INSIGHTS & ANSWERS

YOUR FINANCIAL e-NEWSLETTER

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3 Pillars of Retirement Happiness

Money. It's simple. People with money in retirement tend to be happier than those without. It's never too late to make saving a priority. Sooner is better than later.

Health. If you're not healthy, money likely won't help you enjoy your retirement. If you're not exercising four or five times a week; if you're carrying more weight than you know you should; if you're consuming more calories than your exercise is burning, change now or realize that you won't like the outcome later.

Social well-being. Your relationship with your spouse, your significant other and your network of friends is one of the strongest predictors of your retirement happiness.

All three pillars require putting effort in today to get something of greater value in the future. You may easily understand that concept with saving money, but it's the same with health and social relationships. Eating right, monitoring your weight and exercising may likely deliver great rewards for your future. Quality time and finding common interests with a spouse or friends doesn't just happen without thoughtful intention. If all your social interaction is at your place of employment, it's not enough. Nurture some outside relationships that you will continue to embrace past employment.

If you want to maximize your happiness, decide now to start making an effort into each of the three pillars. The payoff is likely to be significant.

Source: The Street, April 2019, Robert Powell, *What Makes People Truly Happy in Retirement?*

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Financial Vocabulary

Most areas of endeavor have their specific vocabulary. Finance and investing are no exception. Here is some widely used terminology for the typical investor:

1. Gross Domestic Product: This is the dollar value of all goods and services produced/provided in an economy during a specific period.

2. The Business Cycle: The U.S. business cycle has, since the 1960s and probably before, averaged approximately five years in duration. The cycle is one of economic recession; economic recovery; economic growth; and economic decline. This economic activity may have a direct bearing on the rate of return on any investments you will make.

3. Rate of Return: The percentage increase in the value of an investment within a specific period of time.

4. Dividend: A payment, most commonly based upon an investment in a share of either common stock or preferred stock. Some stock investments do not pay a dividend; the investor's return is then in the form of the stock price increase.

5. Earnings: Generally, this is a company's profit after all expenses (including taxes but not including dividends) have been paid.

6. Equity Investment: Generally, this is an investment in the common stock (the ownership) of a company.

7. Fixed Income Investing: Generally, this is an investment in a company's debt. In this case, the investment is a loan, and the loan is represented by an issue of the company's bonds.

8. The Standard and Poor's 500 (The S&P 500): A listing of 500 well-established companies that represents most of the major industries in the U.S. The S&P 500 is a widely used "benchmark" against which the performance of an equity investment may be evaluated.

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The Household Budget

Establishing a household budget stems from a desire to have the household finances under control, as well as the discipline to understand and maintain that control. To get started:

First – recognize whether the household has a stable (regular) monthly income or whether the income varies from month to month. Use the actual expected amount in establishing the budget. Budgeting is not the place to wish or fantasize – work only with what you have.

Second – list the household expenses. Household expenses should be divided into at least two sections:

- Essential expenses: Even if there is no income, these are items essential to living. For example, rent/mortgage payment, food, utilities, transportation and insurance.
- Non-essential expenses: These are items such as entertainment, new clothes, eating out and remodeling a home.

This does not mean that non-essential expenses are unimportant. The idea is to find where any adjustments (i.e. reductions) to expenditures can be made if need be. Please note, not every single household expense fits neatly into the essential/non-essential category. A budget typically has some gray areas where items don't fit either category. It is in this part of the budgeting process that careful thought and discipline are important. The process of budgeting has little value without that kind of thinking throughout.

With a written budget as the household's key tool for managing finances, one only needs to look at the budget to determine when extras can be permitted. It allows for both short-term and long-term saving goals and may be key in attaining financial objectives.

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