

SULLIVAN  **ASSOCIATES**

AN INDEPENDENT REGISTERED INVESTMENT ADVISOR

Summer 2023

Volume 44
Issue 3

**Formula 1, Investing, and
Other Thoughts**

**America's New Retirement
Reality**

Perception and Reality

A wealth management practice providing tailored solutions
through a collaborative client experience for over 40 years

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The Financial Advisor Newsletter

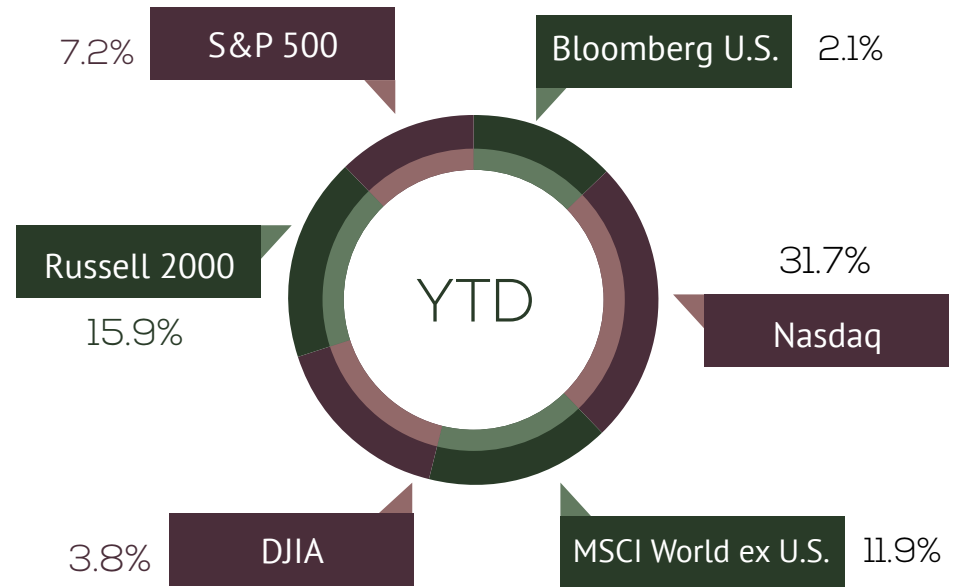
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Front cover photo taken by Patrick L. Sullivan

ECONOMIC SNAPSHOT



Source: WSJ, 07/01/2023 & FactSet, 07/05/2023. Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will effect actual investment performance. Individual investor results will vary. Past performance does not guarantee future results. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing the stocks of 30 companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Nasdaq composite is an unmanaged index of securities traded on the Nasdaq system. (The Dow Jones Global ex US is a stock market index measuring equity securities traded globally in 64 countries, excluding the U.S.). The Bloomberg US Aggregate Bond Index is a benchmark index composed of US securities in Treasury, Government-related, Corporate, and Securitized sectors. The Russell 2000 index measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

KEVIN'S VIEW

FORMULA 1, INVESTING, AND OTHER THOUGHTS

Like many Americans over the last few years, I have found myself fascinated by the sport of Formula 1 racing. For those unfamiliar with it, Formula 1 is open-wheel racing that takes place all over the world and exists at a fascinating intersection between engineering, driving talent, teamwork, and race strategy. One unique aspect of watching these races is some teams have cars that are vastly superior to others, while other teams have cars that are more middle-tier, and then you have some teams that are just trying to not come in last. In each tier, you may have two or three teams who are really only competing against each other and for most of the field, the idea of actually winning the race is far out of reach unless something bizarre were to happen. While watching a race you often see first-tier teams pull up behind a second or third-tier team. After a pit-stop at that point, the slower driver has a choice to make, they can try to keep the faster driver behind them, using up their tires and fuel in what will likely be a fruitless and potentially dangerous effort, or they can conserve their resources and let the faster car pass. Almost inevitably they choose the latter, and the

commentator says something along the lines of, “Jones let Smith pass because they know they are not racing them.” In the investing world, it is easy to get caught up and focused on the big high-flying stocks, the names we hear at cocktail parties, or what our friend’s brother-in-law has made a killing on. It is important to remember that’s not who we are “racing” against. Instead, our true race is against time, inflation, and loss - all of which are harder to come back from. While we want to have some exposure to those “hard-chargers”, it is good to remember that focusing solely on them will put our portfolios in danger of a possible crash. This is important right now as we see an equity market that is very focused on just a few names.

Looking beyond the equity markets and to the overall economy, we continue to see an economy that is slowing due to high interest rates and the continuation of the economic cycle. One significant exception is that employment has stayed very strong and there are still many open jobs out there. We think this will continue until we see some sort of shock to the economy

The highest compliment we can receive is when you let your families and friends know about us.

Referrals Welcome!



either from continued banking issues (perhaps from the commercial property sector) or some other external shock from politics or geopolitics.

Speaking of politics, we are rapidly coming up on another presidential election year. Historically, election years are typically positive. Before we get there though, we may see a government shutdown sometime in the fall as political posturing intensifies before the election. Internationally, we don't see a lot of changes as the conflict in the Ukraine continues, despite some recent fireworks within Russia itself and the trend of de-globalization continues its march forward.

For our clients, we continue to focus on your long-term goals and how to best reach them. If you've had any changes or would like to discuss your risk levels, please reach out and we look forward to meeting with you soon. As always, thank you for your continued faith and trust.

DID YOU KNOW?

In August, Raymond James will auto-enroll clients in a new Class Action Recovery Service

Currently, clients are notified of class action eligibility and must work with their advisor to provide the required proof of transactions or holdings. By streamlining the process and eliminating the burden on clients and advisors, the Class Action Recovery Service helps ensure clients don't leave money on the table.

Here's how the end-to-end claims management process works:

1. Clients are auto-enrolled in the service unless they opt out.
2. Through its service provider, Raymond James researches and identifies claims clients may be eligible for, collecting and submitting evidence on behalf of the client.
3. Broadridge files claims on behalf of client. Once settlement funds are received and reconciled, Broadridge deducts an 8.25% fee and then wires the funds to Raymond James.
4. Any awarded funds will be deposited to the client's Raymond James account. Clients will see this listed on their statement noted as class action.



SUMMER 2023 MARKET CLOSURES

Sept. 4: Labor Day

THINGS TO DO

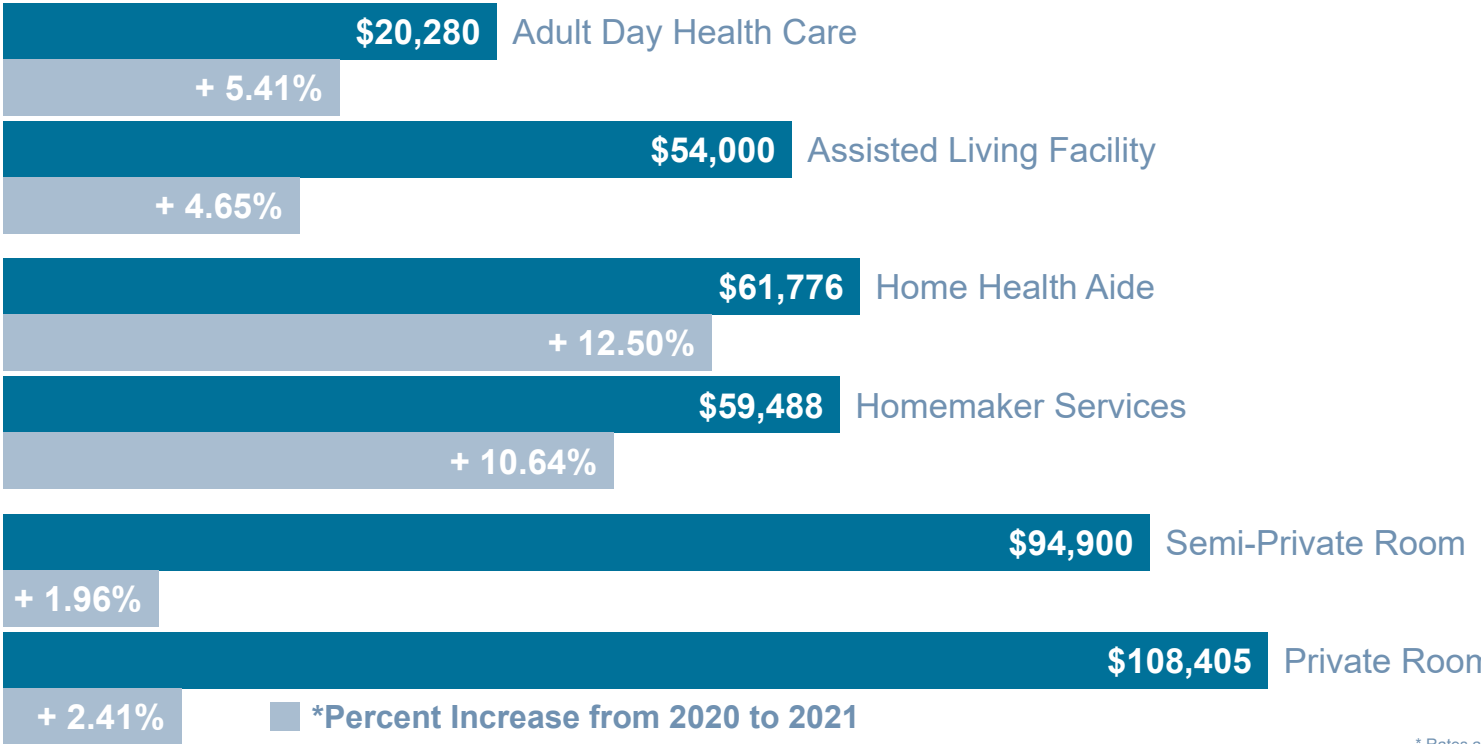
- Create an account with SSA.gov:** Check your earnings history for accuracy and review your expected benefits; doing this regularly should ward off error. If you're close to retirement age, discuss with your advisor when and how you should file to maximize household benefits.
- Freshen up your estate plan:** Check the beneficiaries of your IRAs, insurance policies, trusts and other accounts, and update information that's no longer relevant. Ensure your plan protects you and your family in the case of an unexpected event.
- Pencil in a family meeting:** Legacy planning is more than sharing wealth – it's also about passing down family values and history to the next generation. Host a family meeting to spark dialogue about traditions and building the future you want to see.
- Share big news with your financial team:** Speak with our office about major life changes you've experienced and how your financial plan could be affected. These changes include marriages, births, deaths, divorces, a sudden windfall and more.
- Assess insurance needs:** Periodically review coverage to ensure proper protection, especially if you've recently experienced major life events; your advisor can help as part of your larger risk management plan.

America's New Retirement Reality

COVID-19 amplified demographic and societal trends, showing challenges that many Americans will likely face on the road to a financially secure retirement

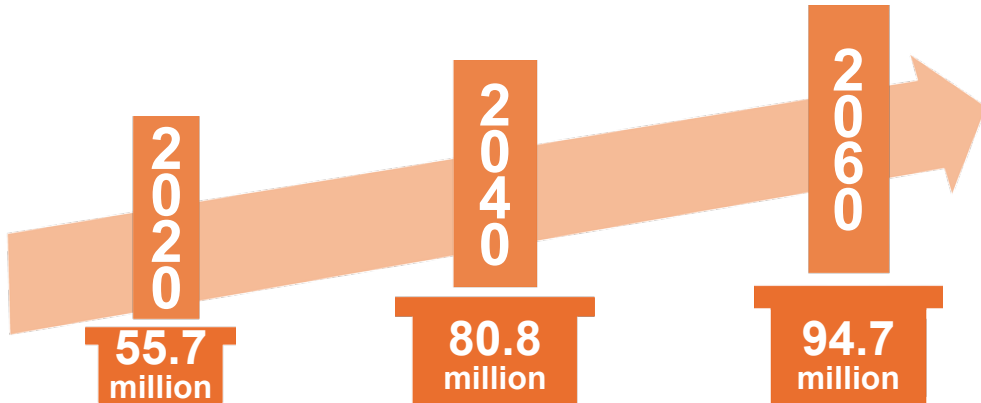


The national cost of professional caregiving is increasing the need for family caregivers.



* Rates are based on 44 hours per week. Source: Cost of Care Survey. Genworth, 2021

The number of Americans age 65 and older is growing.



... data suggests this trend will continue past 2060

Source: ACL U.S. Department of Health and Human Services, "2021 Profile of Older Americans", U.S. Census Bureau Population Estimates and Projections

The COVID-19 pandemic has forced many older Americans to work longer to recoup lost retirement savings.

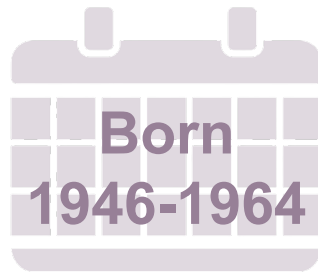
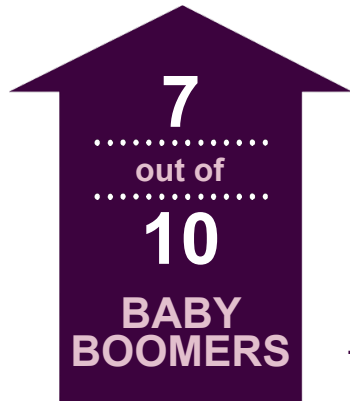


4 million workers age 55 to 70

... were expected to be forced into retirement early due to the COVID-19 pandemic

Source: Brockman, Katie. "4 Million Americans May be forced to Retire Early Due to COVID-19. Here's How to Prepare."

The need for care also is growing.



...will require long-term care in their lifetimes

Source: Cost of Care Survey. Genworth, 2020.

There are less family caregivers to provide care.

47 million

... need care in the U.S.

17 million

... are able to provide care

Lowest ratio

... ever reported



Source: "Hacking Life Shifts." AARP, RTI Research and The Business of Aging, 2019.

PERCEPTION AND REALITY

HOW DIFFERENT TYPES OF INSURANCE HELP MANAGE RISK

Let's face it: Life involves risk. A new job. A recent marriage. The birth of a grandchild. These are all events worth celebrating – and all events that might warrant taking a fresh look at your life insurance policy. Your life insurance needs, like your life, will change over time. So, it's important to regularly reassess your plans and adjust as you reach new milestones and realities.

That is why risk management is a crucial part of a long-term financial plan. When it comes to investments, we are talking about diversification and asset allocation. When it comes to your family, health, property, and income, we are talking about insurance.

But what kind of coverage do you really need? Let's take a deeper look at four useful types of policies.

Life Insurance

Perception: It's just for people with dependents.

Reality: It can be used as a flexible planning tool that provides liquidity, and the survivor benefit is generally not considered taxable income.

Though term life insurance is designed to replace the income of a breadwinner if the unthinkable happens, what's called a "permanent" policy has an investment component that can potentially be helpful for things such as keeping the family business functioning or paying estate taxes after death. Life insurance payments can help you transfer wealth to beneficiaries on a tax-efficient basis.

Did you know they also can be used to fund business succession plans, provide individual supplemental retirement income, and offer a tax-free source of income upon the passing of the insured? Among our offerings are term life insurance, universal life, variable universal life, whole life insurance, and indexed universal life insurance.

Disability Insurance

Perception: The risk of long-term disability is too minimal to worry about.

Reality: Sadly, more than 25% of 20-year-old workers will become disabled before reaching retirement age, the Social Security Administration estimates.

One of the most valuable assets you may wish to protect is your income.

If you are unable to work due to illness or injury, disability insurance can provide income tax-free cash flow to help you pay your bills.

If you're out of work for an extended period, the lost income can easily reach six figures or more. Even if your profession isn't strenuous, you may not be in the clear – cancer is the second-leading cause of claims, according to insurer Sun Life Financial. Disability insurance allows you to replace a portion of your income to help provide financial security until you are healthy enough to return to work.

There is disability insurance for individuals who may need to replace a portion of their wages if they are unable to work. Also, disability insurance for business owners whose needs may include covering overhead costs, selling their business, or replacing a key employee if the business owner or key employee is no longer able to work.

Long-Term Care Insurance

Perception: Coverage isn't needed – doesn't Medicare pay for that?

Reality: Help with the tasks of daily living, like care provided in a nursing home, isn't covered by Medicare.

Such aid is a common necessity. Seven out of 10 people turning 65 currently can expect to use some form of long-term care, according to the U.S. Department of Health and Human Services, though only one out of 10 has planned to pay for it. Securing this type of policy allows you control over



the situation, making sure your future needs will be met without creating an undue burden for your loved ones.

Though coverage can be expensive, there are federal and state tax breaks available for qualified plans. Long-term care insurance provides solutions for home care and facility care alike, as well as asset-based long-term care solutions and life insurance with long-term care payout riders. The latter two options give you the flexibility to leave money to heirs and use the insurance death benefit to pay for long-term care assistance on an income tax-free basis.

Umbrella Insurance

Perception: Only people who are very wealthy need it.

Reality: If you often entertain at your home, own a dog, have a teenage driver in your household, or own rental property, you might want to prepare for a rainy day.

This basically is an extra layer of liability coverage above the limits on your home, auto, and other policies – protection just in case you or a family member causes harm to someone else. It is designed to protect against claims for personal injury, bodily injury, or property damage. In addition to paying for settlements and judgments, excess liability policies also pay for legal defense costs.

This form of coverage sits above primary policies on an individual's home, automobile, watercraft, and other assets and provides expansive protection against a potentially devastating financial loss. For example, if your dog attacks a visitor and your home insurance covers up to \$300,000 of liability, then you're on the hook for anything above that amount if the injured party sues. If you don't have the money, your wages could be garnished.

Are you sure about your insurance? Facing risk is not easy, but the protection you can gain for yourself, and your loved ones, can make it all worth it. You should feel sure about your life insurance plans. No one would intentionally overpay to underinsure their exposures, but that can happen if an individual or family does not have a clear understanding of those exposures and appropriate insurance in place. That is why you should review your insurance needs periodically and after each big milestone in life. If you have any additional questions or would like to have a further discussion on insurance needs, please feel free to contact our office.

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