

The Dollar Gazette

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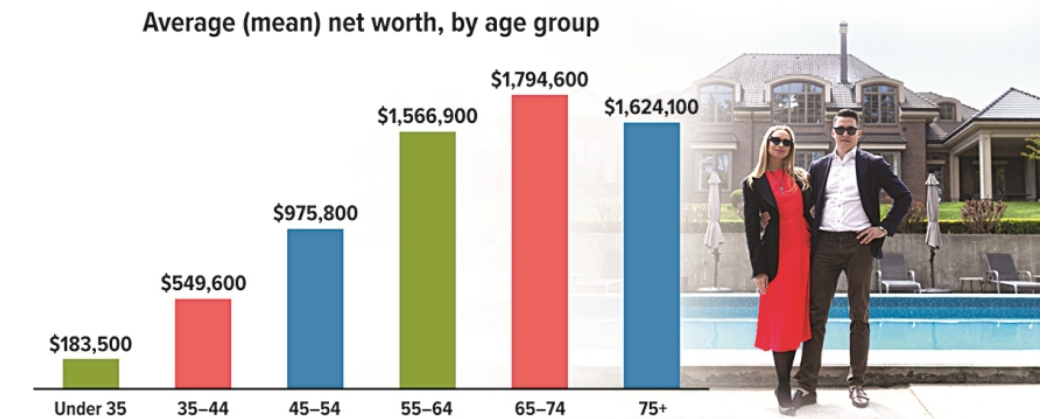
16 million

Number of U.S. millionaire households in 2022, up from 9.8 million in 2019.

Source: *The Wall Street Journal*, October 27, 2023

Just Your Average Millionaire

The average net worth of U.S. families surpassed \$1 million (\$1,063,700) for the first time in 2022, after increasing 23% from 2019. (A family's net worth is the total of their financial assets minus their liabilities, or debts.) Unfortunately, this milestone does not mean the typical American is a millionaire, because a small number of very wealthy households skews the average. The median net worth (\$192,900 in 2022) was much lower than the average, but its growth was by far the largest on record. Still, the net worth of U.S. families varies greatly depending on housing status, education, income level, and age — which shows that it usually takes time and diligence to build wealth.



Source: Federal Reserve, 2023

Watch for These Hazards on the Road to Retirement

On the road to retirement, be on the lookout for hazards that can hamper your progress. Here are five potential risks that can slow you down.

Traveling aimlessly

Embarking on an adventure without a destination can be exciting, but not when it comes to retirement. Before starting any investing journey, the first step is setting a realistic goal. You'll need to consider a number of factors — your desired lifestyle, salary/income, health, future Social Security benefits, any traditional pension benefits you or your spouse may be entitled to, and others. Examining your personal situation both now and in the future will help you home in on a target.

While some people prefer to establish a lump-sum goal amount — for example, \$1 million or more — others find a large number daunting. Another option is to focus on how much you might need on a monthly basis during retirement. Regardless of the approach taken, be sure to factor in inflation, which can place unexpected curves in your path.

Investing too aggressively...

You may also encounter potholes when trying to target an appropriate rate of return. Retirement investors aiming for the highest possible returns might want to overweight their portfolio in the most aggressive — and risky — investments available. Although it's generally wise to invest at least some of a retirement portfolio in higher-risk investments to help outpace inflation, the proportion and individual investment selections should be determined strategically. Investments seeking to achieve higher returns involve a higher degree of risk. Appropriate decisions will reflect your goal, your investment time horizon, and your general ability to withstand volatility.

Proceed with Caution



...Or too conservatively

On the other hand, if you're afraid of losing any money at all, you might favor the most conservative investments, which strive to protect principal. Yet investing too conservatively can also be risky. If your portfolio does not earn enough, you may fall short of your goal and end up with a far different retirement lifestyle than you originally imagined.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Giving in to temptation

Most people experience an unplanned detour on the road to retirement — the need for a new car, an unexpected home repair, an unforeseen medical expense, or the opportunity to take a long, exotic vacation.

During these times, your retirement portfolio may loom as a potential source of funding. But think twice before tapping these assets, particularly if the money is in a tax-deferred account such as an employer-sponsored plan or IRA. Consider that:

- Any dollars you remove from your portfolio will no longer be working for your future.
- In most cases, you will generally have to pay regular income taxes on amounts that represent tax-deferred investment dollars and earnings.
- If you're under age 59½, you may have to pay an additional penalty of 10% to 25%, depending on the type of retirement plan and other factors (some emergency exceptions apply — check with your plan or IRA administrator).

It's best to carefully consider all other options before using money earmarked for retirement.

Prioritizing college over retirement

Many well-meaning parents may feel that saving for their children's college education should be a higher priority than saving for their own retirement. "We can continue working as long as needed," or "our home will fund our retirement," are common beliefs. However, these can be very risky trains of thought. While no parent wants his or her children to take on a heavy debt burden to pay for education, loans are a common and realistic college-funding option — not so for retirement. If saving for both college and retirement seems impossible, a financial professional can help you explore a variety of tools and options to assist you in balancing both goals (however, there is no assurance that working with a financial professional will improve investment results).

Should You Buy or Lease Your Next Vehicle?

New vehicle prices have skyrocketed these past few years, with the cost averaging well over \$48,000 toward the end of 2023.¹ These increased costs, coupled with rising interest rates, mean that buying a vehicle can take a significant bite out of your budget. If you are in the market for a new vehicle, you might be wondering if leasing it would save you money.

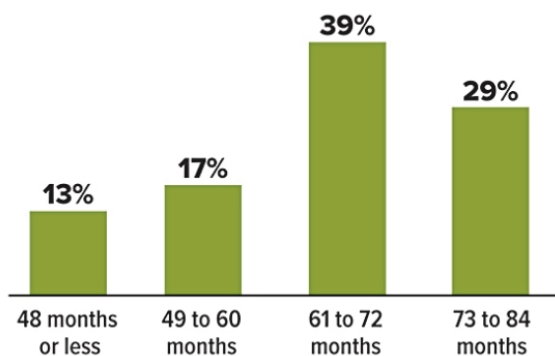
As a rule, if you plan on keeping a vehicle for a long period of time, it makes more sense to buy it. But if having the latest technology and safety features is important to you, leasing might be the best option, allowing you to drive a new vehicle every few years. To help you decide, you should also determine how each option fits into your lifestyle or budget. Here are some points to consider.

Ownership

When you buy a vehicle, you usually finance a portion of the purchase price and pay it back over time with interest. When the loan term ends and the vehicle is paid for, you own it. You can keep it as long as you like, and any retained value (equity) is also yours to keep.

When you lease a vehicle, you don't own it — the leasing company does — so you do not have any equity built up once the lease is over. At the end of the lease term, you can choose to either return the vehicle or buy it at its residual value, which is set forth in the lease. If you end up returning it early, the dealer may require you to pay a hefty fee. If you still need a vehicle at the end of the lease term, you'll need to start the leasing (or buying) process all over.

Share of new vehicle loans, by loan term



Source: Experian, 2023

Monthly payments

If you finance all or part of your new vehicle purchase, you will have a monthly payment that will vary based on the amount you finance, the interest rate, and the loan term. When comparing loans, it's important to look at the total amount of money you will end up paying over the life of the loan. While a longer loan term may give you a more affordable monthly

payment, you will end up paying more money over the loan term.

In general, monthly lease payments are usually lower than monthly loan payments since you are mainly paying for the vehicle's depreciation during the lease term as opposed to the purchase price. This means that leasing may allow you to drive a more expensive vehicle than what you could otherwise afford.

Mileage

How much do you plan on driving? When you buy a vehicle, you can drive it as many miles as you want. However, a vehicle with higher mileage may be worth less if you plan to trade it in or sell it at some point down the road.

Vehicle leases come with up-front mileage limits, typically ranging from 12,000 to 15,000 miles per year. If you exceed these limits, you can end up incurring costly penalties in the form of excess mileage charges.

Maintenance

When you sell your vehicle, condition matters, so you may receive less if it hasn't been well maintained. As your vehicle ages, repair bills may be greater, something you typically won't encounter if you lease.

Generally, you will have to service a leased vehicle according to the manufacturer's recommendations. In addition, you'll need to return your vehicle with normal wear and tear (according to the leasing company's definition). Anything above normal wear and tear may result in excess charges.

Up-front costs

When you buy a vehicle, the up-front costs you incur may include the cash price or a down payment for the vehicle, taxes, title, and other fees.

The up-front costs associated with leasing a vehicle may include an acquisition fee, down payment, security deposit, first month's payment, taxes, title, and other fees.

Additional buying vs. leasing tips

Keep the following tips in mind when determining whether or not to buy or lease a vehicle:

- **Shop wisely.** Make sure you read the fine print and fully understand all terms or conditions.
- **Negotiate.** To get the best deal, be prepared to negotiate the price of the vehicle and the terms of any loan/lease offer.
- **Run the numbers.** Calculate both the short-term and long-term costs associated with each option.
- **Consider tax implications.** This is especially important if you use your vehicle for business and/or have an electric vehicle.

1) Kelley Blue Book, 2024

Three Ways to Invest in Yourself

The end of the year is a good time to reflect on everything you've accomplished and given to others. As you set resolutions for the new year, why not think about how investing in yourself might give you a fresh start?

Investing in yourself means focusing on your personal growth and well-being. By fostering a stronger "you," you might be in a better position to give your time and energy to other people and things, including your financial goals, which require discipline, perseverance, and often sacrifice to maintain a robust savings effort month after month.

Here are three areas you might target.

Your health and well-being

Staying active is critical to maintaining good physical and mental health, and it might make it easier for you to tackle all the tasks, financial and otherwise, on your plate each day. Feeling sluggish, stressed, or sore? Having trouble sleeping? To get on a better health track, consider joining a gym, working with a personal trainer or nutritionist, taking a fitness class, experimenting with a wearable fitness tracker, or buying home exercise equipment. Or you might invest in an ergonomic office chair, a stand-up work desk, or a new bed and pillows.

What about your diet? To take your eating habits to the next level, consider investing in some new kitchen equipment and/or appliances; signing up for a food

delivery service that sends ingredients for healthy meals right to your door; or trying new cookbooks and recipes to discover dishes you enjoy.

Could you use more peace and quiet in a 24/7 world? To enhance your inner solitude, you might invest in a cozy chair, small desk, greenery, soft lighting, and assorted furnishings to create a quiet spot for reading, reflection, or meditation.

Your lifelong learning

The world is a big place, and there is so much to see and do. Trying something new outside your normal routine or comfort zone can provide inspiration and a fresh perspective. Possibilities include traveling to a new destination, investing in new equipment for outdoor recreation, enrolling in an adult education class, or getting involved in a new project or hobby.

Your everyday life

Still wearing clothes, eyeglasses, or a hairstyle from your younger days? Trying to get by using an older laptop, phone, or printer? It might be time to update your wardrobe, look, or tech gadgets.

By investing in yourself today, not only might you feel better now, but you might reap future benefits, too, in the form of potentially lower health-care costs, a wider social circle, expanded hobbies and experiences, and a new perspective on life.

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