Loose Change®
a penny saved is a penny earned

July/August 2024 • Volume 31 No. 4

How Much Risk Can You Take?

Whether your dream is to climb Mount Everest or sail the Caribbean in a pontoon boat, the amount of risk you feel comfortable with is different for everyone. That applies to investment risk, too. But how can you find your comfort level?

Your Risk Tolerance

Risk refers to market conditions that can negatively affect returns. Risk tolerance is your ability to accept the possibility of investment losses. Taking greater risk with your investments offers the potential for higher returns, but it also exposes your portfolio to substantial losses if the markets take a downturn. However, not taking enough risk can prevent you from earning returns that will help you reach your goals.

Types of Investors

Investors generally fall into three categories based on their tolerance for investment risk.

Aggressive investors are willing to accept more risk of investment losses in exchange for the potential for earning higher returns. Their portfolio typically holds equities and commodities, with little or no exposure to bonds or stable value investments.

Moderate investors are willing to accept periods of market volatility in exchange for the possibility of earning returns over time that significantly outpace inflation. Their portfolios typically consist of a mix of equities and income-producing investments, such as bonds.

Conservative investors accept little or no volatility with their investments. They seek income and capital preservation. Their portfolios hold investments that are highly liquid (i.e., can easily be turned into cash), such as certificates of deposit, money market accounts and U.S. treasuries.

Your Time Frame

Risk tolerance can change based on your age, goals and time horizon. Investors in their 20s, 30s and 40s generally can take more risk with their investments because they have many years before they'll need their savings. As you get closer to retirement, you may want to shift some higher risk investments into less volatile, income-producing assets. Remember, though, that keeping a portion of your portfolio in equity investments can provide a hedge against inflation. Your financial professional can help you design a portfolio based on your goals and risk tolerance.

ALISON BREW
Account Manager

LTM Client Marketing
45 Prospect Avenue
Albany, NY 12206
ltmclientmarketing.com

abrew@ltmclientmarketing.com
Tel: 518-870-1083
Toll Free: 1-800-243-5334
Fax: 1-800-720-0780

I am committed to helping my clients pursue their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Understanding Bond Funds

Investors whose goal is to preserve capital may want to consider investing in bond funds. Bond funds* offer diversification while minimizing the risk of losing principal. Funds pay regular interest that can provide investors with a predictable income stream during retirement.

What Are Bonds?

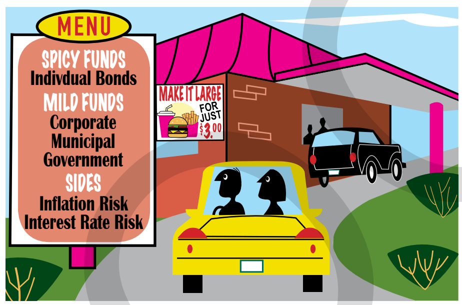
Bonds are debt securities. When you buy a bond, you're lending money to the bond issuer, which can be a corporation, a municipality or the government. In return, the bond issuer pays you interest for the bond's duration. A bond fund holds securities from many different issuers, providing diversification and reducing the risk of default.

Bond Types

Bonds fall into three main categories: *Corporate bonds* are issued by public and private corporations. Investment grade bonds have a high credit rating and low risk. *High-yield* ("junk") bonds are from companies with a lower credit rating and a greater risk of default. Junk bonds pay higher interest to compensate investors for the increased risk.

Municipal bonds are issued by states, cities, counties and other government entities. They're used to fund projects, such as roads, hospitals and schools, that benefit communities. Interest from municipal bonds generally is exempt from federal — and sometimes state and local — taxes.

Government bonds invest primarily in U.S. debt securities across a broad range of sectors, including Treasuries, government agency bonds and mortgages. Bonds are guaranteed by the U.S. government and present the least risk to investors.



Bond Risks

Bond funds typically don't carry the risk that comes with investing in individual bonds. If one issuer in the fund defaults, there are many others to dilute the impact. However, investors should be aware that bond funds still have risks that could impact returns. *Inflation risk* occurs if rising prices reduce the purchasing power of bonds. *Interest rate risk* occurs when rising interest rates cause existing bond prices to drop.

Bond funds can be a good choice for providing retirement income. Your financial professional can offer guidance.

**Investors should read the prospectus and consider the investment objectives, risks, charges, and expenses of the fund before investing. Past performance won't guarantee future results.*

Saving on Energy Costs

If energy costs take a significant bite out of your monthly budget, there are steps you can take to lower them. Here are some ideas.

Lower or Raise Your Thermostat. Adjusting your house temperature by just a few degrees can make a difference.

Install a Programmable Thermostat. Smart thermostats allow you to program and control heating and cooling settings using an app or a voice-controlled device.

Insulate. Apply caulking and weather stripping to windows and doors, also, add insulation to your home.

Get a Home Energy Audit. A professional auditor will assess your home's energy efficiency and identify areas for improvement.

Get a Tax Credit for Home Improvements. By replacing old furnaces, air conditioners, and water heaters with energy-efficient equipment, you may be eligible for a credit of up to 30% ($1,200 maximum) of the cost of new qualifying items. The credit is taken as a deduction on your income tax return.

Use the Clean Energy Property Credit. A credit of 30% of the cost of equipment is available until 2032 for the installation of solar panels, solar water heaters, geothermal heat pumps, wind turbines, fuel cells, and battery storage technology.

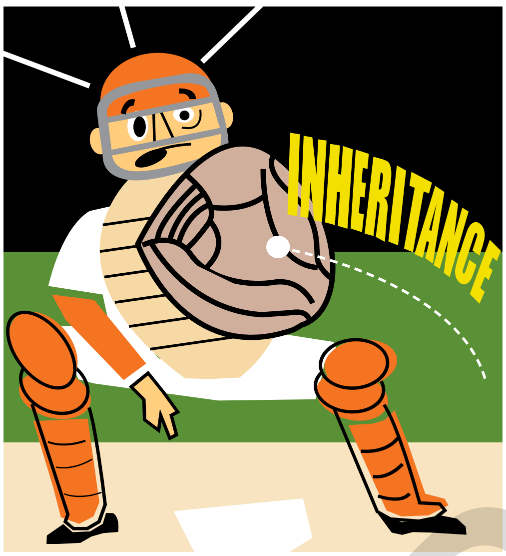
More information about these credits is available at *www.irs.gov/credits-deductions/home-energy-tax-credits*.

Handling an Inheritance

Studies show a significant gap between what millennials expect to inherit from their baby boomer parents and how much their parents plan to leave them.*

What's Stopping Them?

Despite having accumulated more wealth than any other generation in history, boomers may be reluctant to pass that wealth to their children until they have a clearer view of their own future. Because people are living longer, the cost of potential long-term care is a major concern, as is the risk that inflation will reduce the buying power of their savings.



Nobody Talks About It

Whether you're the parent or the child, you may dread talking about money. But it's important for parents to discuss any plans they have in place with children. Wills, trusts, advance directives, and powers of attorney are legal documents that parents should have, and children should know they exist and where to find them.

When You Do Inherit

If you do receive an inheritance, take steps to preserve it.

- Put the bulk of the money in a money market or high-yield savings account until you have a plan in place.
- Assemble a team of professionals to help you, including a financial professional, CPA, and attorney.
- Add to your emergency fund.
- Pay off student loans, credit cards, and other debt.
- Put a down payment on a house if you're not already a homeowner.
- Invest the rest of the money or add it to your retirement accounts.

Treat Yourself

Set aside a modest amount for a splurge. Spending some of the money on yourself can prevent you from feeling deprived and make it more likely you'll stick with your plan.

**Alliant Credit Union, 2023*

What Will They Do With Their Inheritance?

The children of Baby Boomers are set to inherit significant wealth from their parents over the next decades.

How do they plan to use their inheritance?

Pay off debt: **37%**

Supplement retirement savings: **35%**

Pass it to others: **26%**

And how do they feel about handling their inheritance?

Very comfortable handling a windfall: **39%**

Not prepared to handle a windfall: **58%**

Source: Dailymail.com, October 2023

Kiddie Tax 2024

If your child has an investment or other unearned income above a certain threshold, that income may be subject to the kiddie tax.

For 2024, the first $1,300 of a child's unearned income is tax-free. The next $1,300 of unearned income is taxed at your child's tax rate. Any additional earnings above the $2,600 threshold are taxed at the child's or parents' tax rate, whichever is greater.

What Qualifies as Unearned Income?

A child's unearned income may include:

- Taxable interest
- Capital gains
- Taxable scholarships
- Income produced by gifts from grandparents or others
- Income from custodial accounts

Exceptions

The kiddie tax does not apply to children who spend their own earned income for more than half the cost of their support. Children who are married and file a joint return are also not subject to the tax. Your tax professional can provide more information.

Financial Abuse: A Means of Control

Financial abuse is on the rise. It can affect partners in a romantic relationship or elderly people who are cared for by another adult. By recognizing the signs of abuse, you can take steps to prevent it from happening to you or a loved one.

Romance That Isn't

Some signs of an abuser include taking an unusual interest in your finances, offering to take over your checking account to make sure bills are paid, discouraging you from working or sabotaging your employment, stealing from you, criticizing you, and asking you to pay for dinners, movies, and other things. A spouse may control all income and limit their partner's spending.

Protect Yourself

You can thwart an abuser by controlling your phone and preventing others from viewing your texts or search history; opening your own mail; not sharing your PIN; keeping checks, bankcards and other payment methods in a safe place; reviewing bank and card statements; refusing to lend any new romantic interest money or cosign a loan; and refusing to open a joint checking, savings or credit account with a person you haven't known long.

If You're Older

Elderly people can protect themselves by being proactive. Appoint someone you trust as a contact for bank and investment accounts or give them view-only access. Consider signing up for a monitoring service that detects suspicious activity. Stay in contact with loved ones, and make sure they know your caregivers.

Insurance: What Do Business Owners Really Need?

An online survey conducted in December 2023* revealed that 23% of U.S. consumers said they were thinking about starting a new business in 2024. At the top of the list for new — and current — business owner should have insurance protection for their families and businesses.

Invest in Health Insurance

Business owners whose income comes solely from their business will have to purchase their own health insurance. Fortunately, business owners are allowed a tax deduction for their premiums. Consider a high deductible health plan (HDHP), which generally has lower premiums than other plan types, although you may pay more out of pocket for services. By opening a health savings account (HSA), you'll be able to make tax-free contributions and withdrawals to help pay these expenses.

Protect Your Family

Proceeds from a life insurance policy can help your loved ones maintain their standard of living if you die unexpectedly. Term insurance provides coverage for a specified time, typically between 15 and 30 years. Generally, you'll want to purchase a policy with a death benefit equal to 10-12 times your annual income.

Protect Your Business

As a business owner, you want to be protected from risks to your business and your income from injuries, lawsuits, and property damage. Business Owners Policy (BOP) insurance bundles several types of coverage in a single policy. Designed for small and mid-size businesses, BOP combines protection for all major property and liability risks. It typically has three components: *liability* protects against claims and lawsuits for damages that occur during normal business operations; *property* covers damage from fire, explosion, theft, vandalism, etc.; and *business interruption* covers loss of income from a disaster that disrupts business operations and any expenses associated with operating from a temporary location.

Protect Your Income

What would happen to your family if you were unable to work for a long period of time? A long-term disability policy replaces a portion of your income if you become sick or injured.

Your life and property and casualty insurance professionals can help you choose coverage to protect your family and your business.

**"Entrepreneurship in 2024" Report. Intuit QuickBooks, December 2023*

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

March 22, 2024

Reference: **FR2024-0220-0222/E** Org Id: 23568

1. Loose change July August
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

NOTE: *We assume that your filed communication doesn't omit or misstate any fact, nor does it offer an opinion without reasonable basis. While you may say that the communication was "reviewed by FINRA" or "FINRA reviewed," you may not say that we approved it.*

Please send any communications related to filing reviews to this Department through the Advertising Regulation Electronic Filing (AREF) system or by facsimile or hard copy mail service. We request that you do not send documents or other communications via email.

Advertising Regulation
9509 Key West Avenue
Rockville, MD
20850
t 240 386 4500
f 240 386 4568