Dollars & Sense

The Mendota Reporter

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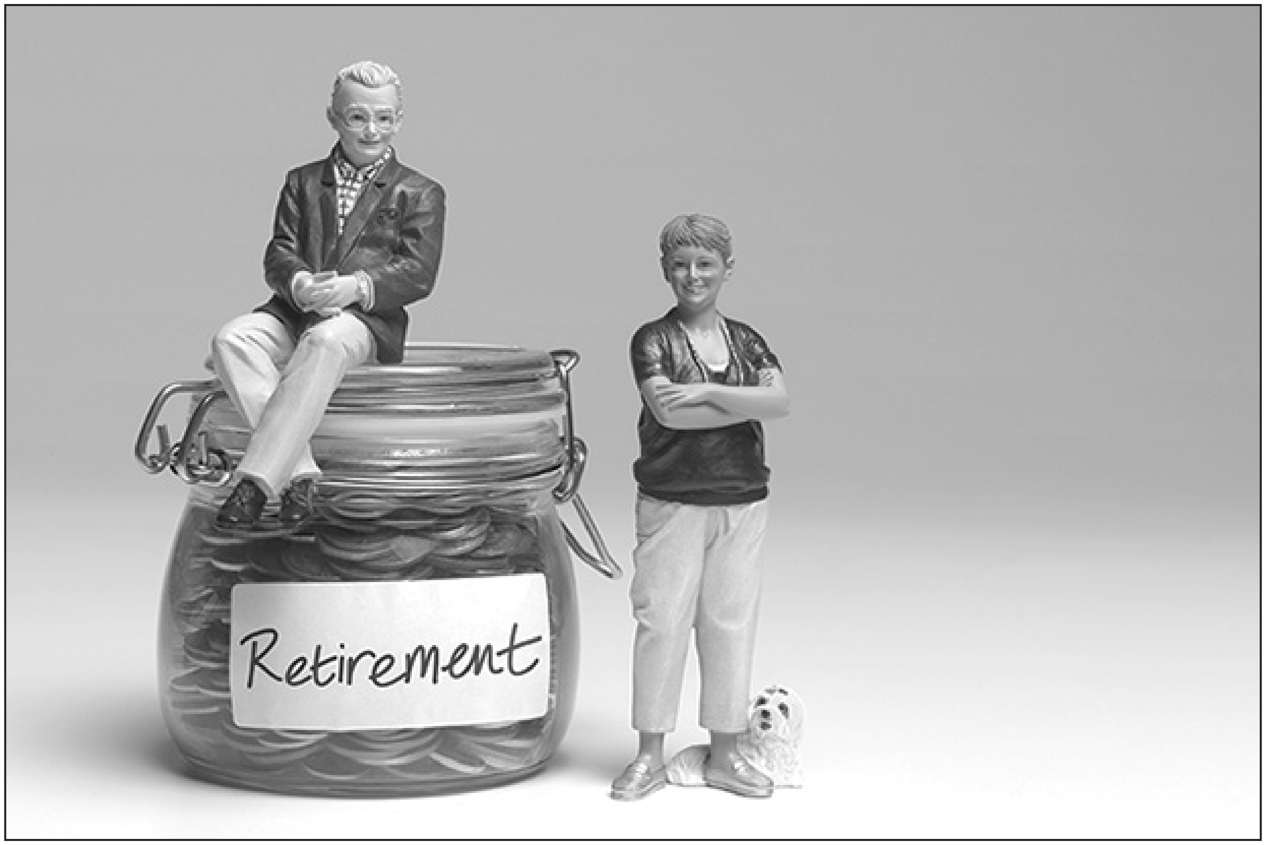

Plenty of people may have questions about how to save for the days when they are no longer working.

A Q&A about retirement planning

Individuals need not look very far to be reminded of the importance of planning for retirement. Television ad campaigns touting the need to plan for retirement have been front and center for many years. Banks also heavily promote their retirement planning services to account holders. The emphasis financial firms and banks place on retirement planning underscores just how important it is for individuals from all walks of life to prioritize securing their financial futures.

Ad campaigns can make saving for retirement seem simple, but plenty of people may have questions about how to save for the days when they are no longer working.

Why and when should I begin investing to build my retirement savings?

It's never too early to start saving for retirement. Young professionals may not be anywhere close to retirement, but that doesn't mean they can afford to put off saving for the day when they call it a career. Much of that has to do with inflation. The rate of inflation varies, but it's fair to assume that your cost of living will rise dramatically between your twenty-third birthday and your seventieth birthday. If you choose to simply save as opposed to investing that money, your money will not grow at a rate necessary to overcome inflation. Though there's no guarantees with investing, traditional retirement investment vehicles have a proven track record of outpacing inflation. For example, Standard & Poor's 500® (S&P 500) reports that individual retirement accounts (IRAs) grew by an average of 10.8 percent between 1971 and 2020. Over that same period, the U.S. Bureau of Labor Statistics indicates that the dollar had an average rate of inflation of 3.99 percent.

How can I save for retirement?

Various investment vehicles can help people save for retirement. Many people utilize employer-sponsored 401(k) retirement plans. These allow individuals to deposit money via pre-tax contributions deducted from their paycheck. For young people, enrolling in these plans as soon as they're eligible can be a great way to begin building their retirement savings, and since many people contribute between 6 and 10 percent of their pre-tax earnings, their take-home pay will not be significantly different once they enroll. IRAs, pension plans, certain life insurance policies, and regular contributions to personal savings accounts are some additional ways to save for retirement.

How much will I need to save for retirement?

No two people are the same, so there's no simple answer to this question. Estimates about how much people will need in retirement range from 60 to 80 percent of their yearly income the year they stopped working full-time. A financial advisor can be a useful ally as people try to calculate how much they will need to save for retirement. However, the simplest answer to this com-

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There are some ways to make yourself more attractive to prospective lenders.

Simple tips to improve your status with mortgage lenders

Owning a home is a dream shared by millions of people. Investing in property that can be owned within 15 to 30 years of closing on the home makes more financial sense to many than continuing to rent and having little to show for it over time.

The first step to take when planning to enter the real estate market is to ensure that your finances are in order. Various factors will influence individuals' ability to secure a mortgage, and these are some ways to make yourself more attractive to prospective lenders.

• Check your credit report. Lenders will check your credit report before deciding if you are a risk or a safe bet for a mortgage. So it makes sense to check your credit report prior to speaking with a lender. The Federal Trade Commission says everyone can get one free credit report a year from each of the three credit reporting bureaus. If you split it up, you can get a credit report every four months so you are aware of anything that may adversely affect your ability to get a mortgage loan. A credit (FICO) score that's too low may disqualify you from a mortgage. Each lender sets its own thresholds when they price and approve loans, but the higher your credit score, the better.

• Improve credit standing. One way to improve your status in the eyes of lenders is to pay down credit card balances to reduce your credit utilization ratio. A high utilization occurs when there is a high balance in relation to the credit limit, says Business Insider. Also, it may be wise to avoid any credit inquiries through new credit card applications for several months before applying for a loan, as these inquiries can affect your score.

• Be realistic about what you can afford. Do your homework and determine your target interest rate and monthly payment as well as what down payment you can afford. It will help you research potential lenders and provide an idea of what may be offered to you.

• Pay bills on time. Paying bills promptly not only helps you avoid late fees, but also positively affects your credit. The financial resource The Mortgage Reports urges diligence when paying rent, as late rent

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Retirement

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mon question is that there's no such thing as saving too much money for retirement so long as saving does not adversely affect other areas of your life.

What if I need money before retirement?

No law prohibits people from withdrawing funds from designated retirement accounts before they retire. However, there may be significant financial penalties and tax consequences if you do so. For example, the Internal Revenue Service allows penalty-free withdrawals from a 401(k) after an account holder turns 59 1⁄2. Withdrawals made before then could be subject to federal and state income tax and a 10 percent penalty of withdrawn funds. Individuals are urged to speak with a financial advisor about withdrawal guidelines and penalties prior to opening a retirement account.

Saving for retirement is vital and it's never too early to begin investing in your financial future.

Lenders

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payments can bar you from getting a mortgage. Lenders look at rent history as the biggest indicator of whether you'll make mortgage payments on time.

These are some of the ways to make a prospective home buyer look better in the eyes of mortgage lenders. Individuals can speak with financial professionals about what else they can do to improve the possibility of securing mortgages at the best rates possible.

How to confront frequent increases in costs of living

Prices on the majority of goods and services have increased significantly over the last year-plus. Financial analysts report that inflation has reached heights that haven't been seen in 41 years. According to the United States Department of Labor, the consumer price index, which measures changes in how much Americans pay for goods and services, rose 0.4 percent in September.

As prices soared, families' budgets were being pushed. What can people do in the face of rising costs on items they need, including those who may be on fixed incomes? These suggestions may help.

• Frequently review your budget. Keep track of how much items cost right now. Document all spending by writing down a list of weekly expenses or utilizing any number of free budgeting apps available. Tracking what is going out may make it easier to cut costs on less essential items, such as streaming services or gym memberships.

• Contact service providers. You may be able to negotiate better deals with a service provider, such as a mobile phone company or a cable television provider, if they learn you are considering leaving. If they can't work out a deal, go with the less expensive provider. You can always switch back at the end of the term if you desire.

• Stop automatic payments. Having subscriptions and other bills automatically deducted from your checking account is convenient, but those rising costs may be overlooked. By viewing your bill and paying it each month, you can see where costs have increased and where you might need to rethink services.

• Carpool to work or school. Reduce expenditures on gasoline by sharing the costs with another person. Determine if public transportation is more cost-effective than driving to work or school each day.

• Consider alternative retailers. Brand loyalty to one supermarket or a particular retailer is quickly becoming a thing of the past. Nowadays it is wise to comparison shop across various stores to figure out where you're getting the best deal. Venture into stores you may not have considered previously. Divide your shopping list by store category, visiting several for different items if it leads to big savings.

• Unplug, literally and figuratively. Cut down on energy costs by unplugging items when not in use. Reduce dependence on devices to further stem costs on electricity and gas-powered appliances.

Prices continue to rise and consumers can explore various ways to stick to their spending budgets.

How consumers can help small businesses

Small businesses continue to be the backbone of the North American business community. According to the career resource Zippia, there are 33.2 million small businesses in the United States. Those organizations employ around 62 million people. The financial wellness company Fortunly says that small businesses account for nearly half of all private sector jobs in Canada. In fact, small employer businesses made up 98.1 percent of all businesses in Canada in 2021.

Despite the prevalence of small businesses and the abundance of people willing to become entrepreneurs, 20 percent of these firms fail within the first year, and only 55 percent survive five years or more, says Zippia. The COVID-19 pandemic was particularly harsh on small businesses. However, many of them survived through digitization that they plan to continue to utilize even when the pandemic is long gone.

Maintaining a small business through economic highs and lows and other issues often comes down to customer involvement. Consumers are the driving forces behind the success of small businesses. Here are some effective ways for consumers to help small businesses grow.

• Shop local. The “Shop Local” movement has been around for a while but remains as relevant as ever. Shopping local means becoming repeat patrons at the independent businesses that comprise Main Street as opposed to the chain stores that dominate strip malls.

• Share on social. Social media can be a great way to spread the word about businesses you like and point out particular examples why you shop there. Utilizing social media platforms to highlight the positive attributes of a business can help that business grow.

• Call direct for take-out orders. Those ubiquitous third-party food delivery services may be convenient, but businesses have to share the profit from your purchase with the delivery service, cutting into their bottom lines. Pick up your order or rely on the restaurants’ own delivery teams.

• Engage with the business online. Complicated algorithms and other factors determine how a business’ website or social media page gets seen by the public. You can help things along by liking pages, visiting the website frequently and sharing any posts.

• Speak about a business in person. When out and about, whether you’re dining with friends or chatting with a stranger, try to push and recommend businesses you support. If someone compliments your lawn, shoes or haircut, mention the businesses that did the work or sold you the products.

• Suggest opportunities for exposure. If you know about a school or organization looking for vendors, make the suggestion to a small business you use frequently. They may get new customers from participating in the event.

Maintaining a small business through economic highs and lows and other issues often comes down to customer involvement.

Small businesses are driving forces in the economy. Consumers can do their part to keep them thriving and profitable.

With so much to gain from successful investing, novices may benefit from a rundown of common investment terms.

Common investment terms to know

The importance of investing is undeniable. That value was especially apparent throughout 2022, when inflation took center stage. As the cost of living rises, investors can more capably handle that spike because they've been growing their money through various investment vehicles all along. With so much to gain from successful investing, novices may benefit from a rundown of common investment terms.

• 401(k): A popular way to save for retirement, a 401(k) is an employer-sponsored retirement plan. Individuals with a 401(k) make pre-tax contributions during each pay period and some employers match these contributions up to a certain percentage. Money in a 401(k) can be withdrawn at any time, but there is a penalty on withdrawals made prior to the account holder reaching 59 1⁄2 years of age.

• Bear market: A bear market is a market in which stock prices sharply decline over a prolonged period of time. Bear markets may be inspired by an array of factors, including rising unemployment.

• Bonds: Bonds are a low-risk investment that attract novices who are not yet certain of their risk tolerance. Bonds are loans to governments and even corporations that pay interest to the individuals who invest in them.

• Bull market: The opposite of a bear market, a bull market refers to a market in which stock prices are rising.

• Diversification: Diversification is a savvy investment strategy in which investors spread out their investments so their portfolio is as diverse as possible. When diversifying, investors may invest in stocks, bonds, IRAs, a 401(k), and other vehicles.

• Dividend: A dividend is a payment made to a shareholder in a company.

• Individual retirement account (IRA): An IRA is a retirement account individuals open on their own. There are various types of IRAs, and contributions to these accounts are post-tax.

• Market index: The Dow Jones Industrial Average (DJIA) is perhaps the most recognizable market index, though it's not the only one. A market index such as the DJIA tracks the financial market by analyzing data from various companies.

• Mutual funds: Mutual funds are a popular way to invest. According to the investment experts at J.P. Morgan Asset Management, with a mutual fund, money is raised by an investment company and is then invested in a portfolio that includes stocks, bonds, options, commodities, or money market securities.

• Share: The online financial resource Mint notes that a share is a unit of ownership in a company or in an asset. Shareholders are eligible for benefits, including payouts, when a company makes money.

• Stock: Stocks are long-term investments that represent an ownership stake in a company. Most investors invest in common stocks, which are not subject to the same conditions as preferred stocks. Preferred stocks tend to be less volatile than common stocks, though that security also makes them less profitable when the stock performs well.

Knowledge of these basic investment terms can serve as a good foundation for novices who want to begin investing. As investors become more comfortable, they can expand their knowledge even further.

Reduce home energy bills by utilizing these strategies

A rapid rise in the cost of living will undoubtedly prove to be one of the major stories of 2022. According to the U.S. Bureau of Labor Statistics, energy prices rose by 41.6 percent in the 12-month period that ended in June 2022, marking the highest 12-month increase since April 1980.

The significant spike in energy costs is somewhat misleading, as the BLS considers motor fuel prices, which rose more than 60 percent in the 12-month period ending in June 2022, part of the energy category. However, during that same period, electricity prices rose by nearly 14 percent while natural gas prices increased by 38 percent. Both of those increases were more significant than the more publicized rise in food prices, which rose by right around 10 percent.

Families need to eat and many professionals now must return to in-person work after years of pandemic-related remote working, which means they must confront higher fuel costs. That leaves little room to save money in those areas. However, there are ways for families to reduce home energy costs without adversely affecting their quality of life.

Strategic use of appliances in a home can help consumers reduce their energy bills by a significant amount.

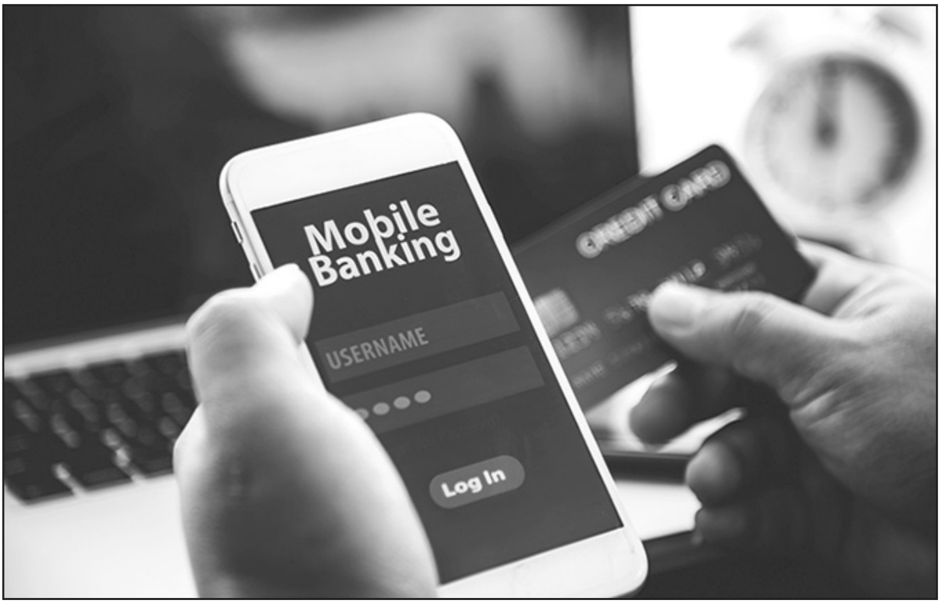
• Run appliances during off-peak hours. According to the United States Department of Energy and the U.S. Environmental Protection Agency, the best time to use appliances in a home is when overall electricity use is low. Though this time changes depending on the season and can vary based on geography, the DOE and the EPA both note that after 9 p.m. and before 9 a.m. are generally the off-peak hours in most areas.

• Strategically use your shades and blinds. The energy providers at ConEd estimate that about 40 percent of unwanted heat comes through windows. Strategic use of curtains, shades and blinds can keep heat out on hot days, thus allowing homeowners to turn the thermostat up on their air conditioning units in summer. Opening curtains, blinds and shades on winter mornings and afternoons will allow more sunlight in, allowing homeowners to control heating costs more effectively.

• Reorganize your refrigerator. There are plenty of contradictory strategies regarding how best to store foods in a refrigerator so the unit consumes as little energy as possible while still keeping foods fresh and chilled. But various energy providers, including ConEd, recommend that consumers avoid packing a fridge too tightly. By allowing cold air to circulate within the refrigerator, the refrigerator won't need to work as hard, and thus consume as much energy, to keep foods cool. It's important to note that the opposite should govern how the freezer is packed. Packing frozen items tightly in the freezer will help the refrigerator work a little less hard.

• Turn off the lights. Estimates from the U.S. Energy Information Administration indicate that electricity for lighting accounts for around 10 percent of electricity consumption in homes. A concerted effort to turn off lights in rooms that aren't being used can help consumers save money.

Rising utility bills are compelling millions of people to seek ways to trim their energy consumption. Thankfully, there are many ways to do that without upsetting daily routines.



Some simple strategies can make it easy for online and mobile banking users to safeguard sensitive financial information from cyberattacks.

How to be more secure with online banking

The world is increasingly moving online. Perhaps nowhere is that more evident than in the financial sector. If asked to recall the last time they visited a bank in person, millions of people would likely be stumped for an answer.

A recent survey found that 80 percent of consumers prefer digital banking to in-person banking. And while 95 percent of consumers surveyed indicated they are confident that their bank can protect their data in online and mobile banking platforms, it's still wise for individuals to do everything they can to ensure their online banking activities are as secure as possible. After all, data from the security intelligence experts at Kaspersky indicates that 22 percent of online banking users utilizing PCs were attacked with the banking malware Zbot in 2020. That underscores how important it is that online and mobile banking users prioritize security when accessing their accounts via websites or their phones. These strategies can help consumers enjoy the convenience of online and mobile banking while ensuring they can rest easy knowing their accounts are as secure as possible.

• Avoid keeping a password too long. It's understandable if users have had the same passwords for months, if not years. Life in a digital world requires usernames and passwords for just about everything, but it's vital that banking passwords are routinely changed. Changing passwords once per month improves security, especially if passwords include a combination of letters, numbers and symbols. When changing passwords, resist the temptation to use a password you're already using for another account.

• Use only your own network when banking online or via your mobile devices. Public Wi-Fi may be convenient, but users have no idea who else might be making use of that convenience. Various cybersecurity experts indicate that public Wi-Fi is especially vulnerable to man-in-the-middle (MITM) attacks, a type of security breach in which a third party intercepts communications between two unsuspecting parties, such as an online/mobile banking user and his or her bank. To reduce your risk of being victimized by an MITM attack, avoid using any website or app, including banking platforms, that require a login on public Wi-Fi.

• Install system updates. Users may find system update prompts always seem to come at the most inconvenient times. As a result, it's tempting to click the "Install Later" button and completely forget about it. But the longer users wait to install updates on their devices, including their smartphones, the more vulnerable to attacks they become. When prompted, install system updates immediately. Such updates typically only take a few minutes and often include new security features designed to protect users and their information, including any financial information they might have on their devices.

Some simple strategies can make it easy for online and mobile banking users to safeguard sensitive financial information from cyberattacks.

Did you know?

Real estate remains an especially lucrative investment vehicle. According to the S&P 500 Index, the median return on investment in the United States property market is 8.6 percent. That's an important consideration for investors who are considering adding income properties to their portfolios. Though the costs associated with income properties can be substantial, the potential rate of return on those properties is significant. Individuals considering an income property investment are urged to speak with a financial advisor, who can shed light on various factors that must be examined prior to purchasing a property. For example, individuals counting on rental property income should familiarize themselves with how that income is taxed before investing.

Easy ways to cut grocery costs

Consumers might not think it, but eggs are an expensive commodity. As of August 2022, the U.S. Bureau of Labor Statistics reported the average price of a dozen Grade A, large eggs was $3.12.

Eggs are just one example of foods that have become significantly more costly over the last year or more. Flour, butter/margarine and dairy products also have become more expensive. According to CNBC, food prepared at home now costs 10 percent more than it did a year ago. Comparatively speaking, restaurant prices have risen by 6.9 percent, making it more affordable for some people to eat out than prepare meals at home.

Despite rising food costs, it is possible to save money by cooking at home.

Purchase generic brands

Switching to generic brands can immediately bring about savings over “premium” counterparts. Generics cost less because manufacturers don’t have to offset the cost of advertising. Many generic brands are made in the same facilities that produce name brand items.

Plan weekly (or monthly) meals

Take a few moments to jot down meal ideas for the week. This can streamline the process of buying meals and help a person use fewer ingredients. Plus, meal plans can be based around which items are on sale. One can meal plan from scratch, or utilize a meal plan from a website that helps utilize all ingredients in various ways, such as turning leftover meatloaf from one night into sloppy Joes on another.

Stick to a list

When meal planning, check out the pantry first to see what’s on hand, and then mark down the items needed. Buy only what is listed, resisting the urge to make impulse purchases. For those who can’t avoid throwing a few extra items in the wagon, utilize stores’ shop from home services, where it’s possible to keep track of what’s being spent in real time. Simply check out and then do a curbside pickup.

Check product prices

When comparing prices, be sure to check out the net item, net pound or net ounce price. This enables shoppers to see if a sale is really a value, including whether it’s best to buy pre-packaged products or individual items.

Consider cheaper meals

Make the bulk of meals with less expensive ingredients, such as beans, whole grains and vegetables. Chicken drumsticks or thighs are generally cheaper than steaks or even chicken breasts and cutlets.

Reduce reliance on bottled beverages

Opt for water at home rather than bottled, if possible. Purchase iced tea powder or tea bags and whip up brews. Water with lemon juice can replace lemonade.

These are just a few ways to save money on groceries as prices continue to rise.

Conventional financial wisdom rooted in retiring around the age of 65 may not apply to individuals who intend to work well past that age.

What to do with your portfolio after 50

A 50th birthday is often characterized as a milestone moment. Despite that reputation, upon crossing the half-century threshold, individuals typically don’t feel that much different than they did when they were still a fun-loving 49-year-old. Though there might not be much to distinguish a 49-year-old from a 50-year-old, a 50th birthday is a good time to reassess certain parts of life, including finances.

Conventional financial wisdom has long suggested reducing risk as retirement age draws closer. But a 2021 survey from American Advisors Group found that 18 percent of respondents indicated their intention to work past the age of 70, while another 12 percent indicated they have no plans to ever stop working full-time. Conventional financial wisdom rooted in retiring around the age of 65 may not apply to individuals who intend to work well past that age. That means recently minted fiftysomethings could benefit from adopting a new perspective on managing their money after they reach 50.

• Work with a fiduciary. Fiduciaries differ from other financial advisors in a significant way. According to Investopedia, fiduciaries are legally bound to put their client’s best interests ahead of their own. Working with a fiduciary can provide peace of mind for individuals who want to know the person they’re trusting to guide their financial decisions is working on their behalf. That peace of mind can be especially valuable for individuals over 50 who don’t have as much time to make up for financial losses as younger people. Investopedia notes that some brokerage firms do not want or allow their brokers to be fiduciaries, so investors should make sure they’re aware of the legal responsibilities of anyone they trust to manage their money.

• Monitor the progress of your retirement accounts. Tracking the performance of retirement accounts like a 401(k) and IRA takes on more significance after 50, even for individuals who don’t see themselves retiring anytime soon. Monitor how particular investments are performing and reallocate funds if certain ones have not performed well in some time. Most investments will go up and down, but people over 50 can monitor performance more closely than they used to so they get an idea of which ones are working for them and which could be compromising their ability to enjoy financial flexibility in the decades to come.

• Resist the temptation to avoid stocks entirely. A recent study published in the medical journal The Lancet found that life expectancy, which has increased dramatically across the globe since 1900, is expected to continue increasing in developed countries in the decades to come. That means people won’t only be working longer, but living longer as well. Investors 50 and over can prepare for that longer life expectancy by utilizing the growth potential of stocks even after they hit the half century mark. Limiting exposure to risk after 50 is still important, but avoiding investment risks entirely could lead to a financial shortfall down the road.

Managing a portfolio after 50 requires careful consideration of various factors. Deft management of an investment portfolio after 50 can ensure investors don’t outlive their money.