Quarterly Retirement Review

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S.L. Reed & Company
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Investing Cash for Short-Term Needs

Having immediate access to saved cash is important for nearly every investor.

Often, cash savings are kept in low-risk vehicles such as bank savings accounts, certificates of deposit (CDs) or money market mutual funds that offer little or no yield, which investors are willing to accept in return for the security and convenience these tools offer.

But it hasn't always been this way.

In decades past, it was common for investors to use "tiering" strategies to secure a solid return from their cash holdings without taking on significantly more risk.

These approaches had been all but left behind because we've been caught in a long cycle of ultralow interest rates. Rates are higher now than they've been in 15 years, and tiering approaches are once again an appealing option.

What is Tiering:

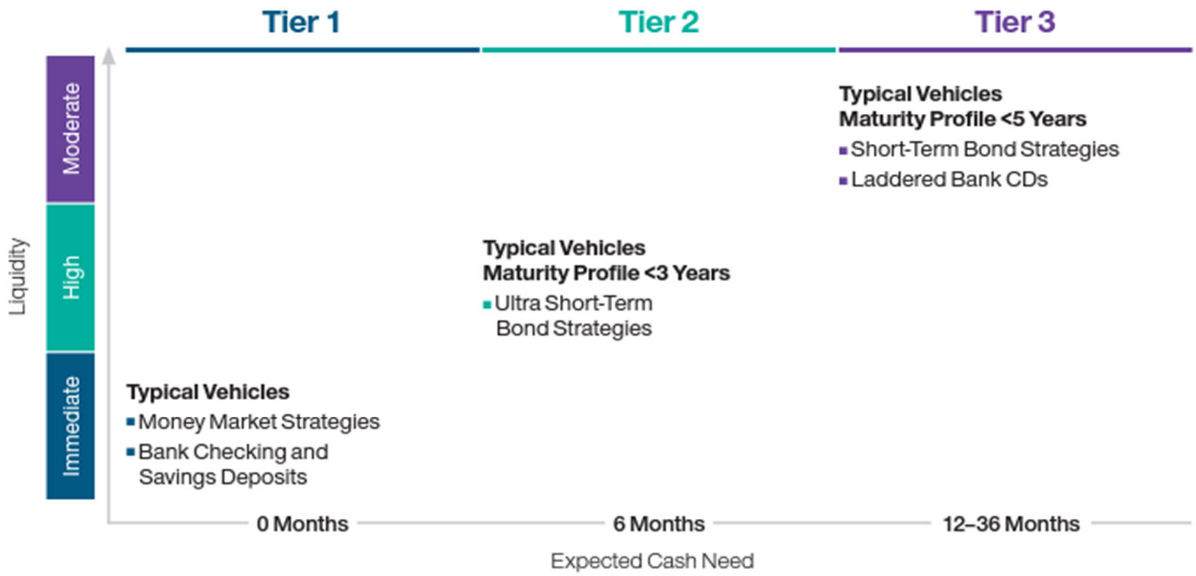
WHAT IS TIERING?

Tiering liquid investments means using a variety of different cash management tools, each with a slightly different level of risk and return. Consider, for example, the difference between a money market mutual fund and a short duration bond fund.

1. Money market funds are managed to eliminate risk as much as possible, so they provide the smallest return.
2. Short duration bonds will lose some value when interest rates increase, but they compensate for that with a higher yield.

When interest rates are elevated, as they are today, combining the two may provide you with a meaningfully enhanced return while potentially staying within a manageable range of risk.

See chart below:



Source: T. Rowe Price. For illustrative purposes only.

Creating a tiered liquidity structure

How do you decide what tools to use to fit your needs? Our recommended approach is to match a tiering approach to short-term liquidity needs, that is, how much cash you will need and when.

Tier One: Emergency Funds

Funds to meet an investor's immediate cash needs fall into tier one. This category includes assets that an investor may need to access at any time, such as an emergency fund, and should be focused on only the most liquid and accessible savings and investment vehicles such as bank accounts and money market funds. An investor can expect to receive very modest yields on this portion of a cash portfolio.

Tier Two: Cash needed in the next six to 12 months

Funds for near-term cash requirements which we would define as cash needed within the next six to 12 months make up tier two. This could include cash accumulated for a major purchase or vacation in that time frame. Tier two Investments may include low duration fixed income vehicles such as ultra-short-term and short-term bond funds, which invest in fixed or floating rate bonds that generally mature in three years or less. Ultra-short-term and short-term bond funds have some additional interest rate and credit risk, but they offer investors the potential to obtain higher yields and returns.

Tier Three: Liquidity Needs beyond 12 months

Longer-term liquidity needs, cash required beyond the next 12 months but within the next 36 months are the focus of tier three. Typical tier three vehicles could include bank CDs or short-term bond funds.

Bank CDs generally offer FDIC insurance, but they also require that savings be locked up for a specified period to avoid a penalty. Short-term bond funds offer more liquidity but aren't insured. Both tend to offer highly competitive yields when interest rates are elevated, as they are today, which can provide an excellent opportunity for investors in the right circumstances.

Helping Align Assets with cash needs.

Investment tiering is a simple but powerful concept that investors can use to align their assets with their expected cash needs. Given the current level of interest rates and our view that the Federal reserve (Fed) will keep rates relatively elevated, this may be a good time for investors to review their cash and short-term allocations.

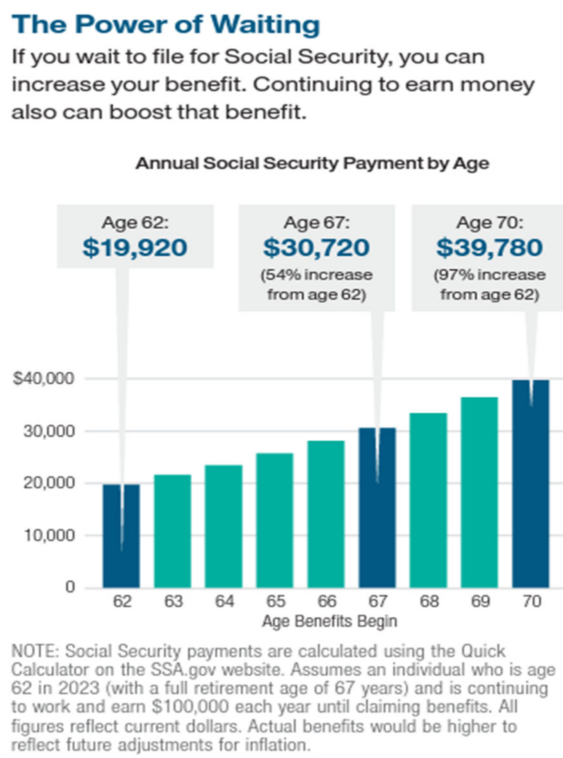
Keep in mind that a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although it seeks to preserve the value of your investment at $1 per share, it is possible to lose money. Bond funds involve more risk and are not subject to the same diversification and maturity standards. The net asset value will

The Unretirement Trend

The Power of Waiting

If you wait to file for Social Security, you can increase your benefit. Continuing to earn money also can boost that benefit.

- For many people, leaving the work behind to retire is the fulfillment of a lifelong dream. But many other retires are choosing to "unretire" and go back to work.
- In fact, around 20% of retirees are working either full time or part time, while 7% of retired respondents report looking for employment according to T.Rowe Price's recent Retirement Savings and Spending Study.
- Many retirees either choose to work or need to have work be part of their retirement lifestyle. This decision can have many powerful positive effects, not the least of which is financial well-being.



Source: T. Rowe Price

Returning to Work

Working in retirement doesn't always mean returning to a previous career or work arrangement. Many people choose new vocations or part-time work. They may explore causes or fields that align with their passions and build on their professional experience, perhaps via consulting arrangements. Others take advantage of remote work, part-time work, or flexible arrangements. to achieve a work-life balance that suits their life stage.

One benefit of unretiring (or just continuing to work): You can delay retirement account withdrawals and the claiming of Social Security benefits. These actions essentially shorten the amount of time your assets will need to support you in retirement

A few years can make a big difference:

Consider the hypothetical example of a 62-year-old who earns $100,000 per year, has $900,000 set aside for retirement, and expects to spend about $63,000 per year in retirement. If she retires this year, here is a 68% chance that her money will last the rest of her life, based on projections generated by the T. Rowe Price Retirement Income Calculator. "The likelihood of having enough funds to last the rest of your life is what we refer to as the "probability of success."

If she delays retirement by just a few years (until age 65), however, her probability of success rises to 91%. Waiting until full retirement age (FRA) at age 67 increases that probability to 97%. Both of these delayed scenarios are well within T. Rowe Price's target confidence zone of 80% or higher and assume no additional contributions to a workplace plan. "The improvement in this hypothetical scenario illustrates how higher Social Security payments result in better portfolio sustainability over a retirement horizon that could last decades. Delaying retirement is that powerful.

How does working affect Social Security?

If you have already claimed Social Security benefits, there are some facts to keep in mind:

1. Prior to your full retirement age, earning money in a job while simultaneously receiving benefits may reduce your current Social Security benefits.
2. Prior to FRA, if you exceed the 2023 earned income limit of $21,240 per year, your Social Security benefits will be reduced by $1 for every $2 you earn above the limit. (You get credit for those reductions later).

Even after you reach your FRA, additional years in which you earn a high income could, in fact, increase your benefit. Your benefit is based on your best-paid years. It is possible that a current wage could replace a lower-or-zero-earning year for purposes of determining your Social Security benefit. For these reasons, it may be better to delay claiming benefits until FRA or latter while you are working. But if you have already claimed, working can be a financially wise choice.

If you're considering unretirement, examine how doing so could affect your Social Security benefits and look for opportunities to improve your financial situation over time. In addition to increasing your financial stability, rejoining the workforce can be a powerful way to make social connections and find purpose and worthy goals no matter your circumstances.

HAS ANYTHING CHANGED?

S.L. Reed & Company can help:

401(k) Rollover from Previous Employer
Rollover IRA out of a Retirement Plan
Traditional or ROTH IRA
Taxable Accounts
Annuities
Insurance

Additionally, we can work with you on:
Managed Accounts

For Assistance Call:
Ken Kilpo (310) 893-3016

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