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Life. Investing. And Everything in Between

Newsletter Highlights

WHAT IS FINANCIAL FITNESS?

By Kelly L. Olczak, CFP®

Financial fitness goes beyond merely accumulating a substantial amount of money in your bank account or owning an extensive collection of stocks and bonds. It's a common misconception that inheriting a significant sum or winning the lottery equates to being financially savvy. Similarly, successful college athletes transitioning to professional sports might find themselves wealthy overnight without a foundational understanding of finance. In essence, acquiring wealth suddenly doesn't guarantee financial savvy.

Lacking the essential knowledge of personal finance principles means that swiftly gained wealth can vanish as swiftly as it came. Drawing on the wisdom of Proverbs 13, the message is clear: wealth acquired through quick schemes tends to dissipate, while wealth built through consistent hard work and careful planning tends to increase over time.

Let's take a moment to clarify what we mean by financial fitness. It's the ability to make informed financial decisions through acquired skills and knowledge, aiming to grow your wealth and secure your financial future effectively.

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Consider the start of a new year when many set resolutions, which are often broad and akin to a vision statement. Goals, on the other hand, are specific, measurable, accompanied by a plan, and bounded by time.

For instance, a resolution to be healthier in 2024 might be vague, like wanting to lose weight or exercise more. But setting a specific goal involves detailing how much weight to lose, by when, and outlining a strategy to achieve it, possibly with the support of an accountability partner.

Though we aren't personal trainers, the principles of setting clear goals apply to financial fitness as well. Financial fitness is about taking definitive steps towards financial security and achieving your financial goals, be they immediate or distant.

7 Steps to a Brighter Financial Future

- **Dream Big and Set Goals:** Just like planning a road trip, knowing your destination is key. Without a goal, you're just wandering financially.

- **Track Your Spending**: Ever wonder where all your money goes? It's time to play detective with your own finances. Keep tabs on everything for a couple of months, from the big bills to the fun stuff, and you might just find some surprises.

- **Save More Than You Spend**: It's not rocket science; saving is about spending less than you earn. Forget the myth that only the rich can save. It's about living within your means. If you're finding more month left at the end of your money, it's time to revisit your spending habits.

- **Tackle Your Debt**: Let's strategize to knock out those high-interest debts. Yes, some debt can be smart for big things like homes or cars, but don't let it derail your financial dreams. Remember, being in debt means you're working for your lenders.

- **Automate Your Savings**: Make saving painless. Automate deposits to your savings or retirement account. Start small; it's the habit that counts. Befor

- **Invest With Purpose**: Ask yourself why you're saving. Is it for emergencies, a dream vacation, or future goals like retirement or education? Your reasons will keep you motivated and on track, even when it gets tough. Begin with a simple, diverse investment plan and adjust as you go. The journey matters more than the occasional bumps.

- **Don't Hesitate to Get Help**: It's okay to not know everything about finances. Seeking advice

BRIEF MARKET UPDATE

A Positive Start to the New Year

The economy seems fine. The job market seems fine. So far, there are few signs the economy is about to slip into a recession.

In January, the Dow added to gains, setting new highs, and the S&P 500 Index eclipsed its prior high-water mark made two years ago (Yahoo Finance S&P 500).

A loss on the final day of the month pared the market's January advance, but the S&P 500 managed to finish the month above its prior all-time high in early 2022.

Table 1: Key Index Returns

	MTD/YTD %
Dow Jones Industrial Average	1.2
Nasdaq Composite	1.0
S&P 500 Index	1.6
Russell 2000 Index	-3.9
MSCI World ex-U.S.A.*	0.4
MSCI Emerging Markets*	-4.7
Bloomberg U.S. Agg Total Return	-0.3

Source: Wall Street Journal, MSCI.com, Bloomberg, MarketWatch
MTD/YTD returns: December 29, 2023–January 31, 2024
**in U.S. dollars*

Put another way, the stock market seems fine. So, everything is fine, right?

Well, we hit some turbulence on January 31. But down days are to be expected. Blame the decline on Fed Chief Jerome Powell, who made it clear at his press conference that a March rate cut probably isn't in the pipeline. But was his remark really a surprise? It shouldn't have been.

In part, the Fed doesn't want to be bullied into a rate cut. In part, several Fed officials had been downplaying a March rate cut. But, when the boss speaks, people pay attention.

Besides, there aren't yet any definitive signs that the economy is weakening. So, the Fed isn't feeling that much pressure to hit the monetary gas pedal.

However, the Federal Reserve is openly talking about rate cuts this year. A May or June cut shouldn't be ruled out.
For now, the economy is expanding at a modest pace, inflation is coming down, and the Fed wants to see a little bit more evidence that inflation is headed back to its 2% annual target.

Ultimately, we believe the economic fundamentals will clear a path for the market this year.

Before we wrap things up, let's define a couple of terms: soft landing and recession. These terms pop up often in the financial press. They may be confusing for some folks; therefore, let's spell them out.

According to Brookings, the Fed raises "interest rates just enough to slow the economy and reduce inflation without causing a recession. It has achieved what is known as a soft landing…. Soft landings are the equivalent of 'Goldilocks' porridge.' Following a tightening, the economy is just right—neither too hot (inflationary) nor too cold (in a recession)."

The National Bureau of Economic Research defines a recession (a hard landing) as a "significant decline in economic activity that is spread across the economy and that lasts more than a few months." A recession is accompanied by significant job losses.

The fabled "soft landing" that allows the Fed to cut interest rates as inflation slows (and not from economic weakness) has historically provided the most support for stocks. We view this as the best-case scenario for investors.

Recessions in 1974, 1990, 2001 and 2008 led the Fed to cut rates, but recessions squashed corporate profits, and investors took their cues from weak corporate earnings, not falling interest rates.

However, equities benefited from rate cuts in 1984-85, 1995 and 2019. The monetary easing was not in response to a recession but from a recognition that rates had risen enough to slow economic growth and prevent an unwanted rise in inflation.

A slight tap on the monetary pedal was in order, and investors responded enthusiastically.

Table 2: Rate Cuts, Recessions and Market Returns

Rate Cuts	Annual S&P 500 Return
Recessions	
1974	-29.7%
1981	-9.7%
1990	-6.6%
2001	-13.1%
2008	-38.5%
Soft Landings	
1985	26.3%
1995	34.1%
2019	28.9%

Source: Macrotrends, St. Louis Federal Reserve
Annual S&P 500 return does not include reinvested dividends.
Past performance is no guarantee of future results.

10 Annoying Hotel Fees and How to Avoid Them

Planning your summer getaway? Chances are, you've been scouring the internet for the perfect place to stay, trying to balance top-notch amenities with affordability. But if you've ever found hotel pricing confusing and full of surprises, you're not alone. Those sneaky extra charges, known as hidden hotel fees, have been making budgeting for vacations harder since they became a thing back in 1997.

These fees can take a big bite out of your travel fund, often popping up only after you've booked or as you're checking out, leaving many travelers like you stunned, according to Anne Banas, the expert from SmarterTravel.com

The good news? Change might be on the horizon. Senators Jerry Moran and Amy Klobuchar have introduced the Hotel Fees Transparency Act, aiming to make sure that any advertised price for hotels and short-term rentals includes all the costs you'll actually pay. Plus, the FTC is stepping up, proposing a rule to eliminate those frustrating junk fees, ensuring prices are fair and transparent, helping protect consumers and support honest businesses.

Sen. Klobuchar puts it simply: "It's too common for people booking online to be hit with hidden fees, making it tough to figure out the real cost of a hotel stay. Our bipartisan effort aims to clear things up so travelers can book with confidence, knowing exactly what they're paying for."

When booking your next hotel stay, keep an eye out for these sneaky fees. Anne Banas from SmarterTravel.com shares her top tips for keeping these extra charges off your bill:

1. **Resort Fees**: These fees cover the myriad activities and services at resorts, charged whether you use them or not. Tip: Ask about these fees when booking and check your bill to ensure you're not charged for unused services.

2. Early Check-In Fee: Arriving before your check-in time might cost extra. Tip: If you're early, see if the hotel can hold your bags for free so you can explore hands-free until check-in.

3. Extra Person Fee: Extra charges for additional adults in a room are common. Tip: Know about this fee upfront to find hotels that don't charge it, especially if traveling with more adults.

4. Wi-Fi Fee: Yes, some places still charge for internet access. Tip: Joining the hotel's loyalty program often nets you free Wi-Fi, and budget hotels are more likely to offer it at no charge.

5. Mini-Bar and Snack Fee: Beware of costly mini-bar items and seemingly complimentary snacks. Tip: Avoid unexpected charges by not moving mini-bar items and clarifying if snacks and water are free.

6. Parking Fee: Parking in city hotels can add a significant amount to your bill. Tip: Research nearby parking options or look for hotels offering free parking promotions.

7. Gym Fee: If you didn't use the hotel gym, make sure you're not being charged for it. Tip: Always check your bill for fees like these and request their removal if you didn't use the service.

8. <u>Housekeeping Gratuity</u>: Some hotels automatically add a gratuity for housekeeping. Tip: Check your bill to avoid double-tipping.

9. <u>Spa Gratuity</u>: Ask if a gratuity is included when booking spa services to avoid over-tipping. Tip: Clarify charges beforehand to ensure you only pay what's expected.

10. <u>Telephone Surcharge</u>: Using the hotel room phone can be costly. Tip: Use your own mobile phone for calls to avoid these fees.

Banas reminds us that while dodging these fees requires a bit more effort, the savings can make it worthwhile. And even if you can't avoid a fee, don't sweat the small stuff if you've secured a great rate at a nice hotel.

Final thoughts...

We're just kicking off February! Let's keep in mind that getting financially fit is more like a long hike than a quick dash. Use the tips and insights from this newsletter to help you make smarter money moves.

Every step you take, from setting solid goals to keeping an eye on where your money goes (watch out for those sneaky fees!), moves you closer to your financial dreams. Let's lean on each other in our community, celebrating our wins and learning from the bumps along the way. Here's to a month filled with positive steps, empowerment, and sticking to our financial fitness plan. Stay inspired, stay informed, and keep pushing towards your money goals. Cheers to making this February a key part of our financial fitness journey!

Have a wonderful month, and we will reconnect in March!

Go Bills! (I know, I know)

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