GFCReport

"Financial Advice You Can Trust"

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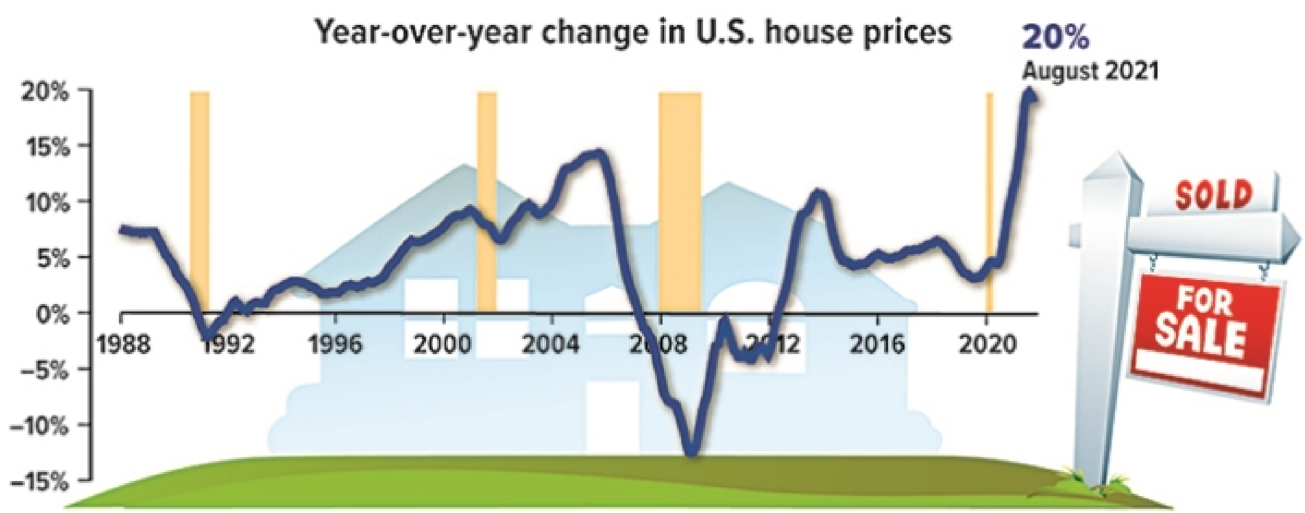
SagePoint FINANCIAL

Home Prices Have Risen at Record Pace

U.S. home prices rose 20% during the 12 months ending in August 2021 as buyer demand far exceeded the supply of dwellings for sale. This was the largest annual price increase in the history of the monthly S&P/Case-Shiller U.S. National Home Price Index going back to 1988. The index continued strong growth at a slightly slower pace in the fall, typically a time when the market takes a breather.

Home prices fell during most past recessions, but the housing market has been anything but normal since the pandemic began in 2020. In many cities, builders struggle to build enough homes to meet the demand driven by low interest rates, a desire for more space while working and schooling at home, and the aging of millennials into homeownership. This trend was amplified by labor shortages and spiking material costs in 2021.



Shaded areas indicate U.S. recessions

Sources: S&P Dow Jones Indices, 2021 (data for the period January 1988 to October 2021); *The Wall Street Journal,* July 27, 2021; National Association of Realtors, November 17, 2021

Preparing for a Natural Disaster

Most areas in the United States are susceptible to some form of natural disaster, whether it's a wildfire, tornado, hurricane, earthquake, or flood. A severe storm or other catastrophic event often strikes with little warning, can result in costly damage to your home, and puts your family's safety at risk. Being prepared may help you make it through a natural disaster safely.

Protect Your Home

Wherever you live, there are proactive steps you can take to help protect your home from natural disasters:

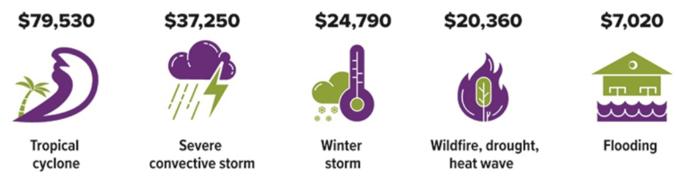
- To help fend off storm damage, inspect and repair roof shingles and flashing, clean your gutters and downspouts so that water can flow freely away from your home, trim overhanging tree limbs, and consider investing in storm windows, doors, and shutters.
- If you live in a fire zone, create a defensible perimeter around the outside of your home, keep roof surfaces and gutters free of flammable materials such as pine needles, leaves, and branches, and consider installing fire-resistant roofing and/or siding material.
- If you live in an area that could experience a major earthquake, retrofitting an older home (strengthening the foundation with braces and bolts) might reduce the amount of damage caused by severe shaking.

Have an Emergency Plan/Disaster Kit

A natural disaster can sometimes cause power outages that last for days. It can also result in downed power lines, fallen trees and/or flooding that make roads impassable. Know evacuation routes and have an emergency plan that identifies a safe place to meet in the event that family members become separated. Keep important addresses and phone numbers readily accessible and identify a place where you can safely stay for an extended period of time if necessary. In addition, assemble a disaster kit with the following items:

- **Food/supplies.** Stock up on several days' worth of nonperishable food and bottled water. Store other items that are specific to your family's needs, such as infant formula, diapers, pet food, clothing, and blankets.
- **First aid/medicine.** Be prepared for any possible medical needs by having a first-aid kit. Also talk to your doctor about obtaining an extra prescription for important medications you take.
- **Communication/safety items.** Make sure your cell phones are fully charged before the storm arrives. Also gather additional safety items, such as matches, flashlights, batteries, and an AM/FM radio.
- **Important documents/valuables.** Place important documents, such as personal/financial/medical records and any valuables in a secure location that is easily accessible in case of an emergency.

U.S. Natural Catastrophe Losses, 2021 (in millions)



Source: Insurance Information Institute, 2022

Review Your Insurance Coverage

Review all of your insurance policies (e.g., homeowners, renters, and auto) to make sure that you have appropriate coverage for your property and belongings. Your home and its contents should be insured to their full replacement cost, including any new additions, remodels, and furniture. To assist with post-storm insurance claims, be sure to take pictures/videos and make an inventory of your home and valuables in case they are damaged or destroyed.

Keep in mind that certain types of damage (e.g., flood and earthquake) may be excluded from a standard homeowners policy, but separate coverage is often available. Contact your insurance agent to determine if you need to purchase additional insurance tailored to the risk in your area.

Be Ready to File a Claim

If your home suffers severe damage from a natural disaster, you'll need to file a claim with your insurance company. To make the claims process easier, take pictures to document the damage (both inside and outside of your home) as soon as possible. While your claim is being processed, take steps to prevent further damage (e.g., putting a tarp on a damaged roof), since the insurance company may not cover anything beyond the initial damage to your property. Claims are paid up to policy limits.

Otherwise, you may be eligible for immediate disaster relief funds and special programs through the Federal Emergency Management Agency (FEMA). Federal disaster assistance is usually in the form of loans or grants and is available only if the affected area is declared a disaster area by FEMA and not covered by insurance.

What's Your Retirement Dream Elevator Pitch?

Imagine stepping into an elevator and realizing that you're about to spend the 30-second ride with someone who could make your retirement dreams come true — if only you could explain them before the doors open again. How would you summarize your financial situation, outlook, aspirations, and plans if you had 30 seconds to make an "elevator pitch" about achieving one of your most important goals?

Answering that question — and formulating your own unique retirement dream elevator pitch — could help bring your vision of the future into sharper focus.

What Are Your Goals?

Start with an overview of what you hope to accomplish. That typically includes describing what you want, when you want it, and why. For example, you might say, "My goal involves retiring in 10 years and moving to a different state so I can be closer to family." Or, "In the next 15 years, I need to accumulate enough money to retire from my regular job and open a part-time business that will help sustain my current lifestyle."

If your plans include sharing life with a loved one, make sure you're both on the same page. Rather than assume you have similar ideas about retirement, discuss what you want a future together to look like.

How Much Will It Cost?

To put a price tag on your retirement dream, consider working with a financial professional to calculate how much money you'll need. Making multiple calculations using different variables — such as changing your anticipated retirement date and potential investment growth rate — will help you develop a better understanding of the challenges and opportunities you may encounter.

It's important to remember that plans don't always work out the way we intend. For example, 72% of workers surveyed in 2021 said they expect to continue working for pay during retirement, but only 30% of retirees said they actually did so. And nearly half (46%) of current retirees left the workforce earlier than expected.[1] Understanding the financial implications of an unanticipated change in plans *before it happens* could make it easier to adjust accordingly.

How Will You Do It?

If your calculations indicate you may be facing a retirement savings shortfall, take a fresh look at your spending habits to help find ways to save more money. Make a list of your fixed expenses and then keep track of your discretionary purchases every day for a month. It might be startling to realize how much you routinely spend on non-essential items, but you'll quickly discover exactly where to start applying more financial discipline.

Among workers surveyed in 2021:

72%

Were very or somewhat confident about being able to afford a comfortable retirement

31%

Made changes to their workplace retirement account strategies in the past year

32%

Said the pandemic negatively affected their ability to save for retirement

54%

Said they had either a major (18%) or minor (36%) debt problem

Source: Employee Benefit Research Institute, 2021

Finally, you'll need to manage the funds you earmark for retirement by choosing the types of accounts to use and allocating your money within each account. If you have access to an employer-sponsored retirement account with matching contributions from your employer, you might want to start there and then invest in additional tax-deferred and taxable investments.

Regardless of the types of accounts you choose, your specific investment decisions should reflect your personal tolerance for risk and time frame, while addressing the priorities outlined in your retirement dream elevator pitch. If your retirement outlook changes at any point, take a fresh look at your investment strategy to make sure you're still potentially on course.

All investing involves risk, including the possible loss of principal. There is no guarantee that any investment strategy will be successful. Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. There is no assurance that working with a financial professional will improve investment results.

1) Employee Benefit Research Institute, 2021

Splurge or Save? Making the Most of Your Income Tax Refund

The IRS issued more than 128 million income tax refunds for the 2020 filing season, putting $355.3 billion into the hands of U.S. consumers.[1] For most recipients, such a sudden influx of cash prompts an important question: What's the best way to use the money?

Last year, 27% of consumers said they planned to spend their refund on everyday expenses, whereas equal numbers (8%) planned to either "splurge" or take a vacation.[2] But what about your other options?

Debt Decisions

Though spending your tax refund is tempting, most people surveyed said they planned to save their tax refund and/or pay down debt.[3] While reducing debt can be the cornerstone of an effective financial strategy, it's essential to avoid making choices that could set you back in the long run. For example, a home mortgage is often the largest debt taxpayers carry, and making extra mortgage payments can reduce your principal balance and shorten the term of the loan, allowing you to accumulate equity faster.

However, using a refund to cut down mortgage debt ahead of schedule could have counterproductive consequences, including losing the ability to claim the home mortgage interest deduction when filing your income taxes. In addition, the reduction in your overall liquidity may limit your ability to make new purchases or investments that you hadn't anticipated.

With that in mind, it may be better to pay off higher-interest, nondeductible debt first, such as credit-card bills and car loans. Although that strategy may still limit your potential to pursue additional financial opportunities in the short term, your long-term savings may be significant.

Retirement Readiness

Using your refund to potentially bring retirement goals closer to reality might be prudent. IRA contributions (up to $6,000 in 2022; $7,000 if age 50 or older) may be deductible, depending on your income and the type of IRA you choose. The 2022 cap on contributions to 401(k) and 403(b) workplace retirement plans is $20,500 ($27,000 if age 50 or older). If you aren't yet contributing the maximum, using this year's refund to finance some routine household expenses could help you allocate more of your income to a workplace retirement account. As an added potential benefit, the amount of any matching employer contributions may increase as a result.

Of course, you might want to use this year's refund for another purpose. Be sure to speak with your financial professional for guidance about the best way to proceed. There is no assurance that working with a financial professional will improve investment results.

1) Internal Revenue Service, 2021

2-3) National Retail Federation, 2021
