy is the so-called "Lake Wobegon effect." In other words, we all consider ourselves above average, and based on that belief, it only follows that our financial understanding is above average. Unfortunately, this assumption has a flaw: it may discourage us from learning as much as we need in order to continue adapting to an ever-changing financial landscape.

The more informed we are, the more informed our financial decisions may become. Fortunately, we can consult a wide range of resources in pursuit of greater financial knowledge.

If you are committed to increasing your financial literacy, think about turning to financial professionals with your questions or visit a U.S. Treasury-sponsored website created for that very purpose.[3]

Citations

1.TIAAInstitute.org, 2022

2. Census.gov, 2023

3. MyMoney.gov, 2023

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