

REINVENTING RETIREMENT

Your Retirement
Planning Newsletter
Second Quarter 2024

SMART MOVE

SMART Financial Goals Can Help Guide Your Way to Financial Wellness

Financial goals play a crucial role in the pursuit of financial wellness. Whether it's paying off credit card debt, saving for retirement, making a down payment on a home — or any other goal — they help guide your actions, habits and decision-making.

As you think about your financial future, consider creating SMART financial goals. SMART is an acronym that stands for specific, measurable, achievable, relevant and time-bound. Instead of setting goals with vague aspirations (such as “I need to start saving more money”), SMART goals encourage you to think things through and define what success looks like. Here's how you can create SMART financial goals:

SPECIFIC: Define exactly what you want to achieve. Instead of saying “I want to save money,” specify the amount and purpose, such as “I want to save \$5,000 for a down payment on a house in the next 12 months.”

MEASURABLE: Set criteria to measure your progress. In the previous example, the measurable piece is the \$5,000 target within 12 months. You can track your progress periodically to ensure you're on the right path.

ACHIEVABLE: Your goal should be realistic and attainable. Consider your income, expenses and other financial obligations. Saving \$5,000 in a year might be achievable depending on your income and expenses, but saving \$10,000 might not be.

RELEVANT: Make sure your goal aligns with your broader financial objectives and priorities. For instance, if your long-term goal is to retire early, saving for retirement or investing might be more important than saving for a luxury vacation.

TIME-BOUND: Set a clear timeframe for achieving your goal. This adds a sense of urgency and helps you stay focused. For example, saving \$5,000 within 12 months provides a deadline and helps structure your savings plan.

Review these hypothetical personal finance examples to help inspire your own SMART goal-setting efforts:

Retirement Savings

Specific: Contribute \$400 monthly to your workplace retirement plan

Measurable: Track monthly contributions and investment growth

Achievable: Adjust budget to allocate a fixed amount to retirement savings

Relevant: Securing financial stability postretirement

Time-bound: Consistently contribute \$400 monthly for the next 30 years.

Emergency Fund

Specific: Save \$3,000 in a dedicated emergency fund

Measurable: Track monthly savings progress to reach \$3,000 within 10 months

Achievable: Allocate a portion of income or windfall (bonuses, tax refunds) toward savings

Relevant: Provides a safety net for unexpected expenses

Time-bound: Achieve the \$3,000 goal within 10 months.



BONDING TIME

Review the Potential Benefits of Bond Funds in Your Investment Strategy

When investing for retirement, many people choose a strategy that primarily includes stock funds. Although they represent a higher degree of risk, they offer the most potential for growth over the long term. During these times of economic uncertainty, however, you may be questioning your tolerance for risk. Will interest rates rise again, stay the same or start to fall? How will the stock market react? Having an appropriate exposure to bond funds can help ensure you're properly diversified no matter what happens.

A portfolio that includes an appropriate mix of both stock and bond funds is a smart retirement plan investment strategy.

Similar to stock funds, bond funds are collections of bonds that are managed by a professional fund manager. They can provide investors with a steady stream of income, diversification and lower risk than stocks. Here's a closer look at the key benefits of bond funds:

Steady income. Bond funds can be a good option for those who are close to (or in) retirement and want to preserve their capital and generate income through a fixed rate of interest. The interest payments can help supplement other sources of income, such as Social Security, pensions or annuities.

Diversification. Bond funds can help diversify a portfolio by reducing the overall volatility and exposure to stock market fluctuations. Bonds tend to have a low or negative correlation with stocks, meaning

they often move in opposite directions. This feature can help smooth out the returns and reduce the risk of losing money in a market downturn.

Lower risk. Bond funds are generally less risky than stocks, as they have a lower chance of defaulting or losing value. Bond funds are also regulated and transparent, making them easier to understand and monitor. However, bond funds are not risk-free and can still lose value because of interest rate changes, inflation or credit quality issues.

There are different types of bond funds that suit various risk profiles and investment goals. Some of the common types of bond funds are:

Treasury bond funds. These funds invest in bonds issued by the U.S. government, which are considered the safest and most liquid bonds in the world. They have very low default risk, but also low yields. They can be good for capital preservation and hedging against deflation.

Corporate bond funds. These funds invest in bonds issued by corporations, which are riskier but offer higher yields than Treasury bonds. They can be good for generating income and diversification, but they also have higher default risk and are sensitive to economic conditions.



Inflation-protected bond funds. These funds invest in bonds that adjust their principal and interest payments according to the inflation rate. They can be good for preserving the purchasing power of money and hedging against inflation, but they also have lower nominal yields and higher volatility than nominal bonds.

International bond funds. These funds invest in bonds issued by foreign governments or corporations, which can offer potentially higher returns and diversification through exposure to different economic regions. However, they also have higher currency risk and political risk than domestic bonds.

When choosing bond funds for your retirement savings portfolio, consider your risk tolerance, time horizon, income needs, tax situation and overall asset allocation. You should also compare the fees, performance, ratings and holdings of different bond funds to find the ones that match your criteria and objectives.

BABY STEPS

Looking To Improve Your Personal Life? Embrace the Kaizen Philosophy

Kaizen is a Japanese business philosophy centered around continuous improvement. It involves making small, incremental changes to processes, systems and behaviors to enhance efficiency, quality and productivity over time. For example, a healthcare provider may use kaizen to improve patient wait times by analyzing the flow of patients through their facility and identifying ways to reduce delays. Or a manufacturing company may use kaizen to identify and eliminate bottlenecks in its production process, improve product quality and reduce waste.

On an individual level, you can apply the kaizen philosophy to improve various aspects of your personal life. Here are seven tips:

1. Set clear goals.

Identify specific areas you want to improve, whether it's health, learning a new skill, personal relationships or productivity.

2. Start small.

Break down your goals into smaller, manageable tasks. For example, if you aim to exercise regularly, start with a 10-minute workout each day and gradually increase it.

3. Be consistent.

Focus on making consistent, small improvements rather than sudden, drastic changes. For instance, if you want to read more, start by dedicating 15 minutes a day to reading and gradually increase the time.

4. Reflect and adjust.

Regularly review your progress. Reflect on what's working and what's not and adjust your approach accordingly. If a particular strategy isn't yielding results, tweak it or try a different approach.

5. Continue learning.

Embrace a mindset of continuous learning and improvement. Seek new knowledge, skills and feedback to refine your approach.

6. Develop habits.

Transform beneficial actions into habits. Consistently practicing positive habits contributes significantly to long-term improvement.

7. Stay patient and persistent.

Understand that change takes time. Stay patient and persistent, celebrating small victories along the way. For instance, if you want to improve your productivity, start by identifying one area where you can make a small change, like reorganizing your workspace. Then gradually implement other changes, such as blocking time for tasks or minimizing distractions.

Remember, kaizen is about progress, not perfection. By consistently making small improvements in various aspects of your life, you can create significant and lasting positive changes over time.



RETIREMENT IN MOTION

Tips and resources that everyone can use

Knowledge Is Retirement Power

According to the U.S. Department of Health and Human Services, 70% of Americans age 65 or older will at some point need long-term care — which can include not just residence in a care facility, but help with daily activities like bathing or assistance with household chores. Because Medicare does not fully cover these costs, you may want to consider long-term-care insurance. If so, try to purchase it in your 50s — well before you need it. The cost rises as you age and may not be available if you develop certain medical conditions. For more information, check out AARP’s [Understanding Long Term Care](#).

Quarterly Reminder

If you’re receiving a tax refund this year, consider creating an emergency fund with

some or all of it. It’s important to have this money available for when something unexpected comes up, such as a car, refrigerator or dishwasher breaking down. Aim to have 3–6 months of living expenses saved in an account that is separate from your checking account.

Q&A

What is considered a good credit score?

A credit score is illustrated as a three-digit number between 300 and 850. The higher the score, the better a borrower looks to potential lenders. The FICO® Score is the most commonly used credit measure, but there are other scoring models, including the VantageScore®. A good credit score is between 670 and 739 on the FICO scale, and between 661 and 780 on the VantageScore scale. In both cases, the two

biggest factors affecting your credit score are your payment history and how much of your available credit you’re currently using.

Tools and Techniques

Calculating your net worth is a great way to gauge your current financial health and measure your progress in achieving your financial goals over time. It’s simply the difference between what you own (your assets) and what you owe (your debts). Your savings have the potential to grow over time as you continue to pay down your debts — including student loans, home mortgage, credit cards and other items. Over time, your net worth should have a positive trajectory and give you confidence that you’re making smart financial moves.

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Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Kmotion, Inc., 12336 SE Scherrer Street, Happy Valley, OR 97086; 877-306-5055; www.kmotion.com

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MCB Investment Services
Located at Mountain Commerce Bank
Todd Jones, CFP®, AIF®, MBA
LPL Financial Advisor
121 Boone Ridge Drive
Suite 1002
Johnson City, TN 37615
423-232-5017 Office
423-220-9697 Mobile
todd.jones@lpl.com
www.mcb.com



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