

# STEWARD

## WEALTH STRATEGIES

### Going Back to Basics: Reviewing Important Fundamentals

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Steward Wealth Strategies · 343 E. Six Forks Road, Suite 388, Raleigh, North Carolina, 27609 · (919) 803-0035



“May you live in interesting times,” is an expression where someone ironically wishes an “interesting” time to whomever they are speaking with. Although it may seem innocuous it’s really an insult. By saying this, you wish the person to live during times of uncertainty and disorder as opposed to peace and tranquility. Investors are currently living in interesting times. In 2022, we have seen portfolios fall in value. Also, buying power has been substantially eroded by rising inflation. As a result, the Federal Reserve is intentionally trying to slow the economy to curb inflation.

While doom and gloom have recently dominated the financial headlines, not all of 2022’s impact is bad. For example, if you own a home, it has likely appreciated substantially. If you are one of the 70 million people who are receiving Social Security retirement income, you will get an 8.7% raise starting in 2023. A side benefit of inflation is an increase in the standard deduction. Married taxpayers were entitled to a standard deduction of \$25,900 in 2022 — that number is expected to jump to \$27,700 in 2023. Single and married individuals filing separately will see the standard deduction rise to \$13,850 from \$12,950 in 2022. Because of inflation, tax bracket qualifying incomes are also going up. For couples filing jointly, in 2022 the 12% bracket ended at \$83,550 and jumped to 22% after that. For 2023, the 12% tax bracket will extend to \$89,450.

In 2023, taxpayers at all levels will be paying less income taxes on the same income as in 2022, but hopefully your income will increase. As a side note, the Social Security wage base is also going up from

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\$147,000 in 2022 to \$160,200 in 2023, which will increase Social Security taxes for employees who make more than \$147,000.

Challenging times bring with them both good and bad. This is an opportune time to remember how to be smart about some of your money decisions. Money management, unfortunately, is not a skill set that is taught in school. It is also an expertise that is never too late to learn. Even the most disciplined person can forget or become complacent about some of the foundational tools that help keep a sound financial situation. Let’s review some financial basics.

## Keep a Budget

It is always a good time to create or review your budget. Budgeting and balancing your bank account is the best way of making sure what’s going out of your account each month isn’t exceeding what’s coming in. Winging it and hoping it all works out at the end of each month can lead to unnecessary bank fees and credit card debt. It can also prevent you from achieving your savings goals. An easy activity to try is to re-

-view your statements for three to five months and then make a list of your average monthly income (after taxes), as well as your average monthly spending. It can be helpful if you categorize your spending into basic needs (e.g., rent, utilities, groceries) and discretionary spending (e.g., shopping, travel, eating out). To get a more detailed understanding of where your money is going, you may want to track your spending for a month or so, either with a diary or an app on your phone.

Once you see the typical inflow and outflow of money each month, you can determine if you're overextending, staying even, or ideally, getting ahead by putting money into savings each month.

If you find you are unable to save each month, the ideal first step is to go through your budget and look for ways to cut back discretionary spending. Can you eat at home more instead of going out? Buy less clothing? Avoid impulse item purchases?

There are many budgeting apps that can help you with this process. Please note, there's not necessarily one right way to budget. Instead, it's about finding the strategy that works best for you.

## Have an Adequate Emergency Fund

As the last few years have clearly reminded us, anything is possible and no one can predict what the future holds. The coronavirus pandemic left the world in a state of confusion and many Americans found themselves

without jobs, closing their once thriving businesses, or just wondering how they were going to make ends meet. Coupled with the fastest rising rate of inflation in over 40 years and rapidly rising interest rates, many households are feeling the pinch and finding it challenging to stay ahead, let alone save for the future or unexpected emergencies.

Having an adequate emergency fund can prove to be a wise plan. A good rule of thumb is to have a minimum of 3- to 6- months' worth of living expenses saved in an emergency fund. This emergency fund can be a helpful resource to use (and replenish) when, for example, you have unexpected car repairs or a medical emergency. With interest rates rising these emergency funds can also work for you when stored in a savings account with a decent yield.

How do you build your emergency fund? Determine your monthly expenses and multiply that by the number of months you want to have funds for. Then, calculate how much you can commit each month to put into your savings fund after you've paid all your bills. Many people get ahead of their timeline goal by setting aside a portion of their tax refund (if they get one) into their emergency fund. The most crucial step is the hardest for most – sticking with the plan. It's easy to convince yourself that “nothing is going to happen” that will cause you to need those funds and sadly many people spend their extra cash on the latest impulse item or BOGO deal that arrived in their inbox. Once again, recent history reminded us that anything can happen.

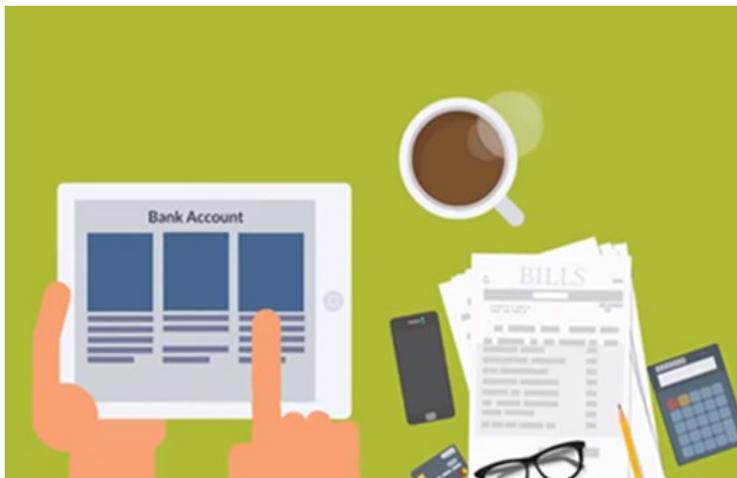
*Have questions? Call us today!*

**919.803.0035**

## Understand That Investments Are Long-Term Commitments

With the recent volatility in the market and the steady decline in equities in 2022, we need to continue to be reminded that those having a long-term mindset when it comes to investing have historically been rewarded.

As one of the most successful investors of all time, Warren Buffet, said, “The most important quality for an investor is temperament, not intellect.” This mindset requires a disciplined approach to investing. Rash decisions and panic moves have no place in a long-term investor’s plan. This mindset helps reduce anxiety over short-term fluctuations in the markets and instead focuses on long-term success. Equity markets are cyclical and while dips and rises are part of the investment experience, many still find themselves pulling out of the market during a downturn and missing out when the trajectory returns upward.



As your financial professional, our goal is to find the right long-term plan and investments for your portfolio, while considering your time horizon and risk tolerance. We always recommend that prior to making any changes

to your plan, that you contact us first, as many moves can have consequences that you are unaware of, such as potential tax ramifications for you or your beneficiary(ies). If you are concerned because of the media’s headlines or just need to have an assessment of your investment portfolio and overall financial picture, we can discuss this at your next review meeting, or you can call us to schedule an appointment. **Remember, investing in equities should be viewed as a long-term commitment!**

## Conduct a Year-End Assessment

The end of the year can be a very busy time, filled with festive parties, family gatherings, and travel. However, it is good practice to take some time to conduct a year-end financial assessment. This can be a quick look at how you managed your finances in the current year and then setting yourself up for success in the new year. To help make this easier, we have created a short year-end checklist for you. As your wealth manager, we enjoy providing you holistic assistance in all aspects of your financial life. **As always, if you have any questions or concerns, please call us at 919.805.0035.**

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# Quick Year-End Financial Assessment

## **BUDGET Review**

Review your budget.

Are your income and expenses still accurate?

How well did you stick to your budget?

Do you anticipate any changes in 2023?

## **DEBT Review**

Check all of your forms of debt.

Do you have any debt that can or should be repaid or paid down?

## **SAVINGS Progress**

Are you on track to meet your savings goals?

Do you have an adequate emergency fund?

## **RETIREMENT Fund**

Have you maxed out your contributions to your retirement plan?

## **MEET With Your Financial Professional**

Do you need to review your plan?

Do you have any new anticipated changes in 2023?

If so, then, schedule an appointment with us!

## HELP US HELP OTHERS!

**Our goal this year is to help others with their financial decisions. Please help us by offering a copy of this article to a friend, colleague, or family member that you feel would benefit from this information. To add someone to our mailing list please call Kim Kittler at (919) 803-0035.**

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