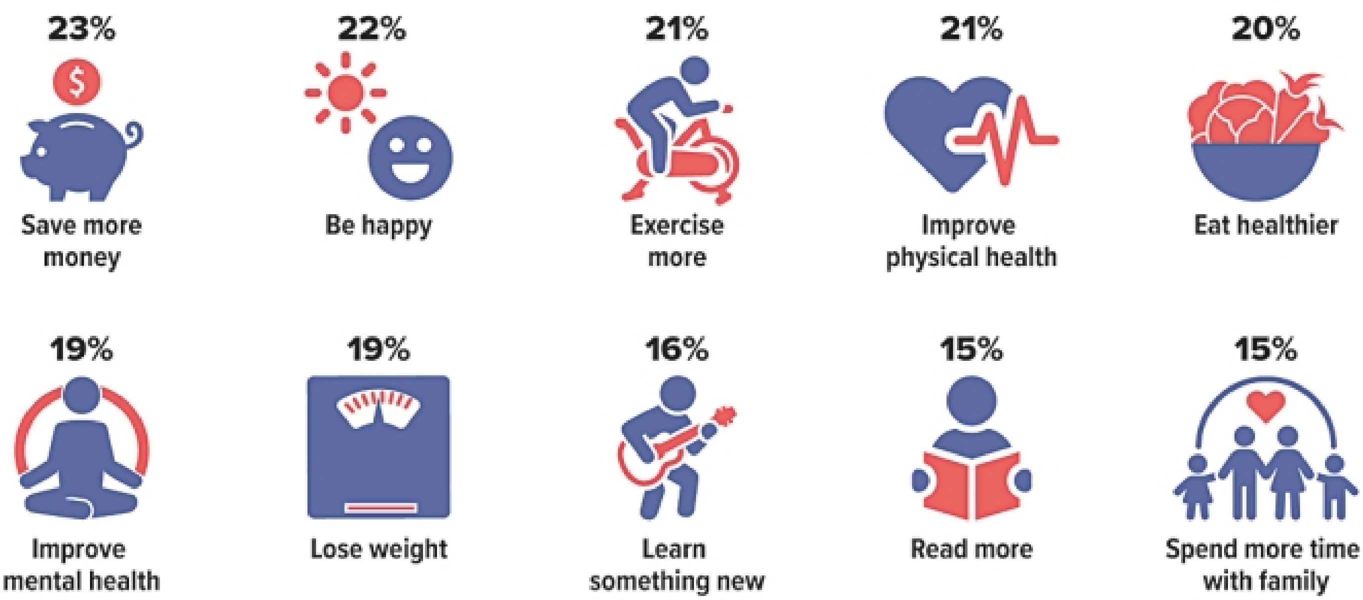
Cindy Menker, CFP®, CPA, MBA
Financial Planner
Contour Financial, Inc.
9031 W 151st Street • Suite 107 • Orland Park • IL • 60462
708-460-3800
egonmenker@gmail.com • ContourFinancial.com

Do You Have a New Year's Resolution?

One out of three U.S. adults typically plan to make New Year's resolutions. Younger people are more likely to make resolutions, and they tend to place more emphasis on finances, happiness, and mental health, whereas older people tend to emphasize physical health. Experts suggest that it's easier to keep resolutions that are specific and measurable, and it can be helpful to reward yourself for meeting goals along the way.

These were the top 10 resolutions for 2024, ranked by the percentage of adults who said they would set these goals.



Sources: YouGov, December 21, 2023 (multiple responses allowed); Forbes Health, January 12, 2024

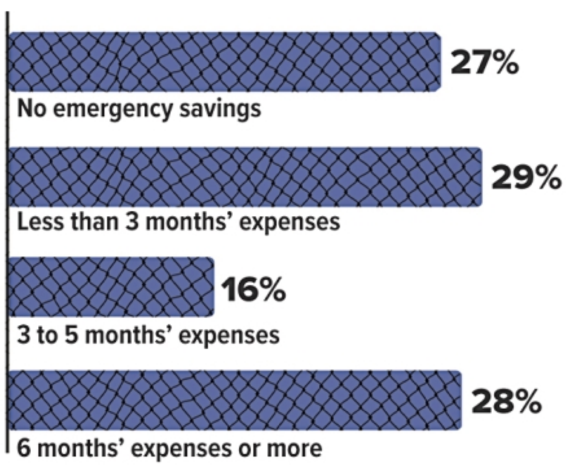
Financial Safety Nets: Exploring Available Sources of Emergency Funds

In moments of unexpected financial turmoil, having access to emergency funds can be the difference between a minor inconvenience and a major life disruption. Whether you have a sudden medical bill, car repair, or job loss, knowing where to turn for emergency financial support is crucial. However, not everyone has access to a financial safety net — nearly 60% of U.S. adults are uncomfortable with their level of emergency savings.[1] Fortunately, there are options when it comes to exploring available sources of emergency funds.

Emergency savings account

A separate account dedicated solely to emergencies is the cornerstone of any financial plan and acts as the first line of defense in times of crisis. Generally, you'll want to have at least three to six months' worth of living expenses (e.g., mortgage, groceries, or car loan) in a readily accessible account. The actual amount, however, should be based on your particular circumstances, such as your job security, health, and income. In addition, review your emergency fund from time to time — either annually or when your personal or financial situation changes (e.g., a new baby or buying a home).

How Much Adults Have in Emergency Savings



Source: Bankrate survey, May 17–20, 2024

Credit cards and personal loans

While not ideal, credit cards can provide immediate access to funds in an emergency. They are particularly useful for covering short-term expenses that can be paid off quickly in order to avoid paying high interest rates. Cards that offer balance transfers with low introductory rates can also be used, as long as you are disciplined with your repayments in order to avoid incurring additional debt. Personal loans from banks, credit unions, or online lenders can also be a viable option for covering emergency expenses. These loans often come with fixed interest rates and structured repayment plans. However, loan eligibility and interest rates will vary, depending on the lender and your personal financial situation. And of course it takes time to obtain a loan.

HELOCs

For homeowners, a home equity line of credit (HELOC) is a revolving line of credit secured by the equity you've built in your home. Unlike a home equity loan, which provides a lump sum, a HELOC functions more like a credit card. You can borrow up to a predetermined credit limit and repay over time, with the ability to borrow again as needed during the draw period. This option usually offers lower interest rates and more flexibility compared to credit cards or personal loans. However, there are some drawbacks to using a HELOC. Most HELOCs have variable interest rates, which means payments can increase if interest rates rise. In addition, since a HELOC is secured by your home, you could face foreclosure if you can't repay it.

Retirement accounts

When faced with an unexpected expense, another possible source of emergency funds is a retirement account, such as a 401(k) or IRA. Although most withdrawals prior to age 59½ are subject to income tax and a 10% penalty tax, you may be able to take penalty-free early distributions for specific emergencies. These include disability, extraordinary unreimbursed medical expenses, disaster recovery, up to $1,000 per year for general emergencies, and other situations. Ordinary income taxes and certain restrictions apply.

In addition, many 401(k) plans allow participants to take out loans. Typically, you can borrow up to 50% of your account balance or $50,000, whichever is less. The loans generally must be repaid within five years unless used for a first-time home purchase. You may also be able to take a hardship withdrawal in certain circumstances. Hardship withdrawals may be subject to the 10% early withdrawal penalty, as well as ordinary income tax. Check with your plan or IRA administrator to see what options are available to you.

Finally, keep in mind that contributions to a Roth IRA can be withdrawn at any time without taxes or penalties, since they are made with after-tax dollars. Nonqualified withdrawals of earnings, on the other hand, are subject to ordinary income taxes and the 10% early withdrawal penalty. Qualified Roth IRA withdrawals are those made after five years and the account owner reaches age 59½, dies, or becomes disabled.

1) Bankrate's 2024 Annual Emergency Savings Report

Indexed Annuities: Potential for Growth with Some Downside Protection

U.S. annuity sales set a new record in 2023, due to investor concern with the potential for market volatility and higher interest rates that allowed insurance companies to offer more appealing withdrawal rates. Fixed annuities dominated the market, and about one-third of those sales were for fixed indexed annuities, which can offer growth in a rising stock market while helping to provide protection when the market is falling.[1]

Of course, the fact that a product is popular doesn't mean it's right for you, but it might be worth considering. Indexed annuities are complex, so it's important to understand how they work and the options you may have if you decide to purchase an indexed annuity contract.

Minimum and indexed returns

Like all annuities, an indexed annuity is a contract with an insurance company that offers an income stream in return for one or more premium payments. Annuity payments may begin right away (immediate annuity) or at a future date (deferred annuity) and are paid over the life of the contract, which might be the owner's lifetime, the lifetimes of two people, or a specific number of years. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

An indexed annuity usually includes a guaranteed minimum interest rate over the term of the contract — contingent on holding the annuity until the end of the term — typically 1% to 3% of at least 87.5% of the premium. This is combined with a potentially higher rate based on the performance of a specified market index, such as the S&P 500. If index performance is negative, the guaranteed minimum rate will still apply. The indexed rate is calculated in one or more of the following ways.

Participation rate. Determines how much of the index gain will be credited to the annuity. For example, a participation rate of 80% means the annuity would be credited with only 80% of the gain experienced by the index.

Spread/margin/asset fee. May be assessed in addition to, or instead of, a participation rate. For example, if the index gained 10% and the spread/margin/asset fee is 2.5%, then the gain in the annuity would be only 7.5%.

Interest-rate cap. The maximum rate of interest the annuity will earn. For example, if the index gained 10% and the cap rate is 6%, the gain in the annuity would be 6%.

Index performance generally does not include dividends, and the way in which the performance is measured may vary, depending on the contract (see chart). Participation rates, cap rates, and other fees are set by the insurance company, and some companies reserve the right to change these provisions either annually or at the start of each contract term. These types of changes could affect the investment return.

Performance Measures

The way that index performance is measured could make a big difference in the growth of the annuity. Participation rates, cap rates, and spread/margin/asset fees will typically be combined with performance measurement to determine the actual interest rate. These are three common methods.

Annual reset (rachet)
Compares the change in the index from the beginning to the end of each year, "locking in" an investor's gain. Any declines are ignored.

Point-to-point
Compares the change in the index at two points in time, such as the beginning and ending dates of the contract term.

High-water mark
Compares the index value at the beginning of the contract to its highest value at various points during the contract (often anniversaries of the purchase date).

General considerations

Most annuities have surrender charges that are assessed if the contract owner surrenders the annuity during the early years of the contract. However, some indexed annuities allow withdrawals of up to 10% per year without surrender charges. Any withdrawals will reduce the principal, and withdrawals before the end of an index period will receive no interest for that period. Early withdrawals prior to age 59½ may be subject to a 10% federal tax penalty.

Like all annuity contracts, indexed annuities have rules, restrictions, and expenses. Depending on the guarantees of the issuing company, it may be possible to lose money with this type of investment. Be sure to review the contract carefully before deciding whether to invest.

The S&P 500 Index is an unmanaged group of securities that is widely recognized as representative of the U.S. stock market in general. You cannot invest directly in any index, and the performance of an unmanaged index is not indicative of the performance of any specific security. Past performance is not a guarantee of future results.

1) *Investment News,* February 21, 2024

The Four-Day Workweek: Is It Destiny or a Distant Dream?

Since the startling capabilities of generative artificial intelligence (GenAI) first shook the world in 2023, more of us are wondering: could the four-day workweek come sooner than we thought, or is that just wishful thinking?

Once considered a far-fetched notion, the prospect of a four-day workweek (with no loss in pay) is now being taken seriously by companies around the world. This is largely due to changing attitudes towards work-life balance and surging optimism over AI.

Experiments in progress

It's easy to imagine how a four-day workweek could improve the quality of life for stressed-out full-time workers. With an extra day off each week, there's more time for rest, family, exercise, hobbies, or just kicking back and relaxing. This not only enhances the mental and physical well-being of employees but also fosters a more engaged workforce and less turnover.

Experiments conducted in Iceland, New Zealand, Sweden, Japan, the United Kingdom, and even the United States — all countries where companies have tried out a four-day workweek — suggest that employees and employers could see benefits. In a survey of 100 large-company leaders, nearly one-third of U.S. CEOs said they were exploring this idea.[1]

Moreover, a four-day workweek can help increase productivity. One explanation for this is called *Parkinson's Law,* which contends that work will expand to fit the time available for completion. In other words, when time is limited, people tend to focus better and cut out the fluff. In 2019, when Microsoft tested a four-day workweek in Japan, it reportedly resulted in a 40% jump in productivity.[2]

For the four-day workweek to really take off, there's still a lot that would need to change, including new laws, the expansion and success of pilot programs, and major adjustments in corporate culture.

Enter the game changer — AI

AI is poised to boost workplace productivity, which could speed up the shift to a four-day workweek. Think about how much time workers spend on repetitive tasks — things that AI could handle in seconds. Tools powered by AI can help manage projects, perform research, produce content, and even take over customer service roles with chatbots. For people using AI tools, this could mean less time stuck in mundane routines and more time for meaningful and creative work — or eventually some extra time off each week.

Of course, a four-day workweek may never work for every industry and all jobs. For some types of roles, squeezing five days of work into four could lead to burnout for employees, especially if employers have unrealistic expectations.

1) *Bloomberg Businessweek,* June 21, 2024

2) CNBC, November 3, 2019

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.