

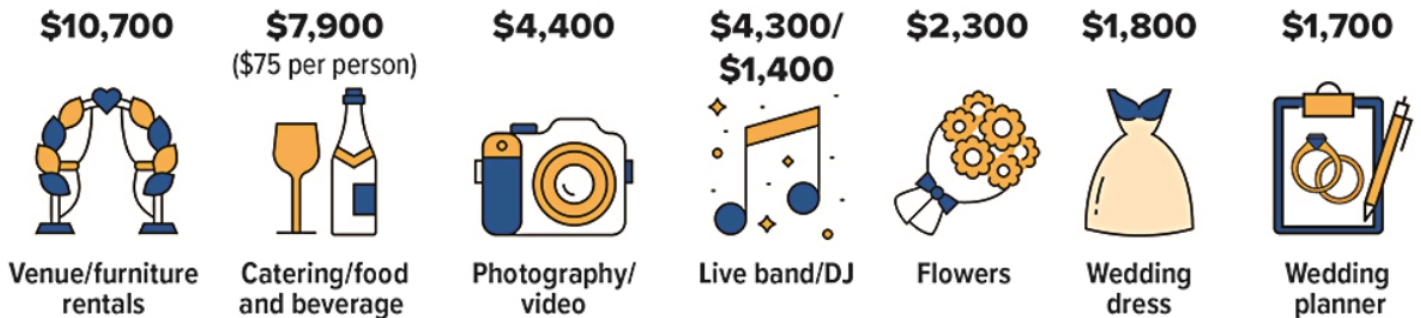


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Wedding Bonanza: How Much Will the Party Cost?

In 2021, the national average cost of a wedding was about \$28,000, a figure that includes the rehearsal dinner, ceremony, and a reception with 105 guests — but not the engagement ring (which averaged \$6,000) or the honeymoon. Of course, the average price tag varied greatly by location, from \$16,000 in Oklahoma to \$47,000 in New Jersey. With inflation soaring, many couples are facing significantly higher costs, and greater competition for in-demand vendors, in 2022.



Source: The Knot, 2022

Famous People Who Died Without Proper Planning

The importance of proper estate planning cannot be overstated, regardless of the size of your estate or the stage of life you're in. Nevertheless, it's surprising how many American adults haven't put a plan in place.

You might think that those who are rich and famous would be way ahead of the curve when it comes to planning their estates properly. Yet plenty of celebrities and people of note have died with inadequate or nonexistent estate plans.

Michael Jackson

The king of pop died in June 2009 with an estate worth an estimated \$600 million. Jackson had prepared an estate plan that included a trust. However, he failed to fund the trust with assets prior to his death — a common misstep when including a trust as part of an estate plan. While a properly created and funded trust generally avoids probate, an unfunded trust almost always requires probate. In this case, Jackson's trust beneficiaries had to make numerous filings with the probate court in order to have the judge transfer assets to the trust. This process added significant costs and delays, and made what should have been a private matter open to the public.

Trusts incur upfront costs and often have ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax professionals before implementing such strategies.

James Gandolfini

When the famous *Sopranos* actor died in 2013, his estate was worth an estimated \$70 million. He had a will, which provided for various members of his family. However, his estate plan did not include proper tax planning. As a result, the Gandolfini estate ended up paying federal and state estate taxes at a rate of 55%. This situation illustrates that a carefully crafted estate plan addresses more than just the distribution of assets. Taxes and other expenses could be reduced, if not eliminated altogether, with proper planning.

Americans Are Putting Off Estate Planning



2 out of 3

Americans still don't have a will despite the COVID-19 pandemic



56%

of Americans said that having a will or a living trust is very or somewhat important



40%

of Americans cite procrastination as the main reason they don't have a will

Source: 2022 Wills and Estate Planning Study, Caring.com

Prince

Prince Rogers Nelson, better known as Prince, died in 2016. He was 57 years old, still making incredible music, and entertaining millions of fans throughout the world. The first filing in the Probate Court for Carver County, Minnesota, was by a woman claiming to be his sister, asking the court to appoint a special administrator because no will or other testamentary documents were filed. Since Prince died without a will, the distribution of his over \$150 million estate was determined by state law. In this case, a Minnesota judge was tasked with culling through hundreds of court filings from prospective heirs, creditors, and other "interested parties." The proceeding was open and available to the public for scrutiny.

Barry White

Barry White, the deep-voiced soulful singer, died in 2003 without a will or estate plan. He died while legally married, although he'd been separated from his second wife for many years and was living with a long-time girlfriend. He had nine children. Because he had not divorced his wife, she inherited everything, leaving nothing for his girlfriend or his children. Needless to say, a legal battle ensued.

Heath Ledger

Formulating and executing an estate plan is important. It's equally important to review your documents periodically to be sure they're up-to-date. Not doing so could result in problems like those that befell the estate of actor Heath Ledger. Although Ledger had prepared a will years before his death, several changes in his life transpired after the will was written, not the least of which was his relationship with actress Michelle Williams and the birth of their daughter Matilda Rose. The will left nothing to Michelle or Matilda Rose. Fortunately, Ledger's family later gave all the money to his daughter, but not without some family disharmony.

Florence Griffith Joyner

An updated estate plan works only if the people responsible for carrying out your wishes know where to find these important documents. When Olympic medalist Florence Griffith Joyner died in 1998 at the young age of 38, her family couldn't locate her will. This led to a bitter dispute between her husband, Al Joyner, and Flo Jo's mother, who claimed her daughter had promised that she could live in the Joyner home for the rest of her life.

Consider a Bond Ladder for Rising Interest Rates

After dropping the benchmark federal funds rate to a range of 0%–0.25% early in the pandemic, the Federal Open Market Committee of the Federal Reserve has begun raising the rate aggressively in response to high inflation and a stronger economy.

Following 0.25% and 0.50% increases in March and May 2022, the Committee implemented successive 0.75% increases at its June and July meetings — the first 0.75% increases since 1994 — to a target range of 2.25%–2.50%. June projections (most recent available) indicate the rate could rise to a range of 3.25%–3.5% by the end of 2022 with an additional one or two 0.25% increases in 2023.¹

Rates and Bond Prices

Raising the federal funds rate places upward pressure on a wide range of interest rates, including the cost of borrowing through bond issues. When interest rates go up, the prices of existing bonds typically fall, because new bonds with higher yields are more attractive. Investors are also less willing to tie up their funds for a long time, so bonds with longer maturity dates are generally more sensitive to rate changes than shorter-dated bonds. Yet shorter-dated bonds usually have lower yields.

Despite the challenges, bonds are a mainstay for conservative investors who may prioritize the preservation of principal over returns, as well as retirees in need of a predictable income stream.

Step by Step

One way to address rising rates is to create a bond ladder, a portfolio of bonds with maturities that are spaced out at regular intervals over a certain number of years. For example, a five-year ladder might have 20% of the bonds mature each year. This strategy puts an investor's money to work systematically, without trying to predict rate changes.

With rates projected to continue rising, it might make sense to create a shorter bond ladder now and a longer ladder when rates appear to have stabilized. Keep in mind that these are only projections, based on current conditions, and may not come to pass. The actual direction of interest rates might change.

Reinvesting or Taking Withdrawals

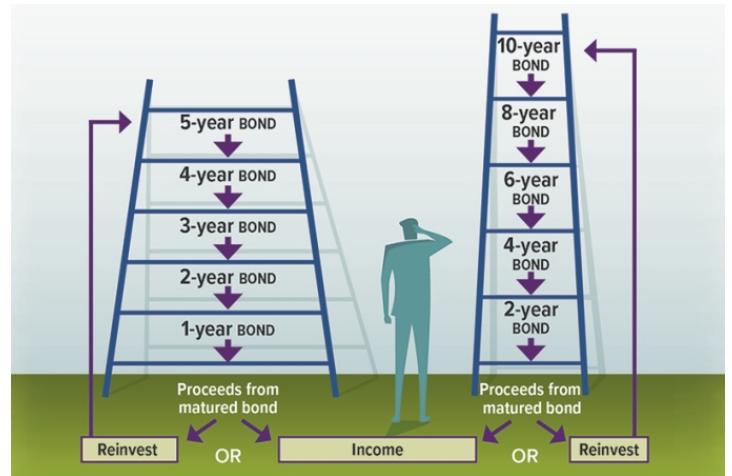
When bonds from the lowest rung of the ladder mature, the funds are often reinvested at the long end of the ladder. When rates are rising, investors who reinvest the funds may be able to increase their cash flow by capturing higher yields on new issues. Or a ladder might be part of a withdrawal strategy in which the returned principal from maturing bonds is dedicated to retirement spending.

Bond ladders may vary in size and structure, and could include different types of bonds depending on an

investor's time horizon, risk tolerance, goals, and personal preference. Owning a diversified mix of bond investments might also help cushion the effects of interest rate and credit risk in a portfolio. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

Rung by Rung

Here are two sample structures for a bond ladder. When bonds mature, the proceeds can be used for income or reinvested in bonds to fill the longest maturity rung.



Individual Bonds vs. ETFs

Buying individual bonds provides certainty, because investors know exactly how much they will earn if they hold a bond to maturity, unless the issuer defaults. However, individual bonds are typically sold in minimum denominations of \$1,000 to \$5,000, so creating a bond ladder with a sufficient level of diversification might require a sizable investment.

A similar approach involves laddering bond exchange-traded funds (ETFs) that have defined maturity dates. These funds, typically called target maturity ETFs, generally hold many bonds that mature in the same year the ETF will liquidate and return assets to shareholders. Target maturity ETFs may enhance diversification and provide liquidity, but unlike individual bonds, the income payments and final distribution rate are not fully predictable. Bond ETFs are subject to the same inflation, interest rate, and credit risks associated with their underlying bonds.

Exchange-traded 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) Federal Reserve, 2022

FAFSA Opens on October 1

The Free Application for Federal Student Aid (FAFSA) for the 2023-2024 school year opens on October 1, 2022. Here are some things you should know.

Why file it? The FAFSA is a prerequisite for federal student loans, grants, and work-study. In addition, colleges typically require the FAFSA before distributing their own need-based aid and, in some cases, merit-based aid. The few hours it might take to complete the form may be time well spent in order for students to be eligible for these aid opportunities.

How do I file it? The best way to submit the FAFSA is online at studentaid.gov. If you haven't filed the FAFSA before, both you and your child need to create an FSA ID (you can use the same FSA ID for all years of college). Students must file the FAFSA each year, though returning college students can file a renewal FAFSA, which should take less time.

How does the FAFSA calculate financial need? Financial need is determined by looking at a family's income, assets, and household information. In general, here's how the calculation works: (1) parent income is counted up to 47% (income equals adjusted gross income plus untaxed income/benefits minus certain deductions); (2) student income is counted at 50% over a certain amount; (3) parent assets are counted at 5.6% (home equity, retirement assets, cash value life insurance, and annuities are excluded); and (4) student assets are counted at 20%.¹

In this calculation, a family's income is the most important factor. But the FAFSA doesn't consider your *current* income. Instead, it considers your income from two years prior, which it gets from your tax return. For example, the FAFSA for the 2023-2024 year will rely on income information from your 2021 tax return. For your assets, the FAFSA wants the current value of your assets as of the day you fill out the form.

What happens after I submit the FAFSA? The FAFSA calculates your expected family contribution, or EFC. The cost of a particular college minus your EFC equals your child's demonstrated financial need. Colleges will use your EFC to craft an aid package that attempts to meet your child's financial need (they are not obligated to meet all of it).

Changes are coming. More changes are coming to the 2024-2025 FAFSA, a year later than originally planned. Key modifications include (1) a change in terminology from "expected family contribution" or EFC to "student aid index" or SAI; (2) parents with multiple children in college at the same time will no longer receive a discount in the form of a reduced EFC; (3) income protection allowances for both parents and students will be increased; and (4) cash support to students and other types of income will no longer have to be reported on the FAFSA, including funds from a grandparent-owned 529 plan.

1) U.S. Department of Education, 2022

This is a resource that will answer your most important financial question, namely:

- If employed – When can I retire?
- If not employed – Can I stay retired?

Contour Financial will answer this question, suggest alternative scenarios, if needed, and implement investment strategies in order to reach your objectives.

Customized strategies are developed and implemented. Personalized service is provided by Certified Financial Planners (CFP) and/or Certified Public Accountants (CPA) to clients. Investment, retirement, tax planning & preparation, estate, insurance, cash flow and education planning are all integral parts to the process.

Contour Financial is a private wealth management business located in Orland Park, Illinois. We work primarily with middle income and wealthy clients. As a long-term National Association of Personal Financial Advisors (NAPFA) fee-only firm, all compensation is fully disclosed. For clients seeking investment management by our firm, assets are held at Charles Schwab Institutional, an industry leader.