Nicholson Financial Services

Did You Know...?

David S. Nicholson
Financial Advisor
Nicholson Financial Services, Inc.
89 Access Road
Ste. C
Norwood, MA 02062
781-255-1101
866-668-1101
david@nicholsonfs.com
www.nicholsonfs.com

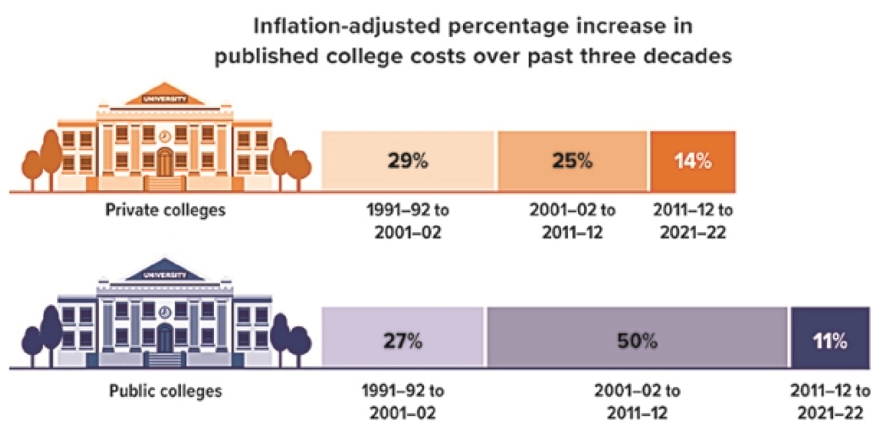
RAYMOND JAMES®

For years I have helped people plan for their children's college educations. I have planned for my own kids, and now that moment has arrived. My son graduated from Xaverian Brothers High School in May, and will be attending Syracuse University in the fall. As you may know, that is my alma mater. I loved Syracuse and my time there. It is an amazing feeling knowing that my son chose the school on his own and is excited to go. I can only hope his experience is as good as mine was.

The last 18 years went by *so fast.* The most important advice I can give regarding saving for college would be to start as early as possible. College expenses have increased significantly over the past 20 years, and that inflation does not appear to be stopping. As an example, Syracuse is close to $80,000 per year. Tell those you care about to start early and they will thank you for it eventually. Now on to my daughter's senior year of high school and doing the whole college application process again!

Three Decades of College Cost Increases

Over the past 30 years, the cost of college tuition, fees, room, and board has increased 85% at private colleges and 111% at public colleges *above and beyond* the rate of general inflation. After significant cost increases during the 1990s and 2000s, colleges have made a concerted effort over the last decade to rein in cost hikes. This is especially true for public colleges, as states have generally allocated more money to their higher-education budgets after years of cuts.



Source: *Trends in College Pricing and Student Aid 2021,* College Board

The Covid Hangover

Roughly 2 1/4 years ago, the world first learned of the Covid 19 pandemic. As millions of people around the world stayed home, a massive portion of the global economy shut down. In 2022, I believe we are dealing with the repercussions that I call "The Covid Hangover."

In 2020, faced with the prospect of half the US economy shutting down, our government did what it needed to for us to get through the crisis. The Federal Reserve slashed interest rates back to 0% and aggressively bought assets to support the markets, and the Treasury aggressively printed money to inject liquidity into the system. We were not alone in these actions as many countries around the world followed the same playbook. These actions worked as we avoided the recession or depression that one would expect from shutting down a large portion of the economy. However, all that additional liquidity in the global system needed a place to go. That, combined with the low interest rate environment, fueled the straight up stock market rally in 2020 and 2021. The liquidity and low rates, combined with the Covid inspired desire to move out of cities, has also cause one of the greatest rallies in real estate prices in history.

Now that the worst of the pandemic seems to be behind us (hopefully), our government is in the process of reversing the Covid era liquidity decisions. The Fed has begun raising rates and tapering off asset purchases, and the Treasury has begun tapering off printing new money. I believe these changes are partially responsible for the correction in the stock market and weakness in the bond market. The other culprit is inflation. Considering that the three actions of the Fed and Treasury can also create inflation, the fact that it is here two years later isn't really a surprise. Add to that the global supply chain problems that arose from shutting down half the global economy, and inflation is back with a vengeance. I still believe that much of the inflation is transitory. Not necessarily as short term as some members of the Fed have suggested, but tied to the supply chain problems. I contend that as global supply chains improve, inflationary pressures will ease. Not completely going away however, because I believe wage inflation is here to stay. A portfolio manager that I know recently said to me that global supply chain went from "just in time" to "just in case." That means that before Covid, people could order things and get them "just in time." Now, people and companies are buying extra when they can get it "just in case" they can't get it later (whatever "it" may be). Moreover, if they have the capital, they are more than willing to pay more then usual to get what they need. As I speak with clients who are in many different types of businesses, I hear that overpaying to get what is needed is a common theme.

Although I think the Fed kept interest rates too low, too long, they have started to raise rates to combat inflation. My hope is that after a few aggressive rate hikes early, that they slow the pace of subsequent hikes to give the supply chain issues time to be corrected. We don't want a repeat of 2000, when the Fed aggressively raised rates to fend off inflation that didn't exist. It does exist now, but may turn around quickly as supply chains improve.

Market corrections are never fun, but necessary. I was far more concerned last year (considering how overvalued the market was) than I am now. On the whole, stocks are *significantly* cheaper than they were 7-8 months ago (valuations are better). That means that the opportunity going forward is much more attractive. For fixed income, I believe the bond market has already priced in 2% to 2 1/2% of Fed interest rate hikes and believe the bond market should start to stabilize.

The markets are emotional places that tend to overreact in both directions. Expect this to be a volatile summer and remember that volatility is *normal* and creates opportunities.

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

Naming a Trusted Contact

When you open an account or update an existing account at a brokerage or a financial firm, you may be asked you if you want to designate a "trusted contact." This individual may be contacted in certain situations such as when financial exploitation is suspected or there are other concerns about your health, welfare, or whereabouts. Naming a trusted contact is optional, but may help protect your account assets.

The person you name as a trusted contact must be at least 18 years old. You'll want to choose someone who can handle the responsibility and who will always act in your best interest — this might be a family member, close friend, attorney, or third-party professional. You may also name more than one trusted contact.

Understandably, you might be concerned that the person you name could make transactions in your account but that's not the case. Your trusted contact will not be able to access your account or make financial decisions on your behalf (unless you previously authorized that person to do so). You are simply giving the financial firm permission to contact the person you have named.

To help protect investors against financial fraud or exploitation, The Financial Industry Regulatory Authority (FINRA) requires that investment firms make a reasonable effort to obtain trusted contact information.

Here are some examples of times when a financial firm might need to reach out to your trusted contact.

- To confirm current contact information when you can't be reached
- If financial exploitation or fraud is suspected
- To validate your health status if the firm suspects you're sick or showing signs of cognitive decline
- To identify any legal guardian, executor, trustee, or holder of a power of attorney on your account

A firm may only share reasonable types of information with your trusted contact. U.S. broker-dealers are required to provide a written disclosure that includes details about when information might be shared. Ask your financial firm or professional if you have any questions about the trusted contact agreement.

You may add, remove, or change your trusted contact at any time, and you'll need to keep your contact's information up-to-date. It's also a good idea to let the person you've chosen know so that he or she is prepared to help if necessary.