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Objectives Help Focus Investing

On a broad basis, there are a few main investment objectives to help you guide your investing. Understanding these objectives is important because certain investment strategies and products may be appropriate for one type of goal but perhaps not for others.

The following will provide an overview of the main investment objectives, as well as how you can set your own investment objectives.

Objective: Capital Appreciation

Capital appreciation is an objective for achieving long-term growth. If saving for retirement is one of your goals, the strategy to meet this objective would most likely be to invest in a qualified retirement plan where the investments work for many years.

This objective is not only limited to a qualified retirement plan; it can also be about wealth building over many years. With a capital appreciation objective, you need to be confident that your portfolio is going to grow over time, and not concern yourself with the day-to-day fluctuations of the market.

Monitor the companies you are

investing in and keep an eye out for any changes that could affect your long-term growth. You should rebalance your portfolio if it strays from your current asset allocation strategy.

Objective: Current Income

If your objective is to generate current income, you would most likely invest in stocks that pay a high dividend on a consistent basis, as well as highly-rated bonds. People that pursue a current income stream may be retired and use the

income for living expenses. Others may use this strategy to pay for certain needs, such as a college education, where they use the interest to pay for these things without touching the principal.

Objective: Capital Preservation

This objective is typically for someone who wants to make sure they don't outlive their money, such as a retired person who is

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Consider Maturity Dates

Bonds can be purchased with maturity dates ranging from several weeks to several decades. Before deciding on a maturity date, review how that date affects investment risk and your ability to pursue your goals. Typically, yield increases as the maturity date lengthens, since you assume more risk by holding a bond for a longer time. Two fundamental concepts about bond investing apply:

✓ **Interest rates and bond prices move in opposite directions.** A bond's price rises when interest rates fall and declines when interest rates rise. The existing bond's price must change to provide the same yield to maturity as an equivalent, newly-issued bond.

✓ **Bonds with longer maturities are more significantly affected by interest rate changes.** Since long-term bonds have a longer stream of interest payments that don't match current interest rates, the bond's price must change more to compensate for the interest rate change.

Although you can't control interest rate changes, you can limit the effects of those changes by selecting bonds with maturity dates close to when you need your principal. ○○○

Objectives Help

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concerned they won't have enough time to recoup losses from a bad investment. If this is your goal, security is extremely important even if that means giving up return. To meet a capital preservation goal, the strategy would be to invest in bank certificates of deposit, U.S. Treasury issues, savings accounts, and fixed income bonds, such as municipal bonds, other government bonds, and corporate bonds.

How to Set Your Own Goals

Most experts agree that goal-based investing is the best approach to reaching investment goals. With this method, you set investment goals based on specific life goals, such as buying a home, saving for a child's education, or saving for retirement. With this approach, consider each goal individually to set a time horizon and a risk level so you can develop an investment strategy that will help you achieve your goals.

To help you determine your comfort with risk and the time horizon of your goals, ask yourself these questions:

- ✓ What is your intent for investing this money?
- ✓ When would you like to withdraw your money?
- ✓ Do you want your money to achieve substantial capital growth by the time you withdraw the money or are you more interested in maintaining the principal value?

- ✓ What is the maximum decrease in the value of your portfolio that you are comfortable with?

Setting Your Goals

Once you have a better understanding of why you want to invest and what you are hoping to achieve, you want to be very specific when



developing your goals. Your investment objectives are the foundation of your investment plan, so don't take them lightly. Your investment goals may include things such as:

- ✓ Saving for retirement
- ✓ Buying a home
- ✓ Starting a business
- ✓ Saving for your child's education
- ✓ Taking a special vacation
- ✓ Buying a vacation home

There are various methods for setting goals, but one of the best to consider is the SMART goals format, which will help guide you through the process of setting your investment objectives. Following are the elements of the SMART format:

- ✓ Specific — make each goal very specific and clear
- ✓ Measurable — make sure you define goals that can be measured
- ✓ Achievable — make sure it is realistic

- ✓ Relevant — make sure the goals relate to your life
- ✓ Time-based — assign a time frame so you can track your progress and know when it is achieved

After you have defined your goals, you will then want to determine a time frame for each goal. You are not going to achieve all of your goals at once, so break them down by time frames such as short, medium, and long term. You will then want to set a specific number of months/years in which you want to achieve each goal.

The final step in setting your goals is to determine a dollar figure for each goal. For some goals, it will be easier to define a dollar amount than others. For longer-term goals, such as retirement, education, or starting a business, spend the time to research what each of these larger goals could cost.

Once you have your goals clearly defined in some type of format, it will make it much easier to develop an investment plan, as well as a budget that includes your savings goals. Please call if you'd like to discuss this in more detail. ○○○

Myths about Bonds

Bonds are a core part of many people's investment portfolios. But that doesn't mean they're widely understood. In fact, there are many common myths about bonds, and following those myths could lead to poor investment decisions. Below, we debunk a few of the most common myths about bonds.

Myth 1: Bonds Are a Risk-Free Investment

It's true that investing in bonds is not as risky as some investments, such as stocks or real estate. But less risk doesn't equate to no risk. A bond issuer may default on their obligations, which could leave investors without their principal. Also, some bonds are riskier than others. Treasury bonds, which are guaranteed by the U.S. government, carry relatively little risk — the U.S. has never defaulted on its debt obligations. Corporate bonds, which are issued by companies, are generally riskier than government bonds. You can get an idea of the relative risk of a certain bond by reviewing its bond rating, often expressed as a letter grade. A triple-A bond means that the issuer is extremely likely to meet its commitments. A bond with a C rating means the issuer is vulnerable.

Myth 2: Lower Returns Mean Investing in Bonds Isn't Worth It

Bonds may not be as glamorous as stocks and other investments, but that doesn't mean they don't have a place in your investment portfolio. Bonds are a way to add diversification to your portfolio; a stock-heavy portfolio can earn great returns, but it can also lose a lot of money quickly if the market drops. Your stocks may eventually regain their losses, but if you need the money in the interim, you'll need to find other resources. Bonds can also provide a

steady source of income, which may be appealing if you want to live off investment income. They are also a way to preserve your capital while still earning some returns. In addition, certain types of bonds offer tax advantages — income earned on municipal bonds is free of federal income tax and sometimes state and/or local income taxes, for example.

Myth 3: Bonds and Bond Funds Are Essentially the Same

Not exactly. In some ways, the difference between bonds and bond funds is similar to the difference between stocks and mutual funds. Like a stock mutual fund, with a bond fund, you give your money to a professional investment manager who chooses a range of bond investments on your behalf. With an individual bond, you have an investment in a single bond, which you hold until the bond's maturity date. Individual bonds have fixed payments, often semi-annually or quarterly, and if you hold the bond to maturity, you get your original investment back.

Bond funds, on the other hand, have fluctuating income based on how well the underlying bond investments perform. Bond funds are

more liquid than individual bonds, however, which means it's easier to sell your investment if you need the cash. You'll also need to invest in a greater array of individual bonds to diversify the bond portion of your portfolio. Which one is right for you depends on your goals, your comfort level with investing, and other factors.

Myth 4: All Bonds Are Safe Investments

First, it's important to understand that there are no guarantees when it comes to investing — there's always risk. While bonds are generally considered less risky than stocks, that doesn't mean there's no risk, and some bonds are riskier than others. Bonds issued by the U.S. Federal government carry minimal risk (for example, savings bonds or Treasury bonds). But similar bonds issued by a less stable country or government could carry much more risk. State and local bonds (called munis) come with a greater risk of default than bonds issued by the U.S. federal government. Corporate bonds can be risky too, especially so-called junk bonds.

Want to get more of the facts on bonds? Please call to discuss bonds in more detail. ○○○



Tips for the Sandwich Generation

If you are caring for both young children and aging parents, you are part of the sandwich generation. Developing a financial plan for your parents, your children, and yourself will help you navigate the challenges you face.

A Retirement Income Plan for Your Parents — If you haven't already, it's time to have a serious money talk with your parents. In addition to understanding their wishes for medical treatment and long-term care, you should also understand if they have adequate retirement income. Helping your parents develop a retirement income plan, so they don't spend too much too soon, will help ensure they can cover their expenses in retirement.

Research Long-Term Care Options — You should research ways to pay for long-term care if your parents need it. Long-term-care insurance is an option, but it is expensive and may be difficult to qualify for if your parents have certain medical conditions. If your parents are in good health and still relatively young, they may want to consider purchasing a policy before it becomes cost-prohibitive.

Prepare an Estate Plan — If your parents do not have an estate

plan, it's time to create one so that their wishes are met. Help them through this process, or find someone who can, including establishing a will, trust, advanced health care directives, and medical and durable powers of attorney.

Inventory Assets — Help get your parents' financial assets in order by locating all important documents, including financial accounts, retirement accounts, wills, trusts, medical directives, powers of attorney, and digital assets.

Develop a College Savings Plan — As you switch the financial focus from your parents to your children, start by planning for their largest expense, their college education. In addition to college savings, you should help your children plan for their life after high school.

Your Turn — Because you are sandwiched between your parents and children and taking care of their needs, you may not have taken the time to develop your own financial plan. Creating a financial plan with long- and short-term goals will give you peace of mind that your own financial life is on track. And once it is created, you may find you have more time for the other competing priorities in your life. ○○○

Is There Good Debt?

Good debt is basically defined as financing something that will increase your income or net worth, while bad debt is just the opposite. Following are examples of good debt:

Education — Taking out a loan for college or technical training is an investment in your future. The return on investment of an education over the course of a person's life will likely be in the hundreds of thousands of dollars.

Owning a Business — Entrepreneurs can turn a small business loan into a successful venture.

Purchasing Real Estate — There are several different ways to make money on real estate. The most common is taking a mortgage to purchase a home and then selling it at a profit after many years of residing in the home. Investing in residential real estate by renting out a home or apartment is also good debt that can provide you with ongoing income. Commercial real estate, such as an office building, store, or industrial park can return good profits and capital gains.

Please call if you'd like to discuss debt in more detail. ○○○

Financial Thoughts

A Harris Poll found that 64% of six-figure earners now describe their income as "survival mode, not wealth." Goldman Sachs found that 41% of households earning \$300,000 to \$500,000 are living paycheck to paycheck. A majority of Americans say they'd need to earn \$520,000 a year to feel rich.

Americans say they expect to need an average of \$1.46 million to retire on their own terms, up

\$200,000 from a year ago, according to a new survey from Northwestern Mutual.

The 2026 survey identified Gen X as the generation most anxious about retirement, with 51% of respondents in that age group saying they don't expect to be financially prepared for retirement and 20% saying they have already delayed retirement due to financial challenges or other concerns.

In 2024, 31% of American families were upper middle class, compared with just 10% in 1979. The report defined the upper middle class as a family of three earning \$133,000 to \$400,000 in 2024 dollars — five to 15 times the federal poverty line. Meanwhile, the share of American households living in or near poverty declined from almost 30% in 1979 to below 19% in 2024. ○○○