smartlife™

MONTHLY NEWSLETTER

CORBETT ROAD
WEALTH MANAGEMENT

January 2023

47%

Percentage of retirees who retired earlier than planned, with nearly one-third citing an unexpected hardship, such as a health problem or disability.

Source: *Employee Benefit research Institute, 2022*

WHAT'S INSIDE

Retirement Age Expectations vs. Reality
Workers typically plan to retire much later than the actual age reported by retirees. In the 2022...
— page 02

The Top Six Inflation Drivers of 2022
In June 2022, the 12-month rise in the Consumer Price Index (CPI) peaked at 9.1%, the fastest pace in 40 years, before dropping to 7.7% in October.
— page 02

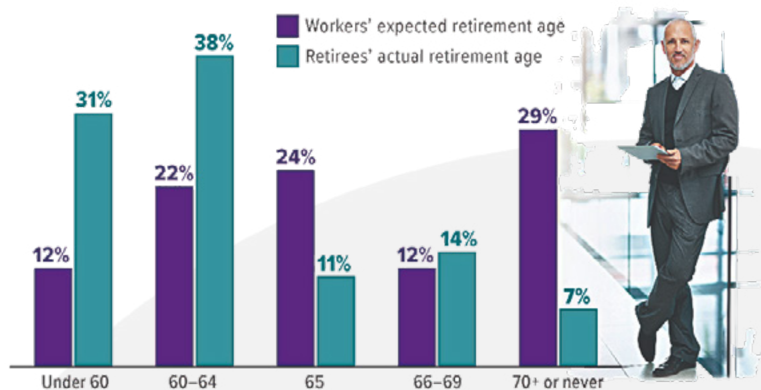
The Inflation Experience Is Painful and Personal
Inflation is a sustained increase in prices that reduces the purchasing power of your money over time. According to the Consumer Price Index (CPI)...
— page 03

Three Ways to Help Simplify Your Finances
Over time, finances tend to get complicated, especially when you're juggling multiple goals and accounts. Simplifying your finances requires a bit of...
— page 04

Home Prices Decline as Rising Mortgage Rates Pressure Demand
The U.S. housing market is experiencing a significant slowdown after two years of rapid growth.
— page 05

RETIREMENT AGE EXPECTATIONS VS. REALITY

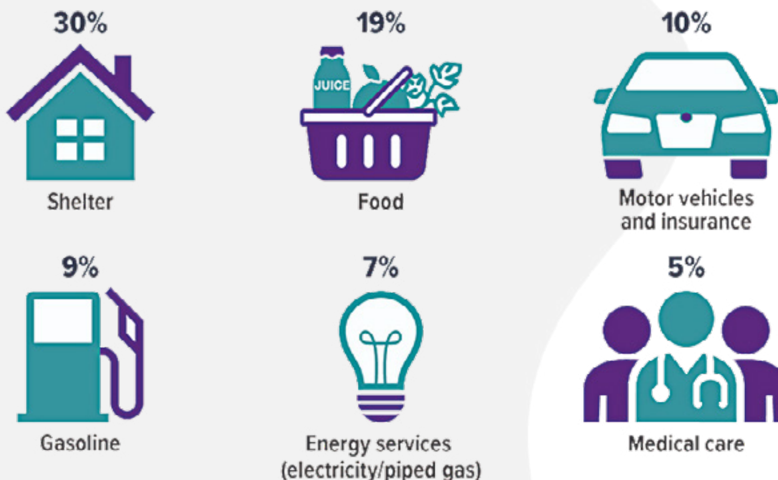
Workers typically plan to retire much later than the actual age reported by retirees. In the 2022 Retirement Confidence Survey, 65% of workers said they expect to retire at age 65 or older (or never retire), whereas 69% of retirees left the workforce before reaching age 65. When choosing a retirement age, it might be wise to consider a contingency plan.



Source: *Employee Benefit Research Institute, 2022*

THE TOP SIX INFLATION DRIVERS OF 2022

In June 2022, the 12-month rise in the Consumer Price Index (CPI) peaked at 9.1%, the fastest pace in 40 years, before dropping to 7.7% in October. This bout of inflation has been driven in large part by steep price hikes for essentials, hitting many U.S. households where it hurts the most. In fact, more than three-fourths of the annual increase in the CPI can be attributed to these six categories.



Source: *U.S. Bureau of Labor Statistics, 2022*

THE INFLATION EXPERIENCE IS PAINFUL AND PERSONAL

Inflation is a sustained increase in prices that reduces the purchasing power of your money over time. According to the Consumer Price Index (CPI), inflation peaked at an annual rate of 9.1% in June 2022, the fastest pace since 1981, before ticking down to 7.7% in October.[1]

The CPI tracks changes in the cost of a market basket of goods and services purchased by consumers. Items are sorted into more than 200 categories and weighted according to their "relative importance," a ratio that represents how consumers divide up their spending, on average. Basic needs such as shelter (33%), food (14%), energy (8%), transportation (8%), and medical care (7%) account for about two-thirds of consumer expenditures. Because the CPI is a comprehensive measure of prices across the U.S. economy, the index also contains many items that an individual consumer may purchase infrequently, or not at all.

Wide variations in spending patterns help explain why some consumers feel the sting of inflation more than others. This means that the extent to which you experience inflation depends a lot on where you live, as well as your age, health, income, family size, and lifestyle. In effect, your personal inflation rate could be significantly higher or lower than the average headline inflation rate captured in the CPI. Consider the following examples.

- In October 2022, the 12-month increase in the cost of shelter was 6.9%.[2] Shelter carries the most weight of any category in the CPI, which made fast-rising home prices and rents a top driver of inflation over the previous year. A first-time homebuyer, or a renter who signs a new lease, is likely to feel the full impact of these hefty price increases. However, a homeowner with a fixed-rate mortgage is generally insulated from these rising costs and might even benefit financially from home-equity gains.
- Gasoline surged 17.5% during the 12 months ended in October 2022.[3] Individuals who rarely drive, possibly because they are retired or work remotely, might have been able to shrug off the price spike. But for drivers with long commutes, filling up the gas tank regularly might have put a sizable dent in their households' finances, in some cases forcing them to cut back on other purchases.
- Food and beverage prices rose 10.9% over the same 12-month period, a trend that clearly affects everyone.[4] But rising food costs tend to put more pressure on the budgets of lower-income households because they spend a greater share of their income on necessities and typically have smaller financial cushions. Plus, shoppers can't easily switch to lower-cost options if they are already relying on them.[5]

Source: 1-4) U.S. Bureau of Labor Statistics. 2022; 5) Federal Reserve 2022

THREE WAYS TO HELP SIMPLIFY YOUR FINANCES

Over time, finances tend to get complicated, especially when you're juggling multiple goals and accounts. Simplifying your finances requires a bit of effort up front, but making just a few changes may help free up more time to focus on your financial priorities.

Make Saving Automatic

Saving for a goal is simpler when money is set aside automatically. For example, you may be able to regularly and automatically deposit a portion of your paycheck into a retirement account through your employer. Your contribution level may also increase automatically each year, if your plan offers this feature.

Employers may also allow you to split your direct deposit into multiple accounts, enabling you to build up a college fund or an emergency fund, or direct money to an investment account.

Another way to make saving for multiple goals easier is to set up recurring transfers between your savings, checking, or other financial accounts. You decide on the frequency and timing of those transfers, and you can quickly make necessary adjustments.

Consolidate Retirement Funds

If you've had a few jobs, you might have several retirement accounts, such as IRAs and 401(k) or 403(b) plans, with current and past employers. Consolidating them in one place may help make it easier to monitor and manage your retirement savings and distributions, and prevent you (or your beneficiaries) from forgetting about older or lower-balance accounts. Not all accounts can be combined, and there may be tax consequences, so discuss your options with your financial and/or tax professionals.

Take a Credit Card Inventory

Credit cards are convenient, but managing multiple credit-card accounts can be time-consuming and costly. Losing track of balances and due dates may lead to increased interest charges or late payments. You could also miss out on some of the rewards and benefits your cards offer. If you've accumulated a few credit cards, review interest rates, terms, credit limits, and benefits that may have changed since you got the cards. Ordering a copy of your credit report can help you quickly see all of your open credit-card accounts — there may be some you've forgotten about. Visit annualcreditreport.com to get a free credit report from each of the three major credit reporting agencies (Experian, Equifax, and TransUnion).

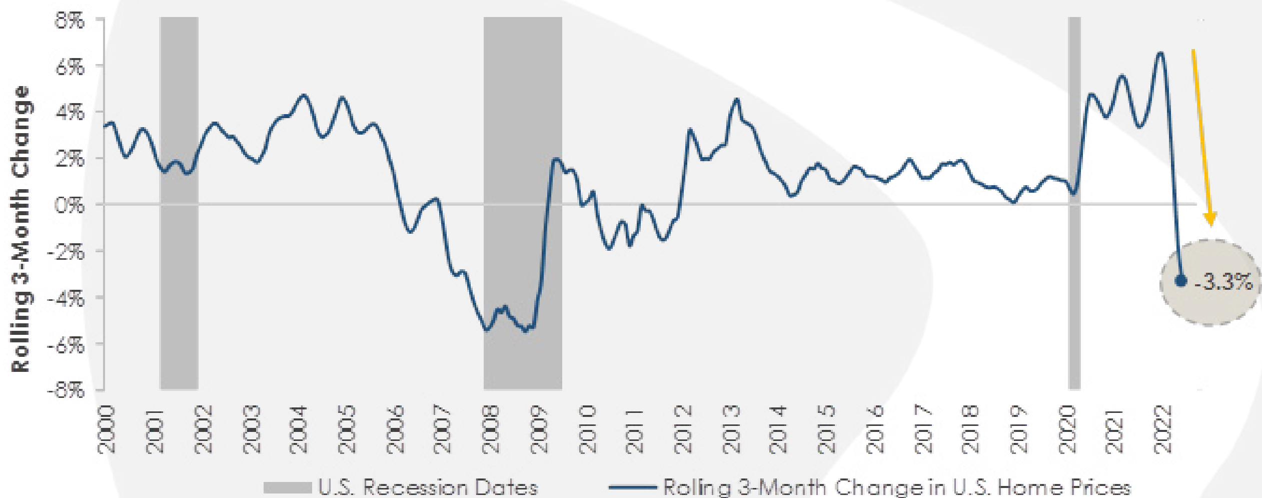
Once you know what you have, you can decide which cards to use and put the rest aside. Because it's possible that your credit score might take a temporary hit, it may not always be a good idea to close accounts you're not using unless you have a compelling reason, such as a high annual fee or exposure to fraud.

HOME PRICES DECLINE AS RISING MORTGAGE RATES PRESSURE DEMAND

The U.S. housing market is experiencing a significant slowdown after two years of rapid growth. This recent downward trend is a sharp reversal from 2021 and early 2022 when low interest rates boosted homebuyer demand and caused home prices to climb nearly 20% year-over-year.

The main cause of this decline is the Federal Reserve raising interest rates at the fastest pace since the 1980s, which has pushed the average 30-year fixed rate mortgage back to 2007 levels. Higher mortgage rates have made monthly payments significantly more expensive and homeownership more difficult for many potential homebuyers. With expensive home prices already making housing less affordable, home prices are projected to decline further in coming months as buyers and sellers adjust to the new reality of higher interest rates.

The Federal Reserve's monetary policy tightening has had a negative impact on the housing market. New and existing home sales are declining, mortgage applications are falling, and home builder sentiment has weakened every month during 2022. This housing weakness could carryforward into 2023 as the effects of higher interest rates impact the U.S. economy. The housing market is a significant part of the U.S. economy, and its large secondary effect on consumption could make it a potential hindrance to economic growth. With Federal Reserve tightening forecasted to end in early 2023, it may take some time for the housing market to recover.



Source: Federal Reserve, NBER. Based on the S&P 20-City Composite Home Price Index.

Please see important disclosures at the end of this newsletter

IMPORTANT DISCLOSURES

Spire Wealth Management, LLC is a Federally Registered Investment Advisory Firm. Securities offered through an affiliated company, Spire Securities, LLC., a Registered Broker/Dealer and member FINRA/SIPC.

Neither Spire Wealth Management nor Corbett Road Wealth Management provide tax or legal advice. The information presented here is not specific to any individual's personal circumstances. Please speak with your tax or legal professional.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

Prepared by Broadridge Investor Communication Solutions, Inc. Copyright 2022

CORBETT ROAD
WEALTH MANAGEMENT

Let's keep in touch

Toll Free: 844.688.4955
info@corbettroad.com
www.corbettroad.com
linkedin.com/company/corbettroad

Washington, D.C.
7901 Jones Branch Dr
Suite 800
McLean, VA 22102
Local: 703.748.5836

Boston, MA
101 Arch St
8th Floor
Boston, MA 02110
Local: 617.600.7930

Los Angeles, CA
10100 Santa Monica Blvd
Suite 300
Los Angeles, CA 90067
Local: 310.591.5674

Fort Lauderdale, FL
2598 E. Sunrise Blvd
Suite 2104
Ft. Lauderdale, FL 33304
Local: 954.507.6028

Knoxville, TN
800 S. Gay St
Suite 700
Knoxville, TN 37929
Local: 865.444.4520

Phoenix, AZ
2375 E. Camelback Rd
Suite 600
Phoenix, AZ 85016
Local: 602.807.1145

St. Louis, MO
7777 Bonhomme Ave
Suite 1800
Clayton, MO 63105
Local: 314.463.0132