In This Issue...

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The Alling Review

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Making Money Last through Retirement

What many people don't realize is just how hard it is for one's money to last *through* retirement without having proper planning in place. The fact is, retirement is tricky no matter how well-off you think you are entering it, and making your money last is something that can only be achieved with careful calculation. Ready to learn how to make the most of your retirement without running short of money halfway through? Here are a handful of tips.

1. Consider Longevity Insurance

Essentially, many of today's insurance companies have tweaked the ways in which single premium annuities are paid out, allowing comfort to baby boomers who are concerned about getting their money when they need it most. If you were to purchase a policy at age 65 for $25,000, for example, the policy would begin paying out $3,000 per month once you've reached the age of 85. For healthy, active individuals, longevity insurance is worth a second look.

2. Make Your Home Age-Proof

The importance of age-proofing one's home is often overlooked by those who are preparing for retirement. Over time, wear and tear can wreak havoc on even the most well-built homes, and repairs can end up being extremely costly. What's the solution? Make your home age-proof before entering retirement. An age-proof home is not only able to withstand the elements and the test of time, but also will be easy for you and a partner to live in when you reach old age. Most age-proof homes

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When Should You Consider a 401(k) Plan?

In 1981, tax laws established the 401(k) plan, a form of defined-contribution retirement plan. The government's motivation was to encourage Americans to increase their private savings as a supplement to Social Security. For employers, the appeal was that defined-contribution plans are simpler to administer and less troublesome to fund than pension plans. For workers, the advantages include an immediate reduction in taxable income, a potential investment boost in the form of employer matching contributions, and the potential for higher earnings accumulation from tax deferrals on capital gains and income.

No wonder, then, that defined-contribution plans are among the most recognized and prized benefits in the American workplace. Employers have learned that the range, quality, and performance of their plan's investment choices matter, as do the ability to make frequent changes in investment choices, take out loans, and flexibility to tap plan assets when employees experience financial hardship. They have also learned that a generous employer-matching contribution is the single most valued feature for employees.

But is your employer-sponsored 401(k) always the best place for your money? The answer may not be an unequivocal yes. Here are five questions to answer when deciding whether and how much you should contribute:

1. Do you have an emergency fund? Typically, every household's first priority is to establish an emergency fund equal to three to six months of earned income. While there are ways to access funds in

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don't feature staircases, for example, due to mobility issues later in life.

3. Choose the Right Withdrawal Rate

The withdrawal rate you choose for your retirement plan will have a major impact on how comfortably you're able to retire. Many people make the mistake of choosing a withdrawal rate that is simply too high, such as 10% in their first year of retirement. It's tempting to take out a fair amount of money and treat yourself once retirement age has been met, but it's generally not a good idea.

In the end, the right withdrawal rate for you will depend largely on the strength and diversification of your portfolio. A smart starting point for the first year of retirement for most people is 4%, keeping the same rate plus adjusting for inflation in the years to come.

4. Keep a Rainy Day Fund

Most people believe the best way to ensure a comfortable retirement is to put as much money as possible into their retirement funds. However, it's essential to keep a solid rainy day fund in case of an emergency. This fund will exist *outside* of your retirement plan. How much should you keep? In general, most people will benefit from keeping a rainy day fund of at least six months of living expenses available. Though it doesn't seem like much, it may be exactly what you need should an emergency occur.

5. Get a Light Job

Reaching the age of retirement doesn't mean you need to stop working altogether. For many, the shock of no longer working can actually be rather hard to deal with. There's something about community, for example, that can be hard to find outside a normal work environment. The solution, for some, can be found in getting a light job, and doing so comes along with a number of benefits.

While most people don't want to work hard once they've retired, there are plenty of lighter jobs that can not only help to foster community, but also bring in an increased amount of income each month. This money can be put towards a savings account to add extra insurance for retirement. Or you can choose to use it as spending money. Either way, holding a casual job after retirement is a great way to stay active and remain happy and healthy.

Retirement is a tricky process, and there's no way to plan it better than working one-on-one with your financial advisor. Please call if you'd like to discuss this in more detail. ❍❍❍

5 Reasons to Start Saving

Saving money is a bit like exercising. We all know how important it is, but it can be hard to actually get into the habit. Here are five reasons to help keep you motivated.

1. You'll Be Prepared for Emergencies — Here's an alarming fact: most Americans don't have enough money saved to cover even relatively small unexpected expenses. Without cash on hand to cover these irregular but inevitable costs, you're more likely to turn to credit cards or loans when the need arises. Not only are you forced to take on debt, but you don't have time to shop around, increasing the chance that you'll end up with an expensive, high-interest loan.

2. You'll Be More Independent — With a healthy amount of savings, you can feel more free to take risks, like starting your own business, heading back to school to train for a new career, purchasing a home of your own, or moving to a new city. Plus, without savings, you're living on the financial edge, and you're more likely to find yourself stuck in situations that you may not be satisfied with. Committing to savings today, even if it's just a small amount, will start to give you the freedom to make different choices in your life.

3. You'll Be Able to Reach Your Goals — Maybe you simply want to enjoy a comfortable retirement one day. Or perhaps you're dreaming of a second home by the lake, sending your kids to college, or starting your own business. Whatever your dreams, they likely have one thing in common — they probably require some money to become a reality.

4. You'll Be Able to Earn More Money — Saving isn't just about setting aside what you've already earned. It's also about putting your money to work for you. Depending on where you save and invest your money, you can earn more just by being diligent about saving. Because of the power of compounding earnings, even relatively small amounts can grow.

5. You'll Be Happier — Money isn't the only thing that can make us happy. But there's evidence that *saving* money, even in small amounts, can make us happier. In contrast, having debt (often a consequence of a lack of savings) tends to lead to unhappiness. ❍❍❍

When Should?

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your 401(k) plan (loans and hardship withdrawals), it is generally easier to use an emergency fund.

2. Are you properly insured? If you have dependents, life insurance is a much more cost-effective way to provide for their needs than a savings plan.

3. Does your employer match your contributions? An employer-matching contribution is the single most compelling reason to participate in a workplace defined-contribution plan. So if your plan features a match, it's generally a good idea to participate at least up to the maximum matching amount.

That said, over the past few years, many employers have been forced to cut back or eliminate their ongoing matching contributions. If your plan doesn't offer one, it's not necessarily a reason to stay away from it. But it does mean you should research other ways to save for your retirement.

4. Does your plan offer enough diversification? Some plans offer very few investment choices. There may be nothing wrong with these choices, but limited choices may not offer the kind of diversification you need. You may need to open your own individual retirement account (IRA) to find the wider range of opportunities that will maximize your returns while controlling for risk.

5. Are the funds well managed? Not all funds perform equally well, and some charge more than others. While you shouldn't blame a fund when the financial markets underperform, you should evaluate a fund's performance relative to the markets in which it invests.

Is your employer's 401(k) the best place for your next retirement savings dollar? Only a thorough review of the plan and your needs can answer that question. Please call if you'd like to discuss your 401(k) plan in more detail. ❍❍❍

Financial Management for College Students

You're off to college. It's an exciting time filled with firsts — the first time living away from home, the first time you're on your own for meals and laundry, and the first time you have to manage your own money. All of these firsts can be a little daunting.

It's important to get off on the right foot with managing your money, because the financial decisions you make now will impact you later. Following are some tips you should start now to build a strong foundation for money management:

Develop a Budget — To create your budget, you can use a spreadsheet or online personal financial management tool. In preparing your budget, you should first make a list of your monthly income sources, including wages, savings, and any allowance from your parents or others. Next, you will want to make a complete list of all of your expenses, including school supplies, laundry, meals outside of your food plan, and personal care items. On a monthly basis, you should track your expenses and add new expenses as you discover them. Hopefully, you will have more income than expenses, but if not, you need to start making decisions about what stays and what goes.

Identify Wants Versus Needs — Part of becoming financially responsible is learning the difference between wants and needs. You will need to determine the amount of money that is absolutely essential to pay your expenses each month. How often do you really need to eat out? Is cable TV really a need? Can you drive your car less and walk more? After a few months, it will become easier to distinguish wants from needs. As you track expenses on your budget, you will be able to ensure the essentials are covered and determine how much you have left over. You should consider delegating a monthly amount of money for wants, and when it's gone, it's gone, until next month.

Set Up Checking and Savings Accounts — Find a bank or credit union on campus to establish a checking and savings account. You will want to make sure they have convenient ATMs on or near campus so you can avoid any out-of-network ATM charges. Most financial institutions offer free checking and savings accounts to students, but you should make sure you understand what fees may be associated with your accounts and any policies that will impact your accounts. For example, most financial institutions have a funds availability policy, which means when you deposit a check, the money may not be available for a few days until the check clears. Use their online banking tools so you can keep close track of your accounts.

Use Credit Cards Wisely — While it can be a double-edged sword, you need to use credit to establish a good credit rating. This will be important when applying for a job, securing an apartment, and buying a car. You should open a credit card and use it to pay for expenses, being sure to pay off the balance each month. By doing this, you are showing you are financially responsible and you are establishing a good credit history. It can be easy to abuse a credit card because it is so easy to use. Use it wisely because you don't want to be stuck with a large debt that accumulates monthly interest and can also damage your credit rating.

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

Financial Data

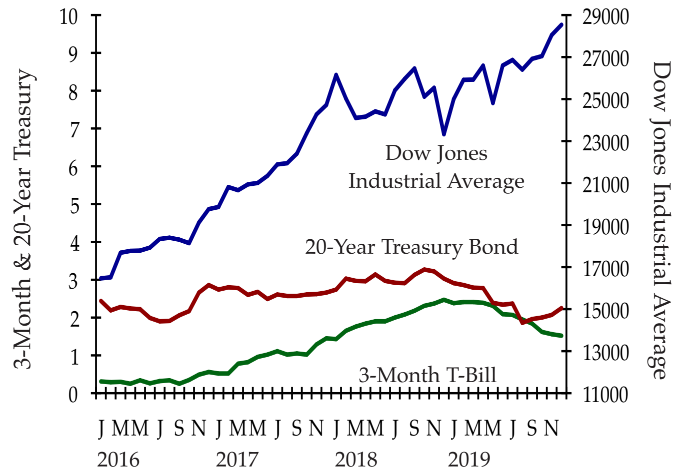
Indicator	Oct-19	Nov-19	Dec-19	Dec-18	Dec-17
	Month-end				
Prime rate	4.75	4.75	4.75	5.50	4.50
Money market rate	0.71	0.57	0.58	0.56	0.33
3-month T-bill yield	1.62	1.56	1.52	2.47	1.45
20-year T-bond yield	2.00	2.07	2.25	3.03	2.66
Dow Jones Corp.	2.90	2.85	2.84	4.40	3.13
30-year fixed mortgage	3.33	3.28	3.31	4.16	3.51
GDP (adj. annual rate)#	+3.10	+2.00	+2.10	+2.20	+3.40

	Month-end			% Change	
Indicator	Oct-19	Nov-19	Dec-19	2019	2018
Dow Jones Industrials	27046.23	28051.41	28538.44	22.3%	-5.6%
Standard & Poor's 500	3037.56	3140.98	3230.78	28.9%	-6.2%
Nasdaq Composite	8292.36	8665.47	8972.60	35.2%	-3.9%
Gold	1510.95	1460.15	1523.00	18.8%	-1.1%
Consumer price index@	256.76	257.35	257.21	2.1%	2.2%
Unemployment rate@	3.50	3.60	3.50	-5.4%	-9.8%

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

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

January 2016 to December 2019



Past performance is not a guarantee of future results.

News and Announcements

Encourage the Importance of Saving

Though it's typical for parents to underscore the value of a college education from the time their children are in grade school, what's more commonly overlooked are the benefits of encouraging them to save for their education from a young age. Contributing a small percentage of their allowance, cash gifts, and job income can have a huge impact on their outlook toward both college and their future.

While it's one thing to stress to your children the innumerable advantages of attending college, requiring that they set aside a portion of their childhood earnings can instill the value of college because of the small, yet personal investment you're asking them to make. Not only does it teach them the commitment and patience required to save toward a long-term goal, but it also encourages them to take ownership of their own education by asking them to contribute a portion of their own money. Moreover, as they grow, so does the sum of their contributions, affording them with a sense of pride in knowing they've subsidized a part of their college education.

Before you begin putting away a portion of their allowance or cash gifts, sit down with your children and explain the reasoning behind your decision, so they fully understand why you're setting aside some of their money for the future. You might even consider showing them the growing balance of their savings from time to time and even explaining what these figures mean in terms of tuition and other expenses. Stay committed and you'll likely raise a more responsible and devoted student. ❍❍❍

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