

The Dollar Gazette

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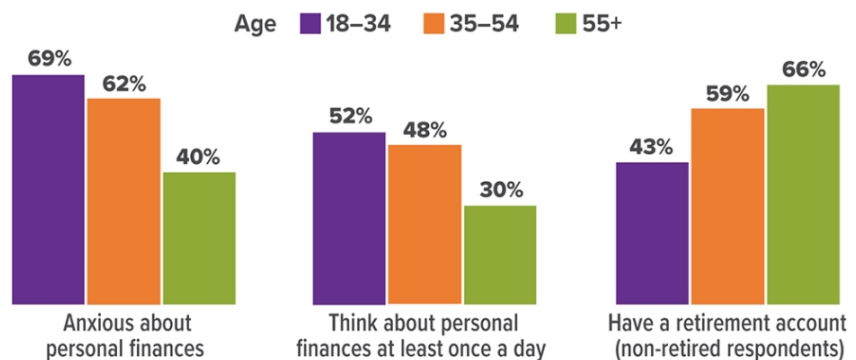


I am pleased to announce that my son, Tyler, will be joining the firm as a Junior Advisor in July. Tyler assisted me on a part-time basis in the past, preparing for and attending client meetings and taking notes. Tyler's background is in engineering, which helps him not only to focus on details but also think 'outside the box.' Tyler will further his education by taking CFP® courses while studying for his Series 65 license. I am excited about this new partnership and what it means for you and for the firm. I know you will make Tyler very welcome!

Anxious About Your Finances?

A study of financial capability found that older Americans were significantly less anxious about personal finances than younger people. However, about one-third of non-retired people 55 and older had no retirement account.

A comparison of the percentages regarding financial anxiety and retirement accounts suggests that having sufficient resources to contribute to a retirement account is an important aspect of feeling less financial stress for older people. However, many younger people feel stress regardless of whether they have retirement savings. This is especially true of those ages 35 to 54 who may have large mortgages, children in college, and other financial stressors.



Source: FINRA Investor Education Foundation, 2022 (2021 data)

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](https://www.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.



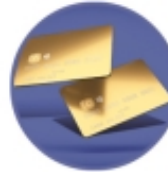
Do you have an emergency fund?



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.

Financing Options to Help You Ride the Mortgage Rate Roller Coaster

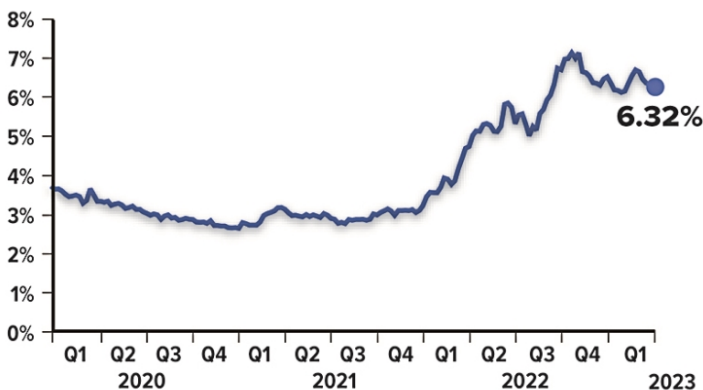
The mortgage industry has been on a roller coaster ride over the last couple of years. Interest rates for fixed-rate mortgage loans were at historical lows during the beginning of the pandemic in 2020, rising to a 20-year high in late 2022 — and fluctuating ever since.¹ Many buyers are finding it difficult to afford a new home with traditional fixed-rate mortgage loans in such a high interest rate environment. As a result, more buyers are relying on alternative financing options to help lower their interest rates.²

Adjustable-Rate Mortgages

With an adjustable-rate mortgage (ARM), also referred to as a variable-rate mortgage, there is a fixed interest rate at the beginning of the loan which then adjusts annually for the remainder of the loan term. ARM rates are usually tied to the performance of an index. To determine the ARM rate, the lender will take the index rate and add it to an agreed-upon percentage rate, referred to as the margin. Most lenders offer ARMs with fixed-rate periods of five, seven or 10 years, along with caps that limit the amount by which rates and payments can change.

The initial interest rate on an ARM is generally lower than the rate on a traditional fixed-rate mortgage, which will result in a lower monthly mortgage payment. However, depending on interest rates, buyers with ARMs may find themselves with significantly higher mortgage payments once the fixed-rate period ends. Buyers should only consider ARMs if they can tolerate fluctuations in their mortgage payments or plan on refinancing or selling the home before the initial interest rate period ends.

30-Year Fixed Mortgage Interest Rates, January 2020 to March 2023



Source: Freddie Mac, 2023 (data through March)

Temporary Buydowns

A temporary buydown provides the buyer with a lower interest rate on a fixed-rate mortgage during the beginning of the loan period (e.g., the first one or two years) in exchange for an upfront fee or higher interest

rate once the buydown feature expires. Buydowns typically offer large interest rate discounts (e.g., up to one to three percentage points, depending on the type of buydown). The costs associated with the buydown feature can be paid for by the home buyer, seller, builder, or mortgage lender.

While a buydown can make a home purchase more affordable at the beginning of the loan period, the long-term interest rates and mortgage payments on the loan can end up being substantially higher. This is why a borrower usually must initially qualify for the loan based on the full interest rate in effect after the buydown expires.

Assumable Mortgages

Assumable mortgages may be another way for buyers to circumvent high mortgage rates. An assumable mortgage is when a buyer takes over a seller's existing loan and loan terms and pays cash or takes out a second mortgage to cover the remainder of the purchase price.

This type of loan could be advantageous if the existing loan has a low enough interest rate, and the buyer has enough access to cash or financing to cover the difference between the sale price and outstanding balance of the assumed loan. Not all mortgage loans are assumable — generally they are limited to certain types of government-backed loans (e.g., FHA, VA loans).

Other Incentives

One type of incentive offered by lenders is for a buyer to pay an upfront fee at closing, also known as points. By paying points at closing, buyers can reduce their interest rates — usually by around .25 percent per point — and lower their monthly mortgage loan payments. To make paying points cost effective, buyers should plan on staying in the home for several years so that they can recoup the costs. Sometimes a home builder or seller will offer to pay for points on a mortgage in order to attract more potential buyers.

Another incentive, often referred to as a "future refi," is one that allows borrowers to purchase a home at current interest rates, with the ability to refinance their loans at a later date. The refinancing can be free or the costs can be rolled into the new loan, depending on the lender and loan type. Keep in mind that there is typically a set time period for refinancing with these types of loans.

1-2) Consumer Financial Protection Bureau, 2022

How Much Should a Family Borrow for College?

There is no magic formula to determine how much you or your child should borrow for college. But how much is too much?

Starting Salary Guideline

One guideline is for students to borrow no more than their expected first-year starting salary after college, which, in turn, depends on their specific major and/or job prospects. But this is not a hard-and-fast rule.

Student loans will generally need to be paid back over a term of 10 years or longer, and a lot can happen during that time. For example, a student's assumptions about future earnings might not pan out; other costs for rent, utilities, and transportation might consume a larger share of the budget than expected; or a borrower might leave the workforce for an extended period to care for children and will not earn an income during that time. There are many variables, and every student's situation is different.

Federal Student Loan Limit Guideline

To build in room for the unexpected, a more conservative strategy could be for undergraduate students to borrow no more than the federal student loan limit, which is currently \$27,000 for four years of college. Over a 10-year term with a 4.99% interest rate (the 2022-23 rate on federal Direct Loans), this equals a monthly payment of \$286. If a student borrows more by adding in private loans, the monthly payment will jump, for example to \$477 for \$45,000 in total loans (at

the same interest rate) and to \$636 for \$60,000 in loans. Before borrowing any amount, students should know *exactly* what their monthly payment will be after graduation. Keep in mind that only federal student loans are eligible for income-based repayment options, as well as temporary loan deferments.

Note: These hypothetical examples of mathematical principles are used for illustrative purposes only and do not represent the performance of any specific investment.

As for parents, there is no one-size-fits-all rule on how much to borrow. Many factors come into play, including the number of children in the family, total household income and assets, and current and projected retirement savings. The goal, though, is for parents to borrow as little as possible, either in their own names or by co-signing loans.

Ideas to Trim Costs

To help avoid excessive borrowing, here are some ways students might try to reduce college costs: pick a school with a lower net price (a net price calculator on a college's website will show the net price); consider in-state colleges; aggressively seek out need-based and merit aid; graduate early; attend community college for a year or two and then transfer to a four-year college; live at home or become a resident assistant to get free housing; and work part time throughout college and budget wisely.

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