HW

FOREVER YOUNG

ISSUE 14 HAVE PATIENCE WITH ALL THINGS

MONEY MANAGEMENT
Maximizing Social Security Spousal Benefits

CYBERSECURITY
Protecting Yourself from Cybercrime

YOUR MONEY
Recession: It's Not That Straightforward

LIFE INSURANCE
Consider Using Life Insurance

HEY! HOBART
Recession Concerns

HW HOBART WEALTH

LETTER *from the* CEO

PRACTICING PATIENCE AND PERSISTENCE

Our daughter Sloane went to summer camp for the first time this year. Camp Merri-Mac is an all-girls summer camp in the mountains of North Carolina, and Sloane went there for two weeks.

She wasn't enthusiastic at first. In fact, she hated everything about it. But by the time she left, she had made friends, was voted the cabin princess (which is a big deal) and overcame her initial adversity and anxiety.

Camp taught Sloane she's stronger than she thought – both physically and mentally. She developed strong leg muscles from walking up the hills. She discovered she didn't need to be on her phone all the time. She even got the chance to take guitar lessons from people there and came home with new skills she hadn't been able to teach herself.

Here's the thing. If Sloane had listened to her fear and anxiety when she first found herself in this new situation, she probably would have asked to come home. And if she had come home, she would have missed out on all the fun things and new friends she experienced while she was there.

As a parent, I knew she just needed to give the situation some time. Good things would reveal themselves if she was just patient.

Sometimes, stepping back and letting a situation unfold is a much better strategy than forcing a situation toward resolution. The problem is that doing so takes patience – and patience often means waiting out our fear when what we really want to do is flee from the situation that's causing it.

We could all stand to remember that right now. It's difficult not to panic when the headlines are all negative and markets are down 20+%. It's tempting to say, "Sell it all!" when you're watching your portfolio drop in value.

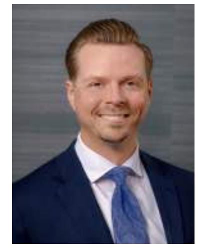
But I'm here to remind you that panic is not a strategy. Making decisions based on fear and anxiety never ends well, especially when it comes to your investments. Instead, we need to make decisions when we're rational and calm. After all, history has shown us that markets go down – but they always come back up again. And if we are patient and stay steadfast even when we're worried or anxious, we have huge opportunities for growth when they eventually do come back up.

Back to Sloane. What seemed like a horrible, no-good situation at first turned out to be a good experience. I'm hoping we can one day look back at the first six months of 2022 and say we learned something about ourselves during that time. Am I saying a down market is a good thing? Not at all. But the current environment can serve as a reminder that investing is a long-term activity, one which requires patience and persistence.

May you stay Forever Young,

Chris Hobart

MONEY MANAGEMENT



COREY SUNSTROM, CFP®

DIRECTOR OF FINANCIAL PLANNING
SENIOR WEALTH ADVISOR

MAXIMIZING SOCIAL SECURITY SPOUSAL BENEFITS

For many Americans, Social Security is the bedrock of their entire retirement income plan. But when it comes to claiming Social Security benefits as a married couple, there are a lot of details to keep in mind. Making the most of your Social Security benefits can also require a bit of strategy.

There are ultimately more options available to married couples than to single individuals and spouses may be eligible for spousal benefits up to half of what their partner receives.[1] If you earned less than your partner during your working years, your spousal benefits may be higher than your own benefits.

Keep in mind that while there are more options available to claim these benefits, there are also more opportunities to make costly mistakes. Making good decisions can help you make the most of your benefits and help you live more comfortably, whereas incorrect Social Security claiming strategies could do the opposite and cost you hundreds of thousands in the end.

Rules when Applying for Social Security Spousal Benefits? When applying for Social Security spousal benefits, you can expect:

- To receive upwards of 50% of your spouse's Social Security benefit.
- The ability to apply for benefits if you have been married for at least 9 months.
- The ability to apply for benefits if you have been divorced for at least two years and the marriage lasted for 10 or more years.
- To start benefits early, which may lead to a reduction in payments.
- To receive the greater of either your benefit or the spousal benefit, if you have an employment history.[2]
- In order to take full advantage of your spousal Social Security benefits, be aware of the amount you might be eligible for, as well as the timing around your claim. These details can potentially impact how much you receive.

Eligibility for Social Security Spousal Benefits
Before applying for benefits, you should be married for at least a full year. In addition, your spouse must have already started to collect benefits and you must have reached 62 years of age.[3]

If you've experienced multiple marriages and/or divorces, it's up to you to choose whichever spousal benefit is more impactful, given the other requirements have been met. Additionally, if you have employment experience you may be eligible for a personal benefit. In this case, you may receive your own benefit if it is greater than the spousal benefit.

How Much to Expect
By visiting the Social Security Administration website, you can learn more about the spousal Social Security payment amount you should expect to receive. You can expect your spousal benefit to be roughly 50% of your spouse's benefit at their full retirement age.[4] When you are eligible to receive your full benefit is considered the full retirement age. (Visit https://www.ssa.gov/benefits/retirement/planner/agereduction.html to find your full retirement age.)

When it comes to delaying your payments, spousal and personal benefits often differ. Say you were to consider delaying your personal benefits until after your retirement age occurs, the benefit would then increase over time. Keep in mind, spousal benefits will max out at the full retirement age and there is no benefit to delaying past that time.

[1] *https://www.nytimes.com/2018/08/31/business/social-security-retirement.html*
[2] *https://www.thebalance.com/clearing-spousal-benefits-confusion-2388948*
[3] *https://socialsecurityintelligence.com/social-security-spousal-benefits/*
[4] *https://blog.ssa.gov/understanding-spouses-benefits/*

PROTECTING YOURSELF FROM CYBERCRIME

FEATURING CYBERSECURITY EXPERT JOHN SILEO

In an increasingly online world, it has become more and more difficult to protect yourself and your sensitive data. Hackers have become stealthier than ever, and a growing number are relying on human error – not technology vulnerabilities – to get ahold of your data.

They are doing this through social engineering, strategies that rely on tricking people to give up their identifying details, including passwords, dates of birth, Social Security numbers, and answers to identity verification questions. And these methods are working: In a 2021 study, more than 85% of all data breaches involved some sort of human interaction.[1]

I know firsthand what it feels like to be a victim of cyberhackers – because I was one. Several years ago, I lost my multi-million-dollar startup, most of my wealth, and two years of my life to cybercrime. A hacker electronically embezzled from my company's clients and left me holding the financial and legal bag. Since then, I've made it my mission to help others avoid a similar experience. I help companies and individuals protect themselves from data thieves and stay "cybersafe." But where do you even start? Here are four easy ways to prevent hackers from getting your information:

John Sileo is President and CEO of the Sileo Group. John has helped organizations like the Pentagon, Amazon and other companies both small and large to protect against cybercrime. He is also a popular speaker, using humor and interaction to entertain while educating his audience.

1. Turn on multifactor authentication. A "multifactor authentication" is just a fancy way of saying "doublecheck." You've probably experienced this if you've called your bank and they ask you to provide the last four digits of your Social Security number or the amount of the last deposit you made into an account. Then they'll ask you for a second piece of verifying information – or even send you a text with a pin to confirm you are who you really say you are.The reason for the second step? Thieves are much more likely to have only one piece of critical information about you, not two. Set up multifactor authentication wherever you can as an extra level of security for your data.

2. Don't forget to update. Your desktop computer, laptop, smartphone, tablet, and even smart TV all have an operating system – and the manufacturer will push out updates for the operating system from time to time. Those updates often shut down ways hackers can get into your devices. Instead of ignoring or postponing updates, it's a best practice to install them as soon as they get pushed out. Pop-up notifications will usually let you know if you have an available update for your device.

3. Read closely before you click. Have you ever received a message from a "friend" that's out of character or tone? Or an email from a company you recognize with a link – but the email doesn't ring quite true? It's probably a phishing scheme, with a link that takes you to an unsecured site meant to capture your data. If you receive an email like this, verify its authenticity with the sender before clicking the link.

4. Use strong passwords. Ironically, the most commonly used password is "password." Don't use passwords that can be easily guessed, such as your child's first name and birthdate or your address. The strongest passwords are at least 15 characters long and include a mix of capital and lowercase letters, numbers and symbols. And avoid using the same password for multiple sites. Software such as LastPass can store your passwords for you, so all you have to remember is one master password.

[1] Timo Burbidge. Verizon. May 13, 2021. "Cybercrime thrives during pandemic: Verizon 2021 Data Breach Investigations Report." https://www.verizon.com/about/news/verizon-2021-data-breach-investigations-report. Accessed July 1, 2022.

YOUR MONEY

JACOB WOODRUM, CFP®
LEAD INVESTMENT STRATEGIST
INVESTMENT POLICY COMMITTEE MEMBER

RECESSION: IT'S NOT THAT STRAIGHTFORWARD

All of the talk these days appears to be around recession and how we navigate the current environment. While we can interpret the incoming economic data and opine on what we assume will occur based on information and statistics, the situation is quite a bit more complex. The importance of understanding cycles, interpreting where we're currently at in those cycles, and making appropriate decisions based on those interpretations is paramount to success.

The Federal Reserve, through their regular cadence of meetings, has been raising interest rates, creating a number of implications which we have to keep in mind as we move forward. Inflation, increasing interest rates, supply chain inefficiencies and geopolitical war have created an environment of slowing growth in the U.S. economy. What started as a robust growth projection has seemingly – and somewhat systematically – reduced at each Fed meeting since the beginning of the year. During its March meeting, the Fed reduced its initial forecast for 2022 Gross Domestic Product (GDP) to 1.7%, down from its previously projected growth rate of 2.8%.[1]

It should come as no surprise that the headwinds we are experiencing has caused estimated future growth to decline. The key is how do we interpret this data and position ourselves accordingly. As I've talked about many times, GDP is the lifeblood of the economy and is as important to the country as oxygen is to the lungs. This is why a recession is defined as a decline in GDP for two consecutive quarters and illustrates the importance of growing or at least maintaining steady GDP over time.

No one can forecast with any certainty what a recession may look like or how long it may last. In uncertain situations like these, investing becomes extremely dangerous. It reminds me of a concept largely attributed to Warren Buffett, called the Noah Quote. It goes something like,

> "The prediction of rain doesn't matter, building the ark does."

This is what I do know: Ultimately, the fundamental nature of the market will prevail. That's not to say psychology and emotions don't matter. The common thread of investing is that attitudes regarding fundamentals are subjected more to psychological and emotional behavior rather than analysis and research. This phenomenon predicates that things can change – and they can change very quickly. The air goes out of the balloon much faster than it goes in and this occurrence has happened consistently throughout the years.

The last few quarters have not been easy, and certainly not straightforward. I'm extremely proud of the strength and fortitude that our clients have exemplified since the beginning of the year. Standing strong in the face of adversity and trusting the fundamental, time-tested investment strategies being employed is the reason we will come out of this volatility stronger on the other side. This isn't new territory, and we've been here before. We will continue to allocate capital as efficiently as possible, and we're grateful for the opportunity to steward the wealth you have entrusted to us.

[1] Fred Imbert. CNBC. June 15, 2022. "Fed members predict more hikes with the benchmark rate above 3% by year-end." https://www.cnbc.com/2022/06/15/fed-members-predict-more-hikes-with-the-benchmark-rate-above-3percent-by-year-end.html#:~:text=As%20for%20the%20economy%2C%20the,programming%20from%20around%20the%20world. Accessed June 29, 2022.

LIFE INSURANCE

WANT TO BUILD GENERATIONAL WEALTH? CONSIDER USING LIFE INSURANCE

JONATHAN PADGETT

DIRECTOR OF INSURANCE PLANNING

Most retirees and pre-retirees intend to use required minimum distributions (RMDs) or annuity income riders to produce retirement income. But what if your other sources of retirement income – namely 401(k)s, pensions, IRAs, personal savings and other investments – are generating enough for you to live on?

In that case, you may be able to use RMDs and annuity income to leave money to your loved ones without creating a tax issue. RMDs and annuity income riders can be used to fund a life insurance program, with your spouse, adult children or chosen charitable organization as the beneficiaries. When you die, your beneficiaries receive the proceeds of the life insurance tax-free.

I get it: Life insurance can be a boring topic and people often have their own preconceived notions about it. But for many families, it can be a tool for creating generational wealth and reducing estate taxes – if it's set up correctly.

Let's look at an example of how we might fund a life insurance program using RMDs and annuity income for a married couple. John and Sharon are both age 73, and they have joint lifetime annual income options on their annuities totaling $19,000.

We're going to make a couple of assumptions. First, we'll assume a 4% growth rate on their annuities, which are currently worth $378,000 and include a mix of IRA and Roth IRA annuities. Second, we'll assume a 25% tax rate at death on their IRA annuities and 0% tax rate on their Roth IRA annuities. Based on those two assumptions, the couple would pass on about $502,000 after taxes if one (or both) lives to be 88.

Let's look at what happens if they repositioned income benefits to a survivorship life program. If they both live to age 88, they would pass on $982,000 to their heirs. John and Sharon were able to give their beneficiaries $450,000 more through life insurance money that would transfer to the next generation tax-free.

The difference is even more striking if the couple passes away earlier. Taking the same assumptions above, John and Sharon would pass on $360,000 (after taxes) if they die by age 80. If they reposition their annuity income into a life insurance program, their heirs would receive more than $1 million in tax-free funds.
That's a big difference!

While life insurance isn't the right move for everyone, these examples show what a difference it could make for an estate plan. The only catch is that life insurance works best for people who are still in relatively good health.

At Hobart Wealth, we have a tool which compares taking the RMDs and reinvesting them versus repositioning them to life insurance.

If you're interested in finding out more about implementing life insurance into your financial plan, give me a call. We can do an in-depth analysis and see if this strategy is a viable option for you.

Earlier this year, we added Jonathan Padgett as our Director of Insurance Planning. Jonathan brings more than 15 years of experience in insurance planning to our team, and we're excited for him to share his insights and opportunities on how life insurance can be a vital part of your overall financial plan.

hey!

HOBART

We love answering your questions about all things money, from retirement savings to how to save on taxes. Do you have a question for us? Send an email to **hello@hobartwealth.com** with the subject line "Hey Hobart!" And feel free to shout "Hey Hobart!" any time you see Chris around town.

Q: Should I be doing anything to prepare for a recession?

A: That's a very valid question – and one we've been getting from a lot of our clients, especially those who are getting closer to retirement.

In fact, Jacob wrote an article on this a few pages back. So, what is a recession exactly? As you read earlier in this newsletter, it's when our Gross Domestic Product (GDP) isn't growing and shrinks two quarters in a row. We saw -1.% GDP in the first quarter of 2022.[1] and the outlook for the rest of 2022 isn't exactly rosy.

Recessions are often distinguished by increased unemployment, higher interest rates and stock market volatility. People approaching the tail-end of their working years during a recession may have their retirement plans derailed by a number of things: Layoffs and early buyout offers may mean retiring sooner than planner. A higher cost of living results in your savings not stretching as far. And stock market dips could eat into your retirement income.

While a recession isn't welcomed, the good news is you may not have to change your retirement plans if one occurs. Here are a few suggestions for recession-proofing your retirement:

Save as much as possible in an emergency fund. This is tough with prices as high as they are right now. But having 4-6 months of living expenses covered could save you from dipping into retirement savings in the event of a layoff.

Pay down debt. The Fed is raising interest rates, which will lead to higher interest on loans and credit cards. If you pay down your debt now, you could pay less in interest later.

Keep contributing to your retirement savings. When the market drops, it's tempting to halt contributions to your 401(k) and IRA. But if you're not planning to use those funds for a few years, you still have time to take advantage of growth in those accounts.

Make sure your portfolio is aligned with your risk tolerance. Recent market losses may have created an imbalance in your portfolio, leaving you potentially vulnerable to unnecessary risk. If you're concerned about too much risk in your portfolio, let's schedule some time to review your investments and possibly adjust allocations.

Call us with questions—or just to vent. Some of our clients hesitate to reach out when they're anxious about their retirement savings. But as your financial partner, we're here to ease your concern. Contact us whenever you want to know more about how a potential recession or market events could impact your retirement.

Consider a Roth Conversion. A great time to convert to a Roth IRA is when the market compresses.

[1] Bureau of Economic Analysis. June 29, 2022. "Gross Domestic Product (Third Estimate), Corporate Profits (Revised Estimate), and GDP by Industry, First Quarter 2022." https://www.bea.gov/sites/default/files/2022-06/gdp1q22_3rd.pdf. Accessed June 30, 2022.

HW FAVORITE THINGS

Patience is essential to daily life – and might even be the key to a happy one. Having patience means being able to wait calmly in the face of frustration or adversity, whether that's at home with our kids, at work with colleagues, or out in public with other members of the community. **We asked our team:** What does patience mean to you? How do you practice patience when things get stressful? Have you seen others exhibit patience and in what ways? How can we show patience to ourselves and others?

KAELYN EMBLER

Client Services Specialist

To me, patience means remaining content in your situation while you're waiting for something. Right now I'm patiently waiting for football season so I can cheer on the Carolina Panthers and the Alabama Crimson Tide! I've always looked at the big picture when I start to become impatient. I remind myself why I am in this season of life, what I'm working towards, and remember there are better times ahead. As I've grown up in a generation full of immediate gratification, I must be intentional about practicing patience. Focusing on what's in my control instead of what I can't control helps me stay patient.

ANDREW GREER, CFP®

Senior Wealth Advisor

I get a lot of practice with patience at home with my kids. Rather than respond immediately to the issue at hand, I give myself time to breathe, gather my thoughts and see all the angles of the conflict I'm dealing with. I remember my parents suggesting this to me growing up and I can now tell them – yet again – they were right. I feel as though society has lost touch with how to deal with one another, particularly strangers. My faith is restored when I see doors being held for others, cars giving the right away in traffic, and allowing elderly people to go to the front of the line at the grocery store.

HW HOBART WEALTH

7733 Ballantyne Commons Parkway | Suite 101 | Charlotte, NC 28277
Phone: (704) 553-0123 **hobartwealth.com**