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Commerce Concepts

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

Will You Work Beyond Traditional Retirement Age?

More than 70% of current workers in a recent survey said they expect a paycheck to play a role in their income strategy beyond traditional retirement age. In fact, 33% expect to retire at age 70 or older, or not at all.

If you expect to continue working during your 60s, 70s, or beyond, consider the advantages and disadvantages carefully. Although working can enhance your retirement years in many ways, you may also face unexpected consequences, particularly when it comes to Social Security.

Advantages

There are many reasons why you may want to work during retirement. First and perhaps most obvious, a job offers a predictable source of income that can help pay for basic necessities, provide an extra cushion, or supply “fun money” beyond the limits of what your Social Security and savings can cover. Working may also allow you to continue saving on a tax-deferred basis through a work-based retirement savings plan or IRA.

Traditional retirement accounts generally oblige you to take Required Minimum Distributions (RMDs) after you reach age 73 or 75, depending on your year of birth. However, if you continue working past RMD age, you can typically delay RMDs from a current employer's plan until after you retire, as long as you don't own more than 5% of the company (Roth IRAs and, beginning in 2024, work-based Roth accounts do not impose RMDs during the account owner's lifetime). Moreover, employment can benefit your overall well-being through social engagement with colleagues, intellectual stimulation, and (if you're employed in a field that requires exertion and movement) mobility and fitness.

Working may also provide access to valuable health insurance coverage, which can supplement Medicare after the age of 65. Keep in mind that balancing work-sponsored health insurance and Medicare can be complicated, so be sure to seek guidance from a qualified professional. A paycheck might also allow you to delay receiving Social Security benefits up to age 70. This will not only increase your monthly benefit amount beyond what you'd receive at early or full retirement age, it will add years of earnings to your Social Security record, which could further enhance your future payments. If one of your financial goals is to leave a legacy, working longer can help you continue to build your net worth and preserve assets for future generations and causes.

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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:

Lisa W. of Oregon Consumer Justice

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:

What percentage of surveyed workers expected to retire after age 70 or not at all?

Market Update

Through December 31, 2023

		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	13.09%	16.18%	12.47%	11.08%
Large Company US Stocks	S&P 500	11.69%	26.29%	15.69%	12.03%
Small Company US Stocks	Russell 2000	14.03%	16.93%	9.97%	7.16%
Non-US Stocks	MSCI EAFE (Gross Div)	10.47%	18.85%	8.69%	4.78%
US Bonds	Bloomberg US Aggregate	6.82%	5.53%	1.10%	1.81%
Cash Alternatives	ICE B of A 3 Month US Tsy Bill	1.37%	5.01%	1.88%	1.25%

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 2Q24.

Housing and Construction
Despite the headwinds of high mortgage rates and rising construction costs, the low supply of homes has kept prices somewhat stable, and lower rates later in 2024 might provide some additional relief.

Manufacturing
The ISM Manufacturing Index remained in contraction for all of 2023, but should begin a recovery in the second half of 2024, as the Fed starts to ease rates.

Employment
Nonfarm payrolls remained strong in 2023, but the labor market has been cooling down and we expect it to weaken further in 2024.

Monetary Policy
The Fed is likely to keep rates steady for several more months before beginning any rate decreases.

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

Investment Strategy Quarterly: Published by Raymond James and Associates, January 2024. For a complete PDF copy of the current issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.

December Market Review

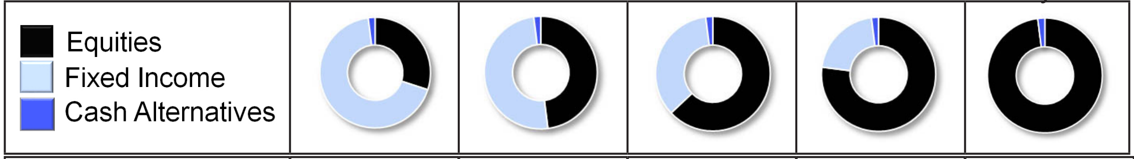
- The market environment looked a lot brighter at the end of 2023 than it did at the close of a dreary 2022. “However,” said Raymond James Chief Investment Officer Larry Adam, “it is important to put the positive year of performance into perspective: 2023 was a reset year, as the over 25% return for the S&P 500 only recouped all the losses from 2022.”
- While the Dow Jones Industrial Average notched seven record highs in 2023, the S&P 500 closed the year less than 1% from all-time highs. Tech-related sectors were the best performers for the year, as the NASDAQ 100 and its leading artificial intelligence stocks saw its best year since the 1999 tech bubble. And small-cap equities, which had been a significant underperformer for the year, showed signs of a resurgence and were the best performer in the fourth quarter.
- It may be too soon to celebrate the Fed engineering a “soft landing” – a return to the target inflation rate without a recession. For one, inflation remains above the 2.0% target. Two, the lagging effects of the Fed’s rate hike program continue to cool economic activity. And three, the repercussions of higher economic growth (or any other geopolitical event with the potential to disrupt food and energy prices) could directly influence inflation and future Fed policy.

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 January 2024



	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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Disadvantages

There are some possible drawbacks to working during retirement, especially regarding Social Security. For instance, if you earn a paycheck and receive Social Security retirement benefits before reaching your full retirement age (66 - 67, depending on your year of birth), part of your Social Security benefit will be withheld if you earn more than the annual Social Security earnings limit. However, the reduction is not permanent; in fact, you'll likely receive a higher monthly benefit later. That's because the Social Security Administration recalculates your benefit when you reach full retirement age and omits the months during which your benefit was reduced.

After reaching full retirement age, your paycheck will no longer affect your Social Security benefit amount. But, if your combined income (as defined by Social Security) exceeds certain limits, it could result in federal taxation of up to 85% of your Social Security benefits.

Perhaps the biggest disadvantage to working during retirement is... working during retirement! In other words, you're not completely free to do whatever you want, whenever you want, which is often what people most look forward to at this stage of life.

Finally, a word of caution: despite your best planning and efforts, you may find that you're unable to continue working into your older years, even if you want to. Consider that nearly half of today's retirees left the workforce earlier than planned, with two-thirds saying they did so because of a health problem or other hardship (35%) or changes at their company (31%). For these reasons, it may be best to focus on accumulating assets as you plan for retirement, viewing extended work as a possible option rather than planning to rely on it as a significant source of income.