FINANCIAL ink

Your Money Management Newsletter

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$707.5 billion

U.S. holiday spending in 2018 — a 2.9% increase over 2017. This was lower than expected by the National Retail Federation, which pointed to market volatility, trade tensions, and the government shutdown as reasons for the shortfall. The winter holiday shopping season (November and December) represents about 20% of annual retail sales.

Source: National Retail Federation, 2019

Could You Come Up with $2,000?

When asked in a 2018 survey whether they could come up with $2,000 in the next month for an unexpected need (e.g., major auto or housing repair), 65% of respondents said they were "certain" they could do so or they "probably" could. The responses indicate that Americans may be stronger financially than they were in 2012.

Source: FINRA Investor Education Foundation, 2019

Practical insights for your **FINANCIAL GOALS**

Mutual Funds Offer Broad Investment Options

Almost 100 million Americans — representing 43.9% of U.S. households — owned mutual funds in 2018. Nearly 90% of these fund owners were confident that mutual funds could help them meet their financial goals.[1]

Mutual funds pool investment dollars from many individual investors to purchase selected securities aimed at meeting a particular objective. This approach offers a convenient way to participate in a wide range of market activity that would be difficult for most investors to do by purchasing individual securities.

With more than 8,000 funds to choose from, you should be able to find appropriate investments to pursue your goals.[2] The following overview describes some basic types of funds in rough order of risk, from lowest to highest. Investments seeking to achieve higher returns also carry an increased level of risk.

Money market funds invest in short-term debt such as commercial paper and certificates of deposit (which generally provide a fixed rate of return). Money market funds are typically used as a cash alternative and/or a fund for settling brokerage transactions.

Income funds concentrate their portfolios on bonds, Treasury securities, and other income-oriented securities, and may also include stocks that have a history of paying high dividends.

Balanced funds and **growth and income funds** include a mix of stocks and bonds and seek to combine moderate growth potential with modest income, typically from a combination of bond interest and stock dividends.

Growth funds invest in the stocks of companies that are considered to have a high potential for share-price appreciation but generally have a low emphasis on income. They are more volatile than income funds as well as some broader stock funds.

Global funds invest in a combination of domestic and foreign securities. **International funds** invest primarily in foreign stock and bond markets, sometimes in specific regions or countries. There are increased risks associated with international investing, including differences in financial reporting, currency exchange risk, economic and political risk unique to a specific country, and greater share price volatility.

Sector funds invest almost exclusively in a particular industry or sector of the economy. They may offer greater appreciation potential than broad-based stock funds during certain market cycles, but the risk level is higher.

Aggressive growth funds aim for maximum growth. They typically distribute little income, have very high growth potential, tend to be volatile, and are considered to be very high risk.

These are just guidelines — there are mutual funds covering almost every aspect of the stock and bond markets. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Asset allocation and diversification do not guarantee a profit or protect against investment loss.

Bond funds are subject to the interest rate, inflation, and credit risks associated with the underlying bonds in the fund. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. Dividends are not guaranteed.

Money market funds are neither insured nor guaranteed by the FDIC or any other government agency. Although a money market fund attempts to maintain a stable $1 share price, you can lose money by investing in such a fund.

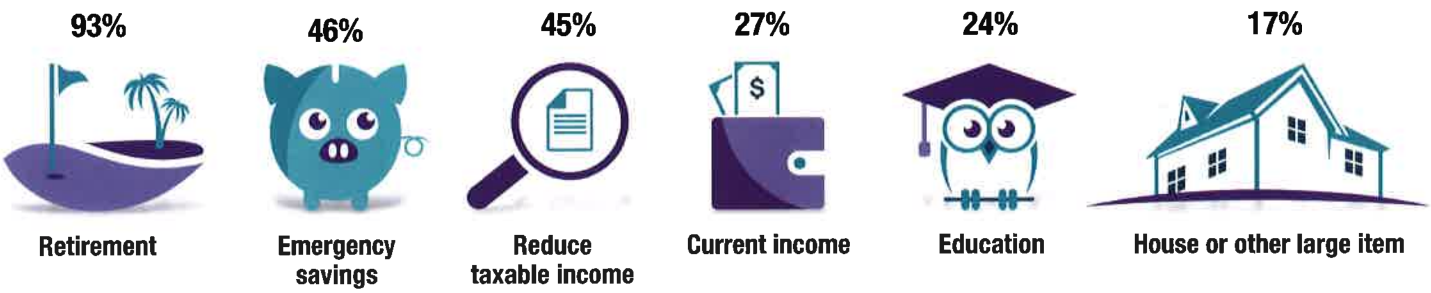
Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1–2) Investment Company Institute, 2018–2019

Why Do You Invest?

Seventy-three percent of households who own mutual funds cite retirement as their *primary* reason for investing. However, many investors own funds to pursue multiple financial goals.

Percentage of mutual fund–owning households who cited these financial goals for owning funds



Source: Investment Company Institute, 2018 (multiple responses allowed)

FAFSA Time — What's Your Expected Contribution?

The fall of 2020 is almost a year away, but if you have a student heading for college in the 2020–21 academic year, now is the time to start applying for financial aid.

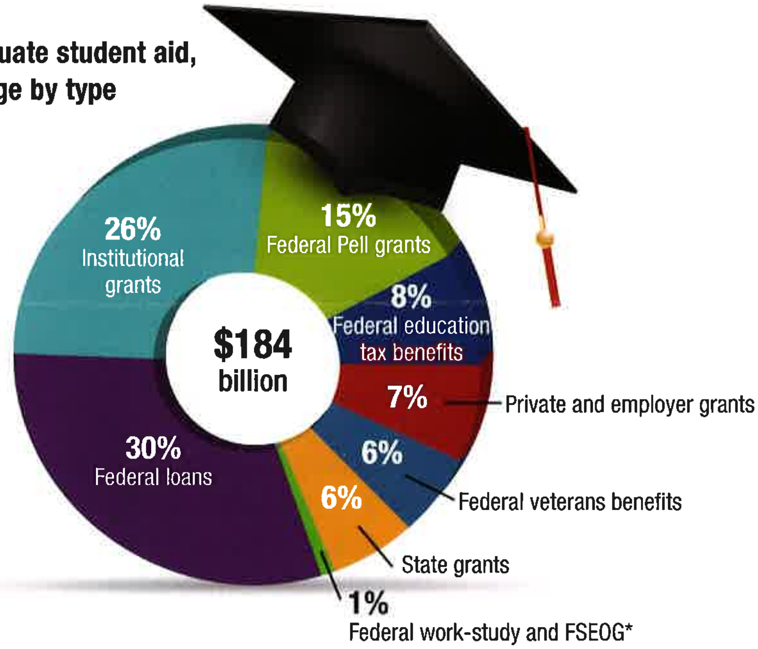
The Free Application for Federal Student Aid (FAFSA) for the 2020–21 academic year — required for all federal aid as well as most state and school-sponsored grants and loans — has been available online since October 1, 2019. The 2020–21 FAFSA will use information from your 2018 tax return, so you should have all the information you need.

Although financial aid deadlines vary by school, it's wise to apply as early as possible at any college or university your student is considering. Some financial aid may be awarded on a first-come, first-served basis, and knowing more about potential aid could help your student make a final decision among offers of admission.

Types of Financial Aid

During the 2017–18 academic year, undergraduate students received more than $184 billion in student aid, including grants, loans, education tax benefits, and work-study. This equated to an average of $14,790 per full-time equivalent (FTE) student, including $8,970 in grants, $4,510 in federal loans, and $1,310 in a combination of tax benefits and federal work-study.

Total undergraduate student aid, percentage by type



*Federal Supplemental Educational Opportunity Grants (for students with exceptional financial need)
Source: College Board, 2018 (does not add up to 100% due to rounding)

Calculating Need

Financial aid is generally determined by looking at a family's income, assets, and related household information. The FAFSA uses various formulas depending on a student's situation, but these four calculations apply for most dependent students.[1]

Parent income is counted up to 47% of "available income" — adjusted gross income plus untaxed income/benefits minus certain deductions, including federal and state taxes and an "income protection allowance" based on household size and number of college students.

Student income is counted at 50% of available income, calculated in a similar manner to parent available income but with a smaller income protection allowance ($6,600 for the 2019–20 school year).

Parent assets are counted at up to a 5.6% rate, but home equity, retirement assets, cash-value life insurance, and annuities are excluded.

Student assets are counted at a 20% rate, with the same exclusions as parent assets.

The result is a figure known as your expected family contribution, or EFC. This is the amount you must contribute toward college costs to be eligible for aid. Your EFC remains constant, no matter which college your child applies to or attends.

To calculate your student's financial need, subtract your EFC from the cost at a given college. For example, if your EFC is $25,000 and College A costs $30,000 annually and College B costs $60,000, your student's financial need is $5,000 at College A and $35,000 at College B. Aid is typically awarded as a combination of grants or scholarships, loans, and in some cases work-study programs.

Many private schools also require one or more additional aid applications. The most common is the standard college PROFILE, which typically takes a more in-depth look at your income and assets. The PROFILE form is generally submitted in the late fall or winter, but is often required earlier if your student is applying for early decision or early action.

How to File

The best way is to file the FAFSA online at the U.S. Department of Education website: ***fafsa.ed.gov***. To do so, you and your student will each need to obtain an FSA ID at ***fsaid.ed.gov/npas/index.htm***. State deadlines can be found on the same website as the FAFSA application. Deadlines for specific colleges and universities and related financial aid information can typically be found on the school's website.

For more information on federal student aid, see ***studentaid.ed.gov***.

1) U.S. Department of Education, 2018

Online Shopping Tips

In 2018, Internet retail sales rose by more than 14% over 2017, while brick-and-mortar sales increased by less than 4%. About $514 billion in goods and services were purchased in cyberspace throughout the year. Even so, traditional retailers still dominated the marketplace, with $4.8 trillion in sales.[1]

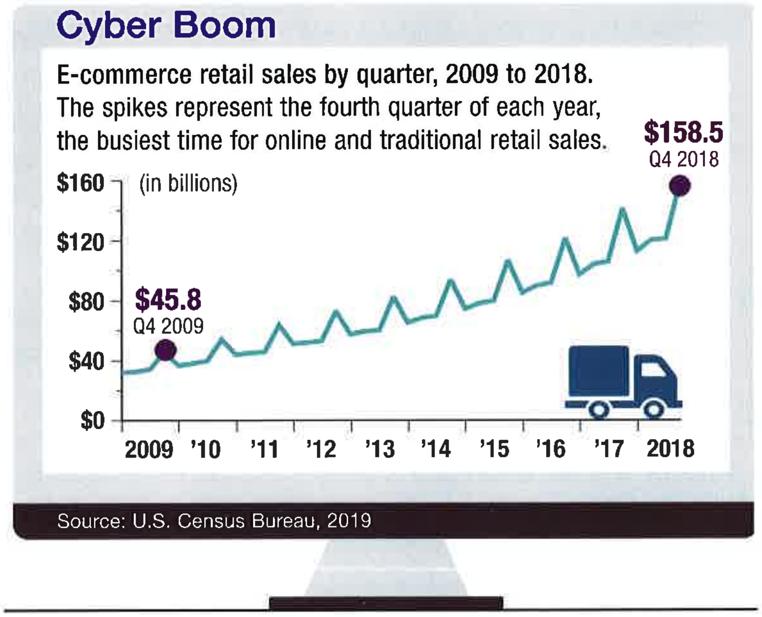
Shopping online is especially popular during the holiday season, when many people prefer to avoid the crowds and purchase and ship gifts with a few clicks of the mouse. Before you click, you might consider these tips, which could help make your online shopping experience safer and more satisfying.

Connect carefully. Look for ***https://*** in the URL and an icon of a locked padlock, typically to the left of the URL, which indicate a secure connection. Don't provide personal or financial information when connected to a public Wi-Fi hotspot unless you are certain it is secure. If you must use public Wi-Fi, use a virtual private network (VPN).

Protect your identity. Create a strong password if you order through an account. Only provide information that is required for your order. Opt out of future contacts unless you want further information.

Use a credit card, not a debit card. Credit-card payments can be withheld if there is a dispute, but debit cards are typically debited quickly. Credit cards generally have better protection than debit cards against fraudulent charges.

Know the vendor. Ordering online from well-known retailers is generally safer (although even large vendors can be hacked). If you want to order from an unknown vendor, read online reviews from other consumers and check out the company with the Better Business Bureau. Regardless of the vendor, be sure you are comfortable with the return policy, check for additional fees (such as handling), and make sure you're not signing up for a service or product with recurring charges.



Finally, remember to factor in time for shipping. Many retailers offer free or low-cost delivery with a guaranteed delivery date, but it might not be as fast as you would like — and overnight or expedited delivery can be costly. If you need a last-minute gift, you might have to face those crowds at the local mall.

1) U.S. Census Bureau, 2019

Are your investments aligned with your current financial goals? Call us to schedule a portfolio review.

Working toward a better financial future,