Reinventing
RETIREMENT

1Q | 2022 YOUR RETIREMENT PLANNING NEWSLETTER

Everything's Better With Bacon

It even makes understanding inflation easier

"Bacon's the best. Even the frying of bacon sounds like applause. Bacon bits are like the fairy dust of the food community."
– Jim Gaffigan

Let's face it: talking about bacon is always fun. It can even help illustrate a topic that has been in the financial media a lot lately — inflation. In 1991, the price of a pound of bacon cost $2.22 (according to the Bureau of Labor Statistics). Thirty years later, in August of 2021, a pound cost $7.10. That's inflation at work. Inflation is simply the rise in the cost of living, and it eats away at your money's purchasing power and may not buy as much retirement in the future as it does today.

Over the past several months, inflation has crept back into the financial media limelight. Last year, price increases began to grow out of pandemic-related shutdowns and supply chain disruptions. As an example, the Consumer Price Index, a key measure of inflation, climbed 5.4% in September of 2021 compared with the prior year.

Keep Inflation in Mind in Your Retirement Planning

When you retire, one thing is a given: the cost of basic necessities as well as other things you enjoy will continue to rise. The following table provides some hypothetical examples to help increase your awareness of inflation.

Item	2021	2051
Pound of bacon	$7.10	$17.23
Dozen eggs	$1.71	$4.15
Gallon of milk	$3.68	$8.93
Cup of coffee	$2.70	$6.55
Pound of boneless chicken breast	$3.18	$7.72
Round of golf (public course)	$61.00	$148.00
Dining out weekly – monthly cost for one couple	$232.00	$563.00

2021 prices are based on Kmotion Research and general averages, including data from the U.S. Labor Department's Bureau of Labor Statistics. Projections for 2051 prices assume a 3% annual inflation rate.

Get Real With Inflation

When managing inflation risk with your investments, it's important to understand a couple of basic terms. Your nominal rate of return is the amount of money you make on an investment before expenses — this rate of return does not take inflation into account. Your real rate of return is the nominal return on your investment minus the inflation rate, and gives you a better sense of the purchasing power of the money you make from your investments. For example, if your investment portfolio earns an 8% rate of return in a particular year, and the inflation rate is currently 3%, your real rate of return is just 5%.

Conventional wisdom says you should consider keeping an appropriate amount of your assets allocated to stocks and stock mutual funds to help offset inflation risk. Although past performance is no guarantee of future results, historical average stock returns have stayed ahead of inflation over the long term.

HART
Housing Agency Retirement Trust

Money Mantras

Market swings causing you some anxiety? These four money mantras can help you overcome it.

Whether it's the continuing presence of the COVID-19 pandemic, a sudden boost in prices related to gas, food, housing and other essentials, supply chain hiccups, an uncertain labor market (or any number of other things), the stock market has certainly seen its share of ups and downs over the past six months. As always, it's impossible to predict what the market will do on any given day. But at the start of a new year, it's always a good idea to take some deep, measured breaths and focus on some basic money mantras. Doing so will help you push through any anxiety you may be feeling regarding your retirement account (no yoga pose required).

Mantra #1: I Am Investing for the Long Term

An old saying goes, "saving for retirement is a journey, not a sprint." A volatile market can push the most experienced investors into making emotional decisions. However, it's never a good idea to change your investments simply because of day-to-day volatility. Set a strategy that's right for you and stick with it. Having a diversified portfolio can help you build confidence in your long-term plan — so don't just throw it out the window during big market swings!

Historically, equity markets have trended upward over the long term. However, past performance is not a guarantee of future results. Investing involves risk, so you may want to consider working with a financial professional who can help you review your current tolerance for risk, keeping in mind your other financial goals.

Mantra #2: I Will Diversify My Portfolio

Putting your money into a number of investment options that include different types of asset classes can help reduce risk. Generally speaking, if your dollars are invested in materially different types of investments (stocks, bonds and cash), and market conditions cause one of your investments to decline, all of your money shouldn't be affected.

A simpler way to understand diversification is to look at the food you put on your plate. The more food groups and colors on your plate, the more nutrients your body consumes and the healthier you are. If, however, you only ate pizza every day, your body would suffer from a lack of key nutrients. The same is true for an investment portfolio's diversification. Investors who put their money in only one type of asset (such as stocks) are at an increased risk for loss of principal due to a lack of variety in their portfolio.

Mantra #3: I Will Rebalance My Portfolio on a Regular Basis

Over time, market changes can lead to shifts in your portfolio's asset allocation. For example, you may have started with a 75/25 stock fund-to-bond fund split, but changes in the market caused stocks to now account for 85% of your portfolio's value. That's why it's important to periodically check your asset allocation to see if it aligns with your current strategy and risk tolerance. Keep in mind, you may also want to rebalance to a more aggressive or conservative allocation should your tolerance for risk change due to where you are in life or how close you are to retirement.

Mantra #4: I Will Seek Professional Help If I Need It

Many people consult with an investment advisor for guidance regarding their retirement plan investments. An advisor can help you determine an appropriate investment strategy to achieve your financial goals that is based on your risk tolerance and time frame.

Wake-Up Call

Try these morning rituals to get your day off to the right start.

What's your current morning routine? Maybe it goes something like this: mutter an expletive as the alarm goes off, begrudgingly pull yourself out of bed, throw on a robe and take the dog out, while suddenly realizing that you forgot to set up the coffee maker last night (again)? Or maybe it's something like this: you don't mutter an expletive at the alarm clock (because you already woke up at 4 a.m. and couldn't go back to sleep), pour yourself some coffee (because you did remember to set it up last night), turn on the news (nothing but traffic reports, weather updates and general mayhem) while checking emails and wondering how you've received over 25 already. Not to mention that your dog is jumping all over you because he wants to be fed.

If your routine is anything like either of those scenarios, or if you are just searching for a better way to jumpstart your day, check out the following tips.

Tune Into Your "Ikigai"

Your "ikigai" is literally the reason you get up in the morning, which is why tuning into it when you first wake up can be extremely beneficial to your mood for the rest of the day. Your ikigai, also known as your purpose in life, is a Japanese concept that combines the words "iki", meaning life, and "gai", meaning benefit. Taking steps toward your ikigai is easy. You can start by practicing any small habits that make you feel good, such as meditation, stretching, walking outside or performing a random act of kindness. For help finding your ikigai, answer the following questions: What do you love? What makes you happy? What gets you really pumped up inside?

Create a Soft Landing

Try to wake up naturally (without an alarm) to the natural light of the morning. This way you're not waking up to a hideous-sounding alarm causing you immediate anxiety that could remain for the rest of the morning. If that's not possible, use soft music or something more mellow and happy-sounding as an alarm. You should also set your phone to "do not disturb" so your sleep isn't disturbed with notifications and spam emails during the night.

Get Some Fresh Air

Before opening your computer or heading out on your morning commute, take a few minutes to go outside and get some natural light — and take your dog with you. Try not to just think of this as a potty break for the dog — it's the time when you set yourself up for the day. Neuroscientists call this grounding, and you may find that this creates a very positive mindset and mood and helps you to slow down.

Water Before Coffee

Hydrating before having caffeine can be extremely beneficial as it can improve both your digestive system and metabolism (a bonus if you're trying to lose weight), reduce any heartburn and indigestion, as well as strengthen your immune system.

Make Some Moves

If possible, wake up 30 minutes earlier than usual and fit in some time to either exercise, stretch or do yoga. Stretching and exercising are beneficial for the brain and engage a brain frequency called SMR, or sensory motor rhythm, which is used all day for cognitive thinking, problem solving and more.

Sources: Lifehack; Healthline; BrainTap; Kmotion Research.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Knowledge Is Retirement Power

The Social Security Administration recently introduced a new look and feel to the Social Security Statement, available online through the ***my Social Security*** portal at www.socialsecurity.gov/myaccount. The Statement is one of the most effective tools people can use to learn about their earnings and future Social Security benefits. Examples of the new Statement and fact sheets are available at www.socialsecurity.gov/myaccount/statement.html.

Q&A

My mom recently received her January 2022 Social Security benefit payment and mentioned it seemed quite a bit higher than usual. Do you know why this might be?

Millions of retirees on Social Security are receiving a 5.9% boost in benefits for 2022. The biggest cost-of-living adjustment (COLA) in 39 years follows a spike in inflation as the economy struggles to shake off some of the challenges associated with the COVID-19 pandemic (particularly a rise in prices of many goods such as gas and food, supply chain snags and other factors). The COLA amounts to an increase of $92 a month for the average retired worker, according to estimates released by the Social Security Administration. For some perspective, the COLA has been averaging just 1.65% over the past 10 years.

Quarterly Reminder

When was the last time you reviewed your beneficiary designations for your major assets — including your retirement plan? The start of each new year is a good time for some financial housekeeping. Make sure your current designations still match your wishes, especially if you have had any major life changes, such as marriage or the birth or adoption of any children.

Tools & Techniques

Looking to get more financially fit in 2022? AARP's Money Map is a free program designed to help people regain control of their financial situation. The Money Map has two pathways: unplanned expenses and debt management. If you're dealing with unplanned expenses, AARP's step-by-step assistance will help you create a plan of action within minutes. The program provides specialized plans for medical, car and home expenses, along with a general plan to address any other expenses you might have. There's a debt management pathway as well. With a few simple steps, the Money Map program will create an actionable plan to help you get a handle on your debt while minimizing harm to your credit score. All of these resources are free and available to everyone, with no membership required.

Corner on the Market

Basic financial terms to know

Fintech

Financial technology (fintech) is used to describe new tech that seeks to improve and automate the delivery and use of financial services. At its core, fintech is utilized to help companies, business owners and consumers better manage their financial operations, processes and lives by utilizing specialized software and algorithms that are used on computers and, increasingly, smartphones.

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