LET'S TALK FINANCIAL WELLNESS®

July/August 2024

Understanding Bond Funds

Investors whose goal is to preserve capital may want to consider investing in bond funds,* which 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.

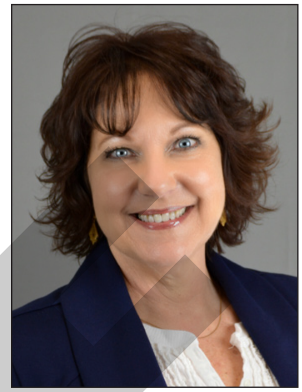
Government bonds invest primarily in U.S. debt securities across a broad range of sectors, including Treasuries, government agency bonds and mortgages. Bonds are guaranteed by the U.S. government and present the least risk to investors.

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.*



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

Prudential

Saving on Energy Costs

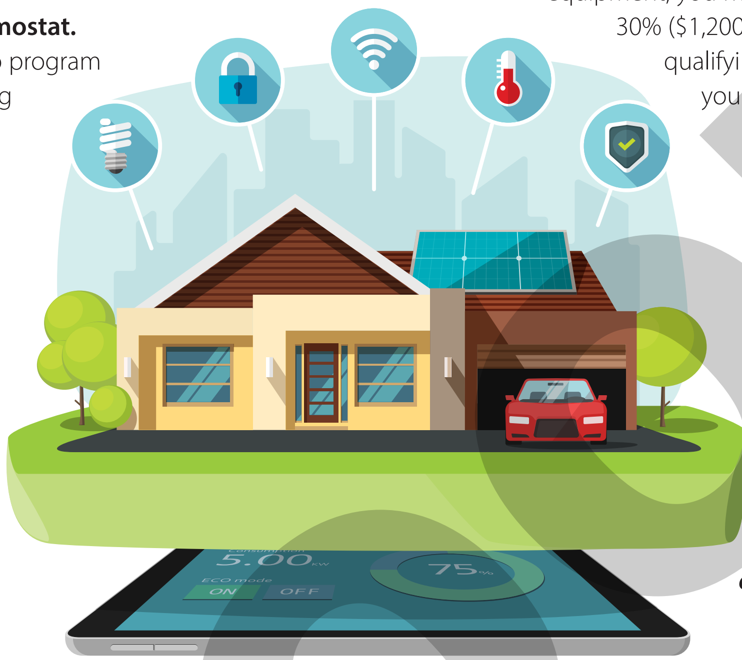
If energy costs take a significant bite out of your monthly budget, there are steps you can take to lower them. Here are some ideas.

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, and 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.



Energy Efficient Home Improvement Credit. 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 on your income tax return.

Residential 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.***

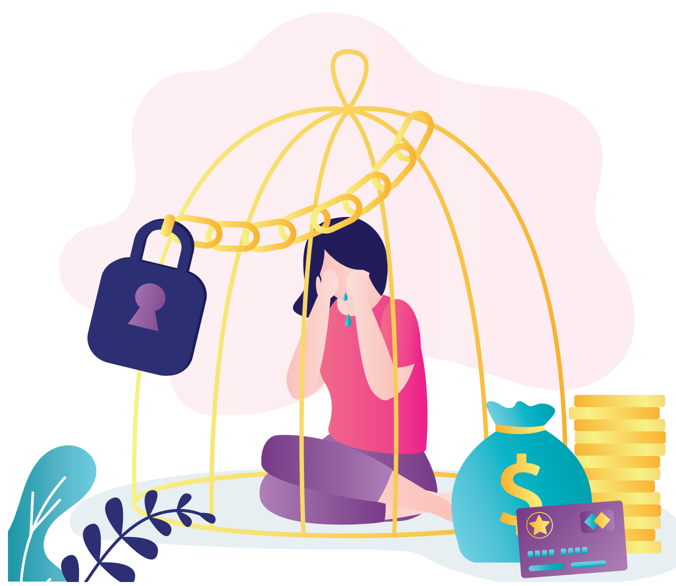
Financial Abuse: A Means of Control

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
Advice columns are filled with examples of partner or spousal abuse. 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.

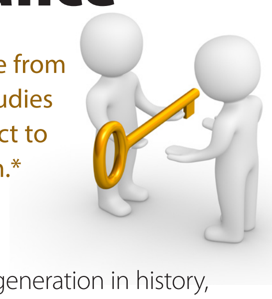
Protect Yourself
You can thwart an abuser by controlling your phone and preventing others from viewing your texts or search history; opening your own mail; not sharing your PIN; keeping checks, bankcards and other payment methods in a safe place; reviewing bank and card statements; refusing to lend new 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
Older 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.



Handling an Inheritance

Millennials who are expecting a substantial inheritance from their baby boomer parents may be in for a surprise. Studies show a significant gap between what millennials expect to inherit 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 consider passing 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. Many baby boomer parents are supporting their children financially, as well, making planning problematic.

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
You've probably read about wealthy people who wind up penniless and in debt because they spent money haphazardly. If you do receive an inheritance, take steps to preserve it.

- Put the bulk of the funds 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*

Kiddie Tax 2024

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

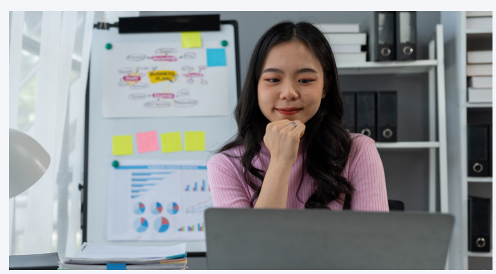
For 2024, the first $1,300 of a child's unearned income is tax-free. The next $1,300 of unearned income is taxed at your child's tax rate. Any additional earnings above the $2,600 threshold are taxed at the child's or parents' tax rate, whichever is greater.

What Qualifies as Unearned Income?

A child's unearned income may include:

- Taxable interest
- Dividends
- Capital gains
- Taxable scholarships
- Income produced by gifts from grandparents
- 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.



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%**

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

Retirement in the Twenty-first Century

Picture retirement in the 1950s. Americans typically retired at 65, drew a pension provided by their employer, and received a monthly check from Social Security. The average life expectancy in the U.S. between 1950 and 1960 was 68 to 69 years, so citizens might not have spent many years as a retiree.

A History Lesson

In the mid-60s, baby boomers — the generation born 1946 through 1964 — began entering the workforce in unprecedented numbers. Within a short time, employer-provided pensions were replaced by defined contribution plans, including 401(k) plans, making employees largely responsible for saving enough money to fund their own retirements. Baby boomers who were diligent about saving amassed significant wealth.

The Black Cloud

Fast forward to 2011. The oldest boomers turned 65 and began to retire. Each year, greater numbers of people were collecting Social Security and enrolling in Medicare. With fewer workers contributing to these programs, funds that were paid out are replenished at a slower rate, putting the longevity of these programs in question.

On Your Own

Today, people are living longer in retirement than ever before. Some will save enough money to retire early; others may pursue a second career or start a business. But inflation, higher taxes and rising healthcare costs can quickly deplete savings. Creating a retirement strategy allows you to develop the financial resources you need to pursue and maintain the lifestyle you want. It involves not only accumulating assets but also reducing the risk to your wealth that a long retirement might pose.

Tailor Investments

Choosing investments for your retirement portfolio that are likely to reduce risk may increase the longevity of your savings. Consider including investments that are designed to provide a lifetime income stream. In addition, adding tax-free assets to your portfolio can reduce your exposure to future tax increases. It's a smart strategy to keep a portion of your portfolio invested in equities that offer the potential for earning returns that outpace inflation.

Create a Team

Your financial professional, along with your tax advisor, can help you build and implement a retirement strategy.

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

March 11, 2024

Reference: **FR2024-0222-0193/E**

Org Id: 23568

1. Lets Talk Money July August 2024 Retirement
   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

This year's Advertising Regulation Conference will be held on September 26-27 in Washington, D.C. For more information and to register, please view our site at: https://www.finra.org/events-training/conferences-events/2024-advertising-regulation-conference

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