

NEWS You Can Use

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Optimism Bias Can Impact Your Financial Health.

A recent study published in the Personality and Social Psychology Bulletin studied the links between cognitive ability, optimistic mindset, and financial planning in 36,000 adults.

They discovered those with the highest cognitive ability were 22 percent more likely to be realists when it came to financial planning. They also had a 34.8 percent reduced optimistic tendencies compared to people with lower cognitive ability.

Cognitive ability was measured in terms of verbal fluency, numerical reasoning, and memory. The results suggest that optimism bias causes people to expect unrealistically positive outcomes in life decisions, especially in terms of their finances.

Optimism bias is the difference between a person's expectation and the resulting outcome. Around 80 percent of people have an optimism bias. Optimism reduces stress and anxiety, which can have positive long-term effects on health, but can also lead people to make decisions that may cause harm in the future, including risky financial decisions

People with a more realistic or pessimistic mindset tend to make wiser decisions and display better judgment compared to optimists.



Research suggests that people with realistic expectations (not too positive or negative) have a better overall well-being.

journals.sagepub.com/doi/10.1177/01461672231209400

Little Known Facts about Valentine's Day



Valentine's Day Cards - The traditional Valentine's Day card has been tradition for almost 600 years and continues to be one of the most popular traditions today. In the United States alone, 144 million greeting cards are purchased and given every year on this holiday.

Red Roses - Roses are the classic symbol of love and a popular Valentine's Day gift. This tradition dates from Ancient Greece when the flower was denoted as the symbolic flower of Aphrodite, the goddess of love and beauty.

Chocolate Makers - California is the American state with the highest number of chocolate producers and chocolate makers. In total, the state has 137 chocolate makers, so it's highly likely that your Valentine's Day chocolates come from the west coast!

womansday.com/relationships/a4702/10-fun-valentines-day-facts-103385

The FED's January Statement

"Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have moderated since early last year but remain strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated." The above statement started off the FOMC's official statement from the January 30-31 meeting of this year.

Federal Reserve officials left the benchmark interest rate unchanged during their first monetary policy meeting of 2024. This marks the fourth consecutive pause since July, when it last hiked rates.

Lower rates may have to wait awhile longer. Fed Chair

Jerome Powell signalled caution at his press conference Wednesday afternoon, saying that "inflation is still high ... and the path forward is uncertain." This may reduce

chances of a rate cut for the next FOMC meeting March 19-20.

Debt remains expensive in the short term. The Fed's rate hikes over the last two years have made it more expensive for consumers and businesses to borrow, ratcheting up the cost of mortgages, car loans and credit card debt. Consumers may want to continue to prioritize paying down debt, given the cost of borrowing.

On the bright side, some vehicles like high interest savings accounts, Certificates of Deposit, and Multi Year Guaranteed Annuities will continue to be more attractive than recent years with their higher rate offerings.

federalreserve.gov/newsevents/pressreleases/monetary20240131a.htm



investopedia.com/fed-interest-rate-decision-january-2024-8553695

Don't Forget To Review These Items When You Meet With Your Adviser.

As you're gearing up to meet with your advisers this year, consider including a basic spending analysis.



Add up all of your bank account outflows for the year, identifying amounts that went toward savings and investments. Then, add in any credit card or line-of-credit spending that you didn't repay over the course of the year.

At your meeting, be sure to review any of the following items which may apply to you, depending on your age and financial situation:

- Projections for required minimum distributions (RMDs), particularly if you're nearing retirement
- Strategies for making the most of your retirement accounts
- Considerations for any health savings accounts (HSAs)
- Spending plan evaluation
- Charitable giving opportunities

Index Annuity Myths and Facts

Annuities may often be characterized as too expensive, too complicated, or poor performers by some who do not understand the wide variety of options available in the industry. Many types of annuities exist, so criticisms may only be true for specific annuity categories under certain circumstances. Investment vehicles are tools - effective in the right situation to achieve specific goals.



Index annuities are gaining interest - in 2019, total deferred annuity sales topped \$221 billion, including \$73.2 billion in fixed index annuities. This speaks to what index annuities offer: downside protection coupled with the potential for upside returns tied to various indices.

One common criticism of Annuities is simply that they are bad - but the fact is, annuities - even index annuities - are not a fit for every situation. Example: fixed index annuities may be too conservative for aggressive growth investors with a long time horizon before retirement (25 years or more) and can trade more risk to their principal for higher gains, with time to make up any losses.

Competing options are presented as performing as well as Index Annuities, but one main benefit of many index annuity programs is the ability to guarantee no loss of principal on the original invested amount. Other than cash, very few programs exist

that can do this. Providers can only achieve this security plus

growth effect through bulk options on indexes of various kinds as well as cash, at a scale that one investor would have difficulty matching.

Fee expense are always a concern; index annuities offer fairly low fees compared to managed asset services. While surrender penalties can be steep, most programs today offer the ability to remove 10% of the annual contract value yearly with no surrender charge or fee and any required minimum distributions (RMDs) for free as well, even if those RMDs should happen to exceed the 10% free withdrawal feature.

kiplinger.com/retirement/annuities/601969/myth-busters-examining-the-facts-about-index-annuities

It Happened In ...

February



February 3rd 1913 – The 16th Amendment to the U.S. Constitution was ratified, granting Congress the authority to collect income taxes.

February 6th 1895 – Legendary baseball player George Herman "Babe" Ruth was born in Baltimore, Maryland.

February 12th 1847 – American inventor Thomas Edison was born in Milan, Ohio. His popular quote: "Genius is one percent inspiration and ninety-nine percent perspiration."

February 19th 1473 – Astronomer Nicolaus Copernicus was born in Torun, Poland.

February 28th 1994 – NATO conducted its first combat action in its 45 year history as four Bosnian Serb jets were shot down by American fighters in a no-fly zone.



<http://www.historyplace.com/specials/calendar/february.htm>

What Sets CDs and MYGAs apart?

When it comes to CDs (Certificates of Deposit) & MYGAs (Multi-Year Guarantee Annuities), they are pretty much the same from a structure standpoint, with only a couple of contractual nuances that make each of them unique. In essence, a MYGA is the annuity industry version of a CD. In our current high rate environment, both MYGAs and CDs are attractive over the short term.

Function

CDs and MYGAs guarantee a contractual annual % for a specific period of time that you choose. Both fully protect your principal from loss. Both have no annual fees and pay the advisor a hidden commission that is very low, not taken out of your principal amount. CDs and MYGAs offer many choices of how long you want to lock in the guaranteed annual %. The longer the duration, the higher the interest rate guarantee.

Both CDs and MYGAs can be held in IRAs, non-IRAs, or Roth IRAs. The contractual guarantees are the same regardless of the account type.

Taxation

In a non-IRA account, you have to pay taxes on the interest every year with CDs. MYGAs allow that interest to grow tax-deferred in a non-IRA account. However, when you do pull money out of MYGAs, the money is taxable at ordinary income levels.

Claims Paying Ability

CDs fall under the federal government FDIC guaranty.



MYGAs are backed by the claims paying ability of the issuing carrier

Rates

Historically, CDs beat MYGA rates when you are looking to lock in your money for short terms 6 months, 12 months, and 24 months. MYGAs usually beat CD rates when your time horizon is 3 years, 4 years, 5 years, or longer.