FINANCIAL STUFF JULY 2025

a publication of JFR FINANCIAL SERVICES, INC.

INSIDE

CJ — *Social Chairman*

GENERATION ALPHA (2011-2024) CAREER ASPIRATIONS

A recent survey found our youngsters' dreams are different than ours. 32% plan to make their fortune on YouTube. 21% dream of being TikTok creators. 19% hope to create mobile apps and/or video games. 15% see futures as online streamers. Many still plan to be a doctor, nurse, artist, athlete, musician, teacher and/or go into business, but the overwhelming majority plan to remain buried in their smartphones and/or laptops. *(Source: Fortune Magazine)*

LONG TERM CARE (LTC)

A recent study revealed most adults misjudge their LTC risks. Some unnecessarily restrict their retirement spending to save for future care they won't need. Others underestimate the risk and end up depleting assets to qualify for Medicaid. High income individuals tend to overestimate the risk compared to lower income underestimating. The Rand study revealed there is a ~30% chance of someone over 80 staying in a nursing home. Unmarried women having the highest risk at 41%. Married men the lowest risk at 25%. ***What to do?*** Understand the risk. Learn about your probability based on age, health, income, education and family history. Overestimating the risk may limit your quality of life during retirement. Underestimating could result in hardship later in life. One trend set in stone is the cost of LTC and the insurance to handle it continue to climb. **BUT!** There are attractive hybrid products for those who can afford the premiums. Many Americans avoid planning for LTC as we tend to do for our estates and funerals. **WHY?** *We don't want to!* For people 65+, the odds of needing some form of LTC are 50%+. As always, we are here. *(Source: Nationwide, Rand)*

MUSICAL CHAIRS

The oldest members of Gen X turn 60 this year while more baby boomers continue to turn 65 than ever before in history. Helping people prepare for retirement, retire, and/or manage life in retirement, is by far our most common service each day. Americans need help with what Goldman Sachs refers to as the ***"401(k) experiment."*** The biggest expense for many retirees is taxes, but only 30% have a plan for same. We know our client situations very well already. Those who have us prepare their tax returns can rest assured we are keeping their taxes as low as possible. We ask about who gets what's left behind. If/when it's a charity, then we look at how to save taxes now, as well as at death. We look at the costs to manage your money and how we can reduce same. We look at how to simplify your paperwork. We look at how to protect your identity. We review and plan for the possibility of long term care. We enjoy letting our clients know when they are on the ***"I'm going to live forever"*** income plan. If they aren't, then we look for ways to get them on it. We review the risks they are exposed to and how to manage/eliminate/transfer them. *(Source: Financial Advisor, Capitol Group, JFR)*

THE FIRST 100 DAYS

A few financial tidbits. We experienced one of the fastest 10%+ market drops after ***"Liberation Day"*** on April 2. We also experienced the 4th worst 2 day market drop since 1950; a 10.5% setback on April 3rd-4th. We also experienced the best single-day market rally, 9.5% on April 9, since October 2008. The best win streak in 20 years, with the S&P rising 9 days in a row for a gain of 10%+. Everything added together resulted in a record high for the CBOE Volatility Index (VIX). The only mystery is whether, or not, things will settle down over the next 45 months? Unlikely! *(Source: S&P 500 Index)*

A HOUSE DIVIDED?

Like politics, Americans are on both sides of the fence when it comes to financial advice. Nearly 50% don't even consider hiring a financial advisor for one reason or the other. Many believing we are crooks! The other 50% get advice from someone. For those using a professional, 80% are very happy. The industry is a good example of how capitalism turns luxuries into commodities. The amount of free information and resources continues to explode. While we remain on the very low side of the cost spectrum, we are facing more adjustments given the increased compliance and government regulations. *(Source: Finra, SEC, Financial Advisor, Fidelity)*

BUSINESS OR HOBBY?

The IRS loves to tax hobby revenue and you not deduct any expenses. Better to deduct your expenses if it is a business. The IRS considers a hobby as something you love. A business is something you do. The difference is not black and white. The primary factor is profit. The IRS likes to see profits in three out of every 5 years. If you do lose money consistently, is it due to factors out of your control? When will you turn a profit? Do you have good records? Is it a part time or full time endeavor? *(Source: IRS, Kiplinger)*

POST COVID STILL SLOW

It's not being talked about much, but many aspects of our economy are worse than where we were before the pandemic.

- ***US manufacturing confidence is at 137 versus 170.***
- ***Average hourly earnings adjusted for inflation are $11.24 versus $11.72.***

With real purchasing power down, the average American household is not saving money. Credit card balances and loan delinquencies are climbing. Labor force participation is ~60% versus ~62%. Food prices are up 35%. The cost of housing is up 25-50% dependent on the location. *(Source: AIER)*

> *The investor's chief problem—and even his worst enemy—is likely to be himself.*
>
> **BENJAMIN GRAHAM**

BUMPY RIDE SINCE 1925, BUT PROFITABLE

Since 1925, the S&P 500 Stock Index has averaged ~10% per year. ~70% of the time the market has a positive return. In 34 years the market increased by more than 20%. In 33 years the market was up 0-20%. There were 6 years when the market was up 8-12%. In 18 years the market was down 0–20%. In 8 years the market was down more than -20%. *(Source: S&P 500, Dow Jones, Jackson National)*

TOO MUCH STUFF?

Americans are accumulating stuff at a record pace. In the past 20 years our purchases of dishes are up ~500%. Furniture ~350%. Footwear ~150%. U-Haul increased the size of their trucks by 60% in the last 10 years. 71% of Americans said they repurchased something after being unable to find the same item they already had bought. There is a point where stuff starts to own us. It is referred to as ***"hoarding disorder"*** and can become worse as we age. The average cost for a self storage unit today is $150 per month. Remember the old adage, ***"We might need it"*** as stuff accumulates in the garage and/or basement? One simple strategy is to get rid of anything that hasn't moved in a year or longer. *(Source: Wall Street Journal, Kiplinger)*

REDUCING/ELIMINATING TAXES ON CAPITAL GAINS?

It's being referred to as ***"Direct Indexing."*** It involves ***"harvesting"*** tax losses as they become available. It is done by computers. Let's say you have a $500,000 capital gain on Apple Computer or Microsoft. You don't want to hold the stock anymore, but you also don't want to pay taxes. It may take several years, but Direct Indexing can build up losses to offset the gain. Taking advantage of the situation involves opening a separately managed account (SMA) and the cost is 0.25%, but the good news is Goldman Sachs has been doing this for their rich clientele a long time. Technology now allows them to do it for accounts of $300,000+. If you have the happy problem of a large gain you want to reduce/eliminate, then let us know. *(Source: Goldman Sachs, Fidelity)*

RETIREMENT INCOME AND LIFE EXPECTANCY

There's a reason why JFR assumes you are going to live forever. If your money is not, we will let you know. Average life expectancy is not a good number for planning. Picture following a group of 1,000 women turning 60. Some pass away each year while the rest continue on. As a group, their average life expectancy is 89.2. **BUT!** Nearly 60% are still alive at 89.2. Over 100 are alive at age 100. ***Average doesn't mean typical***, so we can't plan around it. In our sample, the most common age at death is 94. We don't live or die on schedule. A group may be predictable, but each individual life expectancy is not. For the 1,000 women, the majority of the average life expectancy are years lived from 90 to 120. Planning retirement based on life expectancy is planning to run out of money. Longevity is an increasing possibility for all of us. We all need to be prepared. *(Source: Financial Planning, JFR)*

ANOTHER DEBT CRISIS?

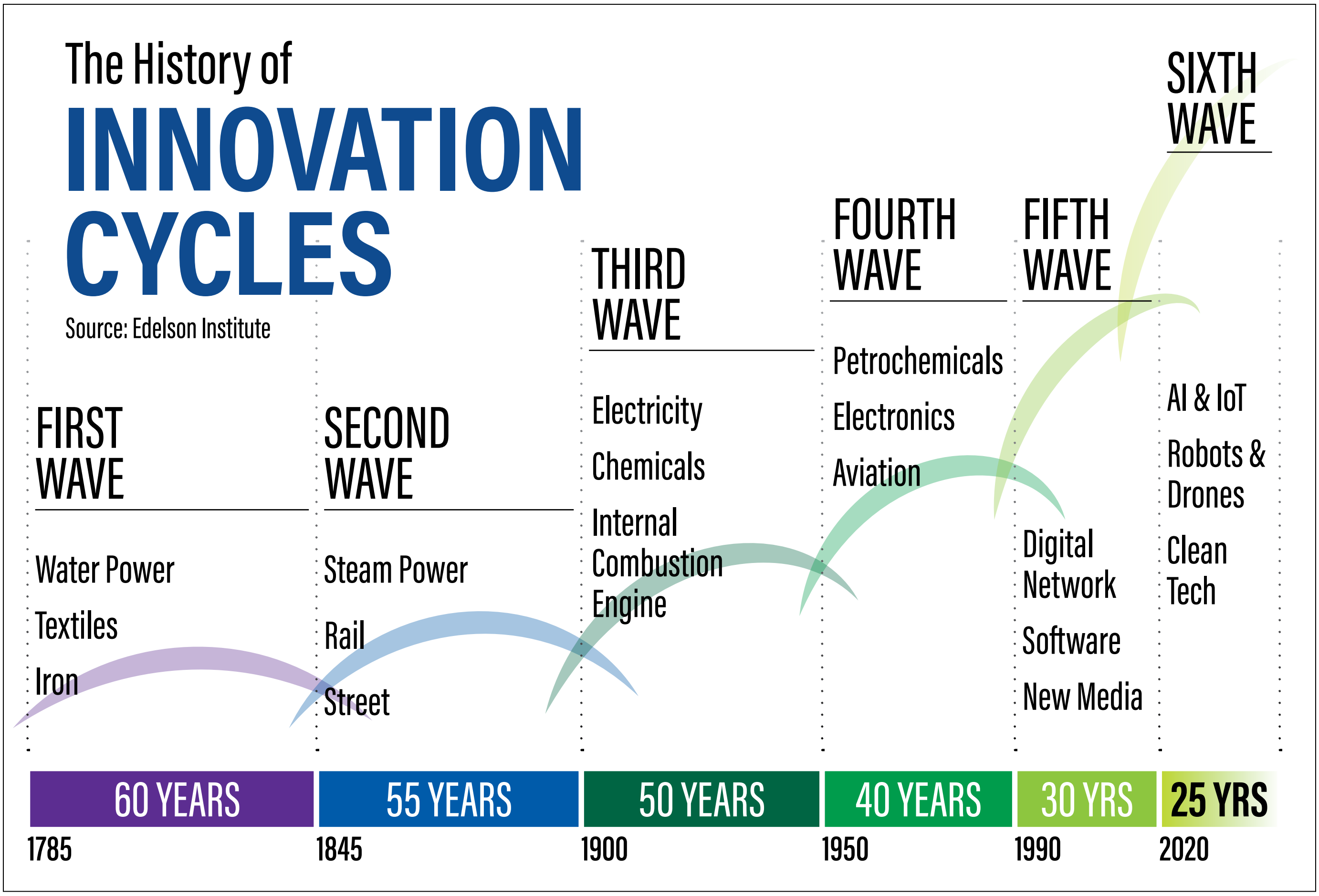
Remember August 2011. Standard & Poors downgraded US debt from AAA to AA+ for the first time in history. Washington had just dragged us through another debt ceiling soap opera and stocks dropped 7% in a day as Wall Street panicked. The news meant nothing as our debt rating does not affect us. Not just yet anyway! The USA is still the safest place in the world for money. In August 2023, Fitch decides to downgrade US debt. This time the markets shrugged it off. Today, Moody's joins the party and the markets again did not flinch. The USA is the most incredible economy in world history. While we hate paying taxes, the government can collect more as needed. Milton Friedman said, ***"Deficits are a spending problem."*** We do have work to do. Government receipts are almost a straight line at 17.5% of GDP (Gross Domestic Product). Americans hate taxes and will only pay so much. Government spending has exploded to 25% since 2020 (COVID), well above the post WWII average of 20%. How our ***"representatives"*** will ***"fix"*** the problem is a mystery, but it's not as complicated as they make it out to be. *(Source: Stansberry, CBO, JFR)*

> *Missing opportunity is more expensive than avoiding risk.*
>
> **KEITH FITZGERALD**

WOMEN & MONEY

The evening news and/or Internet reminds us daily that any/every lifestyle and/or life form is within the 330+ million Americans. 40+ years working with women and their money confirms women are just as good, or better, as men when managing money. A longstanding stereotype that women are not good with money is ***not*** true. Women's basic instincts can be better than men's. The same can be said of being afraid of investments. Their basic behavior can be excellent when making financial decisions. While it used to be ***"normal"*** for the man to manage the money, this is no longer the case today. While it used to be normal for the man to be the primary breadwinner, not anymore. While it used to be normal for women to not be interested in money, most now are. They may approach the topic differently than men, but they are highly motivated to learn and understand what their money is doing. Leave it all in the bank? There are the stereotypes, but women want their money to work for them and they appreciate diversification more than men. Stocks lose money? Once women understand how the markets fluctuate, but go up over time, they are better at riding out the storm than men. We will be holding a women & investing dinner this fall with a professional money manager from BlackRock as the speaker. This event will be invitation only. Look for your invite after Labor Day! *(Source: Financial Advisor, Fidelity)*

OMITTED - For JFR Clientele Only



SPEND OR SAVE?

A recent study by the Retirement Income Institute once again confirmed retirees spend ~80% of their income, but just ~50% of savings. This is the case for all income levels. The monthly income received feels like money that can be spent. Retirees can usually withdraw 4-5% from their retirement assets, but most draw less than 3%. This tendency does not hold for Required Minimum Distributions (RMDs), where more of it is spent as it feels more like income. It's not surprising. We work our whole lives to accumulate wealth, so it is difficult to start spending. All the *"expert"* debate over how much we can spend doesn't help. Thankfully, it's not complicated. The *"experts"* today recommend converting a portion of retirement funds into guaranteed income via annuities. Simple example. 65 year old couple with $1,000,000 in retirement accounts. They want $4,000 per month to supplement their Social Security. It would require ~$685,000 to be deposited, leaving ~$315,000 for extra income as needed. There is a 50% chance one, or both, will live to 90. If so, then they will receive ~$1,200,000 from the annuity, which works out to an average return of 5%. 3% if the second death occurs in 20 years at age 85 and they receive a total of ~$960,000. If the $315,000 averages 7% over 25 years, and they withdraw ~$15,000 per year for vacation money, then the account will be worth ~$500,000 at age 90. What to do? It depends! The good news is we're crunching numbers every day. ***It's what we do.*** 30 years ago the traditional pension was normal. Most retirees didn't have much in their 401k plans. Now they do. We can help. *(Source: The Retirement Institute, Financial Advisor, Nationwide, JFR)*

PLANNING FOR GOODBYE

The day is coming for all of us. How best to prepare? Should family/friends/charity be told about your estate plan or not? There are strong arguments for and against. We see it all. The current trend is to include people. Who makes decisions? Where are the documents? Where is the money? If anyone is being excluded, then why? Do I/we need a trust? Will everything avoid probate? What are the tax consequences? What if I end up in a nursing home? ***Notice all the questions.*** The good news is estate planning is not complicated, but the people involved can be. It's best to address and answer the questions yourself rather than strangers appointed by the probate court. We are not attorneys, but we have good ones to refer you to. We can help answer questions. What if… We enjoy making your life as simple as possible. We enjoy helping your family avoid problems and/or fights after you're gone. *(Source: Estate Planning, Financial Advisor)*

HOW A FEDERAL DOLLAR IS SPENT

A PENNY HERE. A PENNY THERE… OOPS!

THEY ARE GETTING RID OF THE PENNY. On May 16th, Moddy's downgraded the US government's debt rating from Aaa to Aa1. S&P Global downgraded our credit rating in 2011. Fitch issued a downgrade in 2023. American families feel the pinch more than anyone else through rising costs (inflation) for everything and higher interest rates on their credit cards, mortgages, car loans, etc. Businesses feel the squeeze as well. Economist James Buchanan best describes the situation as chopping up apple trees for firewood, which permanently reduces the apple harvest available. Government spending diverts money from the more productive private sector. For 20+ years the cost to borrow money was kept low by the Federal Reserve. Like homeowners a few years ago, Washington had the chance to refinance at 2-3%, but they did not. Below is how each dollar is spent in Washington. Note that more than half goes to entitlements. Net Interest (13.5%) on the debt will jump significantly going forward as interest rates rise. Like anyone spending more than they earn, the situation will only get worse until we stop. It can be done, but few of our *"representatives"* are interested. Not yet anyway. They have no one to blame, but themselves. The clock is ticking. *(Sources: "Tables B-1-B-5 and Supplemental Tables" in The Budget and Economic Outlook: 2025 to 2035. Design inspired by Heritage Foundation, National Priorities Project, and The Atlantic)*

INCOME GUARDRAILS?

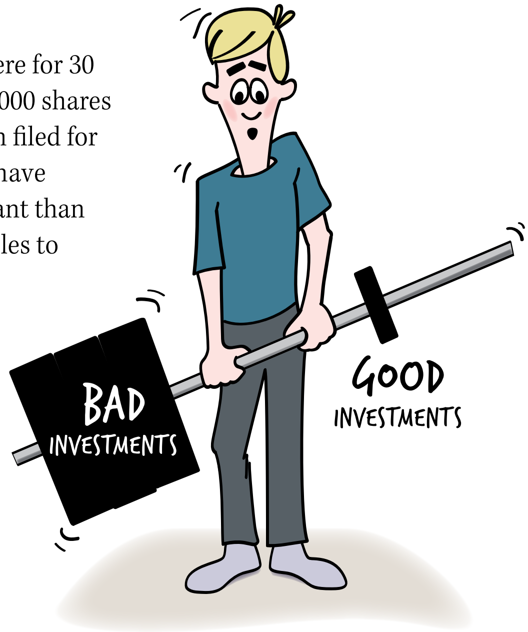
A new reference for *"Spend less than you earn."* It involves withdrawing less in bad years and more in good years. Let's assume you have $1,000,000 in your IRA and want to maintain the principal until the Lord calls you home. History suggests you can withdraw $40-50,000 per year over time without touching the principal. If the account drops to $800,000, then you lower the withdrawal to ~$30,000. As the account recovers you can increase the withdrawal. Another option is to use an annuity for a lifetime payout and invest the rest. If you are 65 and want $3,000 per month guaranteed, then you will need to deposit ~$500,000 with an insurance company. The remaining $500,000 could be invested in a balanced mutual fund. If the fund averages 7%, then it will be worth ~$1,000,000 in 10 years. *(Source: Fidelity, Nationwide).*

TARGET DATE FUNDS (TDF)

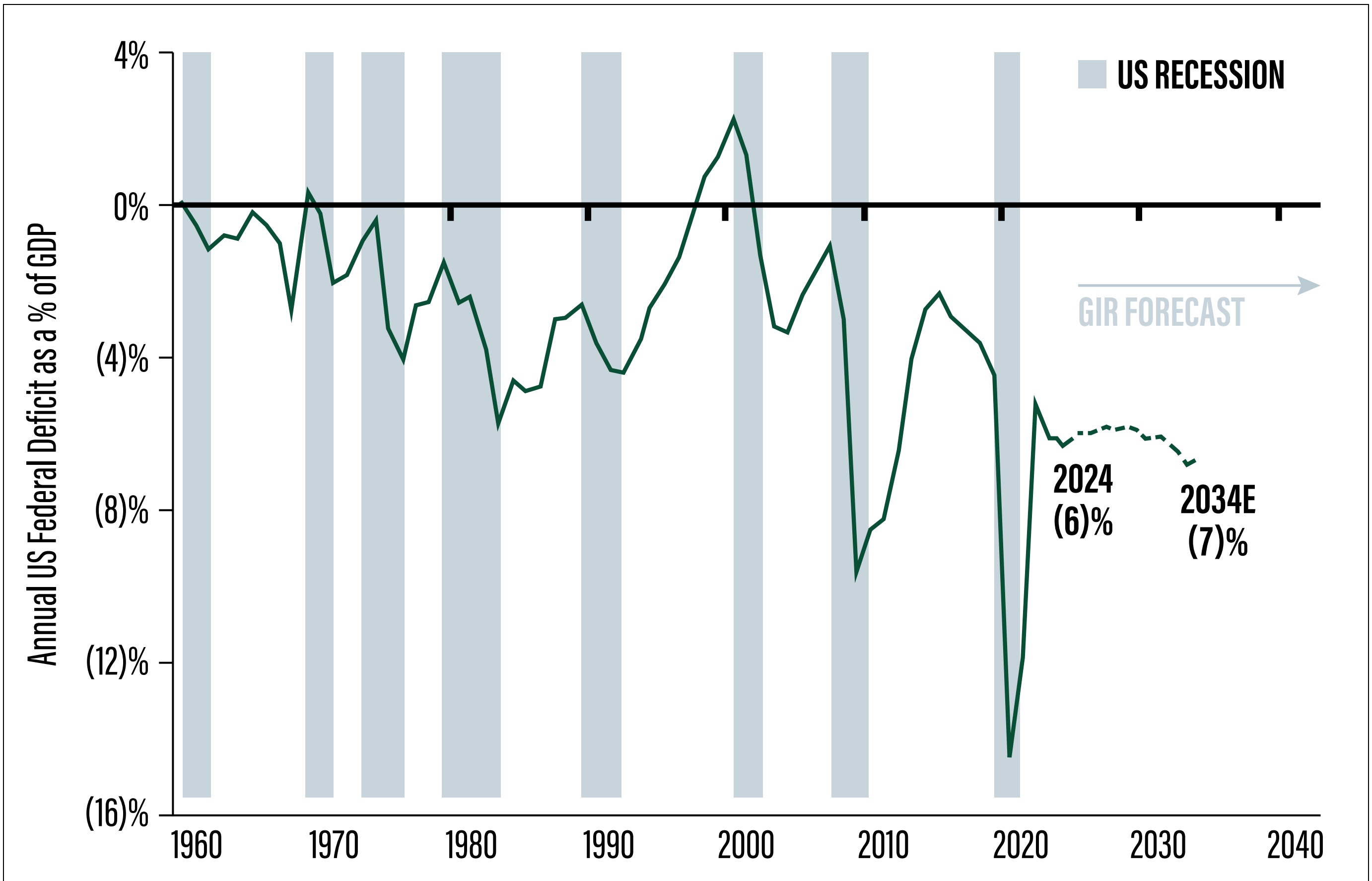
Nearly all of them are more risky than people realize. For example, Vanguard's 2025 fund has 50% in stocks. It also has long term bonds, which are exposed to credit and interest rate risk. In the financial crisis of 2008, the average TDF fund lost 30%. Not much impact given they were relatively new, the holders were still working and there was only $200 billion in them. Today there is $4+ trillion dollars in TDF. 75 million Americans are retired or near retirement. The Vanguard 2030 fund has 60% in stocks. Stocks offer the best return over time, but most TDF investors think their money is conservatively invested. If we have not reviewed your 401k/403b/457/TSP funds in awhile, then let us do so. Especially if you are 60+ years old. *(Source: Vanguard, Financial Advisor)*

CASE STUDY

30 years ago there was a blue chip company called **Enron**. George worked there for 30 years and regularly added to the employee stock plan. His account grew to 14,000 shares and was worth more than $1,000,000. George thought he was set for life. Enron filed for bankruptcy in 2001 and his account dropped to less than $5,000. He should have diversified. Research suggests how your money is allocated is more important than what it is allocated in. There is no one size fits all strategy, but there are principles to follow.



1. **"Divide Your Portions."** The barbell is out of balance! Your investment strategy is whacked! Many Americans' accounts look like this. You don't need a lot of risk to do well. No matter how good the investment, don't put all of your eggs in one basket.
2. **Time.** Some professionals refer to their investments as *"forever"* holdings. Stocks are best for this, but unlike George, they need to be quality companies.
3. **Risk.** Individual stocks fluctuate greatly, but over time good stocks go up in value. Put compound interest to work for you instead of against you. Warren Buffett's Berkshire Hathaway has gone down in value by more than 50% 3 times, before rebounding to new highs. Can't handle the ride? There are more conservative options.
4. **Simple is good.** Mutual funds are popular because they allow you to diversify with one, or just a few, investments. Many Americans often end up with dozens, or hundreds, of positions.
5. **Flexibility.** Life circumstances can change quickly. Sometimes good news, sometimes bad. ***Be ready for both!*** One of the best investors in American history, Charlie Munger, said to be on the lookout for *"fat pitches."* He said they don't come along very often, but be ready when they do. *(Source: Wall Street Journal, Stansberry)*



LONG TERM CARE (LTC)

Traditional policy, hybrid and/or live with the risk? We see it all here every day. The situations are emotional as well as financial. LTC benefits are triggered when the policyholder needs help with two or more activities of daily living. Bathing, dressing, eating, toileting, making decisions, being able to get in and out of bed… Traditional policies have strict eligibility requirements. You need to be healthy enough to qualify, which usually means applying before retirement. Another drawback for stand-alone policies is if not used, then the premiums paid in are forfeited. The best-selling LTC insurance are hybrid or linked options, which attaches the coverage to life insurance or an annuity. If LTC is never needed, the hybrid policyholder still gets a payout. The underwriting standards tend to be less stringent. Hybrid plans are typically more expensive, but the premiums are usually guaranteed. LTC isn't the right solution for everyone. A trust may be appropriate as well as involving the children. Planning ahead gives you control. We see situations constantly where someone did nothing and/or waited until it was too late. The coverage has been around since the 1970s, but few insurers still offer the coverage. The fear for all of us is seeing the nursing home take all of our hard earned money. It's no fun to think about the possibility of losing control, but most or all of us will have issues as we age. The only mystery is what, when and for how long. Working with us, a good estate planning attorney and designating a trusted friend/family is the best arrangement. Like nearly everything else, LTC is eventually all about the money. *(Source: Advisor Perspectives, Nationwide, JFR)*

TIME & MONEY

Just about everything we do is available free on the Internet. And AI is replacing us as fast as they can. Thankfully, computers cannot replace face-to-face human communication, relationships and service. **BUT!** *What is that worth?* Everyone basically has the same questions. How long will I live? What should I do with my money? How can I cut my taxes? What happens when I die? What happens if I get hurt? What is the best way to plan for uncertainty? The unplanned events? Health, money, weather, family… The key is flexibility. The ability to adjust as needed. As the cost to invest and/or get financial advice drops to zero, JFR can't help everyone. We have been adjusting for years, but the changes keep coming. The demand for financial advice continues to grow, but so does the time/cost to provide it thanks to ever increasing government regulations centered around the industry terms ***"fiduciary"*** and ***"best interests."*** We remain very low cost compared to the competition; especially when knowledge, education and experience is included. *(Source: Financial Planning, IBCFP, JFR)*

WISDOM

As a young man I had the privilege of meeting SS Kresge; the founder of Kmart. He had a very simple business model. Selling things to people at a fair price. He was a devout Christian and increased his giving as his income increased. When he died he was giving away 90% of his income. Warren Buffett lives by simple principles as well. He says the most important skill for an investor is temperament, not skill. We ***"simply attempt to be fearful when others are greedy and greedy when others are fearful."*** While he buys and sells individual stocks, he recommends the rest of us stick with mutual funds. He advises against trying to beat the market. Buffett has made mistakes and learns from them. He encourages us all to do the same. His ***"favorite holding period is forever."*** He believes in investing in capitalism and letting time take care of the rest. Buffett lives a simple life. He enjoys a Big Mac on sale at McDonald's more than a $100 dinner. He still lives in the small house he bought in 1958. Buffett doesn't invest in businesses he doesn't understand. He often speaks out on ethical matters that can cost him money. Buffett has given away $60+ billion since 2005 to charitable causes. What's left when he dies will also be given away. At 94, why is he still working? It is meaningful to him and he enjoys it. *(Source: Financial Advisor, WSJ, JFR)*

"DEFICITS DON'T MATTER"

Dick Cheney said that in 2008. He's been right so far. The bond market was in a bull market for 40 years. **BUT!** In 2022 the tide turned. Long term interest rates are 60% higher since 2022 and 1,100% higher since 2020. Most people, businesses and especially governments, have to take out new loans to pay off existing loans. For 40 years, everyone was rewarded borrowing money. People bought bigger homes, governments spent money they didn't have, businesses expanded and/or bought back their shares… ***No more.*** Today rates are at their highest levels in 20 years. Borrowers must refinance at higher rates. Homeowners are no longer borrowing against the equity in their homes. Our economy runs on credit. Washington has a big problem. $9 trillion of the $36 trillion they owe matures this year. They have to refinance at higher rates. Few are paying attention. The National Debt has grown from $1 trillion in 1982 to $37 trillion today and nothing happened. So what, John? Will it be different this time? *(Source: CBO, WSJ, Stansberry, JFR)*

Michigan Retirement Income Tax Change

We are working back to the day when retirement income was not taxable! In 2024 ~50% was deductible. In 2025 it will be increased to 75%. In 2026 it will increase to 100%. While these are not dramatic savings for retirees, every little bit helps. *(Source: State of Michigan)*

ALZHEIMER'S

An estimated 6 million Americans suffer from Alzheimer's today. The number is projected to increase to 14 million by 2060. No one wants to be in this situation, but… Many patients are working with a general practitioner and may be better served seeing a specialist. If there is more than one doctor involved, then make sure the care is coordinated to avoid over medication. Make sure your powers of attorney (POA) for medical and financial are up to date. We often see documents that are more than 20 years old. They are unlikely to be accepted. Make sure someone has the necessary information to help if needed. A common example is someone who has everything on their computer. Someone needs to know how to get to his/her records if he/she is unable to. Does someone know where all the accounts, tax information, insurance policies, estate documents, etc. are? Are the estate documents up to date? Do they state what they need stated? (Source: Financial Advisor, Financial Planning)

HOW **JFR FINANCIAL SERVICES** CAN HELP YOU

We are in business to serve you! More specifically, we are in business to help you work toward your lifelong financial goals. Services available through JFR Financial Services include:

Financial Planning & Consulting	Estate Planning
Retirement Planning	Asset Management
Personal Coaching	Annuities, Fixed & Variable*
Business Planning & Development	College Funding Programs
Real Estate Investment Trusts	Management Training Classes & Consulting
Mutual Funds*	Fee-Only Investment Consulting & Asset Management
Stocks*, Bonds*, Brokered CD's*, Money Markets*	Employee Sponsored Retirement Savings Plans
Public Speaking & Educational Seminars	Retirement Plans: IRA, SEP, 401k, Keogh, 403b
Insurance: Life, Health, Disability, Long-Term Care	Full-Service Brokerage Accounts*

We have the knowledge, tools and experience to help. ***Call us today at (800) 315-2945 or (734) 692-1421.***

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