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Commerce Concepts

Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

Why Did Retirement Confidence Falter in 2023?

In its annual Retirement Confidence Survey of current workers and retirees, the Employee Benefit Research Institute (EBRI) found that workers' confidence in their ability to fund retirement fell in 2023 by the largest extent since the financial crisis of 2008. Retirees' confidence also took a substantial hit. Overall, just 20% of respondents felt very confident they will be able to afford a comfortable retirement.

The percentage of workers who felt at least somewhat confident in their ability to afford retirement fell from 73% in 2022 to 64% in 2023. For retirees, the drop was four percentage points, from 77% in 2022 to 73% in 2023. Although retirees' confidence remained higher than workers' — a historical trend — just 27% of retirees were very confident, down from 33% last year and the lowest percentage since 2009.

The top two reasons workers gave for a lack of confidence were having little or no savings, being unprepared, or a general "can't afford it" (40% of respondents) and the rising cost of living/inflation (29%). Those reasons mirrored retiree responses, but in reverse order; 42% of retirees who lack confidence were concerned about inflation, while 25% said they had little or no savings, were unprepared, or were unable to afford their regular expenses.

Rising cost of living a major worry

Inflation was a recurring theme throughout this year's report.

- 84% of workers and 67% of retirees were concerned that inflation will make it harder to save money.
- 73% of workers and 58% of retirees were worried that they will have to cut their spending substantially due to inflation.
- Nearly half of retirees said their overall spending is higher than expected, compared with just 36% in 2022.
- Just 58% of workers (down from 67% in 2022) believed they would have enough money to keep up with the rising cost of living in retirement.

Strategies to boost confidence

More workers seem to be seeking experienced guidance when it comes to managing their retirement strategies; 34% are currently working with a financial professional, up from 29% in 2022, and more than half expect to do so in the future, up from 45% in 2022. While initial meetings with professionals may cause

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WIN A $25 GIFT CARD

to your choice of REI or Powell's!
(See page 2 for details)

Congratulations to our most recent winner:

Paul D. of Apex Industries, Inc.

Visit ***thecommco.com/commerce-concepts*** *for the answer to last issue's question.*

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Retirement & Investment Services

Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends. See page four for index definitions.

Source:
Raymond James Financial Services

To be entered into a drawing to win a

$25 GIFT CARD,

email free@thecommco.com with the answer to this question:

According to the EBRI Retirement Confidence Survey, what percent of workers are currently working with a financial professional?

Market Update

Through September 30, 2023

		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	-2.10%	19.18%	7.14%	10.79%
Large Company US Stocks	S&P 500	-3.27%	21.62%	9.92%	11.91%
Small Company US Stocks	Russell 2000	-5.13%	8.93%	2.40%	6.65%
Non-US Stocks	MSCI EAFE (Gross Div)	-4.05%	26.31%	3.74%	4.32%
US Bonds	Bloomberg US Aggregate	-3.23%	0.64%	0.10%	1.13%
Cash Alternatives	ICE B of A 3 Month US Tsy Bill	1.31%	4.47%	1.72%	1.11%

Economic Snapshot

Gross Domestic Product (GDP)
GDP growth is expected to continue to moderate over the next several quarters and we expect recession to start in 1Q24.

Housing and Construction
High mortgage rates and rising construction costs due to a scarcity of workers are negatively impacting the housing industry. Despite these headwinds, the low supply of homes is keeping prices stable.

Manufacturing
Manufacturing output, as measured by the Manufacturing Production Index, has remained positive but weak.

Employment
Nonfarm payrolls have remained strong so far this year, but the labor market has been cooling down and we expect it to start contracting in 2024.

Monetary Policy
We expect at least one more hike before interest rates reach a terminal rate, where they should remain for several months.

Inflation
Inflation is likely to continue to stabilize as economic activity weakens. Shelter costs should slow down further. Barring any economic shock, headline inflation should go lower over the next several quarters.

Investment Strategy Quarterly: Published by Raymond James and Associates, October 2023. For a complete PDF copy of the current issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.

September Market Review

- Inflation remains persistently higher than the Fed's 2% target. And while the Fed declined to raise interest rates at its September meeting, it left the door open for another rate increase by the end of the year. The 10-year Treasury yield hit a 15-year high after the Fed's language suggested it would keep interest rates higher for longer than investors expected. "Higher for longer" rates are expected to weigh on the economy, but have also created opportunities to lock in elevated yields.

- Lower consumer confidence, concerns over a potential government shutdown, slowing home sales, higher oil prices, persistent inflation, and the Fed's message regarding interest rates all combined to bring the S&P 500 down for the month.

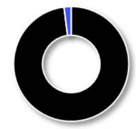
- September saw hopes for a "soft landing" – inflation correcting without a side effect of recession – challenged, pulling air out of the equity market. Though the economy and labor market remained strong in the third quarter, data continues to suggest a mild recession in the first half of 2024. We expect volatile conditions to continue into the fourth quarter, but our overall outlook remains positive. As long-term investors, down markets present opportunities to acquire high quality assets.

For additional asset allocation and disclosure information, please click here or visit the Resources section of our website at

thecommco.com

Strategic Asset Allocation Models

As of October 2023

Equities Fixed Income Cash Alternatives					
	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**30%**	**48%**	**63%**	**77%**	**98%**
Equity allocation comprises:					
U.S. Large Cap Blend	20%	22%	27%	32%	45%
U.S. Large Cap Growth	0%	3%	5%	7%	8%
U.S. Large Cap Value	0%	3%	5%	7%	8%
U.S. Mid Cap Equity	4%	7%	9%	11%	13%
U.S. Small Cap Equity	1%	3%	5%	7%	8%
Non-U.S. Developed Market Equity	5%	10%	8%	9%	11%
Non-U.S. Emerging Market Equity	0%	0%	4%	4%	5%
Fixed Income	**68%**	**50%**	**35%**	**21%**	**0%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	58%	41%	31%	21%	0%
Investment Grade Short Maturity	0%	0%	0%	0%	0%
Non-Investment Grade (High Yield)	7%	6%	4%	0%	0%
Non-U.S. Fixed Income	3%	3%	0%	0%	0%
Multi-Sector Fixed Income	0%	0%	0%	0%	0%
Alternative Investments	**0%**	**0%**	**0%**	**0%**	**0%**
Cash & Cash Alternatives	**2%**	**2%**	**2%**	**2%**	**2%**
Totals	**100%**	**100%**	**100%**	**100%**	**100%**

These asset allocation targets are based on our changing views of the risk and return in the various asset classes, looking out over three or more years. The models assume fully allocated portfolios and do not take into account outside assets, additional cash reserves held independent of these models, or any actual investor's unique circumstances. Investors should consult their financial advisor to decide how these models might assist in the development of their individual portfolios. Material is provided for informational purposes only and does not constitute a recommendation.

The investment profile is hypothetical, and the asset allocations are presented only as examples and are not intended as investment advice. Asset allocation and diversification do not assure a profit or protect against loss. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in small- and mid-cap stocks generally involves greater risks, and therefore may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Index definitions: The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The ICE BofAML 3-Month US Treasury Bill index consists of a single issue that is purchased at the beginning of the month and held for a full month. At month's end, that issue is sold and rolled into a newly selected issue, which is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. The selected issue must have settled on or before the month-end rebalancing date. Past performance may not be indicative of future results. An investment cannot be made in these indexes. The performance mentioned does not include fees and charges, which would reduce an investor's returns.

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retirement "sticker shock", having an ongoing relationship with an advisor is one way to build your knowledge and confidence over time.

Other actions you can take to boost your retirement readiness and confidence include:

- If you haven't started yet, get started now – even if you feel that you're starting late or you have to start small. Any amount of savings is better than none.
- Keep saving at some level every year. Some years you may be able to save a lot, and other years your savings rate might need to be reduced, but try to commit to keeping the momentum of contributing at least something to your retirement plan each year.
- Consider whether you may downsize or relocate in retirement. Some retirees find that downsizing leaves them with cashed-out equity from the family home to boost their portfolio or cash reserves. Relocating to an area with a lower cost of living or lower local taxes may also stretch your retirement income dollars significantly.
- Assess and prioritize your spending. If you find nonessential costs that can be cut, remember that removing that expense is only step one of the process – step two is to redirect that money into paying down debt faster and/or increasing your contributions to a tax-deferred retirement account.
- Invest some time into financial education. The more financially literate you become, the easier it will be to identify opportunities and avoid (or recover from) mistakes.
- Let us help! If you'd like to review your plans, goals, and strategies with a financial professional, email us at newsletter@thecommco.com to start the conversation.