APRIL

2025

THE ROAD TO RETIREMENT

OUR MONTHLY GUIDE TO EVERY MILEPOST, JUNCTION, AND LANDMARK ON YOUR ROAD TO RETIREMENT.

THIS ISSUE

WHAT'S ON OUR MINDS THIS MONTH

There are lots of retirement-related issues that can easily slip through the cracks or go forgotten. It's only when they become *problems* that we realize how important they are.

In this issue of *The Road to Retirement*, we're going to focus on three commonly-neglected areas of retirement planning. Some of them may apply to you; others may not. But it's important that you be aware of them all so that the road to retirement takes you *exactly* where you want to go.

Have a great month!

WHAT'S AROUND THE BEND: CHECKING YOUR CREDIT

If there's one area of your finances that's easy to forget about, it's your credit report.

Many pre-retirees, as they get older, pay off debts, and accumulate more savings, don't need to finance as many purchases as they did when they were younger. But even if you've paid off your mortgage, ensuring a high credit score and a clean credit report is as important as ever.

But credit reports aren't just for getting loans — they're a handy early-warning system for fraud and identity theft.

A good rule of thumb is to check your credit reports at least once per year. In particular, be on the lookout for recent changes that don't look familiar to you as well as "hard inquiries." This is when a business checks your credit report because they received a new application for credit or services. These can impact your score and stay on your reports for two years or so. They can also be a red flag for people who are trying to use your information illicitly.

In addition, maintaining good credit can come in handy at various times during retirement. For example:

- If you ever choose to downsize, relocate to a new state, or even move to a senior living community.
- If you need to purchase any new insurance policies for yourself or a loved one.
- If you ever need funds for emergencies beyond what you have saved.

For these reasons, don't neglect your credit as you get nearer to retirement. You never know when you may need it!

QUOTES WE'VE BEEN THINKING ABOUT:

"It always seems impossible until it's done."

— NELSON MANDELA

APRIL 2025

WHAT'S OVER THE NEXT HILL: LENDING MONEY IN RETIREMENT

“*Neither a borrower nor lender be*” wrote Shakespeare in *Hamlet*. But sometimes, we have no choice…even in retirement. This is especially true if you have children. Today, younger generations starting their own families are faced with the onerous task of finding money to buy homes. It’s no secret that housing prices are bordering on astronomical in many markets. This opens up the possibility of borrowing from the “Bank of Mom and Dad.”

If you have children whom you want to help make a major purchase, like buying a home, you have two basic options: Gifting the money or loaning the money.

The former option can be simpler but may also be subject to the gift tax. In addition, providing a gift sizeable enough to help buy a home can leave a *severe* dent on your own retirement savings. For this reason, many people choose to *loan* the money instead.

For interest on a loan to qualify as a tax-deductible expense, the debt must be secured and structured so that your loved one actually pays the money back. Otherwise, the IRS may classify the loan as a “hidden gift” and tax it appropriately.

Interest paid to the Bank of M&D should be reported as interest income on the parent’s tax return. If the Bank of M&D wishes to cut a sweetheart deal and extend a low interest rate to the family borrower, that interest rate must meet or exceed the Applicable Federal Rate for the loan term (published monthly in the IRS Bulletin); otherwise the IRS will consider the money a gift and subject to gift tax rules.

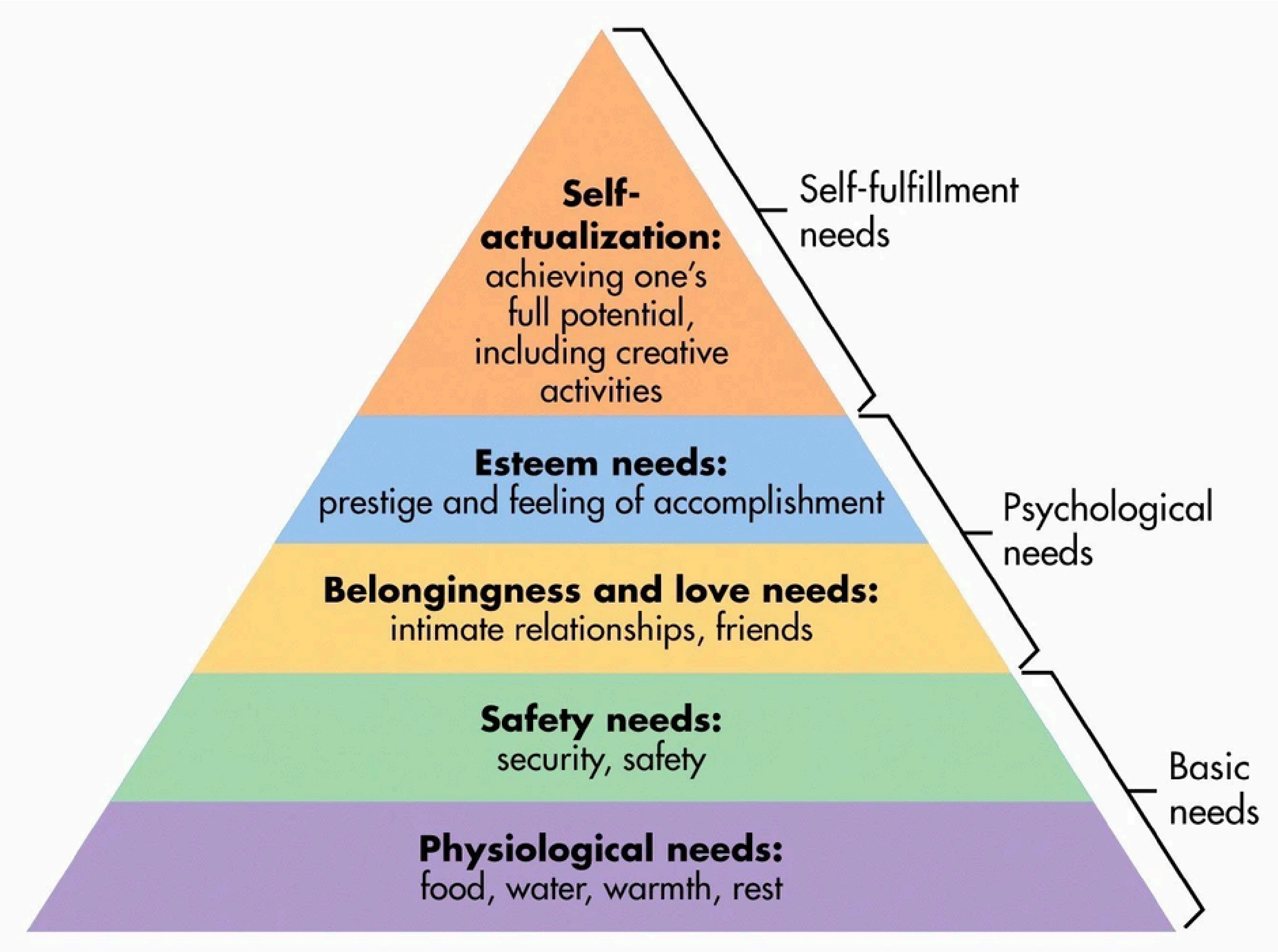
If the B of M&D sweetens the deal by agreeing to defer payments, an imputed interest amount, even if not collected, is required to be reported on the tax return.

Parents contemplating loans should consider the relative value of the property, the ability of the child to pay for upkeep and maintenance, who will be responsible for making payments and keeping up the property in the event the child loses his or her job, or ability to make payments, and under what circumstances a parent can step in and foreclose the position in order to protect the investment. Finally, the transaction, in order to qualify for deductibility of interest, should be secured by a deed of trust.

Obviously, choosing whether to loan money to your child in retirement is a loaded topic, and not one that should be made lightly. But sometimes, when “times are tight” and a loved one needs help, it may be the best option. The good news is that if you apply careful thought to the process, and the loan is properly structured, both you and your child can benefit from the transaction.

WHAT'S ON THE HORIZON: MEETING YOUR PERSONAL HIERARCHY OF NEEDS

In 1943, the psychologist Abraham Maslow wrote a paper called "A Theory of Human Motivation." In it, he proposed that all humans have what he called a "hierarchy of needs" — the goals, desires, and non-negotiables that people need to be healthy *and* happy. His theory quickly caught on in popular culture, and these days is often portrayed in pyramid form, like this:



SOURCE: [SimplyPsychology]

Many retirees and pre-retirees, when planning for retirement, often only think of one need: “Will I have enough money?” This is understandable, because that is in fact one of the most important questions to address for retirement.

Enough money is *the* benchmark for most pre-retirees. Enough can be defined as that amount which will pay your estimated living expenses and deal with all financial demands brought on by inflation, health, family, philanthropic desires, and your own personal bucket list.

But retirement is about more than just having enough money. In my experience, most retirees *still* have their own personal hierarchy of needs that money alone cannot satisfy. In fact, sometimes, the issue of “enough money” is probably the easiest part of the retirement planning equation.

A more difficult task is coming to grips with the emotional or psychological issues of retirement. Many of us draw an identity from our occupations. Work gives us something to do; it provides goals, a reason to get out of the house every day. It also provides an important social aspect to our lives.

When Social Security was set up by President Franklin Roosevelt, the life expectancy of the average American was in the low 60s. If you made it to retirement, about all you could do was sit in a rocker or go fishing for a few remaining years. Not so today.

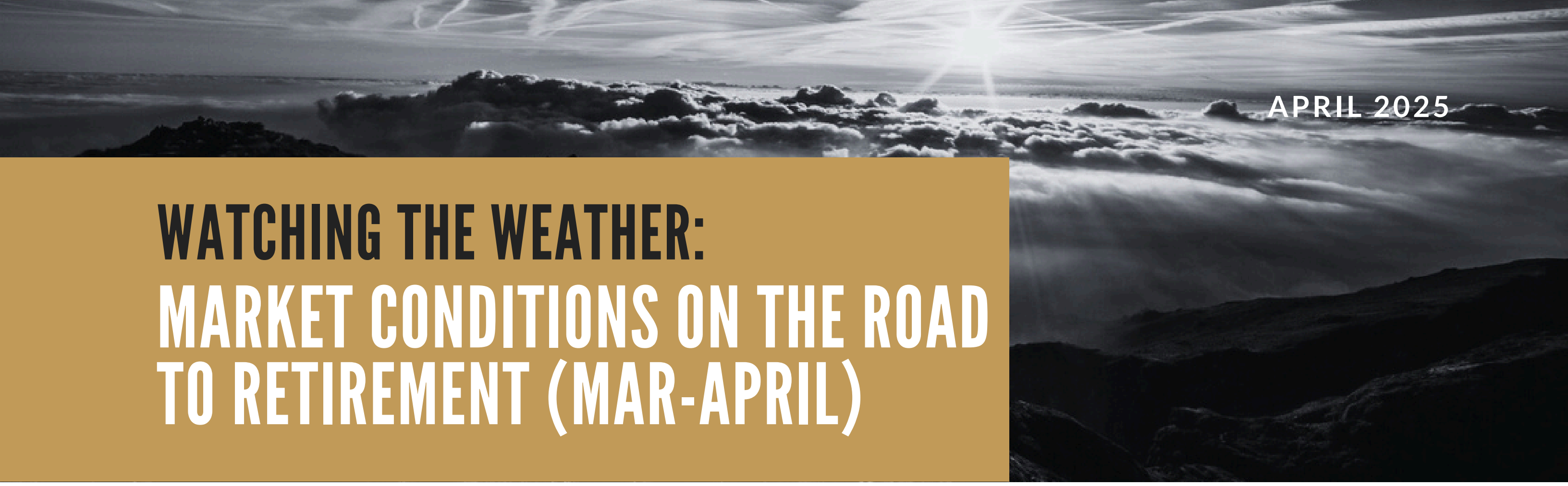
That’s why I encourage those contemplating retirement to find something they like to do, or even work longer. It’s crucial to always have a goal or accomplishment factor by which they can measure your achievements and personal growth. (Maslow would call this “self-actualization.”) This helps keep your mind in gear, and it also continues to satisfy our social needs.

Getting involved in activities that provide enjoyment and diversion can be an important method in freeing ourselves from the harness of work. Physical activity in its varied forms assists many people in the process of changing gears. Becoming a volunteer or taking up a hobby can also be rejuvenating.

Recently I met with a client who is well along in retirement … although he looks and acts 25 years younger than the clock. As we talked about retirement living, he passed along his secrets for successful retirement:

“Watch what you put in your mouth, get plenty of exercise, always put a little aside… and never stop growing!”

In short, when planning your retirement, don’t just focus on having “enough.” Focus instead satisfying every level of your own personal hierarchy of needs.



APRIL 2025

WATCHING THE WEATHER: MARKET CONDITIONS ON THE ROAD TO RETIREMENT (MAR-APRIL)

It was a rocky month for the markets. The NASDAQ slid into a market correction, and the S&P 500 experienced its first losing quarter since September 2023.

The two main reasons for this are, by now, very familiar to investors. Uncertainty about tariffs was the primary cause, as President Trump has repeatedly announced and then often suspended tariffs on Canada, Mexico, and other countries. Towards the end of the month, a new tariff was announced: A 25% duty on all cars shipped into the U.S., which is scheduled to go into effect on April 3. This is on top of a slate of "reciprocal" tariffs on a slew of other countries that had previously issued their own tariffs on U.S. goods. As of this writing, these reciprocal tariffs are set to be unveiled on April 2.

Inflation also continues to remain an issue. The Personal Consumption Expenditures (PCE) index remained slightly elevated in February, with prices rising 2.5% over the past 12 months. This index tracks the change in price of all goods and services purchased by consumers in the United States and is a key measure of inflation. However, *core* PCE, which strips out volatile goods like food and energy, rose to 2.8% in February. These numbers are not inordinately high, but they do suggest that inflation is remaining sticky. That matters to investors, because it may indicate that the Federal Reserve will keep interest rates higher for longer.

HERE'S WHAT WE'RE KEEPING AN EYE ON IN APRIL & BEYOND

Which tariffs will actually go into effect? How will other countries respond? This will continue to occupy most of Wall Street's attention in the coming weeks. Naturally, investors will also be waiting to see the most recent inflation reports for March.

Another storyline to keep track of is the debt ceiling. Currently, the Congressional Budget Office estimates that the country's options for borrowing money and paying off its existing obligations will become exhausted by the summer. There's still plenty of time between now and then, and history suggests Congress will simply raise the debt ceiling as they have repeatedly done before. But the longer the process drags on, the more pressing the issue will become. Stay tuned.