
Dollars $ Sense
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How to account for a rising cost of living

Though the fight against a rising cost of living can feel like an uphill battle, individuals can take steps to prepare for such increases.

Cost of living is a significant component of financial planning. The cost of living may dictate where people live and work, and a high cost of living can influence how individuals spend their free time.

A 2020 survey from TD Ameritrade found that 47 percent of Americans feel that cost of living is the biggest threat to their financial security and long-term investments. It's worth noting that the survey was conducted prior to the pandemic. Since the onset of the pandemic, cost of living has increased considerably.

Similarly, data from Statistics Canada indicates that consumer prices rose 4.1 percent and 5.3 percent in August 2021 in Canada and the United States, respectively. As Canadians headed to the polls in late September, a survey from Abacus Data found that 38 percent felt reducing their cost of living was a key factor affecting their vote.

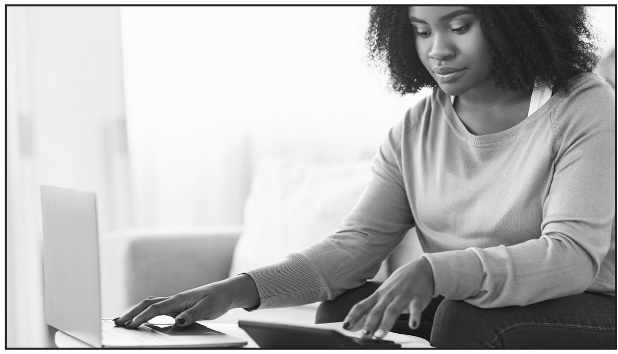
Though the fight against a rising cost of living can feel like an uphill battle, individuals can take steps to prepare for such increases.

• Apply lessons learned during the pandemic. A recent Pew Research Center analysis of U.S. government and Eurostat data found that roughly 9.6 million workers in the United States lost their jobs in the first three quarters of 2020. That period coincides with the onset of the COVID-19 pandemic. When forced to confront sudden and unexpected job losses, millions of individuals learned how to get by on less income. Cost-saving measures adopted during the pandemic can be continued or reimplemented, helping individuals to combat higher energy costs and other rising expenses.

• Look for a new job or fresh income streams. A rising cost of living is a concern for people from all walks of life, but it may be especially concerning for retirees or individuals with costs like childcare that can be hard to pare back. In such instances, individuals can look for new a job or fresh income streams. According to the Q3 2021 CNBC | Momentive Small Business Survey, 50 percent of small business owners say it's gotten harder to find qualified people to hire compared to a year ago. And nearly one-third of survey respondents indicate they have open roles they have not been able to fill for at least three months. Individuals can explore local employment opportunities in an effort to find a new, more lucrative job that can help them combat a rising cost of living. Others who want to remain in their jobs can look for part-time work to supplement their existing income.

• Consider relocating. The pandemic forced many companies to transition from in office working to remote working overnight. That trial by fire could have lasting results. A 2020 survey of 317 Chief Financial Officers and leaders in the finance industry found that 74 percent will move at least 5 percent of their previously on-site workforce to permanently remote positions after the pandemic ends. The survey, conducted by Gartner, Inc., also found that nearly one-quarter of respondents will move at least 20 percent of their on-site workers to permanently remote positions. That could make it possible for millions of working professionals to relocate to regions with a lower cost of living than their current towns or cities.

The cost of living might be on the rise. But individuals can combat that increase in various ways.



Tips to manage, improve your personal finances

(StatePoint) If you're like many Americans, having a better understanding of money management is a priority for you right now.

In fact, nearly 75% of Americans hope to improve their financial literacy in 2021, according to a recent survey conducted by One-Poll for a leading personal finance company. The same survey also found that 50% of Americans need advice on how to budget properly.

"While money matters can seem overwhelming at first, there is a simple formula for successful personal finances: know your credit score, create a manageable budget and build your savings," says Chad Prashad, president and CEO of the parent company of a leading personal finance company.

To help you get started, consider the following tips and insights:

1. Know your credit score: Many banks and lenders will let you review your credit score for free on a regular basis. If your credit score has room for improvement, a simple way to build it is through a credit building loan. This is a small loan designed to be easy to pay back, helping you establish positive credit through the lender. When taking out a loan, always be sure to use a reputable lender that reports to credit bureaus so that repaying your loan positively impacts your score.

2. Make, and stick to, a monthly budget: There is no one-size-fits-all way to make a budget so find a method that works best for you. A few systems to try include envelope budgeting (dividing expenditures into physical or digital envelopes representing different spending categories), zero-based budgeting (earmarking every last penny of your income to a useful purpose) and the 50/30/20 Rule (allocating 50% of your income to needs, 30% to wants and 20% to savings and debt reduction).

3. Start saving: While building a savings account can be daunting, it's important to allocate one in your budget. Doing so will mean you have an emergency fund to keep you afloat when the unexpected happens in life. According to a One-Poll survey, nearly 30% of Americans do not feel that they have the safety net or resources available to cover a financial setback greater than $400. If you find yourself in a situation where your savings won't cover what you need, a personal installment loan with equal monthly payments designed to fit into your budget could be a good solution. Find a lender that will work with you to understand the complete picture of your finances.

Pitfalls to avoid to prevent you from falling into debt

High consumer debt can compromise individuals' financial futures and have an adverse effect on their overall health. Debt has long been an issue that threatens individuals' well-being, but the good news is that certain debts seem to be on the decline.

According to the "Quarterly Report on Household Debt and Credit" that was released in May 2021 by the Federal Reserve Bank of New York, credit card balances were $157 billion lower by the end of the first quarter of 2021 than they had been at the end of 2019. Authors of the report credit that decline to paydowns by buyers and reduced consumption opportunities related to the pandemic.

Individuals who want to avoid debt can keep an eye open for these pitfalls.

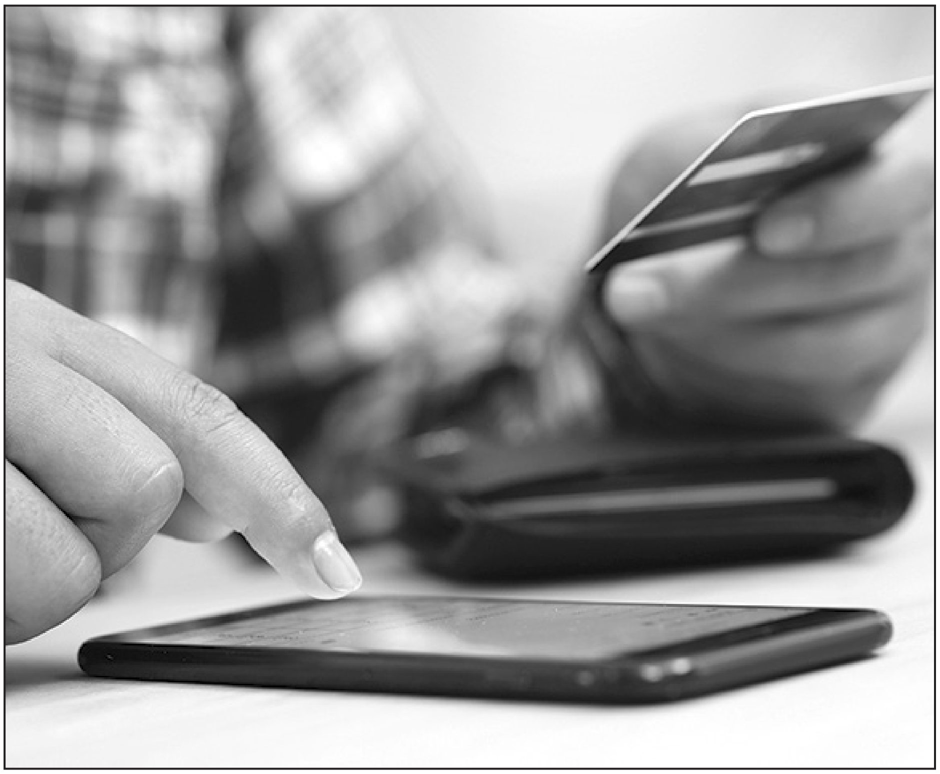
• Retail credit cards: Many retailers offer their own credit cards. Consumers may be enticed to sign up for such cards by the opportunity for instant, and often significant, savings. For example, a home improvement store may offer an immediate 25 percent discount to customers who sign up for a store credit card and use the card to make a purchase. As enticing as such savings can be, consumers should recognize that a recent study by CreditCards.com found that the average retail credit card APR is 25.9 percent. That's more than 6 percent higher than a general purpose credit card. Consumers who cannot pay balances in full each month could end up paying much more in interest if they use retail credit cards instead of general purpose cards.

• Too many accounts: A 2019 study from the credit reporting agency Experian found that the average American has four credit cards. Though many consumers can effectively manage that many cards, the more cards an individual has, the easier it can be to lose track of spending. More cards also means a greater potential for more debt, as each card has its own limit that is unrelated to the limits on other cards.

• Bonus hunting: Another pitfall to avoid is the temptation to use credit cards instead of cash in an effort to accumulate more travel miles or cash back bonuses. Consumers should aspire to use cash over credit whenever possible. Doing so ensures consumers are not spending money they don't have, which is one of the most common ways that individuals build significant consumer debt.

• Failure to budget: A budget is the most effective way for individuals to gain control of their spending. That lesson seems to resonate more with young people than older men and women. A 2019 poll from Debt.com found that 74 percent of consumers between the ages of 23 and 38 use a budget to govern their spending, while only 67 percent of consumers between the ages of 39 and 54 use a budget. A failure to budget can increase the risk of spending impulsively and make it hard for consumers to see what's coming in and what's going out. That's a recipe for accumulating debt.

Avoiding certain pitfalls can help consumers avoid accumulating debt that can adversely affect their financial futures.



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Getting smart about your credit score

(StatePoint) Good credit opens doors. Not only can it help you secure an affordable loan, but it is also often needed for access to open everyday accounts, such as for your utility services and cell phone. It can help you land a job, boost your chances of securing an apartment, and even improve your dating prospects, according to research.

Whether your credit is "good" is determined by your credit history, which looks at your payment patterns over time and your credit score, which rates your credit risk at a moment in time. But it's more complicated than that, and if you're like many Americans, you may be confused by some of the details.

According to a recent Freddie Mac survey of homeowners and renters, one in three Americans isn't aware that credit score elements such as the length of credit usage or having joint credit and loan accounts are reported to credit bureaus. Additionally, more than half of homeowners and renters aren't aware that being behind on housing payment can result in an impaired credit rating, and nearly 60% don't know or realize it can impact their ability to get a loan in the future.

To get a handle on your credit, consider these tips:

1. Pay on time. The best thing you can do to build, maintain or improve your credit is pay bills on time. The types of accounts considered for credit payment history include:

• Credit cards
• Retail accounts, such as credit cards from department stores
• Installment loans, such as car loans, on which you make regular payments
• Mortgage loans
• Student loans
• Finance company accounts, such as car dealer in-house lenders

2. Watch your credit card balance. If you allow your credit cards to reach high, unpaid balances, or if you only pay the minimum due, credit cards can cost you hundreds (and even thousands) of dollars in interest and can impair your credit.

3. Review your credit report annually. You're entitled to receive a free copy of your credit report each year from each major credit bureau via annualcreditreport.com. You can also keep an eye on your credit score through free apps such as Credit Karma, NerdWallet, WalletHub or others. Be aware, however, the scores shown in these apps are not the same as FICO scores used by most lenders and creditors to make lending or credit decisions. Still, they're useful for reviewing the financial activities affecting your credit.

4. Get savvy. Education has power. Learn more about managing credit by checking out Freddie Mac's free suite of financial education resources, CreditSmart. Over the past two decades, more than 5 million consumers have benefitted from these tools and now this program can be customized by users.

"Financial education is personal. Whether you're renting a home, are on the path to homeownership or saving for the future, our newly released curriculum empowers you to customize your experience and learn at your own pace," says Cindy Waldron, vice president, Single-Family Housing Insights and Solutions at Freddie Mac.

To access these resources, which are available online or on mobile devices, visit creditsmart.freddiemac.com.

The impact of good credit on your life can't be overstated. Use free resources to learn more about how it works. Then, stay on top of your credit by actively monitoring it and working to improve it.

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Tips for a smart holiday shopping game plan

(StatePoint) Health and safety, shipping delays and a constrained budget - these are just some of the concerns that may be amplifying your shopping stress this holiday season.

A new consumer sentiment survey centered on the holiday season can help you know what to expect in the coming weeks so you can make a smart shopping game plan. The Sensormatic Solutions survey finds that more people plan to shop in-store this year over last and plan to get started earlier. Indeed, while 63% of U.S. consumers are concerned about shopping in-store, this isn't stopping them from taking advantage of annual deal days or visiting enclosed malls. In fact, 50% of U.S. consumers still plan to shop in-store during Black Friday weekend and 50% planned to start their holiday shopping before November, compared to 43% in winter 2020.

Despite many consumers indicating that they plan to hold fast to the traditional shopping experience, the survey also finds that a growing number of consumers are adopting newer shopping methods. This is in part because of the convenience these services offer. For example, 42% of those surveyed say they'll use buy online, pick-up in store (BOPIS) services for their holiday shopping, a 9% increase from 2020, and 44% say they'll use curbside pickup, a 12% increase from 2020. Popularized during the pandemic to help people adhere to social distancing guidelines, these fulfillment options are great alternatives to brick-and-mortar shopping.

"We expect more contactless checkouts and unified commerce services like BOPIS and curbside pickup this holiday season because health and safety is paramount," says Kim Melvin, global leader of marketing, Sensormatic Solutions, which is helping retailers solve complex challenges related to consumer confidence, health and safety as part of Johnson Controls' mission.

As you check all your items off your holiday shopping list, consider the following tips from Sensormatic Solutions:

• Avoid busy stores and crowds by starting your shopping early.

• Take advantage of annual deal days without navigating in-store traffic or risking online shipping delays by using unified commerce services like BOPIS and curbside pickup.

• Forty-five percent of U.S. consumers said store occupancy limits preventing overcrowding would make them feel more confident shopping in-store this holiday season. If that describes you, take your business to stores adhering to occupancy limits and practicing other safety measures. The good news is that businesses have a lot of tools in their toolbox. New technologies are helping retailers understand expected shopper patterns so they can implement in-store strategies to better service their customers.

For more holiday season shopping insights, visit sensormatic.com.

As we enter the second holiday season of the pandemic, smart strategies can help you get your shopping done safely and with ease.

Retirement can come with ample newfound free time you may not be accustomed to.

Looking to retire early? Ask yourself these four questions first

StatePoint) The pandemic has changed our lives in numerous ways. As a result of all the upheaval, many people are reassessing their priorities and thinking about early retirement. According to Pew Research, 28 million baby boomers retired in 2020 and a recent study found 39% plan to retire by 65, while 18% said they plan to retire by age 59. Before taking that step, here are four questions to ask yourself.

1. Can I afford to stop working? Look at your retirement savings, your life expectancy, your projected income and annual expenditures in retirement. You'll want to consider unforeseen circumstances down the line that could be costly, such as the need to reside in a nursing home. Use a free retirement calculator to help you make a realistic determination as to whether you can afford to retire now, or whether you need to keep earning your full-time salary for a few more years.

2. Do I need life insurance after retirement? There is no one-size-fits-all answer here. However, those carrying debt into retirement, such as mortgages and personal loans, should consider a life insurance plan. Today, many baby boomers are financially supporting children and grandchildren and have significant debt. According to the National Council on Aging, the median consumer debt for households headed by someone aged 65 or older is 4.5 times higher now than in 1989. Paying off a mortgage is one of the most common reasons to purchase a life insurance policy. Doing so can help ensure your family is able to enjoy the home they love without the burden of outstanding payments.

"You would do anything to ensure your family has a bright future and having insurance is a simple and affordable way to protect them," says Louis Colaizzo, senior vice president of a top life insurance company. "Life insurance can help loved ones maintain the standard of living they are accustomed to."

So, how much would you need to leave behind? Calculate your needs with an insurance agent to discuss options.

3. How will I get health insurance? The current Medicare eligibility age for most people is 65, so if you plan to retire before then, you'll need to find another way to get health insurance. Even after you're covered by Medicare, health care expenses can add up, especially if you're on a fixed retirement income. Some insurance companies offer Medicare supplemental insurance to help pay the portion of expenses not covered by Medicare.

4. How will I spend my time? Retirement can come with ample newfound free time you may not be accustomed to. While that can sound amazing to those working full-time, the transition can be jarring. Whether it's volunteering, taking up new creative hobbies or traveling, planning now for how you will spend your time is a good idea to stave off boredom.

As you consider when to stop working, first ask yourself these four questions so you can take the appropriate steps to help ensure your retirement reality matches your retirement dreams.

Three tips to score a gold medal in financial fitness

(StatePoint) When it comes to financial fitness, careful training and preparation may not get your face on a cereal box, but it could score you a gold medal in savings.

Over the past year the pandemic has changed the game, with many Americans looking to shape up their savings. According to a March 2021 Consumer Sentiment Study by Lincoln Financial Group and CivicScience, one in four employed adults feel they are lagging behind in saving for retirement, and fewer than one in 10 would award themselves a gold medal across five categories of financial fitness: managing debt, sticking to a budget, saving for retirement, choosing benefits at work and being financially prepared for an emergency.

Just like it can be hard to find time for workouts, the same goes for exercising financial fitness, and your competing priorities can have an impact on savings.

"Having the right benefits in place to protect you today, while planning for your tomorrow, has become more important than ever, and it all starts with having a complete picture of your financial wellness," said Jamie Ohl, executive vice president, president, Workplace Solutions, head of Operations and Brand, Lincoln Financial Group. "It's a journey, much like fitness, and you can't start without taking the first step toward the financial future you envision."

Lincoln Financial offers three steps to shape up your savings and score the financial future you desire:

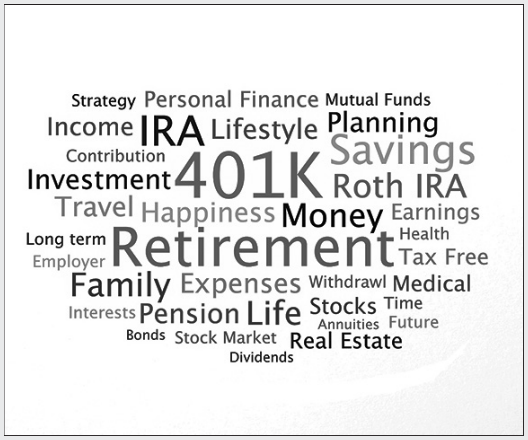
1: Have the right equipment: Get an accurate financial snapshot of where you are now. A good place to start is with financial wellness tools, which many employers offer their employees. With these tools, you can create a personalized action plan and improve your financial well-being, whether that's a plan to pay down debt or create an emergency savings fund. You can also take advantage of retirement income estimators to get a realistic view of your income sources in retirement. And for those struggling with competing financial priorities, including debt, Lincoln's debt calculator can help.

2: Set a goal: Just like athletes aspire to be at the top of their sport, you can set a specific goal to work toward while celebrating the small victories along the way. A good rule of thumb is to save at least 10% to 15% of your pay. If that feels out of reach, start where you can and try increasing contributions a little each year to see big changes in total savings over time. In the years leading up to retirement, you have the option to make catch-up contributions if you are behind where you want your savings to be.

3: Meet with a financial "coach" to determine a game plan: Improving your financial fitness is a team sport. Your financial professional, employer, retirement plan provider — they're all there to help. A financial professional can help you take a holistic view of your finances, from accumulation to protection to distribution, helping ensure all considerations are taken into account and planned accordingly. If your employer offers retirement consultants, schedule a meeting to help you understand the full picture of your savings and where to focus your efforts.

Just like it can be hard to find time for workouts, the same goes for exercising financial fitness, and your competing priorities can have an impact on savings. The good news? There's always time to formulate a financial game plan and score a spot on the savings podium.

Types of retirement accounts



Individuals have various retirement plan options at their disposal, and each is unique in its own way.

The ability to retire with financial security is a goal for millions of people across the globe. Though people may stop working in retirement, many of their existing bills, and even some new ones, will still need to be paid. Retirement is often imagined as a time of unbridled financial freedom, but that's only possible when individuals, including young professionals, prioritize planning for the day when they call it quits.

Retirement accounts and plans are a popular way to save for life after working. Individuals have various retirement plan options at their disposal, and each is unique in its own way.

Individual Retirement Account (IRA)

An IRA is a tax-advantaged way to save for retirement. Anyone with earned income can open an IRA. Money deposited into an IRA cannot be withdrawn prior to account holders reaching 59.5 years of age without incurring a steep tax penalty of 10 percent. There are limits to how much individuals can deposit into an IRA. The Internal Revenue Service notes that the deposit limit for all IRA accounts in 2021 was $6,000 ($7,000 for account holders age 50 and over). In addition, there are different types of IRAs, including traditional IRAs, Roth IRAs, Payroll Deduction IRAs, and SIMPLE IRAs. Each has its rules regarding taxes, eligibility and withdrawals, and individuals are urged to discuss which type of IRA is best for them with a financial professional.

401(k)

A 401(k) is another tax-advantaged retirement account typically offered through an employer, though self-employed individuals can enroll in a Solo 401(k) plan. When enrolled in a 401(k) plan, employees will have a portion of each paycheck direct deposited into a long-term investment account. Contributions to a 401(k) are made pre-tax, which saves account holders a considerable sum of money so long as they continue to make contributions.

One significant advantage to 401(k) plans is that many employers will match contributions up to a certain percentage. For example, some may match up to 2 percent, so employees who contribute 2 percent or more will actually be depositing no less than 4 percent of their income each week into their 401(k) accounts. Perhaps most beneficial is that employer matches do not count toward the annual 401(k) contribution limits, which the IRS notes were $19,500 in 2021.

Simplified Employee Pension (SEP) Plan

An SEP plan is typically established by a small business owner or self-employed individual. However, small business owners can set them up for their employees as well. Contributions to an SEP will reduce taxable income, and the money will grow tax-deferred. Individuals enrolled in an SEP will only pay taxes on the money upon withdrawal. One of the advantages to an SEP is it has significantly higher contribution limits, which the IRS notes were $58,000 or 25 percent of the employee's compensation, whichever was lower, in 2021. However, SEPs are employer contribution only, so they rely a lot on employers' available cash.

No retirement accounts are the same. Individuals are urged to conduct their own research and choose the plan that best suits their needs.

What to know about refinancing a mortgage

Historically low interest rates have made now a good time to be a homeowner. According to the Federal Home Loan Mortgage Corporation, also known as Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage in mid-September 2021 was 2.86. Just 10 years earlier, the average rate was 4.09. That's a significant dip and one that's saving today's homeowners tens of thousands of dollars over the life of their mortgages.

Interest rates dipped during the pandemic and have remained low ever since. That's unlikely to last forever, which has given many homeowners a sense of urgency regarding refinancing. Refinancing can be financially advantageous, but there are some things homeowners should know prior to contacting their lenders.

Refinancing does not always save money over the long haul

It's hard to blame homeowners who jump at the chance to refinance their mortgages. Refinancing is often associated with significantly lower monthly payments, and such savings can be used to finance home improvements, pay for tuition or build retirement nest eggs. However, homeowners won't necessarily save money over the long haul if they're refinancing an existing 30-year mortgage with another 30-year mortgage.

The mortage experts at Mortgage Calculator note that a Change Terms mortgage refinance is characterized by a shift to a loan charging a lower interest rate. The initial savings with such a refinance are undeniable, but changing from one 30-year to another 30-year restarts the mortgage clock, which can add years to the time homeowners will be repaying their debt. As a result, homeowners may end up paying more interest over time than they might have had they just kept their initial mortgage. Homeowners interested in a Change Terms refinance may want to look into switching from a 30-year to a 15-year mortgage. A shorter term mortgage will increase the monthly payment, but the loan will reach maturity much faster, greatly reducing the amount of interest homeowners will pay over the life of the mortgage.

Refinancing can be costly

Lower monthly payments might be the number that catches homeowners' eyes as they look to refinance, but it's important that homeowners recognize that refinancing is not free. In fact, the personal finance experts at Kiplinger note that refinancing incurs many of the same costs that homeowners had to pay when they signed their initial mortgage papers. That includes fees, taxes and appraisal costs. These costs are sometimes paid up front, but they also might be rolled into the loan balance. In the latter instance, homeowners could be paying interest on their refinancing costs. Homeowners who are refinancing solely because of lower interest rates should know that some lenders raise interest rates to compensate for refinancing costs. That can negate the savings and end up costing homeowners more money than the original mortgage.

Refinancing is an option for homeowners who want to save money. Homeowners can speak with a financial advisor to determine if this is the best way to save money over the long haul or if refinancing will ultimately cost them more over the life of the mortgage.

How to break your family's money talk taboo

(StatePoint) Do you and your family regularly discuss money matters or do you shy away from the subject? Experts note that money talk taboos are common among American families and that this needs to change.

"For many families, money is a topic we don't openly discuss. But by avoiding these discussions, we're inhibiting information flow around the best use of money," says Michael Liersch, head of Advice and Planning for a leading wealth and investment management company.

Liersch, who is a behavioral scientist and currently leads a team at a financial company responsible for developing research-based methods to help advisors and clients collaborate around money decisions, is hosting a new podcast. "About Money" focuses on breaking the money talk taboo and offers practical advice for having productive conversations about financial decision-making.

According to Liersch, here are a few ways some families view conversations around money:

• It's just gauche. It can make people feel uncomfortable, embarrassed or bad, so don't do it.

• It can disrupt harmony and spur arguments because ultimately, it's airing dirty laundry, revisiting bad decisions or revealing serious personality conflicts around spending, saving and investing.

• It can reveal different reference points. For example, someone with more money can make those with less feel bad about themselves.

• It can make those without a lot of knowledge feel exposed by what they don't know and those with a lot of knowledge feel like a know-it-all.

Whatever your family's reasons for dodging dollars and cents around the dinner table, Liersch offers these tips for starting the conversation:

1. Write down your responses to the following questions. What's the number one thing you want money to do for you? Do you feel you have enough -- just enough, more than enough, or not enough -- to get that job done? What's holding you back from getting the job done? What could you do to make sure that it does? Who do you need to talk to or what resources do you need?

2. Store these answers in a secure, handy location.

3. Have conversations with those that may be impacted by the conclusions reached, such as your partner, children and parents, and then collaborate with them on next steps.

4. Set aside time regularly to focus on this information and to take incremental steps toward making your money work for you.

"No one is born with the knowledge of how to use money. It's an abstract concept - like language. And like language, if you wait too long to learn it, you'll never master becoming a native speaker," says Liersch. "Today, as I sit around the kitchen table with my family, all topics are fair game, including those money-related topics that used to be taboo."

Have conversations with those that may be impacted by the conclusions reached in money talk, such as your partner, children and parents, and then collaborate with them on next steps.