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**Institute of
Financial Consultants®**

Suite 114 | 970 Burrard Street

Vancouver, British Columbia

V6Z 2T4, CANADA

FAX: 604-687-1221

www.ifconsultants.org

FINANCIAL OUTLOOK

WINTER 2025

HOW DO YOU KNOW IF YOU'RE SAVING ENOUGH?

Most people think when they start earning more money, they'll start saving more money. But what often happens is the more you make, the more you spend. If you want financial independence, it is important to establish a savings routine. The more money you make, the more your savings rate needs to increase.

While it may seem like a daunting task, it can be accomplished. The only way to reach financial independence is if you save and live within your means. Your savings should include retirement account

contributions, matching funds from your company if available, cash savings, and any other investments.

SAVINGS AT EVERY AGE

YOUR 20s: You are just starting out and, hopefully, you've found a good job that pays a reasonable salary. This is the beginning of the accumulation stage, so you need to start by paying off debt if you have student loans and work to save at least 10%–25% of your income. If your employer offers a 401(k) plan, start investing right away. Try to contribute as much as possible or at least

contribute as much as your employer will match.

YOUR 30s: Hopefully, you have now decided what you want to do for a living and have had a jump in income. You are still in the accumulation stage, so you should be increasing contributions to your retirement account and trying to contribute the maximum per year. By the end of your 30s, you'll want at least twice your annual salary saved. A simple example: If you're making \$50,000 annually, you'll want to have \$100,000 accumulated in savings by age 39. But remember this includes retirement accounts.

YOUR 40s: This is the decade of major responsibilities, as you probably have dependents. Your income may have increased as you climbed the ladder at your job or moved to a new one. And even with the increase in expenses, you'll need to also be increasing your savings rate. By the end of your 40s, you should have saved four times your salary. Now you will want to be maxing out your contributions to retirement accounts as well as monitoring your investments for performance.

YOUR 50s: You are now at your

THE ROLE OF BONDS IN YOUR PORTFOLIO

Before purchasing bonds for your portfolio, consider the following questions:

○ **HOW MUCH OF YOUR TOTAL INVESTMENT PORTFOLIO DO YOU WANT ALLOCATED TO BONDS?** Typically, you'll want a diversified portfolio containing cash, bonds, and stocks. The percentages you allocate to each category will depend on your personal situation and financial objectives, but over time the percentage of bonds you own is likely to change. In general, the percentage of bonds in your port-

folio should increase as you become more averse to putting your capital at risk.

○ **WHEN DO YOU NEED YOUR PRINCIPAL BACK?** If you're a buy-and-hold investor, you'll probably want to select a maturity date that coincides with your need for your principal. Investors who actively trade may be more interested in yield differences among maturity dates. Before selecting a bond, review the yield curve to see if it makes sense to select a slightly

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How Do You Know?

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peak earning years and your saving rate needs to be at its highest. Your expenses are still pretty high; but by the end of this decade, you will most likely be an empty nester, and expenses should decrease. By the time you reach 59, you'll want to have saved seven times your income. Monitor your investments so you can make adjustments to increase your returns.

YOUR 60s: You're getting close to or have retired. Your mortgage may be paid off and expenses have decreased. Your saving should be at its peak, and you should have 10 times your income prior to retiring. You can now start to relax as you will take distributions from your retirement accounts as well as Social Security benefits. You'll need to make sure that you are informed about distribution requirements of your retirement accounts.

YOUR 70s AND BEYOND: Now that you are retired, all of your expenses are being covered by your retirement account distributions and Social Security benefits. Hopefully, you have saved well and are reaping the benefits of all those years of saving.

WATCH FOR THESE WARNING SIGNS

As you go through the journey to retirement, you may not be able to accumulate the level of savings you need, but you should have acquired a good amount of savings for a comfortable retirement.

Take stock of how much you are saving every year and look for warning signs that you are not saving enough. If you experience any of the following, you need to take a hard look at your financial situation to get on track:

- You have no idea how much money you're spending every month, which means you are most likely overspending.
- You don't have savings goals or a savings plan. If you don't have goals and a plan to achieve them,

DREAMS AND GOALS

It takes a lot of hard work to fulfill your dreams. But we're not just talking about the years of employment you have to put in to afford your dreams. Instead, we mean converting your dream into a plan to make it come true.

The first step is to recognize the difference between a dream and a goal. A dream is a vision that inspires you to work hard, smart, or both. As pleasant as the dream may be, however, it lacks specificity. Specifics are for goals and plans of action.

A financial goal sounds like this: I'm going to retire when I'm 65 years old, in a lifestyle that costs \$150,000 a year in today's dollars, and maintain it, adjusted for inflation, for as long as I live. Of that amount, \$120,000 is going to come from my personal savings, which means I need to save a total of \$1.7 million. And that means I have to save \$40,000 a year and my savings has to earn 8% a year.

To summarize: a financial goal consists of a date 1) by which time you need a specific amount of money 2) that lasts a specific amount of time 3). The action plan calls for: 1) setting aside a specific amount of money, 2) investing it to achieve a specific rate of return, and 3) monitoring your progress

and making the necessary course corrections to remain on target.

What good goal making comes down to is making fairly reliable projections of what your financial goals are going to cost in the future and when that future will arrive. The more expertise that's applied to goal formulation, the better the goals will be. After that, the creation of a plan to meet those goals takes even more judgment calls: what is the rate of inflation likely to be between now and when your goal needs to be met; what kind of funding will the plan require; what asset allocation strategy is going to achieve the best balance between the rate of return you need and the level of risk you're comfortable taking.

The key to achieving your goals is adjusting to the unexpected — those changes in your life and the returns that the financial markets actually experience. If the changes are significant enough, it may take you back to square one — restructuring your goals. Good financial planning isn't a one-time exercise. At its best, it's an iterative exercise that calls for steadiness of vision, calm reactions to new realities, market awareness, and flexibility. Please call if you'd like to discuss this in more detail. ○○○

you will have a hard time saving for important milestones.

- You're living paycheck to paycheck. It's time to take a serious look at your finances to see what can be reduced or eliminated.
- You're putting off saving for retirement. It will get here quicker than you think, and this is the one thing you really need to start saving for as early as possible.
- You can't pay your credit card balance in full, which means you probably have significant debt.
- You don't have an emergency

fund. You know the unexpected will happen and need to be prepared.

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



THE ROLE OF BONDS

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longer or shorter maturity. Keep in mind that if you sell a bond before maturity, you'll receive the current market price, which may be more or less than your original price.

- **WHAT TYPES OF BONDS INTEREST YOU?** Treasury securities are the safest since the U.S. government guarantees the timely payment of principal and interest if held to maturity. However, they typically have the lowest yields. Municipal bonds contain more risk than Treasury securities, but typically less risk than corporate bonds. Corporate bonds usually offer higher returns due to the additional risk.
- **WHAT ARE THE TAX CONSEQUENCES OF BONDS YOU ARE INTERESTED IN?** Interest income from Treasury securities is usually exempt from state and local income taxes, but subject to federal income taxes. Interest income from municipal bonds is typically exempt from federal income taxes and may be exempt from state and local income taxes. Interest income from corporate bonds is subject to federal and state income taxes. Your tax bracket and the tax consequences of the interest income will impact your yield comparisons.
- **HOW MUCH RISK ARE YOU WILLING TO TOLERATE?** Bonds are typically subject to interest rate risk, reinvestment risk, inflation risk, default and credit risk, and call risk. Each bond type is affected to a varying degree by each risk type.
- **DO YOU UNDERSTAND THE SPECIFICS OF BONDS THAT INTEREST YOU?** Before purchasing a bond, investigate it thoroughly, reviewing the yield, tax status, call provisions, and credit rating.
- **DO YOU NEED HELP WITH YOUR BOND INVESTMENTS?** Call if you'd like assistance devising strategies for your bond investments. ○○○

FINANCIAL RULES OF THUMB

Financial rules of thumb are designed to provide quick guidelines for your finances. However, you shouldn't blindly follow them without giving thought to your personal circumstances. Some of the more common financial rules of thumb include:

SAVE 10% OF YOUR GROSS INCOME. While this will give you a good start, it's typically the minimum, not the maximum, you should be saving. Analyze how much you'll need for your financial goals, and then work backward to calculate how much you should be saving.

PLAN ON SPENDING 80% OF YOUR PRERETIREMENT INCOME DURING RETIREMENT. This may be true if you don't plan to be very active during retirement, but more and more people expect retirement to include extensive travel and expensive hobbies. On the other hand, if you've paid off your mortgage and your children have finished college, you may need less than this. Review your individual situation and desires for retirement to determine how much you'll need.

SET THE PERCENTAGE OF STOCKS IN YOUR PORTFOLIO TO 100 MINUS YOUR AGE. With increased life expectancies, this can result in a portfolio that is too heavily weighted in income investments. Set your asset allocation based on your risk tolerance and time horizon for investing. Stocks should be considered for long-term financial goals of 10 years or more. Even after retirement, stocks may comprise a significant portion of your portfolio.

KEEP THREE TO SIX MONTHS OF INCOME IN AN EMERGENCY FUND. While an emergency fund is a good idea, how much you keep in that fund will depend on your circumstances. You may need a larger fund if you are the sole wage earner in the family, work at a seasonal

job, own your own business, or rely on commissions or bonuses. A smaller fund may be required if you have more than one source of income, can borrow significant sums quickly, or carry insurance to cover many emergencies.

PAY NO MORE THAN 20% OF YOUR TAKE-HOME PAY TOWARD SHORT-TERM DEBT. Once considered a firm rule by lenders, you may now be able to obtain loans even if you exceed this amount. However, don't become complacent if you meet this rule of thumb, since a large percentage of your income is still going to pay debt. Try to reduce your debt or at least reduce the interest rates on your debt.

KEEP YOUR MORTGAGE OR RENT PAYMENT TO NO MORE THAN 30% OF YOUR GROSS INCOME. While you can obtain a mortgage for more than that, staying within this rule will help ensure you have money to devote to other financial goals.

REFINANCE YOUR MORTGAGE IF INTEREST RATES DECLINE BY 2%. This rule of thumb assumes you'll pay significant refinancing costs, including points, title insurance, appraisal fees, and other fees. However, many lenders now offer refinancing deals with significantly lower costs. Thus, you should assess whether it makes sense to refinance when mortgage rates decline by as little as half a percent.

OBTAIN LIFE INSURANCE EQUAL TO SIX TIMES YOUR ANNUAL INCOME. Different individuals require vastly different amounts of insurance, depending on whether one or both spouses work, minor children are part of the family, or insurance is being obtained for other needs, such as to fund a buy-sell agreement or to help pay estate taxes. Thus, you should determine your precise needs before purchasing insurance. ○○○

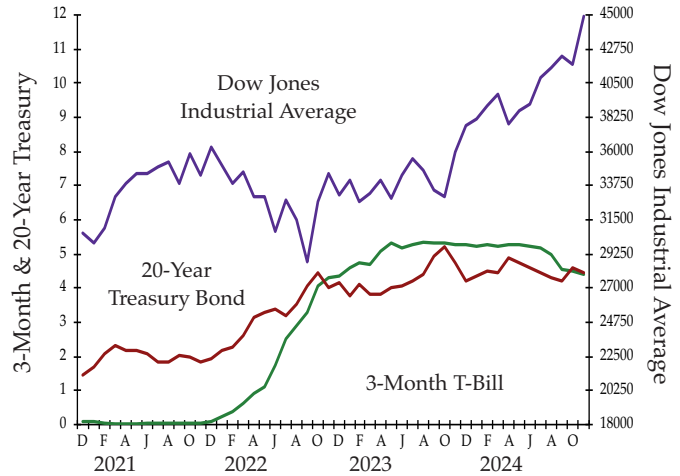
FINANCIAL DATA

Indicator	Month-end				
	Sep-24	Oct-24	Nov-24	Dec-23	Nov-23
Prime rate	8.00	8.00	7.75	8.50	8.50
Money market rate	0.42	0.43	0.43	0.48	0.47
3-month T-bill yield	4.54	4.49	4.42	5.26	5.28
10-year T-bond yield	3.81	4.28	4.18	3.88	4.37
20-year T-bond yield	4.19	4.58	4.45	4.20	4.72
Dow Jones Corp.	4.87	5.22	5.23	5.17	5.83
30-year fixed mortgage	6.83	7.32	7.24	7.09	7.75
GDP (adj. annual rate)#	+1.60	+3.00	+2.80	+3.40	+4.90

Indicator	Month-end			% Change	
	Sep-24	Oct-24	Nov-24	YTD	12-Mon.
Dow Jones Industrials	42330.15	41763.46	44910.65	19.2%	24.9%
Standard & Poor's 500	5762.48	5705.45	6032.38	26.5%	32.1%
Nasdaq Composite	18189.17	18095.15	19218.17	28.0%	35.1%
Gold	2629.95	2734.15	2640.85	27.7%	29.7%
Consumer price index@	314.80	315.30	315.66	2.8%	2.6%
Unemployment rate@	4.20	4.10	4.10	10.8%	5.1%

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

4-YEAR SUMMARY OF DOW JONES INDUSTRIAL AVERAGE, 3-MONTH T-BILL & 20-YEAR TREASURY BOND YIELD DECEMBER 2020 TO NOVEMBER 2024



Past performance is not a guarantee of future results.

NEWS AND ANNOUNCEMENTS

KEEPING TRACK OF RETIREMENT PLANS

Now that defined-contribution plans are much more prevalent than defined-benefit plans, we have more responsibility for financing our retirement. But how can you do that if your accounts aren't even located in one place? Here are a couple tips:

ORGANIZE YOUR RECORDS. As long as you continue to hold your account in a former employer's plan, you should receive statements. Keep them all in a file.

CONSOLIDATE YOUR ACCOUNTS. It's much easier to manage your assets if they're all in one place. Fill out the paperwork necessary for rolling them over into one account. That single consolidation account could be the plan you're currently contributing to, if the plan permits rollover contributions. You can also open a rollover individual retirement account (IRA) and have the funds from your other accounts directly transferred there. Be careful about asking for a check. Withholding taxes may be taken out, and you may have to pay a penalty if you don't de-

posit the check into a qualified account within 60 days.

IF YOU'VE LOST TRACK OF ACCOUNTS

If you've lost track of one or more of your accounts with a former employer, consider these tips:

- Contact your old employer and ask them to confirm that you participated in the plan and the steps you need to take to get a current statement.
- Find an old statement and look for a contact phone number or address. As long as there are assets in the account, the financial institution can probably still account for them.
- Most plans are required to file an annual Form 5500 with the U.S. government. You can search these 5500s for the name of your former employer at free websites like www.freeERISA.com. If you can find a Form 5500 on an old plan, it will have the managing institution's contact information. ○○○

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