LET'S TALK MONEY®
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What You Need to Know About Bond Funds

During an unsettled economy, investors often turn to bonds as a hedge against fluctuating stock values. While bonds can offer a buffer, they may not provide returns that outpace inflation and move investors closer to their savings goals. However, bond funds still can play an important role in your portfolio.

Bond Fund Basics

Corporations, governments and municipalities issue bonds to provide operating cash flow, finance debt and fund capital investments in schools, highways, hospitals and other projects. Investors purchase bonds because they provide a predictable income stream and may offset exposure to more volatile stock holdings.

Types of Bond Funds

Corporate bonds are issued by public and private corporations and are generally divided into investment grade and non-investment grade (high-yield or "junk" bonds). High-yield bonds typically offer higher interest rates in exchange for their increased risk of default (i.e. not making payments). Municipal bonds are issued by states, cities, counties and other government entities to fund daily operations and finance capital projects. Municipal bond funds may include bonds that are exempt from federal, and sometimes state, taxation.

Bond Risks

As with any investment, bonds carry general types of risk.

1. Interest Rate Risk. Bond prices and yields move in opposite directions. When interest rates rise, the market value of bonds in a bond fund generally will go down. Bonds with longer maturities are more vulnerable to interest rate risk.

2. Credit Risk. Issuers of bonds owned by the fund may default and fail to pay the debt they owe on the bonds that were issued.

3. Prepayment Risk. An issuer may pay off a bond early and issue new bonds at a lower interest rate.

Talk with your financial professional before you decide to invest in bond funds.

**Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. Contact the issuing firm to obtain a prospectus which should be read carefully before investing or sending money.*

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Say "I Do" to a Post-wedding Checklist

If you thought you were done with to-do lists once your wedding was over, think again. Reviewing personal information and financial accounts and making any changes should be a priority. The checklist below can help.

Checking and Savings Accounts

Determine whether you want to merge your bank accounts, maintain separate accounts, or both. One option is to have a joint account to pay expenses you incur as a couple and individual accounts for personal expenses.

Who Owes What

Make a list of student, auto and personal loans; credit card debt; mortgages; and legal obligations, such as child support or alimony payments. Now might be a good time to assess each spouse's financial habits and work out a compromise, especially if one of you is a saver and the other is a spender.

Beneficiary Designations

Change your beneficiaries on retirement accounts and insurance policies. Most retirement plans require you to designate your spouse as beneficiary unless your spouse agrees in writing to naming someone else.

Update Documents

If you've changed your name, you'll need to update your Social Security card, driver's license, passport, bank and credit card accounts, insurance policies, etc. You may also need to amend your address if it changed when you married.

Tax Withholding

File a new W-4 form with your employer, adjusting your tax withholding from single to married and changing your name, if applicable.

A Couples Spending Plan

List all your expenses and create a budget you can both agree on. Make sure you include putting money in an emergency fund, with the goal of saving at least three to six months' worth of living expenses.

Future Goals

Set short-term (1-3 years), mid-term (3-9 years), and long-term (10+ years) savings goals, and create a strategy for reaching each one.

Meet and Greet

Set up a meeting with a financial professional to explore all your goals and design a strategy that can help move you toward them.

Infographic: The Name Game

Here's a snapshot of the important documents and accounts you'll need to update if you changed your name and/or address when you married.

- Employers (Benefits, Payroll, etc.)
- Financial/Retirement Accounts
- Insurance Policies
- Legal Documents
- Professional Licenses/Associations
- Online Accounts
- Social Security Card
- DMV
- Educational Institutions
- Passport
- Property Titles/Mortgage
- Email Addresses

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FAFSA 101

Do you have a child who is headed to college in 2024? If so, you'll want to fill out and submit a FAFSA when the form becomes available on October 1, 2023. FAFSA stands for *Free Application for Federal Student Aid*. It's used to determine the amount of the loans, grants, and other federal financial aid a prospective student qualifies for. In addition, colleges use the FAFSA when deciding on a financial aid package to offer an applicant.

Create an Account

The first step in the process is for your child to set up an online account at *studentaid.gov* Both parents and students should create a login and password to access the account. Make sure you write down your sign-in credentials because you'll use them during all the years your child is in school.

Gather Documents

Before you begin the application, assemble all the documents you will need to complete it. The list includes:

- Student's Social Security Number
- Parents' Social Security numbers, if your child is a dependent
- Alien registration number if not a U.S. citizen
- Parents' federal tax return
- Untaxed income, such as child support
- Cash, checking/savings account balances, and investments (stocks, bonds, real estate, but not your home)
- List of schools (up to 10) where information should be sent. You can add to this list later on if you need to.

The Deadline

Students have until June 30, 2024, to apply for the 2023-2024 academic year. However, it's wise to apply early before the bulk of the funds has been awarded.

More information and help with filling out the FAFSA are also available on the website: *https://studentaid.gov*

Paying with Cash

These days, credit and debit cards are the payment of choice for many people, and paying with cash may seem kind of old school. But, there's a good reason why you might want to start carrying money in your wallet. Fees that credit card companies charge merchants are on the increase, and businesses are responding by tacking on surcharges to cover the cost of making credit card purchases.

Small Business Perk

Alternatively, some independent merchants and other small businesses sometimes offer discounts to customers who pay cash. One benefit of using cash is that it can make you more aware of an item's cost and how much you're spending.

Plan Ahead

Knowing you'll receive a discount if you pay cash or may incur a fee if you use your credit card can help you plan. If you decide to use a card, choosing one with rewards may help offset surcharges.

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All About Inflation

You don't have to see government statistics to know that the cost of just about everything is going up. All it takes is a weekly trip to the supermarket or your favorite department store to know that, after several years of low inflation, the purchasing power of your money is declining.

The CPI

The Bureau of Labor Statistics (BLS) measures inflation using the Consumer Price Index (CPI). The CPI tracks changes over time in the average price of a "basket" of goods and services in eight major categories: food, housing, apparel, transportation, health care, education, communication, recreation and other goods/services.

How It Happens

Inflation occurs when prices go up and the dollar's purchasing power goes down. An increase in demand or a decrease in supply fuels inflation. Manufacturing and supply chain issues over the past couple of years have contributed to shortages of certain materials, resulting in higher production costs. As production costs rise, so do prices.

Inflation's Impact

Mild inflation can be good for the economy, since consumers tend to spend money, rather than put off purchases for later. But once inflation escalates and takes hold, prices rise and consumers stop spending.

The Federal Reserve raises interest rates to help control inflation. As rates increase, people who have variable interest rate debt, such as credit card debt, adjustable-rate mortgages, and home equity loans or lines of credit, will pay more.

Inflation and Investments

Some assets, including Treasury Inflation Protected Securities (TIPS), floating-rate bonds, real estate, and certain stocks and commodities, may provide a hedge against inflation. Stock prices often rise as companies adjust to meet higher supply chain and production costs. However, stocks may experience increased volatility and price fluctuation.

Inflation and Retirement Savings

Current retirees are likely to see the value of their pensions and savings decline as inflation increases. They'll spend more of their income to pay for the same lifestyle they're used to. People who are still working and saving for retirement will need to set aside more money in their retirement accounts, as the amount they'll need to save for a comfortable lifestyle keeps increasing. Your financial professional can help you determine a new target amount.

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

January 05, 2023

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1. LTM May Jun 2023 Standard
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