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How to Protect Your Retirement from High Inflation

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Making 529 Plans Work for Your Financial Plan
Do You Have "FOMO" When it Comes to Investing?

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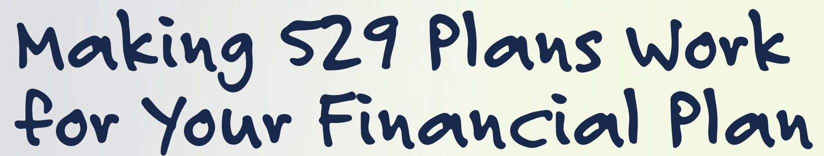
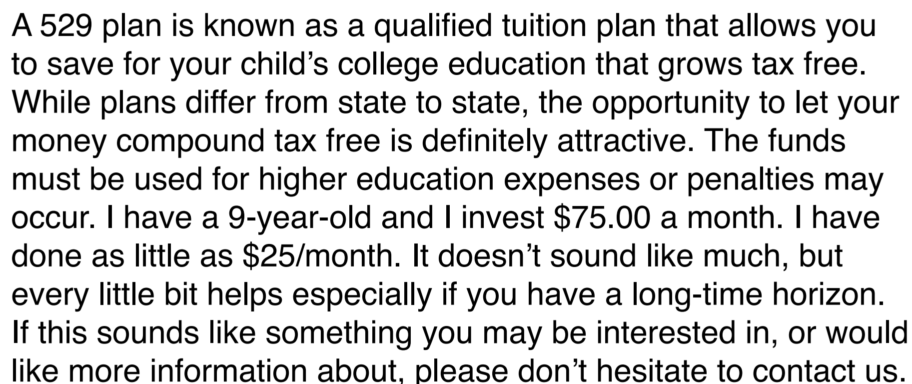


Making 529 Plans Work for Your Financial Plan

As the old saying goes “the days are long, but the years are short”! How true is that! We have reached another school year ending and I am shocked by how fast the year seems to have flown by. Not that those of us with children need to keep reminding each other that the last year and half has been HARD! Homeschooling is no joke! Two school years have ended in the age of COVID-19, but when we look back, it feels as if we have blinked and it’s over.

Speaking of school, has the thought of paying for higher education entered your mind? Have college expenses been worked into your financial plan? Have you had to pay for college lately? It is quite expensive. In an August 2020 Forbes article, it stated that the average cost to attend college in the United States was up almost 500% from 1985-86 to 2017-18. That is more than twice the rate of inflation! There has also been about a 320% increase in the price of 2-year schools. Did your mouth hit the floor, because mine sure did! If you have young children or grandchildren and you want to invest in their future, a college savings plan or a 529 account is a wise investment.

A 529 plan is known as a qualified tuition plan that allows you to save for your child’s college education that grows tax free. While plans differ from state to state, the opportunity to let your money compound tax free is definitely attractive. The funds must be used for higher education expenses or penalties may occur. I have a 9-year-old and I invest $75.00 a month. I have done as little as $25/month. It doesn’t sound like much, but every little bit helps especially if you have a long-time horizon. If this sounds like something you may be interested in, or would like more information about, please don’t hesitate to contact us.



We are pleased to announce we were recently ranked on Accounting Today's *The Top 150 Firms by AUM* (assets under management). YHB Wealth Advisors has been recognized in the $100 Million-Plus Club.

"We are so proud to see that through the COVID-19 pandemic, our industry was still able to adjust and thrive," said Randy Beeman, Director of YHB Wealth Advisors. "We owe this honor to our trusted clients that have grown with us this past year. After only four years of services, we are very pleased with the growth we have been able to accomplish together."

Accounting Today has been compiling the list of leading U.S. wealth management firms by assets under management for the past decade. To qualify for the ranking, the entity must be a CPA firm that has a financial planning practice (including subsidiaries and affiliates), and at least one of the financial planners in the practice must hold a CPA credential.

The 2021 Wealth Magnets Ranking of the Top 150 Firms by AUM is published by Accounting Today, an independent company unaffiliated with YHB Wealth Advisors. The ranking is exclusively by assets under management and is based on submissions by over 200 firms. YHB Wealth Advisors did not pay to be included in this ranking. Working with a ranked advisor should be evaluated properly and has no correlation to investment results. Working with a highly-ranked advisor does not ensure that a client or prospective client will experience a higher level of performance or results. Third-party rankings are no guarantee of future investment success or performance. This ranking is conducted by a third-party provider and not meant to serve as an endorsement for YHB Wealth Advisors. Rankings should not be considered an endorsement of the wealth manager by any client nor are they representative of any one client's evaluation. For informational purposes only.

How to Protect Your Retirement from High Inflation

There has been a lot of talk recently about inflation – and rightfully so – the most recent government data show inflation rising at the fastest pace in 12 years! Annual inflation in the U.S. accelerated at 5% in May, 2021 with the biggest increases in gas, used cars, transportation and apparel. These are all items that all of us need or use regularly. If you're in or near retirement, and especially if you're living on a fixed income, how do make sure your retirement savings at least keep pace with inflation?

We're going to tackle that question, but first let's take a look at just what inflation is and how it really affects your retirement savings.

In simple terms, inflation is defined as an increase in the general level of prices for goods and services. Deflation, on the other hand, is defined as a decrease in the general level of prices for goods and services. If inflation is high, at say 10% – as it was in the 1970s – then a loaf of bread that costs $1 this year will cost $1.10 the next year.

The Inflation Rate in the United States averaged 3.23 percent from 1914 until 2021, reaching an all time high of 23.70 percent in June of 1920 and a record low of -15.80 percent in June of 1921. Most will remember the high inflation rates of the 70s and early 80s when inflation hovered around 6% and occasionally reached double-digits.

For comparison purposes, the inflation rate in Venezuela averaged 32.47% from 1973 until 2017, reaching an all-time high of 800% in December of 2016.

So how does inflation affect your retirement savings? The answer is simple: inflation decreases the purchasing power of your money in the future. Consider this: at 3% inflation, $100 today will be worth $67.30 in 20 years – a loss of 1/3 its value. Said another way, that same $100 will only buy you $67.30 worth of goods and services in 20 years. And in 35 years? Well your $100 will be reduced to just $34.44.

How is inflation calculated?

Fortunately for us, we don't have to calculate inflation – it's done for us. Every month, the Bureau of Labor Statistics calculates indexes that measure inflation:

- Consumer Price Index – A measure of price changes in consumer goods and services such as gasoline, food, clothing and automobiles. The CPI measures price change from the perspective of the purchaser.
- Producer Price Indexes – A family of indexes that measure the average change over time in selling prices by domestic producers of goods and services. PPIs measure price change from the perspective of the seller.

How the Federal Reserve Attempts to Control Inflation

Up until the early part of the 20th century, there was no central control or coordination of banking activity in the United States. In fact, the US was the only major industrial nation without a central bank until Congress established the Federal Reserve System in 1913 with the enactment of the Federal Reserve Act.

With the Federal Reserve Act, Congress set three very specific goals for the Fed: to promote maximum sustainable employment, stable prices, and moderate long-term interest rates.

In order to help the Fed stabilize prices, Congress gave the Fed a very powerful tool: the ability to set monetary policy. And one way the Fed sets monetary policy is by manipulating short-term interest rates in an effort to control inflation.

If the Fed believes that prevailing market conditions will increase inflation, it will attempt to slow the economy by raising short-term interest rates – reasoning that increases in the cost of borrowing money are likely to slow down both personal and business spending.

The flip side is true too: if the Fed believes that the economy has slowed too much, it will lower short-term interest rates in an effort to lower the cost of borrowing and stimulate personal and business spending.

As you might imagine, the Fed walks a very fine line.

If it does not slow the economy soon enough by raising rates, it runs the risk of inflation getting out of control. And if the Fed does not help the economy soon enough by lowering rates, it runs the risk of the economy going into recession.

Currently, the Fed believes that "inflation at the rate of 2 percent (as measured by the annual change in the price index for personal consumption expenditures, or PCE) is most consistent over the longer run with the Fed's mandate for price stability and maximum employment."

Some Inflation Fighting Portfolio Strategies

One strategy to try to combat the ravages of inflation is to diversify the equity portion of the portfolio across several different types of inflation resistant asset classes. That might include assets such as gold, commodity producers (energy, materials), Real Estate Investment Trusts (REIT's), international stocks and devote a larger allocation to Value stocks – which have historically performed better during inflationary periods due to their rising dividend yields.

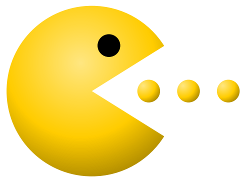
On the income side of the portfolio, you might consider Treasury Inflation Protected Securities (TIPS), shorter duration bonds, mortgage backed securities (which may have a floating coupon that will increase with inflation) and possibly international bonds.

What Investors Need to Remember

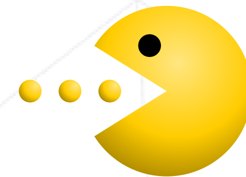
It is imperative that your long-term retirement strategies account for inflation and that you prepare for a decrease in the purchasing power of your dollar over time. A good rule of thumb, when planning is to assume inflation will be at least around 3% – its historical average.

If you estimate high and you find that the inflation rate for the next 25 years turns out to be 2%, then the purchasing power of your retirement savings will be more, not less.

And I'd rather err on the side of caution.



DO YOU HAVE "FOMO" WHEN IT COMES TO INVESTING?



Fear-of-missing-out is a very real emotion – but it can derail your portfolio

It seems like almost every day we hear about some hot stock being fueled by the Reddit crowd making double digit gains in a single day. The media is constantly bombarding us with reports of what's hot and what's not – fueling a fear-of-missing-out (FOMO) on some "great investment opportunity". Heck, there is even a new exchange traded fund with FOMO in its name. But, despite all the hype and hoopla, a diversified portfolio is still the best way to maximize returns while minimizing risk.

The anxiety that we feel when we believe something better is happening elsewhere isn't unique to investing. Fear of missing out is a phenomenon that affects many aspects of our daily lives, and it's far more prevalent than you may think.

FOMO & Investments Don't Mix

How FOMO affects the way you think about your investments is more worrisome. This summer, as we start to gather again at neighborhood barbecues and golf courses, you are likely to hear someone bragging about their fabulous returns in some hot stock, or how his or her portfolio outperformed the S&P 500 Index so far in 2021. Almost immediately, you might be dissatisfied with your portfolio and wonder why it wasn't achieving the same results.

You might get just as upset with your diversified strategy when every media outlet is constantly reminding you about the stellar performance of some particular sector. There's a huge temptation to change course and invest in the latest hot streak. Fueling the urge is also something called recency bias, a belief that recent financial trends will continue.

But chasing some hot stock that gets touted in the media or changing your portfolio to take advantage of a run that has already taken place is foolish. Think about it: You would be selling assets that may be undervalued relative to the market in order to buy assets that are likely more expensive.

Don't be Fooled by FOMO

Moreover, history is littered with examples of hot trends gone cold. In the late 1990s, many investors wanted to abandon their diversified portfolios and buy booming technology stocks. In the mid-2000s, it seemed everyone wanted to borrow money to flip real estate. A few years later, investors were worried about a double-dip recession and wondered if they should sell their stocks and buy gold instead. More recently, cryptocurrency was all the rage.

In each case, FOMO caused investors to be more afraid of missing a short term hot trend than suffering large losses. In hindsight, changing your long-term investment strategy would have been a drastic mistake.
When everyone from those in the media to your own acquaintances tells you to place heavy bets on one or more investment categories that have recently done well, don't be fooled by FOMO. You could lose big. That's why a diversified portfolio strategy is still the best chance to achieve long-term investment success.

How does a wise investor avoid falling prey to FOMO?

Well, one way is to remember the adage: "If it sounds too good to be true, then it probably is."

To avoid losing large amounts of money due to your FOMO, the best move is to diversify your holdings. Diversifying your assets among various types of investments and asset classes allows you to get a better risk-adjusted return. You spread the risks around. Over the long term, you will reap the benefits of many investment sectors, rather than suffer excessive losses when a bubble bursts.

Having a financial plan will also help you avoid falling prey to FOMO. If you have a road map to your future goals, then you can be more confident of reaching those goals without taking unnecessary risks. The next time you hear someone bragging about their investment success, remember they are probably not telling you about their losers, and focus your thinking on how you can best achieve your long term goals, without taking big risks.

As summertime rolls around, we spend more and more time outside, with family, gardening, and grilling. At my house we love to grill fresh vegetables. I make kabobs, put them in salads or use them just as they are for a side dish. This year I have been keeping my eye open for some healthy recipes that I can incorporate grilled veggies and or fruits. This recipe is perfect because it is full enough to be a main dish, but light enough to be a side dish. It travels well and is ideal for cookouts, family reunions, or spending the day at the beach or pool.

Grilled Vegetable Orzo Pasta Salad

INGREDIENTS

1 1/4 cups uncooked orzo pasta, wheat or gluten-free
1 cup chopped cherry tomatoes
1 clove minced garlic
extra virgin olive oil spray
1 small red onion, quartered
1 red bell pepper, seed and sliced into 4 pieces
1 yellow bell pepper, seeded and sliced into 4 pieces
1 large, 10-ounce zucchini, sliced into 1/4-inch-thick rounds
1 teaspoon kosher salt
black pepper, to taste
2 tablespoons red wine vinegar
3 tablespoons extra virgin olive oil
1/4 cup chopped basil

INSTRUCTIONS

Cook orzo in salted water according to package directions; drain and rinse under cold water, transfer to a large bowl and combine with tomatoes and 1 tablespoon of the oil and garlic.

Meanwhile spray the onions, bell peppers and zucchini with olive oil; season with 1 teaspoon salt and black pepper, to taste.

Grill vegetables on a grill basket over oiled grates, covered, (or broil 4 inches from flame) 10-12 minutes or until lightly charred and tender, turning halfway.

Set aside on a cutting board to cool slightly, then dice into 1/2-inch pieces.

Toss with the remaining olive oil and vinegar and top with chopped basil.

This recipe is courtesy of www.skinnytaste.com/grilled-vegetable-orzo-pasta-salad/#recipe

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