



MARKET MONITOR

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Seven Verses to be a Happy Investor and Have Plenty of Retirement Legal Tender

BY: MICHAEL ALEXENKO, CFA

If you're a baby boomer or like listening to some good classic rock, you're probably familiar with the gifted singer/songwriter, Jackson Browne who wrote a lot of songs dripping with romanticism. One that still deservedly gets occasional play time is *The Pretender*. It was Jackson's ballad about a man feeling guilty because he's betrayed his ideals by living what most would consider to be a responsible life, by getting up in the morning and going to work each day and trying to make plans for future security. Jackson accentuates his criticism of the ordinary lifestyle by calling, what seems to be the autobiographical character in the song, a happy idiot for struggling for the legal tender.

For the rest of us "happy idiots" who weren't fortunate enough to make tens of millions by age 30 as a rock star, we must make some plans about how to preserve our legal tender so we can enjoy our retirements when the paychecks stop. Jackson might know a better way of reaching our dreams rather than investing, planning and budgeting, but if he does, the answer is not found in *The Pretender*.

It would be fitting to put the rest of this newsletter to music, but the best that can be done in keeping with the theme is to write seven stirring verses that you can possibly put to a melody as you're planning or living your retirement. Humming a few bars every now and then might put a little fun into retirement planning and keep you on track to be able to reach your goals.

Verse one - Social Security

Don't make a fast decision on when you'll claim your benefits. Taking Social Security as soon as you reach 62 is probably not the best choice, especially if there is an age gap between you and your spouse. A few high wage earners might be tempted to scoff at meager social security payments, but the maximum benefit that can be earned in 2024 is over \$58K annually. If you combine this with spousal benefits, Social Security payments become an integral part of your retirement plan. If you're healthy and inherited longevity genes, delaying your benefits past your full retirement age will most probably result in maximizing the benefits you receive

over your lifetime.

Verse two - Medicare – Giving thought to what type of Medicare coverage is best for you could save money, improve your coverage, and make things a little easier to understand. Leave it to the government to create a plan for seniors that has multiple parts so they're unsure what kind of coverage they have or if vision, dental and hearing costs are covered. Because of the "in-network restrictions," if you buy yourself the place in the shade of the palm tree and stay there year-round, then you could consider a Medicare Advantage plan that offers more benefits, simplifies the coverage, and provides an out of pocket limit.

The Investor

When I retire, I'm goanna
buy myself a place in the shade
of the palm tree
I'll get up every morning and watch
Maria B on TVand in the heat of the
day my wife will spend our Social Security
But, when the evening rolls
around she'll come home and
sit her body down and enjoy a
Long Island Ice Tea
I'll find myself an advisor who charges me
low fees
and doesn't buy any individual
stocks because he says I need diversity
Say a prayer for the investor, that he never
strays from his portfolio strategy
so he can he live out all of his retirement
fantasies
- Amen, Say it Again, Amen
Michael "Jackson" Alexenko

Verse three - Having an

Investment Strategy – A good advisor will help you identify your risk tolerance and steer you toward the best balance of stocks and bonds to use to help you invest for the long run. Investment strategy helps us avoid wealth crushing market timing temptations and radical investment impulses that can have devastating consequences that according to Jackson Browne can cause "...the ships bearing their dreams to sail out of sight..." Staying true to an investment strategy will not remove all losses or disappointments, but it will give you the greatest chance of achieving your dreams.

Verse four - Use Your Retirement Money Correctly

– Ideally, you'll have money invested in both taxable and tax-deferred IRA accounts. Once you retire, you need to plan which combination of spending from those accounts is best for your particular

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Attention to Detail Makes Your Estate Plan Your Own

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tax bracket. The bonus to saving money in IRAs and 401(k)s comes when you can spend them at a lower tax rate than at the one that you had when you made your contributions. If your effective tax rate is less than 15% you have flexibility to consider drawing some money from IRAs or doing a Roth conversion, especially before you reach the age at which time you need to take required minimum distributions. Working with your accountant on an estimated tax calculation can help you use the best blend of your retirement resources

Verse Five - When in Doubt, Budget – Track your spending frequently now and when you get closer to retirement. If you don't know what you're spending, it will be impossible to create an accurate goal for the money you need when you retire. Believing that you

need \$7,500/month to live comfortably before you retire and then spending \$12,500/month when you actually retire will cause the ship bearing your dreams to sail even faster out of sight

Verse Six – Is That Second Home Right for You - In this case Jackson Browne may have been more correct when he started his song with renting a place rather than buying a place. Escaping the State of Illinois permanently to buy a place in the shade of the palm tree is fine, but buying a second home is an expensive venture and could cost you more than renting, unless you plan to split your time in the second location and you can claim residency in a more tax friendly state. What you most likely do not want to do, is to be saddled with a long-term rental payment or housing payment in

retirement. Nothing will chew up budget dollars faster than housing costs

Verse Seven – Put Your Estate in Order - Don't die intestate and be sure your financial accounts have the beneficiaries listed on them that you want. Even your non-retirement accounts can have a "Transfer on Death" provision that could make getting inheritance dollars to heirs much faster. Occasionally review your beneficiary designations and be sure to work with an attorney or at a minimum use an online estate planning tool to help you write a Will or Trust. Everyone has an estate plan whether they realize it or not, because if you don't make your own, the government does it for you. That's not the best option!

Market Snapshot: Conflicting Data Makes Forecasting Market and Economy Difficult

BY: MICHAEL ALEXENKO, CFA

Markets are trading at or near all-time highs, inflation seems to be coming down, the Fed hints at cutting interest rates and the labor market looks healthy. So why are investors and consumers so sour on the state of the economy? Consumers' sentiment readings continue to be close to all-time lows despite the fact that their retirement accounts are growing. Maybe some of it has to do with an election where people feel disappointed in their choices for president, and they can't escape the reality of higher prices that their wages and incomes have not kept pace with?

There are two employment surveys that measure the health of the labor market, and one gets little attention, but it can be a more complete measurement of job creation in our economy. The establishment survey is the most popular and the household survey is the second and lesser known but more comprehensive measure. The household survey shows that

jobs might be falling in the economy rather than growing. This could help to explain that those with jobs have less alternatives to find another job or feel job insecurity. Nothing will make you feel worse about the overall economy than a bad working experience. But, before we convince ourselves that this is the issue and our economy is careening toward recession, we need to know that the household survey can have some wide deviations and adjustments.

Conflicting economic data often keeps us guessing on where things are headed and that's why having an investment strategy to keep us focused is important. The right balance of stocks and bonds will help provide downside protection while preserving your upside potential. Strategy will help us sail our ship of dreams rather than watching it sail away.

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