Going Back to Basics:

Time to Review Some Important Financial Fundamentals

"May you live in interesting times," is an expression where someone ironically wishes an "interesting" time to whomever they are speaking with. Although it may seem innocuous it's really an insult. By saying this, you wish the person to live during times of uncertainty and disorder as opposed to peace and tranquility. Investors are currently living in interesting times. In 2022, we have seen portfolios fall in value. Also, buying power has been substantially eroded by rising inflation. As a result, the Federal Reserve is intentionally trying to slow the economy to curb inflation.

While doom and gloom have recently dominated the financial headlines, not all of 2022's impact is bad. For example, if you own a home, it has likely appreciated substantially. If you are one of the 70 million people who are receiving Social Security retirement income, you will get an 8.7% raise starting in 2023. A side benefit of inflation is an increase in the standard deduction. Married taxpayers were entitled to a standard deduction of $25,900 in 2022 — that number is expected to jump to $27,700 in 2023. Single and married individuals filing separately will see the standard deduction rise to $13,850 from $12,950 in 2022. Because of inflation, tax bracket qualifying incomes are also going up. For couples filing jointly, in 2022 the 12% bracket ended at $83,550 and jumped to 22% after that. For 2023, the 12% tax bracket will extend to $89,450.

In 2023, taxpayers at all levels will be paying less income taxes on the same income as in 2022, but hopefully your income will increase. As a side note, the Social Security wage base is also going up from $147,000 in 2022 to $160,200 in 2023, which will increase Social Security taxes for employees who make more than $147,000.

Challenging times bring with them both good and bad. This is an opportune time to remember how to be smart about some of your money decisions. Money management, unfortunately, is not a skill set that is taught in school. It is also an expertise that is never too late to learn. Even the most disciplined person can forget or become complacent about some of the foundational tools that help keep a sound financial situation. Let's review some financial basics.

Keep a Budget

It is always a good time to create or review your budget. Budgeting and balancing your bank account is the best way of making sure what's going out of your account each month isn't exceeding what's coming in. Winging it and hoping it all works out at the end of each month can lead to unnecessary bank fees and credit card debt. It can also prevent you from achieving your savings goals.
An easy activity to try is to review your statements for three to five months and then make a list of your average monthly income (after taxes), as well as your average monthly spending. It can be helpful if you categorize your spending into basic needs (e.g., rent, utilities, groceries) and discretionary spending (e.g., shopping, travel, eating out). To get a more detailed understanding of where your money is going, you may want to track your spending for a month or so, either with a diary or an app on your phone.

Once you see the typical inflow and outflow of money each month, you can determine if you're overextending, staying even, or ideally, getting ahead by putting money into savings each month.

If you find you are unable to save each month, the ideal first step is to go through your budget and look for ways to cut back discretionary spending. Can you eat at home more instead of going out? Buy less clothing? Avoid impulse item purchases?

There are many budgeting apps that can help you with this process. Please note, there's not necessarily one right way to budget. Instead, it's about finding the strategy that works best for you.

Review and Understand Your Debt

Having debt can be a major stressor and be a cause of anxiety and an unhealthy strain on a person's mental and emotional health, relationships, job performance, and daily life. Therefore, it is wise to have financial literacy and a good understanding of how debt can affect your situation.

There are several different types of debt. Two of the largest types of debt are secure debt, like mortgages, and unsecured debt, such as credit cards. Within those types, there are also subtypes, such as revolving debt, which is most commonly from credit cards, and installment debt, which is many types of loans, like, auto, home equity, and student loans.

"Debt" is often synonymous with "bad" but there are also ways of having "good" debt. Having a mortgage in good standing can increase your credit score and provide you with a home that has long-term investment benefits. The debt that we more often think of as "bad" is unnecessary credit card debt with a high annual rate.

The most common debt for American's is in the form of a mortgage. Secondly, it is debt from credit cards. Assess your own debt and what kind you have. A quick rule of thumb is to always have a debt-to-income ratio (DTI) that is well below 36%. To calculate your DTI, take your total monthly debt payments and divide this by your gross monthly income.

Do you have too much debt for your comfort zone? Do you have any unnecessary debt? If so, then start reducing your debt by first removing the unnecessary debt that has the highest interest rates and hidden fees. Try to cut back on avoidable spending that you discovered when reviewing or creating your budget.

Having a firm grasp on your debt situation can help create a life with reduced stress and anxiety. With rising interest rates and an increased cost of living, now is a great time to review your debt, your comfort levels, and find ways to reduce any "bad" debt.

Have an Adequate Emergency Fund

As the last few years have clearly reminded us, anything is possible and no one can predict what the future holds. The coronavirus pandemic left the world is a state of confusion and many Americans found themselves either without jobs, closing their once thriving businesses, or just wondering how they were going to make ends meet. Coupled with the fastest rising rate of inflation in over 40 years and rapidly rising interest rates, many households are feeling the pinch and finding it challenging to stay ahead, let alone save for the future or unexpected emergencies.

Having an adequate emergency fund can prove to be a wise plan. A good rule of thumb is to have a minimum of 3- to 6- months' worth of living expenses saved in an emergency fund. This emergency fund can be a helpful resource to use (and replenish) when, for example, you have unexpected car repairs or a medical emergency. With interest rates rising these emergency funds can also work for you when stored in a savings account with a decent yield.

How do you build your emergency fund? Determine your monthly expenses and multiply that by the number of months you want to have funds for. Then, calculate how much you can commit each month to put into your savings fund after you've paid all your bills. Many people get ahead of their timeline goal by setting aside a portion of their tax refund (if they get one) into their emergency fund. The most crucial step is the hardest for most – sticking with the plan. It's easy to convince yourself that "nothing is going to happen" that will cause you to need those funds and sadly many people spend their extra cash on the latest impulse item or BOGO deal that arrived in their inbox. Once again, recent history reminded us that anything can happen.

Understand That Investments are Long-term Commitments

With the recent volatility in the market and the steady decline in equities in 2022, we need to continue to be reminded that those having a long-term mindset when it comes to investing have historically been rewarded.

As one of the most successful investors of all time, Warren Buffet, said, "The most important quality for an investor is temperament, not intellect." This mindset requires a disciplined approach to investing. Rash decisions and panic moves have no place in a long-term investor's plan. This mindset helps reduce anxiety over short-term fluctuations in the markets and instead focuses on long-term success. Equity markets are cyclical and while dips

and rises are part of the investment experience, many still find themselves pulling out of the market during a downturn and missing out when the trajectory returns upward.

As your financial professional, our goal is to find the right long-term plan and investments for your portfolio, while considering your time horizon and risk tolerance. We always recommend that prior to making any changes to your plan, that you contact us first, as many moves can have consequences that you are unaware of, such as potential tax ramifications for you or your beneficiary(ies). If you are concerned because of the media's headlines or want to have an assessment of your investment portfolio and overall financial picture, we can discuss this at your next review meeting, or you can call us to schedule an appointment. **Remember, investing in equities should be viewed as a long-term commitment!**

Conduct a Year-end Assessment

The end of the year can be a very busy time, filled with festive parties, family gatherings, and travel. However, it is good practice to take some time to conduct a year-end financial assessment. This can be a quick look at how you managed your finances in the current year and then setting yourself up for success in the new year. To help make this easier for you, we have created a short year-end checklist. As your wealth manager, we enjoy providing you holistic assistance in all aspects of your financial life.

As always, if you have any questions or concerns, please call us.

Quick Year-end Financial Assessment

❑ BUDGET Review

Review your budget.
Are your income and expenses still accurate?
How well did you stick to your budget?
Do you anticipate any changes in 2023?

❑ DEBT Review

Check all of your forms of debt.
Do you have any debt that can or should be repaid or paid down?

❑ SAVINGS Progress

Are you on track to meet your savings goals?
Do you have an adequate emergency fund?

❑ RETIREMENT Fund

Have you maxed out your contributions to your retirement plan?

❑ MEET With Your Financial Professional

Do you need to review your plan?
Do you have any new anticipated changes in 2023?
If so, then, schedule an appointment with us!

Complimentary Financial Check-up

Our goal this year is to help others with their financial decisions.

If you are currently not a client of Stabler Wealth Management, we would like to offer you a complimentary, one-hour, private consultation with one of our professionals at absolutely no cost or obligation to you. To schedule your financial check-up, please call **Sean at 425-646-6655** and we would be happy to assist you!

financial professional. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation.

This article is for informational purposes only. This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice as individual situations will vary. For specific advice about your situation, please consult with a lawyer, tax or financial professional. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. Past performance is not a guarantee of future results. Investing involves risk and investors may incur a profit or a loss. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.