



YOUR FINANCIAL FUTURE

Your Guide to Life Planning

March 2018



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Bond Market Perspectives | Week of February 26, 2018

Key Takeaways

- TIPS are a high-quality asset class that can potentially cushion portfolios if inflation continues to increase, but performance could follow Treasuries' lead.
- Breakeven inflation rates have risen meaningfully since hitting lows two years ago, leading to outperformance relative to Treasuries.
- TIPS' large outperformance relative to Treasuries may be behind us, and headwinds remain for TIPS and Treasuries alike.

Tips on TIPS

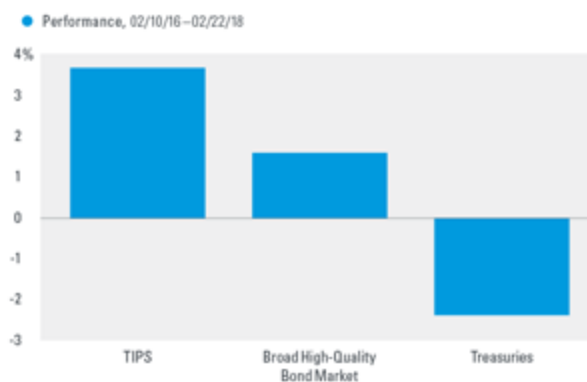
Treasury Inflation-Protected Securities (TIPS) are sought after when inflation is expected to rise. Backed by the U.S. government and similar to Treasury bonds in quality, TIPS offer interest payments and principal values that are adjusted for changes in inflation. As a result, when prices rise, as measured by the Consumer Price Index (CPI), TIPS typically outperform comparable, nominal Treasuries and help to protect investors' purchasing power. Considering that inflation has recently shown signs of life, investors may now want to seek the inflation protection afforded by TIPS.

BREAKING DOWN BREAKEVENS

To arrive at the current breakeven inflation rate, take the U.S. Treasury nominal yield and subtract the TIPS real yield on a comparable maturity issue. For example, the current 10-year Treasury yield is 2.85%, and the 10-year TIPS yield is 0.72%, making the current 10-year breakeven inflation expectation 2.13%. This is the market-implied expectation for the rate of inflation over the next 10 years; it is also the inflation rate at which an investor would be indifferent to holding TIPS or conventional Treasuries over that same 10-year period. Generally, a lower breakeven inflation rate implies that TIPS are cheaper relative to conventional Treasuries and vice versa.

Over the past 10 years, 10-year breakeven inflation has averaged 2%. When 10- and 30-year breakevens hit a cycle low on February 10, 2016, the following two years produced outperformance not only relative to Treasuries, but to the broad high-quality bond market overall [Figure 1].

1 TIPS HAVE OUTPERFORMED TREASURIES MEANINGFULLY OVER THE LAST TWO YEARS



Source: LPL Research, Bloomberg 02/23/18

Indexes are unmanaged index and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

Indexes: Bloomberg Barclays U.S. Treasury Inflation Notes Total Return Index, Bloomberg Barclays U.S. Aggregate Total Return Index, Bloomberg Barclays U.S. Treasury Total Return Index

The impressive absolute and relative performance of TIPS may not continue, however, as inflation has normalized somewhat from its very depressed levels of early 2016. Inflation expectations, both 10- and 30-year, are above the 2% target specified by the Federal Reserve (Fed); though many market-based measures, including the Fed's preferred measure, the U.S. Personal Consumption Expenditure, remain below 2%. The recent run-up in inflation expectations has been significant, and at 2.1%, the market's 10-year breakeven inflation expectation is now above the Fed's target level. If markets start to price in a significant rise in inflation from this point, it could lead to a more aggressive path of Fed rate hikes, which would in turn potentially put downward pressure on both growth and inflation. In fact, the recent concern about an inflation upside surprise has prompted some market participants to plan for a more aggressive pace of Fed rate hikes; the fed funds futures market is now pricing in 2.8 rate hikes during 2018, compared to 2.1 hikes at the end of 2017.

Much of this increase is due to inflation finally starting to rear its head amid the backdrop of tight labor markets, deficit spending, and a weaker U.S. currency.

PERFORMANCE DRIVERS AND RISK

Despite the importance of inflation (and inflation expectations) to TIPS returns relative to Treasuries, it is critical to remember that the returns of the overall Treasury market will dominate the absolute level of TIPS returns. In that regard, the last two years have been the exception to that rule. Markets are forward looking, so anticipated changes in the CPI may already be priced into TIPS investments via a pickup in breakeven inflation levels, leaving them less attractive relative to nominal Treasuries than one might expect. For that reason, although investors may benefit from increased interest and principal payments, the lack of market-price changes in a rising CPI environment may disappoint them.

Correlations help to illustrate this point: while TIPS have a reasonably strong correlation with Treasuries overall, they have only a modestly positive correlation with breakeven inflation [Figure 2]. Rising breakevens may mean that performance relative to Treasuries is positive, but on an absolute basis, TIPS will follow Treasuries' lead. Treasuries' negative correlation with breakeven inflation makes sense: higher breakeven inflation levels usually mean higher interest rates overall, leading to pressure on Treasuries—which do not have the benefit of inflation protection, as TIPS do.

2 TIPS PERFORMANCE IS HEAVILY CORRELATED WITH TREASURY PERFORMANCE

| | TIPS | Treasuries | 10-Year Breakeven Inflation Rate |
|----------------------------------|------|------------|----------------------------------|
| TIPS | 1 | | |
| Treasuries | 0.77 | 1 | |
| 10-Year Breakeven Inflation Rate | 0.15 | -0.47 | 1 |

Source: LPL Research, Bloomberg 02/26/18

Periodicity is monthly from 01/31/13 to 01/31/18.

Correlation ranges between -1 and +1. Perfect positive correlation (a correlation co-efficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; the relationship is completely random.

Performance is historical and is no guarantee of future results.

Breakeven inflation is measured by the difference between Treasury yields and TIPS yields.

CONCLUSION

TIPS may be a good alternative to Treasuries for investors concerned about inflation. However, with breakeven inflation levels moving significantly higher over the last two years, TIPS have outperformed Treasuries, potentially limiting further outperformance. We believe both TIPS and Treasuries may be under moderate pressure going forward, as interest rates continue to move higher. We currently favor TIPS relative to nominal Treasuries, but that may change soon as we reassess the recent pickup in breakeven inflation to determine how much higher it can run.

For now, we remain underweight Treasuries (both nominal and TIPS) relative to other high-quality bond segments, like investment-grade corporates and mortgage-backed securities. Although we expect the potential for yields to proceed higher throughout the remainder of the year, volatility may persist, and we believe bonds remain an important component of a well-balanced, diversified portfolio that could manage risk exposure should we experience equity market pullbacks.

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance reference is historical and is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly.

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

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.

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

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

DEFINITIONS

Treasury Inflation-Protected Securities (TIPS) help eliminate inflation risk to your portfolio, as the principal is adjusted semiannually for inflation based on the Consumer Price Index (CPI), while providing a real rate of return guaranteed by the U.S. government. Please note: the CPI might not accurately match the general inflation rate; therefore, the principal balance on TIPS may not keep pace with the actual rate of inflation. The real interest yields on TIPS may rise, especially if there is a sharp spike in interest rates. If so, the rate of return on TIPS could lag behind other types of inflation-protected securities, like floating rate notes and T-bills. TIPS do not pay the inflation-adjusted balance until maturity, and the accrued principal on TIPS could decline, if there is deflation.

Personal consumption expenditures (PCE) is a measure of price changes in consumer goods and services. Personal consumption expenditures consist of the actual and imputed expenditures of households; the measure includes data pertaining to durables, nondurables, and services. It is essentially a measure of goods and services targeted toward individuals and consumed by individuals.

INDEX DESCRIPTIONS

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and non-agency).

Bloomberg Barclays U.S. Treasury Index is an unmanaged index of public debt obligations of the U.S. Treasury with a remaining maturity of one year or more. The index does not include T-bills (due to the maturity constraint), zero coupon bonds (strips), or Treasury Inflation-Protected Securities (TIPS).

Bloomberg Barclays U.S. Treasury Inflation Notes Index consists of Inflation-Protection securities issued by the U.S. Treasury.

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Weekly Market Commentary | Week of February 26, 2018

KEY TAKEAWAYS

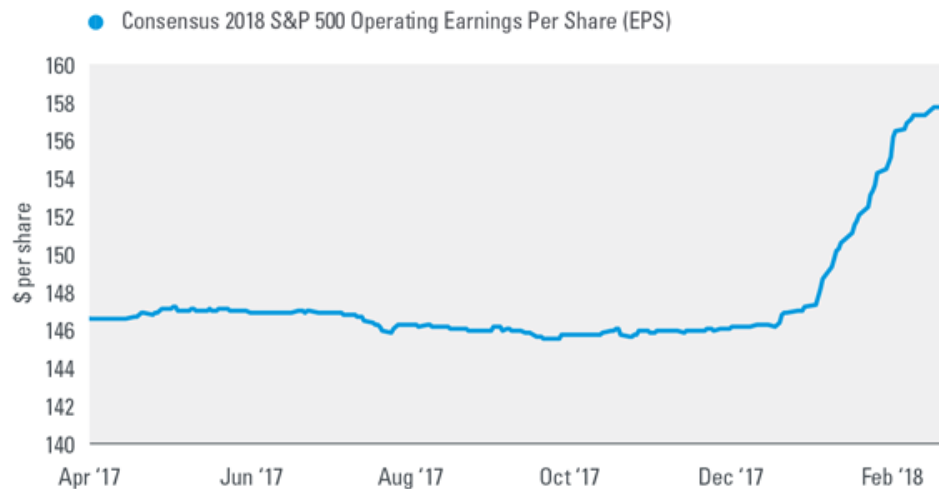
- We have raised our 2018 S&P 500 EPS forecast from \$147.50 to \$152.50 and our S&P 500 year-end fair value target to 2950-3000.
- Guidance has been very strong on the back of the new tax law, better growth, and a weak U.S. dollar.
- Fourth quarter earnings season produced the best earnings and revenue growth in six years.

RAISING 2018 EARNINGS FORECASTS

Fourth quarter earnings season has been outstanding. As good as it has been, perhaps most impressive is the strong guidance corporate America has provided. In response, we have raised our S&P 500 Index earnings forecast for 2018 and our S&P 500 year-end fair value target proportionately. Our revised year-end S&P 500 fair value range of 2950-3000, approximately 7-9% above Friday's close, represents a 19.5 price-to-earnings (PE) ratio on \$152.50 in earnings per share (EPS).

STRONG COMPANY GUIDANCE

Fourth quarter earnings growth of over 15% reported by S&P 500 companies is outstanding, in our opinion, but the lead headline is the strong corporate guidance. That positive message has translated into a more than 7% increase in consensus S&P 500 operating earnings estimates for 2018 [Figure 1]. A ramp that swift and sharp, in an already favorable earnings environment, is unprecedented in our experience.

1 S&P 500 OPERATING EARNINGS ESTIMATES FOR 2018 HAVE RISEN SHARPLY

Source: LPL Research, FactSet 02/21/18

All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. All performance referenced is historical and is no guarantee of future results.

Consensus estimates may not develop as predicted.

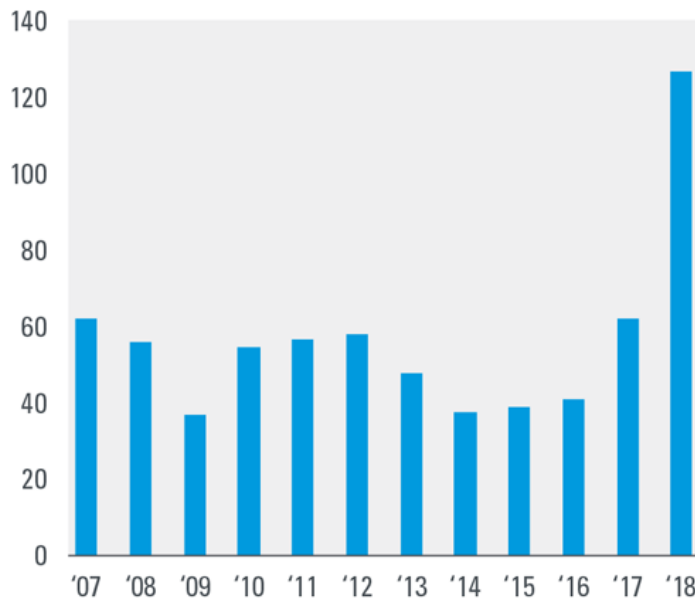
Most of that 7%-plus increase was driven by the new tax law, which [we highlighted here](#) in December 2017, noting it would favorably impact U.S. corporations due to a reduced tax burden, provision for immediate expensing, and repatriation of foreign-sourced profits. Given that estimates have historically dropped by an average of approximately 3% during earnings season, the recent 7% positive revision seems more like a 10% increase in potential corporate earnings growth. Of those three percentage points, perhaps one is a weak U.S. dollar, but that still leaves two percentage points of upside possibly driven by the favorable macroeconomic and business climate. Companies are optimistic, which is evident in business confidence surveys. This optimism traditionally translates into improved business investment.

The breadth of optimism seems apparent when tallying the number of S&P 500 companies that have raised annual guidance during fourth quarter earnings season and comparing those numbers over time. As shown in [Figure 2](#), the number of companies raising guidance for this year is double the highest levels of the past decade for the same period.

2

GUIDANCE HAS BEEN AS STRONG AS IT HAS BEEN IN A OVER DECADE

- Number of S&P 500 Companies Issuing Positive Annual Earnings Per Share (EPS) Guidance, December 31–February 15



Source: : LPL Research, FactSet 02/22/18

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UPDATING OUR 2018 EARNINGS FORECAST

In response to such a strong outlook from corporate America, we are raising our 2018 S&P 500 EPS target by \$5 to \$152.50, reflecting 15% expected earnings growth, up from our prior forecast of \$147.50, or a 12% increase. We expect earnings to continue to get strong support from accelerating U.S. and global economic growth, a pickup in business spending, and strong manufacturing activity. We believe increasing costs, particularly wages, will only be a modest drag on profit margins. Share repurchases from overseas profits repatriated back to the United States may also provide an additional boost.

We want to emphasize that despite our optimism, our revised forecast for S&P 500 EPS remains below consensus, which currently hovers around \$157.50 per share for 2018. We are comfortable with our forecast for several reasons:

- Expectations for U.S. dollar weakness may be overdone; a firming dollar may trim overseas profits for U.S.-based multinationals relative to current expectations.
- European economic growth may be peaking and could slow more than consensus expects as monetary policy support is potentially withdrawn.
- Current consensus estimates may be too high based on the historical calendar pattern.

As our earnings expectations rise, our expectations for stock market performance improve.

In conjunction with the 3% increase in our earnings forecast, we are raising our year-end S&P 500 fair value target proportionately, to 2950-3000, up from 2850-2900 previously and approximately 7-9% above Friday's index close of 2747. Our new S&P 500 target reflects a PE multiple of 19.5 times our revised S&P 500 EPS forecast of \$152.50. We indicated in our [Outlook 2018: Return of the Business Cycle](#) publication that we expected earnings to shoulder most, if not all of the load this year if stocks were going to produce attractive returns. Accordingly, as our earnings expectations rise, our expectations for stock market performance improve.

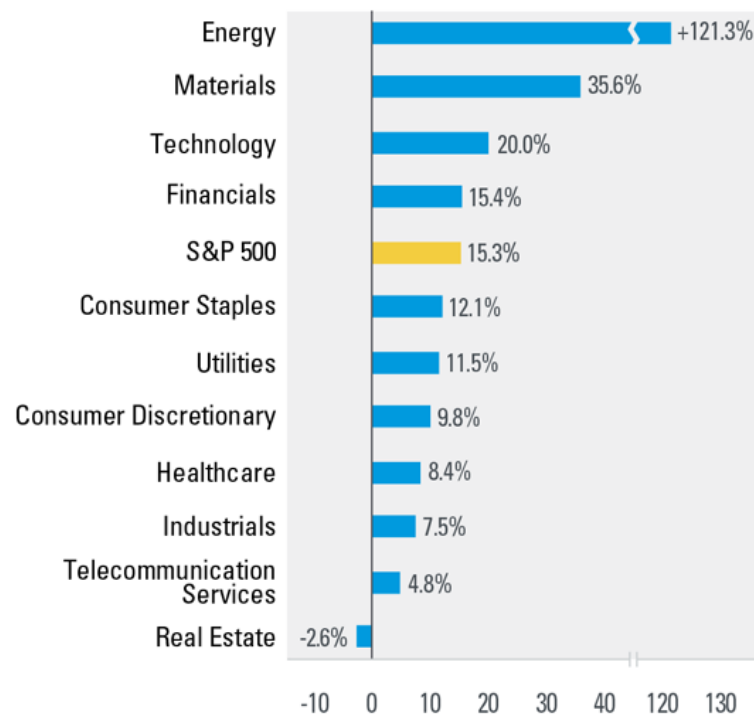
FOURTH QUARTER RECAP

Though guidance from corporate America has been the lead headline, strong fourth quarter numbers should not go unnoticed. As we noted in [January's earnings preview commentary](#), there were a number of reasons to expect strong results, including positive economic surprises, strong manufacturing data, the weak dollar, and resilient estimates heading into reporting season. Corporate America did not disappoint. Here are some of the highlights:

- Earnings and revenue growth, at 15.3% and 8.2% year over year, reached six-year highs.
- This marked the 35th straight quarter in which S&P 500 earnings beat consensus estimates.
- The 77% revenue beat rate is by far the best we've seen in the 10 years of available data.
- The earnings beat rate (77%) was solidly above the average of the current economic expansion (70%).
- A solid 10 of 11 S&P sectors produced year-over-year earnings growth [\[Figure 3\]](#), 9 of them over 7%, while only energy fell meaningfully short of estimates.

3 STRONG FOURTH QUARTER EARNINGS DRIVEN BY A DIVERSE GROUP OF SECTORS

● S&P 500 Sector Q4 2017, Year-over-Year Earnings Increases, %



Source: LPL Research, Thomson Reuters consensus estimates 02/22/18

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Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

CONSIDER THE SOURCE

Different sources such as Bloomberg, FactSet, and Standard & Poor's have different calculations than Thomson Reuters for S&P 500 earnings, based on various methodologies and different interpretations of what constitutes operating earnings.

CONCLUSION

Fourth quarter earnings season has produced exceptional results and very optimistic outlooks from corporate America that we think bode well for future earnings growth; as a result, we have raised our 2018 S&P 500 EPS forecast. As noted in our *Outlook 2018*, we believe 2018 earnings will be supported by stronger global economic growth, a pickup in business spending, and strong manufacturing activity in the United States. We also think operating margins will remain strong and stable, thanks to our expectation for only modest upward pressure on wages and other input costs. Plus the new tax law favorably impacts companies by reducing their tax burdens.

With earnings likely to be the primary driver of returns in 2018, our increase in earnings estimates for this year is being accompanied by an increase in our fair value target for the S&P 500 at year-end. We forecast S&P 500 earnings of \$152.50 for the year, up 15% from 2017; and our new year-end S&P 500 fair value target range is 2950-3000. In terms of investor positioning, consistent with "a return to the business cycle," we favor cyclical equity exposure, including small caps, value, financials, industrials, and technology.

Please see our [Outlook 2018: Return of the Business Cycle](#) publication for additional descriptions and disclosures.

IMPORTANT DISCLOSURES

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The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential liquidity of the investment in a falling market.

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

Small cap stocks may be subject to a higher degree of risk than more established companies' securities. The illiquidity of the small cap market may adversely affect the value of these investments.

All investing involves risk including loss of principal.

DEFINITIONS

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

The PE ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher PE ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower PE ratio.

INDEX DESCRIPTIONS

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major

industries.

This research material has been prepared by LPL Financial LLC.

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The process of diversifying -- or dividing your money among different types of investments -- is based on the idea that different asset classes tend to react differently to similar market conditions.

Diversification: A Big Word, With Bigger Investment Implications

In today's market environment, diversification is more important than ever.¹ But what is the thinking behind this big word? The process of diversifying -- or dividing your money among different types of investments -- is based on the idea that different asset classes tend to react differently to similar market conditions. So by diversifying your portfolio, you may help reduce the risk that a loss in one asset class will drag down your entire portfolio.

The Right Mix May Help You Manage Risk

Source: ChartSource®, DST Systems, Inc. Results include total annual returns for the period January 1, 1926, through March 31, 2016. Bonds are represented by a composite of the total returns of long-term U.S. government bonds, derived from yields published by the Federal Reserve through 1972, the Barclays Long-Term Government Bond index through 1975, and the Barclays U.S. Aggregate index thereafter. Stocks are represented by the S&P 500 index. It is not possible to invest directly in an index. Past performance is not a guarantee of future results. © 2016, DST Systems, Inc. All rights reserved. Not responsible for any errors or omissions.

Diversify Within and Among Asset Classes

To diversify your portfolio, first select among major asset classes, such as stocks and bonds.² The chart above shows how diversifying your portfolio with stocks and bonds may help reduce risk over time, although past performance is no guarantee of future results. Second, consider diversifying within an asset class, such as stocks. For example, if your primary objective is growth, you might choose to invest the majority of your money in "blue-chip" stocks and small-cap stocks.³ You may also want to consider adding foreign investments to your portfolio mix.⁴ Foreign investments make up more than half of the world's total market, so if you are not investing overseas, you may be limiting your opportunities.

Sometimes Less Is More

Diversification is often described as putting your eggs in different baskets. The mix of "baskets" you choose should depend on your goals, time frame for those goals, and ability to tolerate risk. Long-term investors may choose more stock investments, while shorter-term investors may select a mix weighted toward bonds and cash investments such as certificates of deposit.⁵

No matter what combination you choose, make sure each investment plays a specific role in your overall objective. In investing, more is not always better -- strategic diversification is the key.

This communication is not intended as investment advice and should not be treated as such. Each individual's situation is different. You should contact your financial professional to discuss your personal situation.

¹*There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not ensure against market risk.*

²*Investing in stocks involves risks, including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.*

³*Securities of smaller companies may be more volatile than those of larger companies. The illiquidity of the small-cap market may adversely affect the value of these investments.*

⁴*Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations, and may not be suitable for all investors.*

⁵*CDs may be FDIC insured and may offer a fixed rate of return if held to maturity.*

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Taking stock of your assets and liabilities may require a bit of research at first, but the process will get easier each time you do it.

A Net Worth Statement Helps Keep Retirees on Track

A number of planning tools can help retirees monitor their cash flow and make appropriate adjustments in response to changes in income and expenses. Not the least of these is a net worth statement.

By calculating your net worth, you are essentially taking a snapshot of your current financial status. That snapshot can then provide you with the information you need to make important financial decisions.

What is net worth? It is more than just your income -- it's your overall wealth. To determine your net worth, just add up your assets and subtract your liabilities. Your assets are everything you own, including the money in your bank accounts, retirement plans, and investments accounts as well as real estate and even possessions such as your car(s) or a boat. Your liabilities are what you owe. This may include the balance on your home mortgage, credit card debt, car payments, and even unpaid taxes.

Taking stock of your assets and liabilities may require a bit of research at first, but the process will get easier each time you do it. It's a good idea to review the calculation each year to make sure you stay on the right track.

Whether your net worth is higher or lower than you expected really should not be of concern. The main purpose of identifying your net worth is to give you a reference point for assessing your overall financial health.

The following worksheet will help you break down your assets and liabilities so you can reach your bottom line.

YOUR ASSETS

| | |
|---|-----------|
| Cash/bank accounts, CDs, etc. ¹ | \$ |
| Vested share of retirement accounts (employer plans, pensions, profit-sharing plans, etc.) | \$ |
| Market value of investments (stocks, bonds, mutual funds, IRAs, annuities, etc.) ² | \$ |
| Market value of real estate (home, other property) | \$ |
| Market value of vehicles (car, boat) | \$ |
| Cash value of insurance policies | \$ |
| Other (valuables, furnishings, etc.) | \$ |
| TOTAL ASSETS | \$ |

YOUR LIABILITIES

| | |
|--|-----------|
| Balance due on home or real estate mortgage(s) | \$ |
| Balance due on loans (car, student, real estate) | \$ |
| Balance due on rental properties | \$ |
| Balance due on credit cards | \$ |
| Fixed monthly payments | \$ |
| Unpaid taxes | \$ |
| Other | \$ |
| TOTAL LIABILITIES | \$ |
| YOUR NET WORTH (Subtract liabilities from assets) | \$ |

¹CDs are FDIC insured and offer a fixed rate of return if held to maturity.

²Investing in stocks involves risks, including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. Investing in mutual funds involves risk, including loss of principal. Mutual funds are offered and sold by prospectus only. You should carefully consider the investment objectives, risks, expenses and charges of the investment company before you invest. For more complete information about any mutual fund, including risks, charges and expenses, please contact your financial professional to obtain a prospectus. The prospectus contains this and other information. Read it carefully before you invest.

An annuity is a long-term, tax-deferred investment vehicle designed for investment purposes and contains both an investment and an insurance component. They are sold only by prospectus. Guarantees are based on the claims-paying ability of the issuer and do not apply to an annuity's separate account or its underlying investments. The investment returns and principal value of the available subportfolios will fluctuate so that the value of an investor's unit, when redeemed, may be worth more or less than their original value. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal.

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Your retirement plan is one of the easiest -- and potentially most profitable -- ways to reach your retirement savings goal.

Five Smart Reasons to Keep Saving for Retirement

Juggling your personal finances can be a challenging task. There are mortgages and other regular monthly bills to pay, children to raise and educate, and "rainy day" funds to maintain for household and other emergencies. At times, even the best-organized budgets may become strained -- and yes, you may be tempted to cut down or even stop contributing to your employer-sponsored retirement plan. But think carefully before you act. Your retirement plan is one of the easiest -- and potentially most profitable -- ways to reach your retirement savings goal.

Here are five "smart" reminders of the power of your plan.

#1: The Tax Advantages

When you save on a pretax basis, your retirement savings plan offers two strong tax incentives: Your contributions are based on your pretax pay, which means every dollar you put into the plan reduces your current taxable income. In addition, your contributions (and investment earnings) grow and are reinvested, generating more tax-deferred earnings. Over time, this process (called compounding) can accelerate the growth potential of your original investment. If you stop contributing to your plan, you may limit its full growth potential.

#2: Retirement May Last 20 Years or Longer

Healthier lifestyles and medical advances are extending life expectancies -- and retirement income requirements. Experts have long suggested that individuals generally need 70% to 80% of their preretirement income in retirement. Yet, at best, these are estimates based on generalities. The fact is that expenses won't necessarily decline in retirement -- they may just shift. For example, mortgage payments and college tuition may be ancient history, but spending on health care and leisure is likely to rise. In addition, other unforeseen expenses may arise, such as caring for a sick relative or helping to fund a grandchild's education.

#3: The (Potential) Employer Match

You don't want to miss out on the opportunity to reap extra "free" savings in employer matched contributions. Not all employers provide matching contributions, and such contributions may be subject to vesting periods and other rules. But if your employer does offer a match, make sure you contribute enough to take full advantage of this added bonus.

#4: The Uncertain Future of Social Security

The continuing debate about the future of Social Security leaves many of us wondering what role it will play in our own retirements.

Currently, there are two trends working against one another that may put a tremendous burden on the Social Security system in the years to come.

- First, today there are roughly three workers contributing to the Social Security system for every beneficiary. By 2036, that ratio will drop to roughly 2 to 1.¹
- Second, the number of individuals reaching age 65 each year will continue to rise dramatically.

Due to this demographic shift, there will be fewer young workers to generate taxes that support Social Security, Medicare, and other government programs at a time when more of us will be needing them. The bottom line? It's reasonable to assume that you can expect less government support as you grow older.

#5: Inflation Can Erode Your Savings

Inflation is essentially the increase in the price of goods and services. The most common measure of that increase is the Consumer Price Index, or CPI. The CPI compares current and past prices on a "basket" of common expense categories, including housing, transportation, food, and clothing.

It may be easy to overlook inflation when preparing for your financial future. After all, an inflation rate of just 2% to 3% -- which we have been experiencing for the past several decades -- may not seem worth noting until you consider the impact it can have on your purchasing power over the long term. Consider that at just a 3% inflation rate, a \$100,000 nest egg today would be worth only \$40,101 in today's dollars 30 years from now.

We all want retirement to be a time of enjoyment, not financial hardship. To better ensure your own financial future, keep your retirement plan working for you.

¹Source: Social Security Administration, *Fast Facts & Figures About Social Security*, 2017.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

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